

Management's Discussion and Analysis

As management of Charleston County, South Carolina, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Charleston County for the fiscal year ended June 30, 2016. The Management Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the County's financial activity, and identifying changes in the County's financial condition, material deviations from the financial budget and individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 10 of this report, and the County's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the County at June 30, 2016 by \$138,654 (net position.) This is comprised of net investment in capital assets of \$157,818, restricted net position of \$122,098 and unrestricted net position of (\$418,570). The unrestricted net position deficit was primarily due to implementing Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (GASB #68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* (GASB #71) in the fiscal year ending June 30, 2015.
- Charleston County's total net position increased by \$19,393 during the fiscal year ended June 30, 2016, with an \$18,523 increase resulting from governmental activities and an \$870 increase resulting from business-type activities.
- As of the close of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$297,109, which is a \$7,279 increase from the prior year. Approximately 17.88 percent or \$53,131 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$59,449 or approximately 31 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$53,131, or approximately 28 percent of total general fund disbursements.
- The County implemented GASB #68 and GASB #71 in the fiscal year ended June 30, 2015. These Statements require the County to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for their participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and actual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. The County's net pension liability at June 30, 2016 was \$211,933.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Charleston County's basic financial statements which are comprised of three sections:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required supplementary and other supplementary financial information in addition to the basic financial statements.

Government-wide Financial Statements. Government-wide financial statements are designed to provide readers with a broad overview of the financial position of Charleston County and are similar to private sector financial statements. They include a Statement of Net Position and a Statement of Activities. These statements appear on pages 34 through 36 of this report.

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial position.

The Statement of Activities follows the statement of net position and presents information showing how the County's net position changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of related cash flows. Some included items, such as accounts payable or earned but unused vacation leave, will produce changes in cash in future fiscal periods.

Both statements distinguish between functions of Charleston County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include general government, public safety, judicial, public works, health and welfare, economic development, culture and recreation, and education. Major business activities include environmental management (recycling and waste disposal) and parking garages. Other business-type activities include the Department of Alcohol and Other Drug Abuse Services (DAODAS), a countywide E-911 communication system, public safety system, radio communications, and revenue collections.

Charleston County's government-wide financial statements include component units of the County. Component units can be blended or discretely presented. Component units are legally separate organizations for which the primary government is financially accountable and are presented as a separate column in the government-wide statements and as combining statements of net position and of activities in the fund financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. For those readers interested in more information on the component units, contact information is provided in Note I. B. on pages 60 through 62 of this report.

The government-wide financial statements can be found on pages 34 through 36 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Charleston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Charleston County government can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds. Governmental funds, presented on pages 38 through 41, essentially account for the same functions as those reported under the governmental activities on the government-wide Statement of Net Position and Statement of Activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Charleston County's near-term financing requirements and available resources.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in Charleston County's statements include four major funds: the General Fund, the Debt Service Fund, the Transportation and Road Sales Tax Special Revenue Fund, and the Special Source Revenue Bond Fund. Although there are many smaller governmental funds in Charleston County government, they have been presented in a total column termed as "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 137 through 147 of this report.

Proprietary Funds. Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 45 through 50 and pages 163 through 174 of this report.

Enterprise funds report in greater detail the same information presented as business-type activities in the government-wide financial statements for Environmental Management and Parking Garages. DAODAS, E-911 Communications, Public Safety System, Radio Communications, and Revenue Collections are presented in one total column termed as "Non-major Other Funds" but may be separately reviewed in the combining statements on pages 163 through 168.

Internal service funds (ISFs) are an accounting mechanism to accumulate and allocate costs internally for Charleston County Government. The County uses internal service funds to account for Fleet Management, Office Support Services, Workers' Compensation, Employee Benefits, and Telecommunications. See pages 170 through 174 of this report. ISFs have been eliminated on the Statement of Net Position.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Charleston County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 176 through 178 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages 58 through 123 of the report.

Other Information. Individual statements, which present more detailed views of non-major funds used in governmental and business-type funds, begin on page 137. Additional trend information about the County, which may be of interest to the reader, is found under the Statistical Section of this report, starting on page 184. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 160.

This report also presents required supplementary financial information concerning the County's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees and the proportionate share of the net pension liability. Required Supplementary Financial Information can be found starting on page 126.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Charleston County, liabilities and deferred inflows exceeded assets and deferred outflows by \$138,654 at the close of fiscal year 2016. This was an increase of \$19,393 or 12 percent during fiscal year 2016.

