

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, 2017. 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 9 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, 2017 by \$105,175 (net position.) This is comprised of net investment in capital assets of \$170,960, restricted net position of \$129,237 and unrestricted net position of (\$405,372). 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 \$33,479 during the fiscal year ended June 30, 2017, with a \$31,041 increase resulting from governmental activities and a \$2,438 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 \$302,612, which is a \$5,502 increase from the prior year. Approximately 21.57 percent or \$65,278 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 \$72,835 or approximately 34.6 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$65,278, or approximately 31 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, 2017 was \$240,462.

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 62 through 63 of this report.

The government-wide financial statements for component units can be found on pages 55 through 58 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 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 60 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 127.

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 \$10,517 at the close of fiscal year 2017. This was an increase of \$33,479 or 24 percent during fiscal year 2017.

A portion of the County's net position, \$170,960, 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, \$129,237, 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 (\$405,372), 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 2017, 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, 2017

(Recapped from page 34)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current, restricted and other assets	\$ 554,566	\$ 535,773	\$ 83,729	\$ 80,772	\$ 638,295	\$ 616,545
Capital assets	304,052	310,873	54,871	54,525	358,923	365,398
Total Assets	858,618	846,646	138,600	135,297	997,218	981,943
Total deferred outflows of resources	62,989	59,034	-	-	62,989	59,034
Long-term liabilities outstanding	923,677	721,968	9,944	6,406	933,621	728,374
Other liabilities	37,247	247,890	6,514	9,187	43,761	257,077
Total liabilities	960,924	969,858	16,458	15,593	977,382	985,451
Total deferred inflows of resources	188,000	194,180	-	-	188,000	194,180
Net Position:						
Investment in capital assets	116,089	103,293	54,871	54,525	170,960	157,818
Restricted for:						
Capital projects	96,486	90,399	-	-	96,486	90,399
Debt service	18,435	18,085	-	-	18,435	18,085
General government	147	165	-	-	147	165
Law enforcement	6,716	6,325	-	-	6,716	6,325
Judicial	3,557	3,107	-	-	3,557	3,107
Health and welfare assistance	386	377	-	-	386	377
Economic development	3,322	2,849	-	-	3,322	2,849
Tourism related	188	791	-	-	188	791
Unrestricted	(472,643)	(483,749)	67,271	65,179	(405,372)	(418,570)
Total net position	\$ (227,317)	\$ (258,358)	\$ 122,142	\$ 119,704	\$ (105,175)	\$ (138,654)

