

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, 2015. 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, 2015 by \$158,047 (net position.) This is comprised of net investment in capital assets of \$158,871, restricted net position of \$37,531 and unrestricted net position of (\$354,449). 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 decreased by \$8,276 during the fiscal year ended June 30, 2015, with a \$15,816 decrease resulting from governmental activities and a \$7,540 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 \$289,831, which is a \$36,791 decrease from the prior year. Approximately 14.45 percent or \$41,899 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 \$52,622 or approximately 29 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$41,899, or approximately 23 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 adoption of these Statements had no impact on the County's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the County's net position as of July 1, 2014 for its government-wide and Proprietary Statements to reflect the reporting of net pension liabilities and deferred outflows of resources and deferred inflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the County's government-wide financial statements and internal service funds as of July 1, 2014 was decreased by \$166,323 and the net position of the enterprise funds was decreased by \$18,030, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.H. in the notes to the financial statements for more information regarding the County's retirement plans.

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 36 through 38 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 62 through 64 of this report.

The government-wide financial statements can be found on pages 36 through 38 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 40 through 43, 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 139 through 149 of this report.

Proprietary Funds. Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 47 through 52 and pages 165 through 176 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 165 through 170.

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 172 through 176 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 178 through 180 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 59 through 125 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 139. 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 186. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 162.

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 128.

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 \$158,047 at the close of fiscal year 2015. This was a decrease of \$8,276 or 5 percent during fiscal year 2015.

A portion of the County's net position, \$158,871, 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, \$37,532, 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. This net position is negative as the County has borrowed and expended funds on state and municipal roads. The debt is County debt, but the asset created does not belong to the County.

Unrestricted net position is (\$354,450), 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.

At the end of 2015, 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 contributing factor to the negative unrestricted net position was the implementation of GASB 68.

Charleston Country's Net Position

June 30, 2015

(Recapped from page 36)

	Governmental Activities		Business-Type Activities		Total	
	2015 ⁽¹⁾	2014	2015 ⁽¹⁾	2014	2015 ⁽¹⁾	2014
	Current, restricted and other assets	\$ 524,453	\$ 515,366	\$ 80,263	\$ 94,857	\$ 604,716
Capital assets	309,249	319,279	52,721	47,561	361,970	366,840
Total Assets	833,702	834,645	132,984	142,418	966,686	977,063
Total deferred outflows of resources	35,414	19,595	-	-	35,414	19,595
Long-term liabilities outstanding	726,668	721,365	8,096	7,097	734,764	728,462
Other liabilities	227,932	78,156	6,054	5,997	233,986	84,153
Total liabilities	954,600	799,521	14,150	13,094	968,750	812,615
Total deferred inflows of resources	191,397	149,462	-	-	191,397	149,462
Net Position:						
Investment in capital assets	106,150	98,106	52,721	47,561	158,871	145,667
Restricted for:						
Capital projects	7,821	6,566	-	-	7,821	6,566
Debt service	17,017	19,939	-	-	17,017	19,939
General government	238	204	-	-	238	204
Law enforcement	4,000	4,032	-	-	4,000	4,032
Judicial	3,220	3,217	-	-	3,220	3,217
Public works	-	10,454	-	-	-	10,454
Health and welfare assistance	385	406	-	-	385	406
Economic development	2,777	2,429	-	-	2,777	2,429
Tourism related	2,073	1,135	-	-	2,073	1,135
Unrestricted	(420,562)	(241,231)	66,113	81,763	(354,449)	(159,468)
Total net position	\$ (276,881)	\$ (94,743)	\$ 118,834	\$ 129,324	\$ (158,047)	\$ 34,581

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

The County's net position decreased by \$8,276 during fiscal year 2015. The governmental activities had a decrease in net position of \$15,816. This is due primarily to expenses in the transportation and road sales tax special revenue fund. During fiscal year 2015, proceeds from the transportation sales tax general obligation bonds (GOBs) were used by the Charleston County Parks and Recreation Commission (PRC), municipalities and other special purpose districts to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, proceeds from the transportation sales tax GOBs were used to construct and improve roads that are not assets of the County.