A portion of the County's net position, \$157,818, is net investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the County's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

An additional portion of the County's net position, \$122,098, represents resources that are subject to external restrictions on how they may be used. These include funds for road projects, construction/purchase of capital assets, and debt service.

Unrestricted net position is (\$418,570), indicates the portion of net position which can be used for day-to-day operations without constraints established by legislation or other legal requirements. This balance is negative as the County has borrowed and expended funds on state and municipal roads. The debt is County debt but the assets improved/created do not belong to the County. The recognition of the County's net pension liability as required by GASB #68 and GASB #71 has contributed to this negative unrestricted net position.

At the end of 2016, the County had positive balances in two of the three categories of net position for the primary government. As stated above, the unrestricted net position is negative as the County has issued GO bonds for roads and greenbelt projects in the transportation sales tax fund. The roads are not County roads and the greenbelt funds are used by other local governments, therefore those assets are not shown on the County's statements. An additional factor of the negative unrestricted net position was the implementation of GASB #68 and GASB #71 during the fiscal year end June 30, 2015.

Charleston County's Net Position

June 30, 2016

(Recapped from page 34)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾
	Current, restricted and other assets	\$ 535,773	\$ 524,453	\$ 80,772	\$ 80,263	\$ 616,545
Capital assets	310,873	309,249	54,525	52,721	365,398	361,970
Total Assets	846,646	833,702	135,297	132,984	981,943	966,686
Total deferred outflows of resources	59,034	35,414	-	-	59,034	35,414
Long-term liabilities outstanding	721,968	726,668	6,406	8,096	728,374	734,764
Other liabilities	247,890	227,932	9,187	6,054	257,077	233,986
Total liabilities	969,858	954,600	15,593	14,150	985,451	968,750
Total deferred inflows of resources	194,180	191,397	-	-	194,180	191,397
Net Position:						
Investment in capital assets	103,293	106,150	54,525	52,721	157,818	158,871
Restricted for:						
Capital projects	90,399	7,821	-	-	90,399	7,821
Debt service	18,085	17,017	-	-	18,085	17,017
General government	165	238	-	-	165	238
Law enforcement	6,325	4,000	-	-	6,325	4,000
Judicial	3,107	3,220	-	-	3,107	3,220
Health and welfare assistance	377	385	-	-	377	385
Economic development	2,849	2,777	-	-	2,849	2,777
Tourism related	791	2,073	-	-	791	2,073
Unrestricted	(483,749)	(420,562)	65,179	66,113	(418,570)	(354,449)
Total net position	\$ (258,358)	\$ (276,881)	\$ 119,704	\$ 118,834	\$ (138,654)	\$ (158,047)

⁽¹⁾ The County implemented GASB 68 and GASB 71 in FY2015.

The County's net position increased by \$19,393 during fiscal year 2016. The governmental activities had an increase in net position of \$18,523. For the 2016 fiscal year, the County's total millage rate increased by 2.4 percent, an increase of 4.4 mills. The collection rate for real and personal property increased by 3.72 percent.

