

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, 2019. 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 11 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, 2019 by \$40,179 (net position.) This is comprised of net investment in capital assets of \$144,368, restricted net position of \$217,686 and unrestricted net position of \$(402,233). 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, as well as GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions* during fiscal year 2018.
- Charleston County's total net position increased by \$88,041 during the fiscal year ended June 30, 2019, with a \$87,576 increase resulting from governmental activities and a \$465 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 \$448,852, which is a \$19,489 increase from the prior year. Approximately 13.06 percent or \$58,610 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 \$95,506 or approximately 41.89 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$74,895, or approximately 32.85 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 accrual 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, 2019 is \$266,532.
- The County implemented GASB No. 75 in the current fiscal year. This Statement requires the County to recognize the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures. The County's OPEB liability at June 30, 2019 is \$67,210.

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 38 through 40 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 64 through 65 of this report.

The government-wide financial statements for component units can be found on pages 57 through 60 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 42 through 44, 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 five major funds: the General Fund, the Debt Service Fund, the Transportation and Road Sales Tax Special Revenue Fund, the G.O.B. Capital Projects 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 145 through 152 of this report.

Proprietary Funds. Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 49 through 54 and pages 169 through 180 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 169 through 174.

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 176 through 180 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 182 through 184 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 61 through 128 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 145. 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 191. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 166.

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 130.

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 \$40,179 at the close of fiscal year 2019. This was an increase of \$88,041 or 68.67 percent during fiscal year 2019.

A portion of the County's net position, \$144,368, 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, \$217,686, 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.

At the end of 2019, the County had positive balances in two of the three categories of net position for the primary government. Unrestricted net position is (\$402,233), 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, as well as the implementation of GASB #75 relating to post employment benefits. 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.

Charleston County's Net Position

June 30, 2019

(Recapped from page 38)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Current, restricted and other assets	\$ 740,426	\$ 703,591	\$ 81,388	\$ 77,963	\$ 821,814
Capital assets	341,278	314,519	62,903	61,332	404,181	375,851
Total Assets	1,081,704	1,018,110	144,291	139,295	1,225,995	1,157,405
Total deferred outflows of resources	61,259	73,360	-	-	61,259	73,360
Long-term liabilities outstanding	1,037,110	1,094,396	11,701	10,810	1,048,811	1,105,206
Other liabilities	46,770	44,471	11,806	8,167	58,576	52,638
Total liabilities	1,083,880	1,138,867	23,507	18,977	1,107,387	1,157,844
Total deferred inflows of resources	220,046	201,141	-	-	220,046	201,141
Net Position:						
Investment in capital assets	81,465	29,317	62,903	61,332	144,368	90,649
Restricted for:						
Capital projects	179,588	123,770	-	-	179,588	123,770
Debt service	22,120	27,179	-	-	22,120	27,179
General government	806	398	-	-	806	398
Law enforcement	6,121	6,196	-	-	6,121	6,196
Judicial	3,149	3,649	-	-	3,149	3,649
Health and welfare assistance	395	381	-	-	395	381
Economic development	3,444	4,209	-	-	3,444	4,209
Tourism related	2,063	805	-	-	2,063	805
Unrestricted	(460,114)	(444,442)	57,881	58,986	(402,233)	(385,456)
Total net position	\$ (160,963)	\$ (248,538)	\$ 120,784	\$ 120,318	\$ (40,179)	\$ (128,220)

The County's net position increased by \$88,041 during fiscal year 2019. The governmental activities had an increase in net position of \$87,576. Overall expenses for the Governmental Activities decreased 9.5 percent.