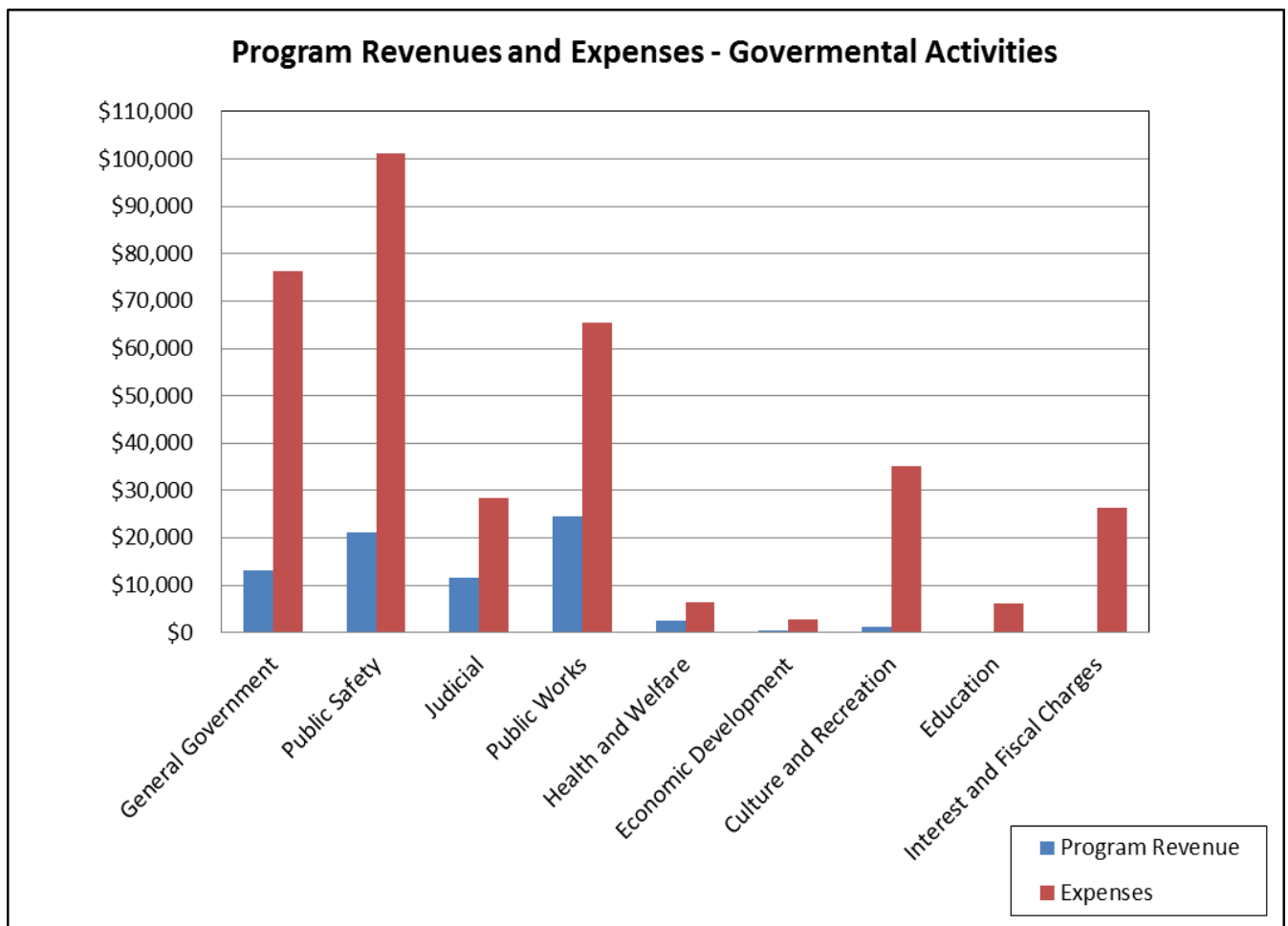
County of Charleston, South Carolina
Changes in Net Position (Recapped from pages 37 and 38)
For the Fiscal Year Ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015 ⁽¹⁾	2014	2015 ⁽¹⁾	2014	2015 ⁽¹⁾	2014
Revenues						
Program Revenues:						
Charges for services	\$ 47,457	\$ 44,442	\$ 45,145	\$ 43,990	\$ 92,602	\$ 88,432
Operating grants and contributions	26,992	22,231	1,009	978	28,001	23,209
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	120,790	116,098	-	-	120,790	116,098
Other taxes and fees	123,989	116,105	549	543	124,538	116,648
State aid to political subdivisions	13,152	12,937	-	-	13,152	12,937
Unrestricted investments earnings	1,201	1,294	132	23	1,333	1,317
Gain on sale of capital assets	-	-	85	5	85	5
Total Revenues	333,581	313,107	46,920	45,539	380,501	358,646
Program Expenses						
Governmental Activities:						
General government	76,386	73,881	-	-	76,386	73,881
Public safety	101,118	98,306	-	-	101,118	98,306
Judicial	28,308	27,773	-	-	28,308	27,773
Public works	65,384	59,859	-	-	65,384	59,859
Health and welfare	6,436	6,510	-	-	6,436	6,510
Economic development	2,747	1,833	-	-	2,747	1,833
Culture and recreation	35,232	36,353	-	-	35,232	36,353
Education	6,103	17,089	-	-	6,103	17,089
Interest and fiscal charges	26,246	24,297	-	-	26,246	24,297
Business-Type Activities:						
DAODAS	-	-	7,935	7,648	7,935	7,648
E-911 communications	-	-	2,730	1,896	2,730	1,896
Environmental management	-	-	23,053	25,030	23,053	25,030
Parking garages	-	-	2,036	2,057	2,036	2,057
Public safety system	-	-	380	422	380	422
Radio communications	-	-	3,351	3,293	3,351	3,293
Revenue collections	-	-	1,332	1,357	1,332	1,357
Total Expenses	347,960	345,901	40,817	41,703	388,777	387,604
Excess (deficiency) of revenues before transfers over (under) expenses	(14,379)	(32,794)	6,103	3,836	(8,276)	(28,958)
Transfers	(1,437)	(2,508)	1,437	2,508	-	-
Increase (Decrease) in Net Position	(15,816)	(35,302)	7,540	6,344	(8,276)	(28,958)
Net position, beginning ⁽¹⁾	(261,065)	(59,440)	111,294	122,980	(149,771)	63,540
Net Position, ending	\$ (276,881)	\$ (94,742)	\$ 118,834	\$ 129,324	\$ (158,047)	\$ 34,582