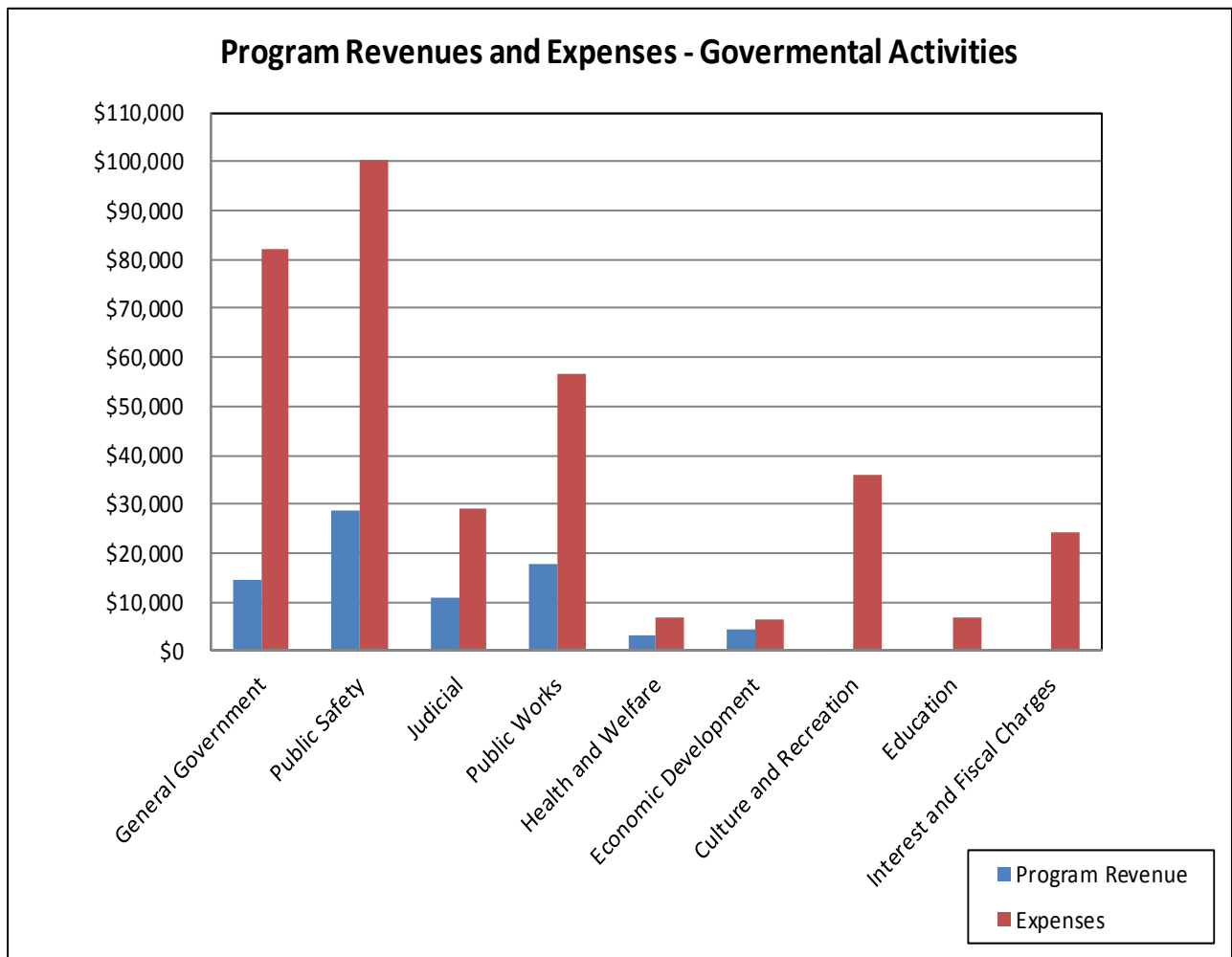
County of Charleston, South Carolina
Changes in Net Position (Recapped from pages 35 and 36)
For the Fiscal Year Ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾	2016	2015 ⁽¹⁾
Revenues						
Program Revenues:						
Charges for services	\$ 47,606	\$ 47,457	\$ 43,987	\$ 45,145	\$ 91,593	\$ 92,602
Operating grants and contributions	32,292	26,992	1,116	1,009	33,408	28,001
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	142,718	120,790	-	-	142,718	120,790
Other taxes and fees	131,682	123,989	707	549		124,538
State aid to political subdivisions	12,986	13,152	-	-	12,986	13,152
Unrestricted investments earnings	1,180	1,201	301	132	1,481	1,333
Gain on sale of capital assets	313	-	14	85	327	85
Total Revenues	368,777	333,581	46,125	46,920	282,513	380,501
Program Expenses						
Governmental Activities:						
General government	82,067	76,386	-	-	82,067	76,386
Public safety	100,145	101,118	-	-	100,145	101,118
Judicial	28,929	28,308	-	-	28,929	28,308
Public works	56,531	65,384	-	-	56,531	65,384
Health and welfare	6,920	6,436	-	-	6,920	6,436
Economic development	6,497	2,747	-	-	6,497	2,747
Culture and recreation	35,967	35,232	-	-	35,967	35,232
Education	6,666	6,103	-	-	6,666	6,103
Interest and fiscal charges	24,238	26,246	-	-	24,238	26,246
Business-Type Activities:						
DAODAS	-	-	9,388	7,935	9,388	7,935
E-911 communications	-	-	2,715	2,730	2,715	2,730
Environmental management	-	-	27,115	23,053	27,115	23,053
Parking garages	-	-	2,427	2,036	2,427	2,036
Public safety system	-	-	441	380	441	380
Radio communications	-	-	3,680	3,351	3,680	3,351
Revenue collections	-	-	1,783	1,332	1,783	1,332
Total Expenses	347,960	347,960	47,549	40,817	395,509	388,777
Excess (deficiency) of revenues before transfers over (under) expenses	20,817	(14,379)	(1,424)	6,103	19,393	(8,276)
Transfers	(2,294)	(1,437)	2,294	1,437	-	-
Increase (Decrease) in Net Position						
	18,523	(15,816)	870	7,540	19,393	(8,276)
Net position, beginning ⁽¹⁾	(276,881)	(261,065)	118,834	111,294	(158,047)	(149,771)
Net Position, ending	\$ (258,358)	\$ (276,881)	\$ 119,704	\$ 118,834	\$ (138,654)	\$ (158,047)