County of Charleston, South Carolina
Changes in Net Position (Recapped from pages 39 and 40)
For the Fiscal Year Ended June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 63,469	\$ 52,967	\$ 49,770	\$ 48,386	\$ 113,239	\$ 101,353
Operating grants and contributions	21,084	47,866	1,204	1,232	22,288	49,098
General Revenues:						
Property taxes	167,544	159,894	-	-	167,544	159,894
Other taxes and fees	212,277	201,395	811	749	213,088	202,144
State aid to political subdivisions	13,482	13,352	-	-	13,482	13,352
Unrestricted investments earnings	3,701	1,878	1,374	831	5,075	2,709
Gain on sale of capital assets	46	-	148	214	194	214
Total Revenues	481,603	477,352	53,307	51,412	534,910	528,764
Program Expenses						
Governmental Activities:						
General government	85,877	83,327	-	-	85,877	83,327
Public safety	120,711	118,398	-	-	120,711	118,398
Judicial	35,615	34,034	-	-	35,615	34,034
Public works	52,658	110,663	-	-	52,658	110,663
Health and welfare	9,914	6,475	-	-	9,914	6,475
Economic development	6,115	16,950	-	-	6,115	16,950
Culture and recreation	41,058	33,990	-	-	41,058	33,990
Education	20,500	7,140	-	-	20,500	7,140
Interest and fiscal charges	21,799	24,792	-	-	21,799	24,792
Business-Type Activities:						
DAODAS	-	-	9,702	10,151	9,702	10,151
E-911 communications	-	-	2,392	2,704	2,392	2,704
Environmental management	-	-	31,478	30,737	31,478	30,737
Parking garages	-	-	2,551	2,633	2,551	2,633
Public safety system	-	-	866	568	866	568
Radio communications	-	-	3,754	3,559	3,754	3,559
Revenue collections	-	-	1,879	2,078	1,879	2,078
Total Expenses	394,247	435,769	52,622	52,430	446,869	488,199
Excess (deficiency) of revenues before transfers over (under) expenses	87,356	41,583	685	(1,018)	88,041	40,565
Transfers	220	(2,536)	(220)	2,536	-	-
Increase in Net Position	87,576	39,047	465	1,518	88,041	40,565
Special Items	-	(28,000)	-	-	-	(28,000)
Net position, beginning	(248,539)	(259,586)	120,319	118,801	(128,220)	(140,785)
Net Position, ending	\$ (160,963)	\$ (248,539)	\$ 120,784	\$ 120,319	\$ (40,179)	\$ (128,220)

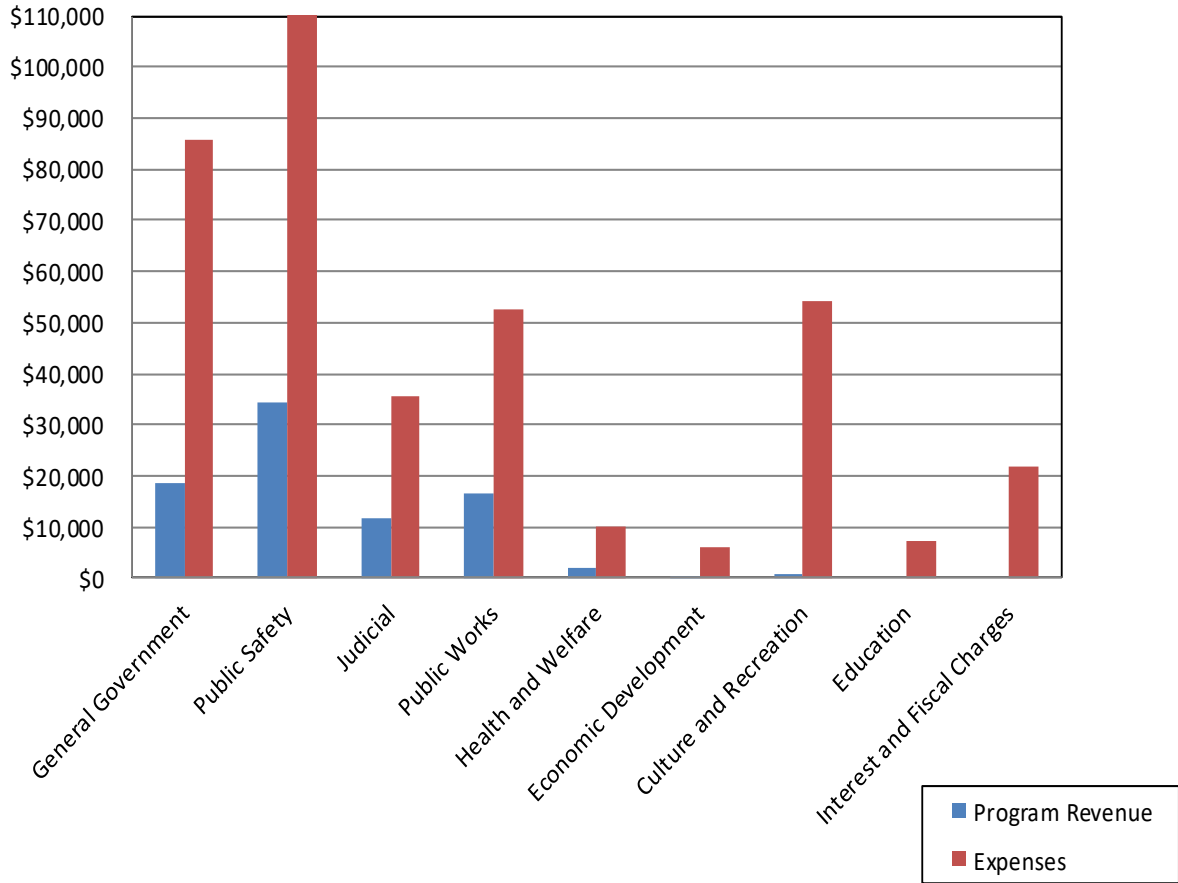
Governmental Activities. Governmental activities increased the County's net position by \$87,576. The key elements of the increase are:

- Property tax revenue increased \$7,650 (4.8 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 \$10,882 (5.4 percent) due to increased consumer spending in Charleston County. This includes accommodations tax, local option sales tax and transportation sales tax, also, the 2nd Transportation one half cent sales tax which was effective May 1, 2017.
- Charges for services increased \$10,502 (19.8 percent) primarily in the public safety function. The public safety charges for services increased \$8,054 (45%) due to:
 - Prisoner's Per Diem \$1,492
 - Alien Assistance Program \$ 161The detention center is accepting more illegal aliens than in past years.

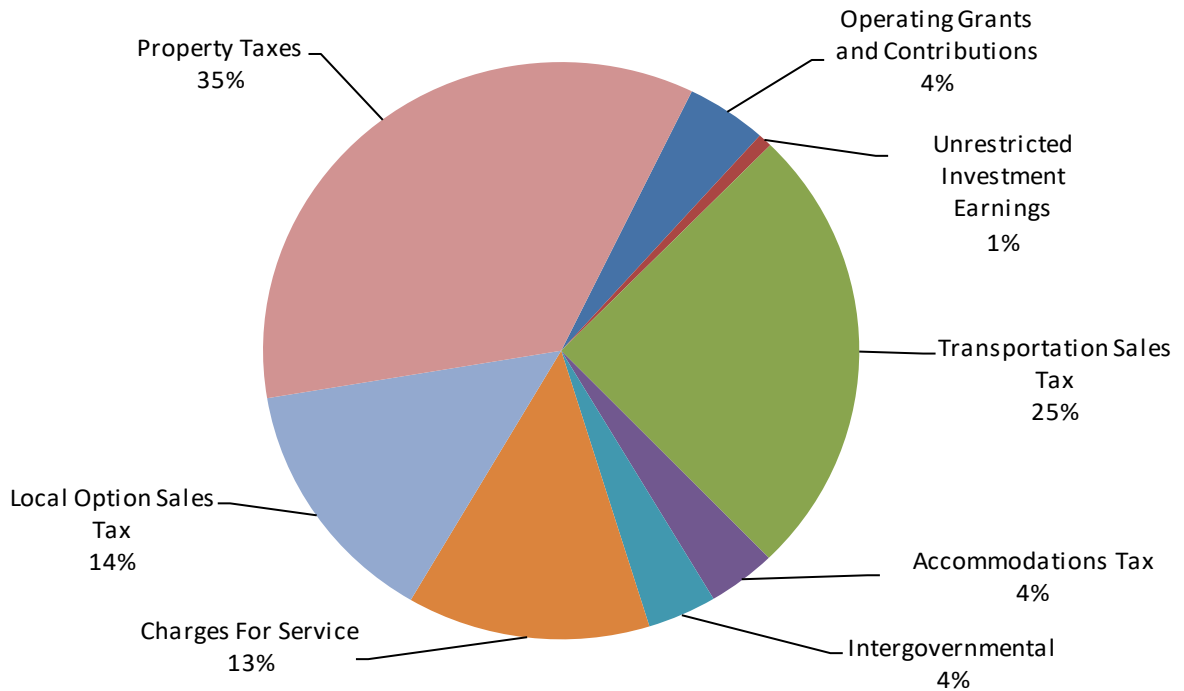
Other significant increases in service charges were as follows:

- Restricted interest income \$3,571 (97.7 percent)
 - EMS collections \$4,733 (43.8 percent)
- Due to increased collections and increase in the number of calls due to the increasing population of the County. At the beginning of FY19 EMS changed to a new company for third party billing/collections.
- Operating grants and contributions decreased \$26,782 (56 percent) due to several grants for economic development and public works ending last fiscal year.
 - Total governmental activities expenses decreased \$41,522 (9.5 percent) due to a decrease in grant reimbursed costs in economic development, and decreased interest cost of the County's debt.
 - The Public Works expenses decreased \$58,005 (52 percent) due to loss on disposal of infrastructure in FY18. These disposals in FY19 were much smaller.
 - The Culture and Recreation expenses increased \$7,068 (21 percent) due to the increased appropriation to the Charleston County Library and items not capitalized by the County but paid for on behalf of the Library.
 - The Education expenses increased \$13,360 (187 percent) due to the County's funding of the Trident Technical College's Aeronautics Training Center.