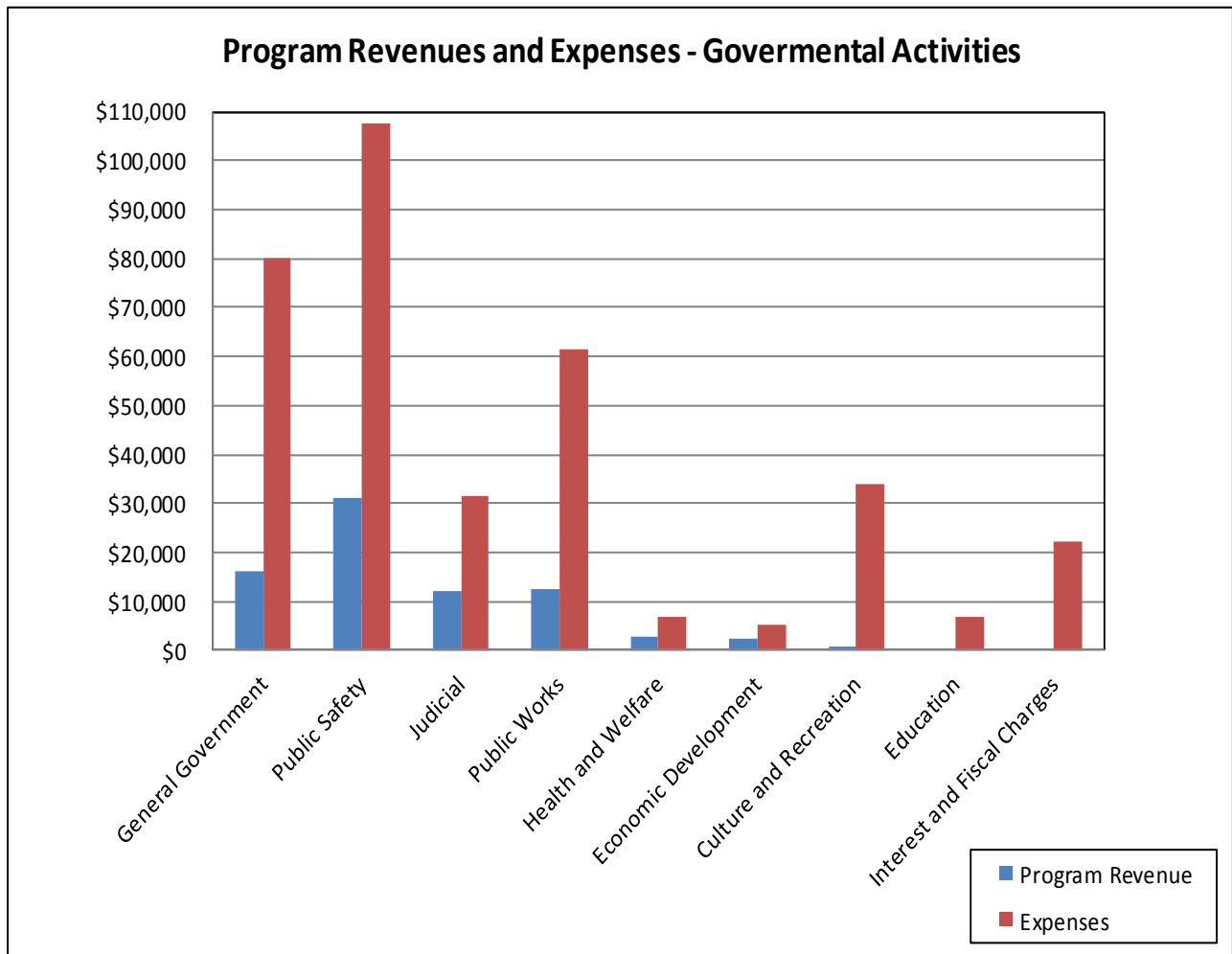
The County's net position increased by \$33,479 during fiscal year 2017. The governmental activities had an increase in net position of \$31,041. Overall revenues for the Governmental Activities increased 5.5 percent. The 2nd Transportation Sales Tax was effective May 1, 2017. This increased revenue by \$9,967 million or 2.67 percent. Charges for Services increased by 5.81 million or 1.58 percent.

County of Charleston, South Carolina
Changes in Net Position (Recapped from pages 35 and 36)
For the Fiscal Year Ended June 30, 2017