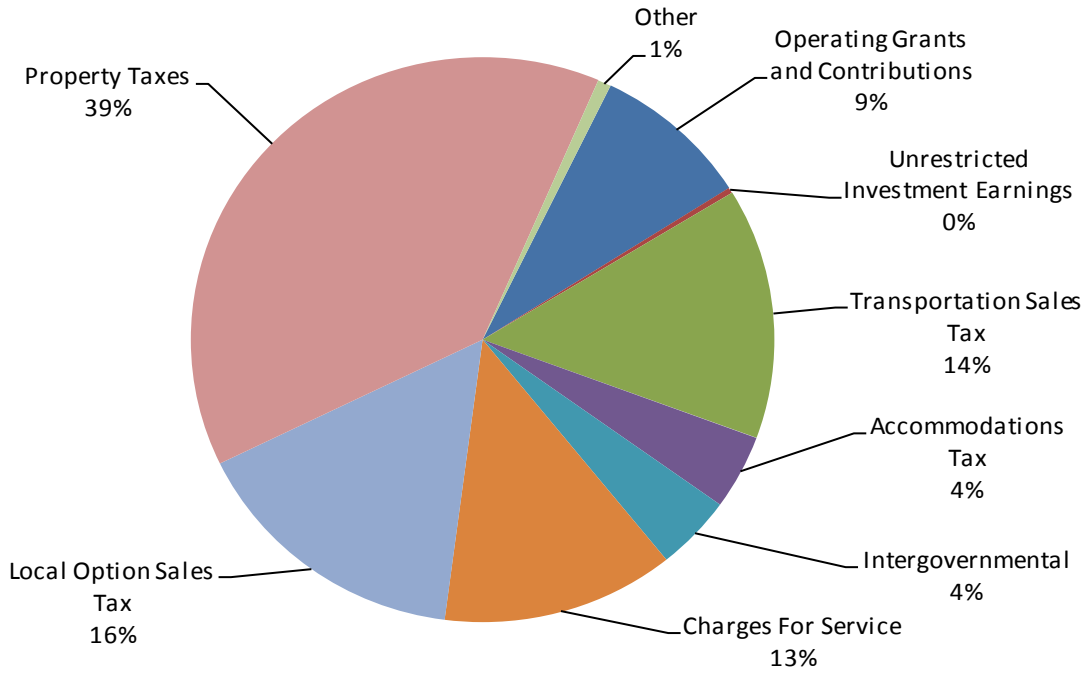
⁽¹⁾ The County implemented GASB 68 and GASB 71 in FY2015.

Governmental Activities. Governmental activities increased the County's net position by \$18,523. The key elements of the increase are:

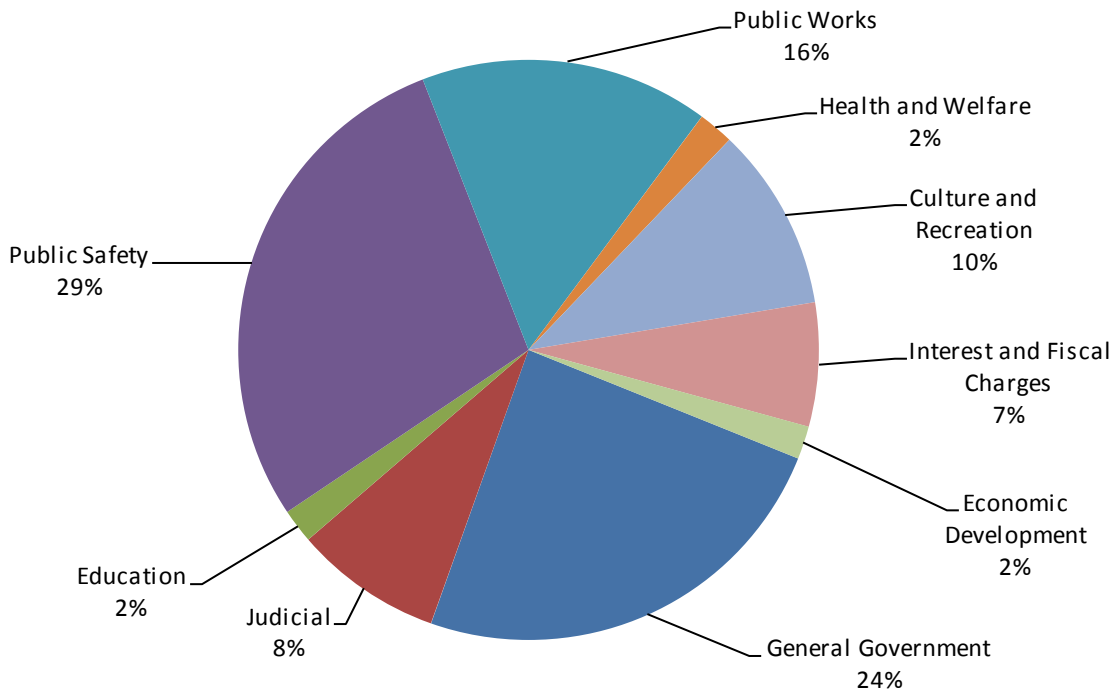
- Property tax revenue increased \$21,928 (18.15 percent) primarily due to an increase in the millage rates and an increase in the County's collection rates.
- Other taxes and fees increased \$7,693 (6.2 percent) due to increased sales in Charleston County. This includes accommodations tax, local option sales tax and transportation sales tax.
- Operating grants and contributions increased \$5,300 (19.6 percent) due to several new grants for public safety and economic development.
- Total governmental activities expenses did not increase.