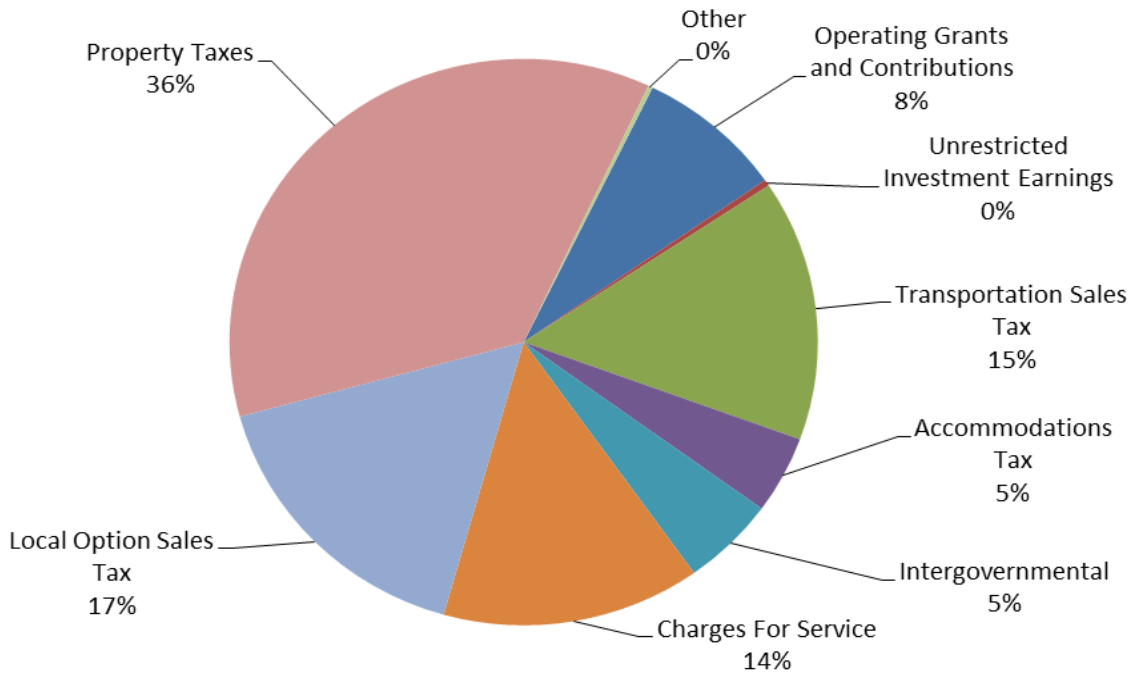
⁽¹⁾ The County implemented GASB 68 and GASB 71 in FY2015.