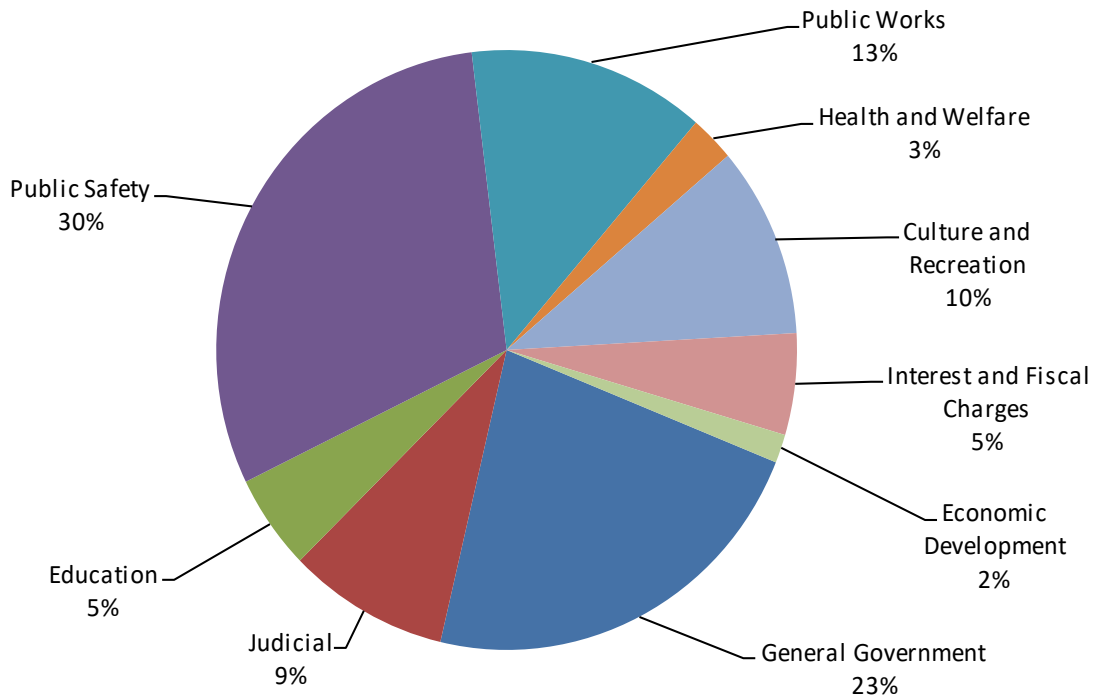
Program Revenues and Expenses - Governmental Activities