Revenues by Source - Governmental Activities

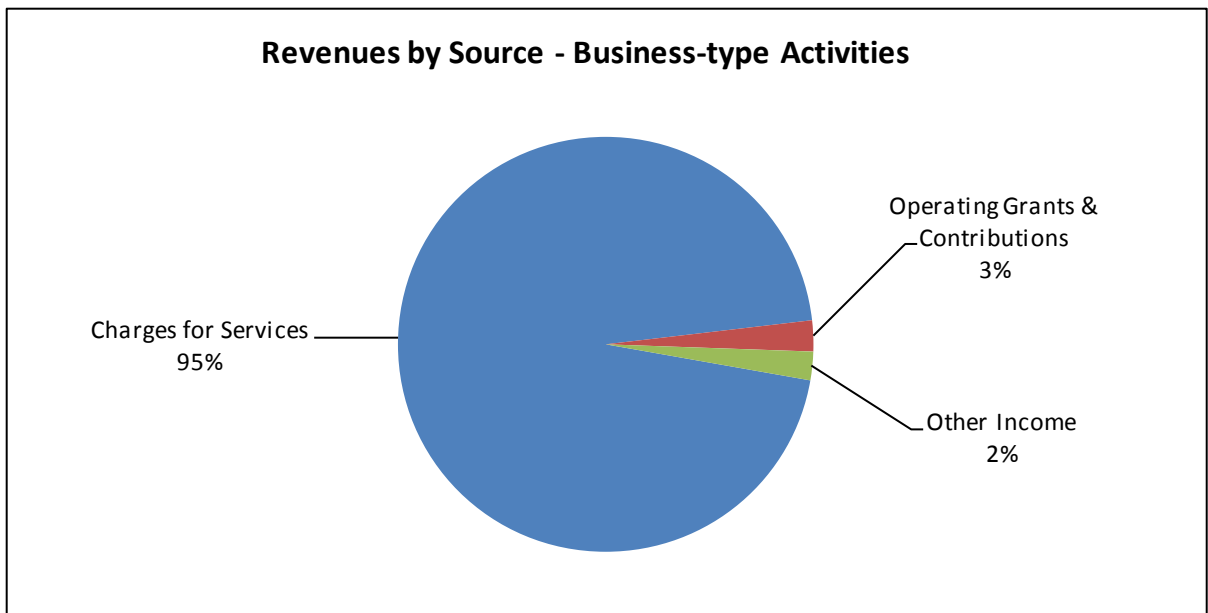


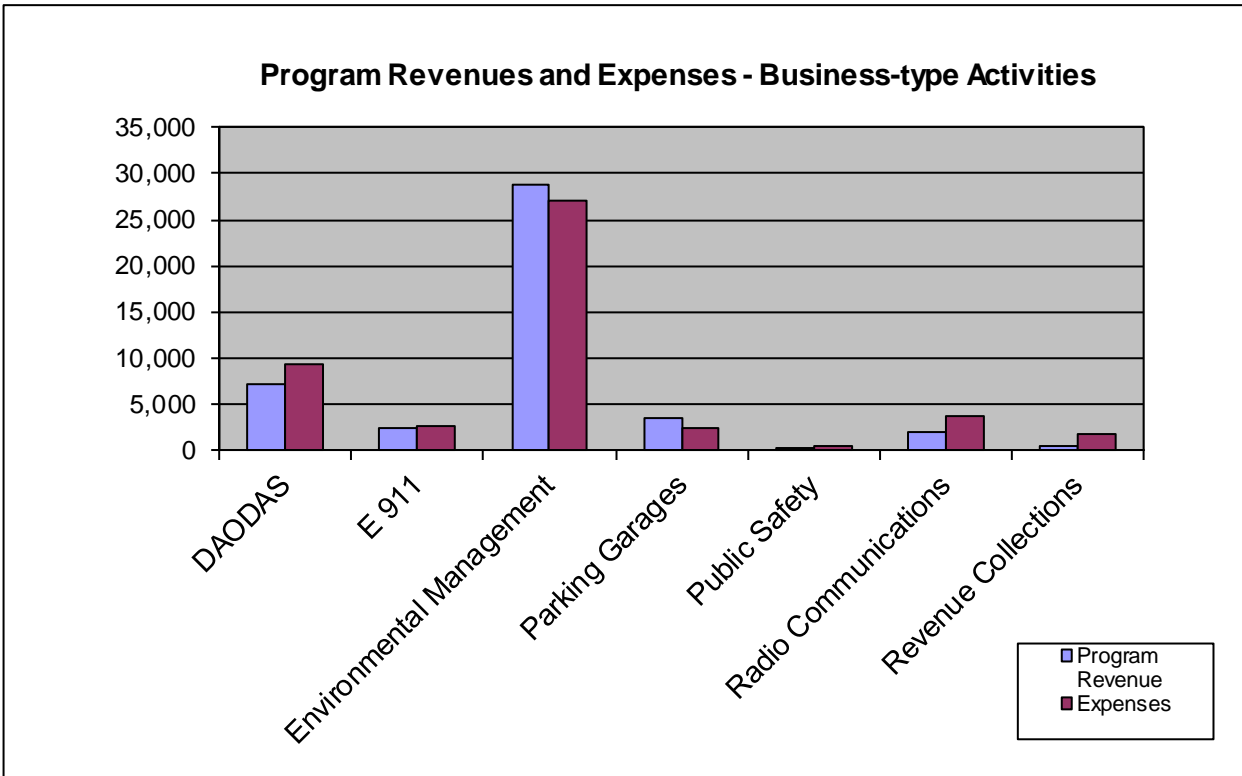
Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities increased the County's net position by \$870. The key element of this increase was:

- The operating transfers in increased by \$857 (59.64 percent) primarily in the Radio Communications fund.
- Unrestricted investment earnings increased by \$169 (128 percent) due to higher interest rates.
- Other fees increased by \$158 (28.77 percent) due to an increase in alcohol beverage tax received from the State.
- Overall, expenses for the business-type activities increased by \$6,732 (16.49 percent). This increase was primarily in the Environmental Management fund. Operating expenses in this fund increased \$5,126 with the largest increases in fleet expenses \$1,739, contracted services \$1,626 and post landfill closure costs \$1,036.





Financial Analysis of the Government's Funds

As noted earlier, Charleston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$297,109, an increase of \$7,279 in comparison with the prior year. This increase is due to several factors, including an increase in property taxes levied and collected of \$28,306. The general government expenditures increased \$8,232. The largest increase in the general government expenditures were facilities management \$1,398 and transportation sales tax expenditures of \$6,792.

The ending fund balance of \$297,109 for the governmental funds is composed of five components: unassigned fund balance of \$53,131, assigned fund balance of \$6,318, committed fund balance of \$56,298, restricted fund balance of \$180,585 and non-spendable fund balance of \$777.

Unassigned fund balance accounts for approximately 17.88 percent or \$53,131 of the total fund balance. Unassigned fund balance is available for spending at Charleston County's discretion.

Assigned fund balance for the current fiscal year is \$6,318 or 2.13 percent of ending fund balance. Assigned fund balance includes \$2,256 which was encumbered at the end of fiscal year 2016. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$56,298 or 18.95 percent of ending fund balance and is comprised of the fund balances in the capital project funds. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of County Council.

The restricted fund balance totals \$180,585 or 60.78 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$148,886, 2) debt service of \$18,085, 3) \$6,325 for law enforcement activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,107 for judicial services (primarily balances in the Solicitor's office). The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Non-spendable fund balance is \$777. Non-spendable fund balance accounts for inventories recorded in the general fund.