Governmental Activities. Governmental activities decreased the County's net position by \$15,816. The key elements of the decrease are:

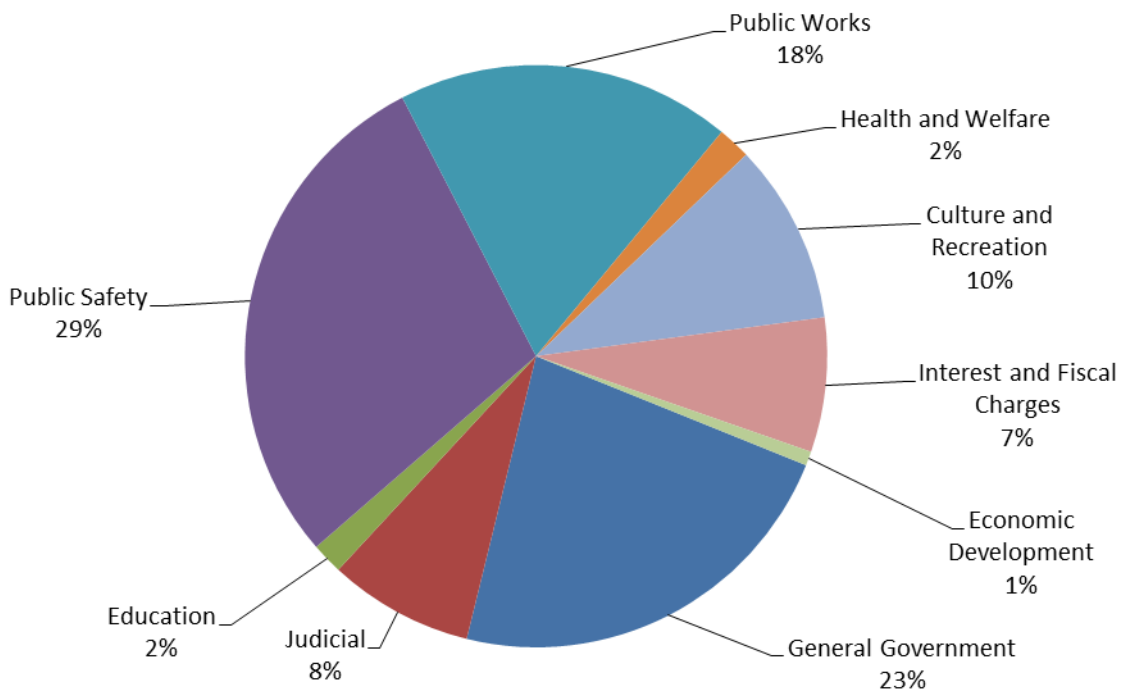
- The allocation of internal service fund activity to the governmental activities increased \$1,542 (85.06 percent) primarily due to the implementation of GASB 68.
- Public safety expenses increased by \$2,812 (2.86 percent) primarily due to an increase in overtime hours and associated fringe benefits.
- Public works expenses increased \$5,525 (9.23 percent) due to an increase in heavy equipment use and the transfer of 21 positions from Stormwater Drainage (Special Revenue Fund) to the General Fund Budget.
- General government expenses increased by \$2,504 (3.38 percent) primarily due to salary and benefits costs and an increase in facilities projects to include new buildings (Dispatch Center and Law Enforcement Center).