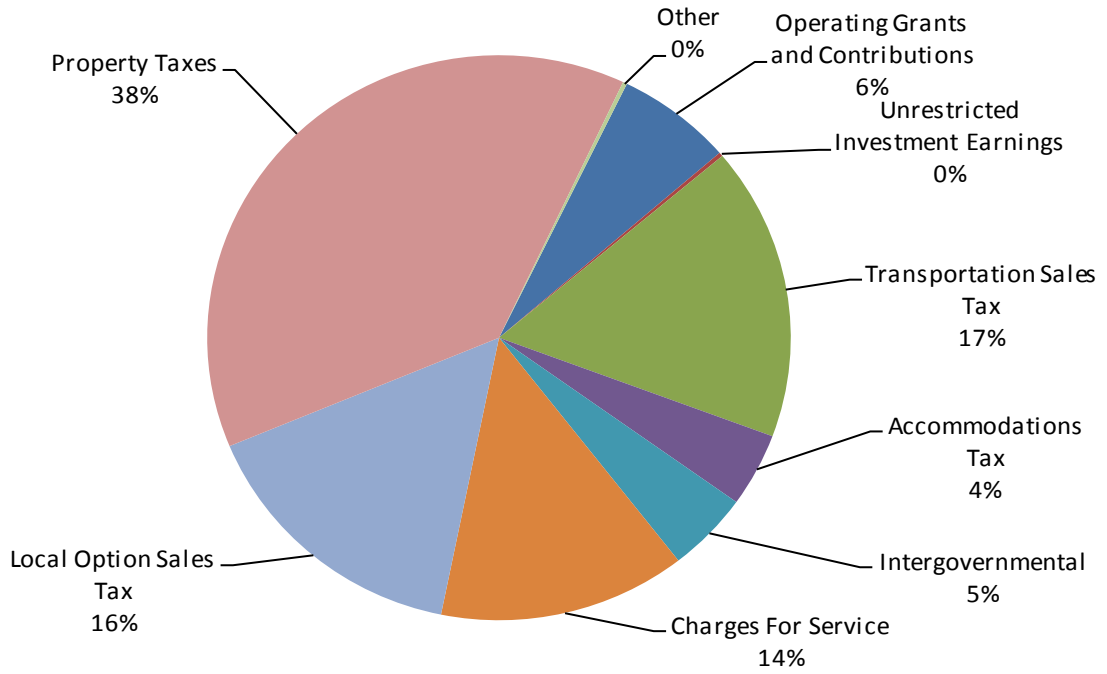
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 53,420	\$ 47,606	\$ 45,795	\$ 43,987	\$ 99,215	\$ 91,593
Operating grants and contributions	24,996	32,292	1,077	1,116	26,073	33,408
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	148,891	142,718	-	-	148,891	142,718
Other taxes and fees	147,395	131,682	689	707	148,084	132,389
State aid to political subdivisions	13,586	12,986	-	-	13,586	12,986
Unrestricted investments earnings	893	1,180	532	301	1,425	1,481
Gain on sale of capital assets	-	313	274	14	274	327
Total Revenues	389,181	368,777	48,367	46,125	437,548	414,902
Program Expenses						
Governmental Activities:						
General government	80,258	82,067	-	-	80,258	82,067
Public safety	107,538	100,145	-	-	107,538	100,145
Judicial	31,543	28,929	-	-	31,543	28,929
Public works	61,613	56,531	-	-	61,613	56,531
Health and welfare	6,736	6,920	-	-	6,736	6,920
Economic development	5,098	6,497	-	-	5,098	6,497
Culture and recreation	33,765	35,967	-	-	33,765	35,967
Education	6,750	6,666	-	-	6,750	6,666
Interest and fiscal charges	22,085	24,238	-	-	22,085	24,238
Business-Type Activities:						
DAODAS	-	-	9,274	9,388	9,274	9,388
E-911 communications	-	-	2,505	2,715	2,505	2,715
Environmental management	-	-	28,410	27,115	28,410	27,115
Parking garages	-	-	2,311	2,427	2,311	2,427
Public safety system	-	-	669	441	669	441
Radio communications	-	-	3,675	3,680	3,675	3,680
Revenue collections	-	-	1,839	1,783	1,839	1,783
Total Expenses	355,386	347,960	48,683	47,549	404,069	395,509
Excess (deficiency) of revenues before transfers over (under) expenses	33,795	20,817	(316)	(1,424)	33,479	19,393
Transfers	(2,754)	(2,294)	2,754	2,294	-	-
Increase (Decrease) in Net Position	31,041	18,523	2,438	870	33,479	19,393
Net position, beginning	(258,358)	(276,881)	119,704	118,834	(138,654)	(158,047)
Net Position, ending	\$ (227,317)	\$ (258,358)	\$ 122,142	\$ 119,704	\$ (105,175)	\$ (138,654)

Governmental Activities. Governmental activities increased the County's net position by \$31,041. The key elements of the increase are:

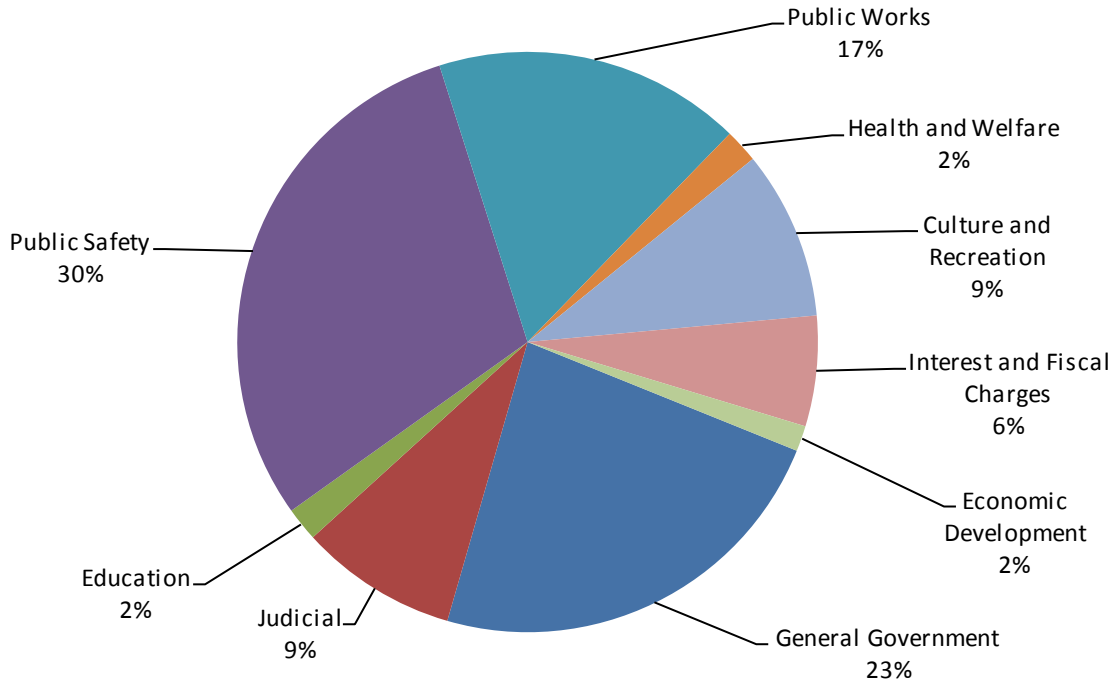
- Property tax revenue increased \$6,173 (4.3 percent) primarily due to an increase in the County's total taxable assessed value for real and personal property and vehicles.
- Other taxes and fees increased \$15,713 (11.9 percent) due to increased sales in Charleston County. This includes accommodations tax, local option sales tax and transportation sales tax, also, the 2nd Transportation one half cent sales tax was effective May 1, 2017. This accounts for \$9,967 of this increase.
- Operating grants and contributions decreased \$7,296 (2.3 percent) due to the completion of several grants for public works.
- Total governmental activities expenses increased \$7,426 (2.1 percent) due to increased FTE's for Public Safety, Judicial, and Public Works functions.