General Fund. The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$53,131 while total fund balance reached \$60,227. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$8,363. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 28 percent of total general fund disbursements, while total fund balance represents 32 percent of that same amount. This meets the County's financial policy of maintaining an unassigned fund balance of 2 months of expenditures. Excluding the rainy day fund from the calculation, unassigned fund balance is 23.8 percent of disbursements, which also meets the financial policy. There was an increase of \$6,444 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$21,232 or 11.23 percent higher than the previous fiscal year.

- Property taxes collected increased \$22,191 or 14.75 percent.
- Services charges decreased \$3,350 or 13.50 percent.
- Intergovernmental revenues increased \$1,738 or 7.60 percent.
- Other revenues were up \$652.

Expenditures increased by \$6,337 or 3.49 percent.

- Public Safety expenditures were up \$1,147 or 1.33 percent.
- General Government expenditures increased \$3,696 or 7.38 percent.

Debt Service Fund. The debt service fund balance is \$18,085 and is \$1,068 or 6.28 percent higher than the prior fiscal year.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance was decreased \$25,420 or 25.65 percent from the prior fiscal year. The County has several major road projects that were in the construction process during fiscal year 2016.

Special Source Revenue Bonds. These bond proceeds will be used to defray the costs of design and construction of an extension of South Aviation Avenue in North Charleston, pay capitalized interest on the Bonds through December 1, 2016, and pay the costs of issuance of the Bonds. The fund balance at fiscal year-end was \$80,043 which is a \$6,170 decrease from the prior fiscal year.

Other Governmental Funds. The other governmental funds had an increase in fund balance of \$31,358 or 93 percent from the prior fiscal year.

Non-major Capital Projects Funds. The non-major capital projects funds reflect a total fund balance of \$31,849 and are shown on pages 140 through 141 and 147 through 148. The fund balance for the non-major capital projects funds increased \$21,045 in fiscal year 2016. The increase is in the GOB capital projects fund which is due to the issuance of general obligation bonds.

Non-major Special Revenue Funds. The non-major special revenue funds have a combined total fund balance of \$34,213, all classified as restricted. Non-major special revenue funds are shown on pages 137 through 140, and 143 through 146. The fund balance for the non-major special revenue funds increased \$10,312 from the prior year. The largest increase in fund balance is \$9,389 in the Construction Public Works fund which accounts for the receipt of State gasoline tax funds earmarked for local road maintenance.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Total net position for the enterprise funds at June 30, 2016, is \$81,010 (before the elimination of internal service fund charges and indirect costs.) The major funds are environmental management and the parking garages with total net position of \$78,075. The non-major proprietary funds have total net position of \$2,935. These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 45 through 50 and pages 163 through 168 for the proprietary funds statements.

As of the end of the current fiscal year, Charleston County's enterprise funds reported combined ending net position of \$81,010 (before internal eliminations), a decrease of \$4,004 or 4.71 percent in comparison with the prior year. Environmental Management had a decrease of \$1,139. This decrease was primarily due to an increase in operating expenses.

General Fund Budgetary Highlights

During fiscal year 2016, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$7,543 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$3,147. Emergency Medical Services charges were over budget by \$1,845 due to expanding service demands and improved collections. RMC charges exceeded budget by \$489 due to the increased volume of recorded real estate transactions. Zoning fees and building permits charges were \$622 over budget due to an increase in construction.
- Property and local option sales taxes were over budget by \$3,558 due to very conservative growth projections.

Actual expenditures and transfers out were \$9,623 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$1,538 under budget, Facilities was \$2,895 under budget and Public Safety was \$1,983 under budget.

Capital Asset and Debt Administration

Capital Assets. Charleston County's net investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounted to \$309,249 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and drainage easements. The County's net investment in capital assets increased \$3,428 or .95 percent for the current year. The depreciation expense decreased by \$1,588 or 6.18 percent.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and easements	\$ 34,385	\$ 30,378	\$ 6,915	\$ 6,915	\$ 41,300	\$ 37,293
Buildings	229,158	235,654	16,324	16,943	245,482	252,597
Improvements other than buildings	2,222	2,320	16,514	12,223	18,736	14,543
Machinery and equipment	38,625	36,692	13,584	12,816	52,209	49,508
Infrastructure	5,867	4,118	-	-	5,867	4,118
Construction in progress	616	87	1,188	3,824	1,804	3,911
Total	<u>\$ 310,873</u>	<u>\$ 309,249</u>	<u>\$ 54,525</u>	<u>\$ 52,721</u>	<u>\$ 365,398</u>	<u>\$ 361,970</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 79 through 83 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$651,462. Of this amount, \$558,782 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$92,680 is Special Source Revenue Bonds to be repaid with FILOT payments.