Revenues by Source - Governmental Activities

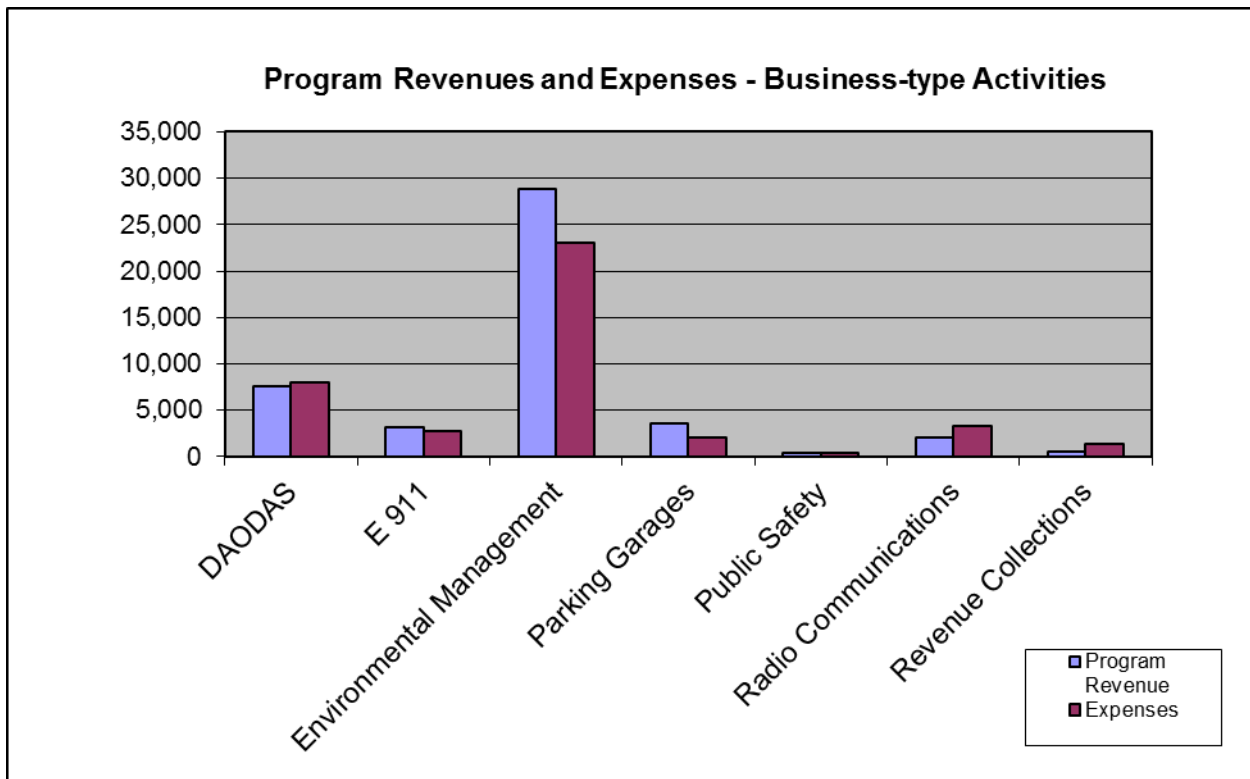
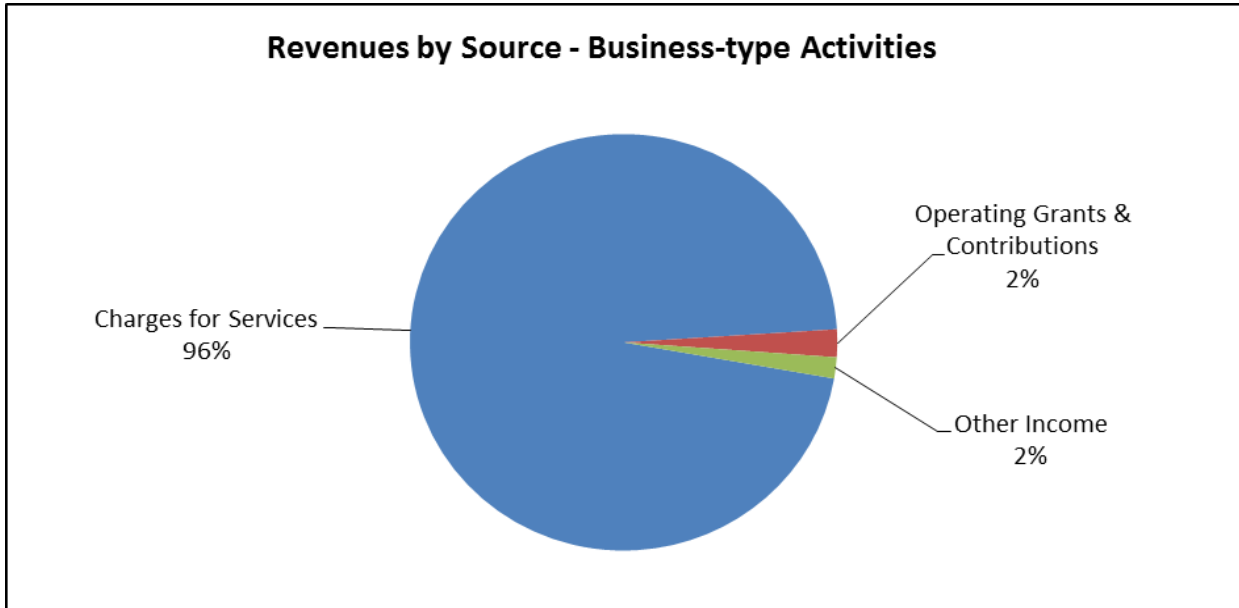


Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities increased the County's net position by \$7,540. The key element of this increase was:

- The operating grants in the business-type activities increased by \$1,552 (158.72 percent) primarily due to the E-911 reimbursement grant from the State.
- The expenses of the Environmental Management fund decreased by \$1,976 (7.895 percent) primarily due to the reduction of operating expenses, including interest expense (debt paid off in prior fiscal year) and the estimate for post-closure land fill costs.



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 \$289,831, a decrease of \$36,791 in comparison with the prior year. This decrease is due to several factors, including an increase in debt service expenditures of \$11,849, an increase in Special Source Revenue Bond expenditures of \$3,816 and an increase in Public Works expenditures of \$6,545.

The ending fund balance of \$289,831 for the governmental funds is composed of five components: unassigned fund balance of \$41,899, assigned fund balance of \$10,722, committed fund balance of \$35,367, restricted fund balance of \$200,682 and non-spendable fund balance of \$1,161.

Unassigned fund balance accounts for approximately 14.4 percent or \$41,899 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 \$10,722 or 3.7 percent of ending fund balance. Assigned fund balance includes \$7,612 budgeted for use in the 2016 budget and \$1,323 which was encumbered at the end of fiscal year 2015. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$35,367 or 12.2 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 \$200,682 or 69.7 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$73,550, 2) debt service of \$17,017, 3) \$4,000 for law enforcement activities (primarily comprised of balances in the Sheriff's office), 4) \$3,219 for judicial services (primarily balances in the Solicitor's office), and 5) \$86,213 for Special Source Revenue Bond Fund. 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 \$1,161. 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 \$41,899 while total fund balance reached \$53,783. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$9,401 and is composed of \$3,701 from the general fund and \$5,700 from the environmental management fund. 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 23 percent of total general fund disbursements, while total fund balance represents 30 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 17.9 percent of disbursements, which also meets the financial policy. There was a decrease of \$(23) in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$1,956 or 1 percent higher than the previous fiscal year.