Revenues by Source - Governmental Activities

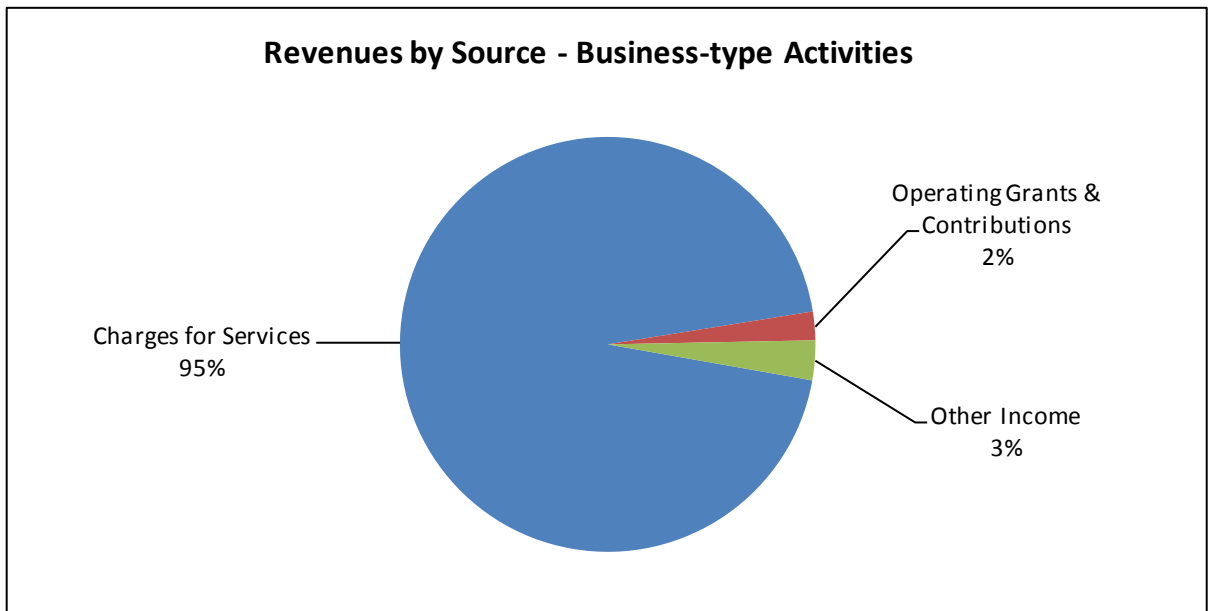


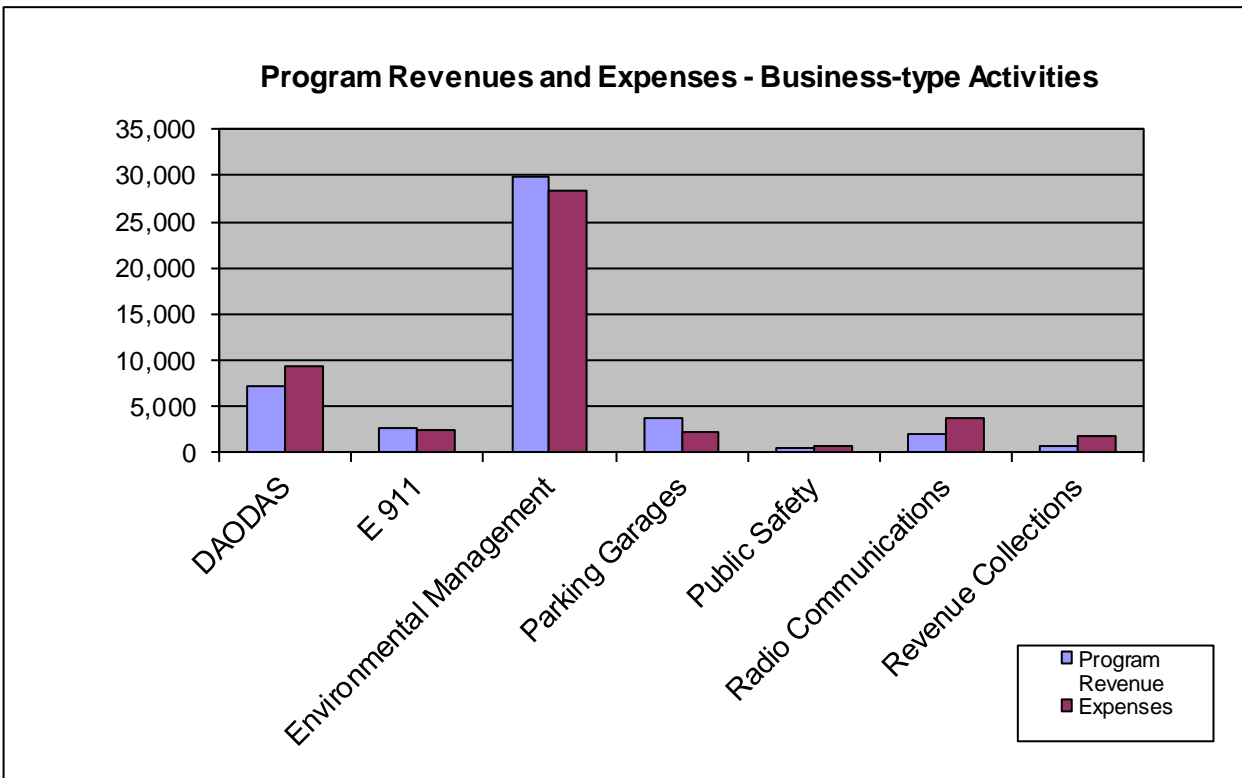
Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities increased the County's net position by \$2,438. The key elements of this increase were:

- Unrestricted investment earnings increased by \$231 (77 percent) due to higher interest rates.
- Charges for services increased by \$1,808 (4 percent) largely due to an increase in collections on the County's user fee in the Environmental Management fund.
- Overall, expenses for the business-type activities increased by \$1,134 (2.4 percent). This increase was primarily in the Environmental Management fund. Operating expenses in this fund increased \$1,295 with the largest increases in fleet expenses \$438, and depreciation expense \$415.





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 \$302,612, an increase of \$5,502 in comparison with the prior year. This increase is due to several factors, including an increase in property taxes levied and collected of \$5,851 and an increase in Transportation Sales Taxes collected of \$12,440. The 2nd half cent sales tax began on May 1, 2017. This accounts for \$9,968 of the increase in Transportation Sales Taxes collected. The general government expenditures decreased \$3,802. The largest decrease in the general government expenditures was transportation sales tax expenditures of \$5,946.