In addition to the bonded debt, Charleston County signed a contract with the S.C. Infrastructure Bank to pay \$3,000 a year starting on January 1, 2004, for a period of 25 years as the County's commitment toward the new Arthur Ravenel, Jr. Bridge over the Cooper River. As of June 30, 2016, this obligation is recorded at a net present value of \$25,528 using a discount rate of 5.7 percent. This is the same rate the Bank is repaying its loan from the federal government, using the money received from the County.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 558,782	\$ 564,130	\$ -	\$ -	\$ 558,782	\$ 564,130
Special source revenue bonds	92,680	93,023	-	-	92,680	93,023
Intergovernmental note payable	25,528	26,982	-	-	25,528	26,982
Total	<u>\$ 676,990</u>	<u>\$ 684,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,990</u>	<u>\$ 684,135</u>

The County's total bonded debt decreased by \$7,145 (10.44 percent) during the current fiscal year.

The County's GOBs were rated Aaa by Moody's Investors Service, AAA by Standard & Poor's Ratings Service, and AAA by Fitch Ratings.

South Carolina statutes limit the amount of general obligation (G.O.) debt a governmental entity may issue (without referendum) to 8 percent of its total assessed value. The current available G.O. debt limit for Charleston County is \$296,952. The outstanding debt at June 30, 2016 subject to the debt limitation is \$103,382. This would indicate that the County has not exceeded its limit.

Additional information on the County's long-term debt can be found in Note III. I. on pages 86 through 98 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2017 General Fund budget is a balanced budget. Total disbursements are \$216,310, an increase of \$1,562 or 0.7 percent from the prior year. In a departure from past years, the budget does not use fund balance for pay-as-you-go capital projects and other one-time expenditures. The millage is 44.7, which is unchanged from fiscal year 2016. The local option sales tax credit, which is used to offset the amount property owners pay on their tax bill, remains constant.

The General Fund's budgeted revenues for fiscal year 2017 increased by \$9,173 or 4.4 percent from 2016. The major changes are:

- Property tax revenues reflect an increase of \$3,593 or 3.9 percent. Charleston County is anticipating an increase due to new construction and rising values of existing properties.
- The local option sales tax, which is applied as a credit against property taxes, is anticipated to increase \$3,200 or 5.7 percent. This increase reflects continued improvements in the level of consumer spending in the Charleston County area.
- Charges and fees are increased \$1,829 or 10.0 percent in the fiscal year 2017 budget. EMS fees are expected to increase \$1,456 or 35.4 percent based on the region's growing service population; which includes tourists, residents and those working in Charleston County.

The General Fund's budgeted disbursements for fiscal year 2017 are increased \$1,562 or 0.7 percent from fiscal year 2016. The major changes for fiscal year 2017 are:

- The fiscal year 2017 General Fund budget includes an increase of \$3,361 or 24.0 percent in Emergency Medical Services and represents the annualizing personnel and operating costs related to adding five ambulances and eight quick response vehicles in fiscal year 2016.
- The budget for Facilities Management increased \$3,312 or 22.1 percent due to the transfer of annual recurring maintenance related to roofing, heating/cooling, and paving from the Capital Projects Fund to the General Fund.
- The budget for Sheriff: Law Enforcement increased \$1,736 or 2.7 percent and represents annualizing personnel and operating costs for 16 Deputy Sheriffs and eight Law Enforcement Specialists II positions added during fiscal year 2016.
- The budget for Technology Services increased \$1,238 or 11.4 percent for higher costs of maintenance contracts for technology infrastructure and applications.
- These increases are offset by a reduction in transfers of \$10,448 or 42.5 percent from the prior fiscal year primarily due to a decrease in funds being transferred to the Capital Projects Fund for the library expansion approved by voters in the November 2014 referendum. The County will use a pay-as-you-go approach to fund the initial two years of the library expansion capital project, and expects to borrow funds in fiscal year 2017 and fiscal year 2019 for the remainder of the project.

Requests for Information

This financial report is designed to provide a general overview of Charleston County's finances for all those with an interest in the government's financing. Questions concerning any of the information should be addressed to the Finance Department, 4045 Bridge View Drive, Suite A225, North Charleston, SC 29405-7464.