- Services charges were up \$1,599 or 7 percent.
- Intergovernmental revenues decreased \$1,806 or 7 percent.
- Other revenues were down \$1,233
- Taxes were up \$3,094

Expenditures increased by \$6,400 or 4 percent.

- Public Safety expenditures are up \$2,590 or 3 percent.
- General Government expenditures increased \$2,364 or 5 percent.

Debt Service Fund. The debt service fund balance is \$17,017 and is \$2,922 or 14 percent lower than the prior fiscal year.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance was decreased \$28,128 or 22 percent from the prior fiscal year. The County has several major road projects that were in the construction process during fiscal year 2015.

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 \$86,213 which is a \$4,075 decrease from the prior fiscal year.

Other Governmental Funds. The other governmental funds had a decrease in fund balance of \$1,644 or 5 percent from the prior fiscal year.

Non-major Capital Projects Funds. The non-major capital projects funds reflect a total fund balance of \$9,803 and are shown on pages 142 through 143 and 148 through 149. The fund balance for the non-major capital projects funds is decreased \$3,666 in fiscal year 2015. The decrease is in the GOB capital projects fund which is down \$4,158.

Non-major Special Revenue Funds. The non-major special revenue funds have a combined total fund balance of \$23,901, all classified as restricted. Non-major special revenue funds are shown on pages 139 through 142, and 145 through 148. The fund balance for the non-major special revenue funds increased \$2,023 from the prior year. The largest increase in fund balance is \$938 in the accommodations fund which accounts for the two percent local accommodation tax collected by the State. In addition, the fund balance in the economic development fund increased \$348.

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, 2015, is \$85,015 (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 \$79,821. The non-major proprietary funds have total net position of \$5,194. These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 47 through 52 and pages 165 through 170 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 \$85,015 (before internal eliminations), an increase of \$4,030 or 4 percent in comparison with the prior year. Environmental Management had an increase of \$3,821. This increase was primarily due to a decrease in operating expenses.

General Fund Budgetary Highlights

During fiscal year 2015, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$2,345 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$2,777. Emergency Medical Services charges were over budget by \$2,057 due to expanding service demands and improved collections. RMC charges exceeded budget by \$773 due to the increased volume of recorded real estate transactions.
- Property and local option sales taxes were under budget by \$2,378 due to over-optimistic growth projections.

Actual expenditures and transfers out were \$6,071 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$931 under budget, Facilities was \$585 under budget and Public Safety was \$1,474 under budget. Capital purchases were \$412 under budget. Some of the lapsed budget was rolled forward to fiscal year 2016 for continuing projects.

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, 2015, amounted to \$361,970 (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 decreased \$4,870 or 1.33 percent for the current year. Construction in progress decreased \$2,566 due to the Law Enforcement Center being placed into service. The depreciation expense increased by \$572 which, in turn, decreased the net book value of the County's capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and easements	\$ 30,378	\$ 21,211	\$ 6,915	\$ 3,951	\$ 37,293	\$ 25,162
Buildings	235,654	234,512	16,943	17,386	252,597	251,898
Improvements other than buildings	2,320	2,105	12,223	12,936	14,543	15,041
Machinery and equipment	36,692	42,530	12,816	13,288	49,508	55,818
Infrastructure	4,118	12,444	-	-	4,118	12,444
Construction in progress	87	6,477	3,824	-	3,911	6,477
Total	\$ 309,249	\$ 319,279	\$ 52,721	\$ 47,561	\$ 361,970	\$ 366,840

Additional information on the County's capital assets can be found in Note III. C. on pages 82 through 85 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$657,153. Of this amount, \$564,130 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$93,023 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, 2015, this obligation is recorded at a net present value of \$26,982 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 564,130	\$ 599,366	\$ -	\$ -	\$ 564,130	\$ 599,366
Special source revenue bonds	93,023	93,353	-	-	93,023	93,353
Intergovernmental note payable	<u>26,982</u>	<u>28,357</u>	<u>-</u>	<u>-</u>	<u>26,982</u>	<u>28,357</u>
Total	<u>\$ 684,135</u>	<u>\$ 721,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,135</u>	<u>\$ 721,076</u>