The ending fund balance of \$302,612 for the governmental funds is composed of five components: unassigned fund balance of \$65,278, assigned fund balance of \$7,557, committed fund balance of \$57,274, restricted fund balance of \$171,875 and non-spendable fund balance of \$628.

Unassigned fund balance accounts for approximately 21.57 percent or \$65,278 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 \$7,557 or 2.5 percent of ending fund balance. Assigned fund balance includes \$3,782 which was encumbered at the end of fiscal year 2017. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$57,274 or 18.92 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 \$171,875 or 56.8 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$139,491, 2) debt service of \$18,067, 3) \$6,716 for law enforcement activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,557 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 \$628. 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 \$65,278 while total fund balance reached \$73,463. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$9,153. 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 31 percent of total general fund disbursements, while total fund balance represents 34.9 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 26.6 percent of disbursements, which also meets the financial policy. There was an increase of \$13,236 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$9,136 or 4.35 percent higher than the previous fiscal year.

- Property taxes collected increased \$5,201 or 3.46 percent.
- Services charges increased \$867 or 4 percent.
- Intergovernmental revenues increased \$1,942 or 7.91 percent.
- Other revenues were up \$618.

Expenditures increased by \$5,792 or 3.08 percent.

- Public Safety expenditures were up \$3,897 or 4.46 percent.
- General Government expenditures increased \$1,392 or 2.59 percent.

Debt Service Fund. The debt service fund balance is \$18,068 and is \$17 or .09 percent lower than the prior fiscal year.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance was increased \$7,563 or 10.26 percent from the prior fiscal year. The new 2nd half cent Transportation Sales Tax was effective May 1, 2017. This was a \$9,967 increase in revenue.

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, 2017, and pay the costs of issuance of the Bonds. The fund balance at fiscal year-end was \$79,229 which is a \$814 decrease from the prior fiscal year.

Other Governmental Funds. The other governmental funds had a decrease in fund balance of \$14,467 or 22.23 percent from the prior fiscal year. The Disaster Fund had a decrease in fund balance of \$12,880. The County is working with FEMA on reimbursement of the costs.

Non-major Capital Projects Funds. The non-major capital projects funds reflect a total fund balance of \$30,970 and are shown on pages 142 through 143 and 149 through 150. The fund balance for the non-major capital projects funds increased \$121 in fiscal year 2017.

Non-major Special Revenue Funds. The non-major special revenue funds have a combined total fund balance of \$19,625, all classified as restricted. Non-major special revenue funds are shown on pages 139 through 142, and 145 through 149. The fund balance for the non-major special revenue funds decreased \$14,588 from the prior year. The largest decrease in fund balance is \$12,880 in the Disaster fund which accounts for the costs and reimbursements from FEMA associated with the October 2015 flood and October 2016 hurricane.

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, 2017, is \$80,779 (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 \$78,676. The non-major proprietary funds have total net position of \$2,103. 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 \$80,779 (before internal eliminations), a decrease of \$232 or 2.8 percent in comparison with the prior year. Revenue Collections had a decrease of \$419. This decrease was primarily due to an increase in operating expenses.

General Fund Budgetary Highlights

During fiscal year 2017, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$7,489 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$2,185. Emergency Medical Services charges were over budget by \$425 due to expanding service demands and improved collections. RMC charges exceeded budget by \$1,016 due to the increased volume of recorded real estate transactions. Zoning fees and building permits charges were \$610 over budget due to an increase in construction.
- Permits and licenses were over budget by \$1,953. County Business License revenue was \$1,531 over budget due to a conservative estimate of business growth.
- Property and local option sales taxes were over budget by \$19,672 due to very conservative growth projections.