The County's total bonded debt decreased by \$35,236 (6 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 \$286,234. The outstanding debt at June 30, 2015 subject to the debt limitation is \$192,370. 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 89 through 101 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2016 general fund budget is a balanced budget. Total disbursements are \$214,749, an increase of \$18,843 or 9.6 percent from the prior year. The budget includes the use of \$9,161 of fund balance for pay-as-you-go capital projects and other one-time expenditures. The millage is 44.7, which reflects an increase of 4.0 mills from fiscal year 2015. 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 budgeted revenues for fiscal year 2016 increased by \$12,872 or 6.8 percent from 2015. The major changes are:

- Property tax revenues reflect an increase of \$16,850 or 13.4 percent. Charleston County increased the millage rate in fiscal year 2016 by 4.0 mills to address the expanded service requirements for the county's growing population (estimated to grow close to 1,000 per month).

- The local option sales tax, which is applied as a credit against property taxes, is anticipated to increase \$2,300 or 4.3 percent. This increase reflects continued improvements in the level of consumer spending in the Charleston County area.
- The increase of \$789 or 120 percent in interest income reflects a projected increase in the interest earnings rate in fiscal year 2016. The current interest rate is 0.25% and is anticipated to grow to 0.50% in January 2016, halfway through fiscal year 2016.
- Charges and fees are increased \$1,006 or 4.6 percent in the fiscal year 2016 budget. RMC fees are expected to increase \$1,000 or 20.0 percent based on the recent economic upswing and the resulting increase in property sales in the County.
- Intergovernmental revenues are decreased \$2,499 or 11.2 percent for fiscal year 2016. Local government contributions for the operation of the consolidated dispatch center are decreased by \$3,174 or 81.1 percent which reflects a planned reduction in agency fees over a two year transition period. Fiscal year 2016 is the last year the County will receive payment under the interagency agreement.
- Transfers in are increased \$3,119 or 208 percent from the fiscal year 2015 budget. The increase represents an amount from the Transportation Special Source Revenue Bond (Special Revenue Fund) due to an accounting change where the Multi-County Park fee-in-lieu of taxes serves as security for a special source revenue bond. After the bond payments are made from other sources, the funds are released to the General Fund through an interfund transfer. The increase also represents a higher amount from the Parking Garages (Enterprise Fund) due to an increase in available funds.

The general fund budgeted disbursements for fiscal year 2016 are increased \$18,843 or 9.6 percent from fiscal year 2015. The major changes for fiscal year 2016 are:

- The fiscal year 2016 General Fund budget includes an increase of \$2,736 or 21.2 percent in Emergency Medical Services and represents the start-up costs and partial funding of the personnel costs related to adding five ambulances and eight quick response vehicles. During fiscal year 2017, the recurring costs for the 51 positions are anticipated to be fully funded without the need for additional revenues. The increase is slightly offset by an increased reimbursement from the Local Accommodations Tax for servicing tourist areas.
- The budget for Sheriff: Law Enforcement increased \$2,430 or 8.7 percent and represents the start-up costs and partial funding for 16 Deputy Sheriffs and eight Law Enforcement Specialists II positions. During fiscal year 2017, the recurring costs are anticipated to be fully funded without the need for additional revenues. The budgeted increase also represents purchasing body cameras for all law enforcement officers.
- The budget for Facilities Management increased \$1,135 or 7.9 percent due to an increase in leasing costs due to moving the Department of Alcohol and Other Drug Abuses Service (DAODAS) and the Department of Health and Environmental Control (DHEC) to a new building. The increase in Facilities Management also includes higher rates for electricity and gas charges and maintenance contracts.
- These increases are offset by a budgeted \$1,367 or 16.5 percent decrease to Consolidated Dispatch operating expenditures. This decrease reflects an increased amount of reimbursement from the Local Accommodations Tax, a fee charged to tourist staying in transient accommodations.
- Transfers out are increased \$9,711 or 81 percent from the prior fiscal year primarily due to an increase 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 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.