Actual expenditures and transfers out were \$10,694 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$2,219 under budget, Facilities was \$4,355 under budget and Public Safety was \$1,575 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, 2017, amounted to \$358,923 (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 \$6,475 or 1.77 percent for the current year. The depreciation expense increased by 330 or 1.28 percent.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and easements	\$ 35,567	\$ 34,385	\$ 6,915	\$ 6,915	\$ 42,482	\$ 41,300
Buildings	221,524	229,158	15,707	16,324	237,231	245,482
Improvements other than buildings	2,473	2,222	18,203	16,514	20,676	18,736
Machinery and equipment	35,825	38,625	12,973	13,584	48,798	52,209
Infrastructure	5,994	5,867	-	-	5,994	5,867
Construction in progress	2,669	616	1,073	1,188	3,742	1,804
Total	<u>\$ 304,052</u>	<u>\$ 310,873</u>	<u>\$ 54,871</u>	<u>\$ 54,525</u>	<u>\$ 358,923</u>	<u>\$ 365,398</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 80 through 83 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$610,073. Of this amount, \$517,751 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$92,322 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, 2017, this obligation is recorded at a net present value of \$23,991 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 517,751	\$ 558,782	\$ -	\$ -	\$ 517,751	\$ 558,782
Special source revenue bonds	92,322	92,680	-	-	92,322	92,680
Intergovernmental note payable	23,991	25,528	-	-	23,991	25,528
Total	<u>\$ 634,064</u>	<u>\$ 676,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,064</u>	<u>\$ 676,990</u>

The County's total bonded debt decreased by \$41,389 (6.35 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 \$308,991. The outstanding debt at June 30, 2017 subject to the debt limitation is \$173,495. 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 87 through 99 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2018 General Fund budget is a balanced budget. Total disbursements are \$235,629, an increase of \$19,319 or 8.9 percent from the prior year. The millage is 44.7, which is unchanged from fiscal year 2017. The increase in the Local Option Sales Tax, which is used to offset the amount property owners pay on their tax bill, resulted in a higher credit of \$5.3 million or 9.0 percent to taxpayers.

The General Fund's budgeted revenues for fiscal year 2018 increased by \$14,630 or 6.9 percent from 2017. The major changes are:

- Property tax revenues reflect an increase of \$10,407 or 6.9 percent. Charleston County is anticipating an increase due to new construction, rising values of existing properties, and the discontinuing of disbursements to municipalities for the end of two Tax Increment Financing Districts.
- The local option sales tax, which is applied as a credit against property taxes, is anticipated to increase \$5,000 or 8.5 percent. This increase reflects continued improvements in the level of consumer spending in the Charleston County area.
- Intergovernmental and interest are increased in the fiscal year 2018 budget. State Aid to Subdivisions represents a 1,989 or 15.5% increase from the State to assist local governments with rising pension costs. Interest income is projected to increase \$1,200 or 50% based on anticipated actions by the Federal Reserve to increase the interest rate during fiscal year 2018.

The General Fund's budgeted disbursements for fiscal year 2018 are increased \$19,319 or 8.9 percent from fiscal year 2017. The major changes for fiscal year 2018 are:

- The largest budget increase, \$5,056 or 4,144.3 percent, in Nondepartmental in the fiscal year 2018 General Fund represents two challenges the County faced with fiscal year 2018 budget. In 2014 Charleston County established the Committee for Auditing, Performance and Evaluations Standards (CAPES) to review internal compensation in Charleston County. The County implemented Phase I of the study in fiscal year 2015. In the fall of 2016, the County began an external market study of County-wide compensation. The results of the market study total \$2,908 and are budgeted in Nondepartmental for fiscal year 2018. Second, the State increased pension costs by 2% of wages and allocated this cost to local governments, including the County. An estimate of \$2,120 in pension costs is also accounted for in Nondepartmental costs.
- The fiscal year 2018 General Fund budget includes an increase of \$9,926 or 54.4 percent in the Facilities Management department and represents additional funding for maintenance projects. In addition, a new lease for property is added for the Assessor's Office to reconsolidate the department due to space constraints at the County Office Building in downtown Charleston in fiscal year 2018.
- The budget for Consolidated Dispatch increased \$1,181 or 17.5 percent and represents the addition of operators to handle increased call volume due to population growth in the County and for a potential consolidation of the City of Folly Beach in fiscal year 2018.

- Technology Services budgeted a \$1,715 or 14.2 percent increase for capital expenditures, including the purchase of hardware and software requirements for General Fund departments. The largest portion relates to upgrades of the Detention Center's security system network servers, and storage infrastructure.
- The \$2,309 million or 3.5 percent increase in the Sheriff's Office represents full-year funding for the implementation of a new Master Deputy Officer program. The new program is in response to the challenges experienced by the public safety sector in filling vacant positions.

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.