Revenues by Source - Governmental Activities

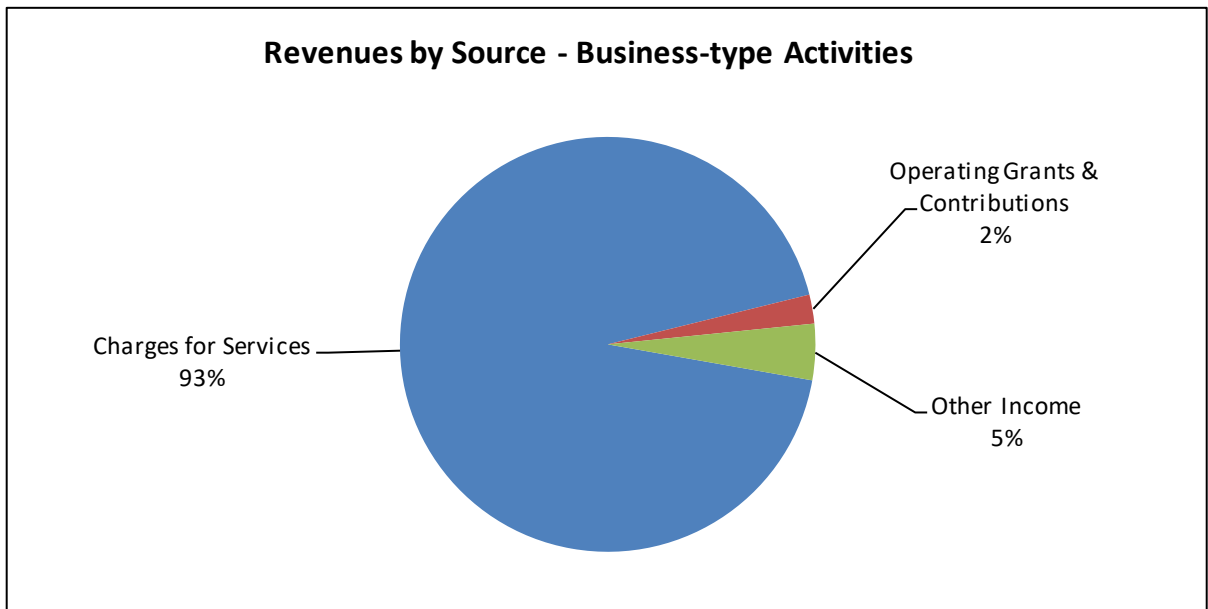


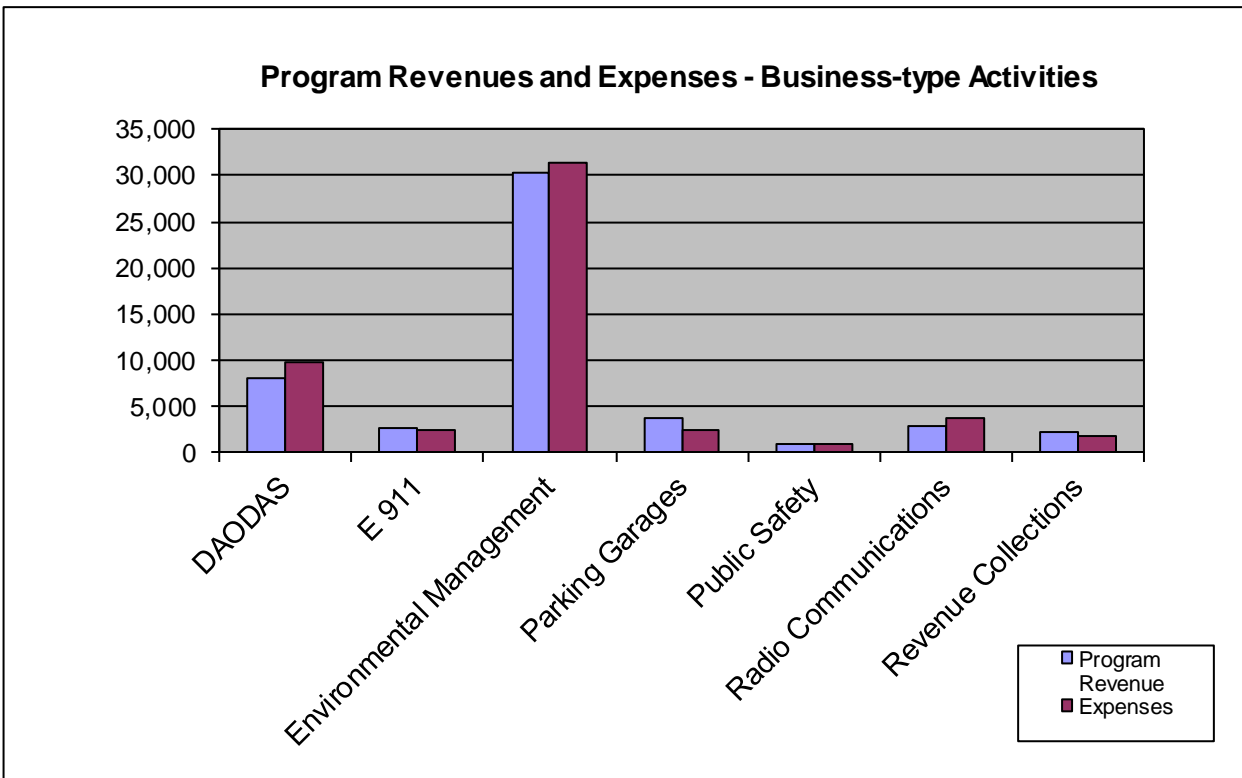
Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities increased the County's net position by \$465. The key elements of this increase were:

- Unrestricted investment earnings increased by \$544 (66 percent) due to higher interest rates.
- Charges for services increased by \$373 (1.3 percent) due to a small increase in collections by the Revenue Collections Fund of user fees.
- Overall, expenses for the business-type activities increased by \$192 (0.37 percent). This increase was primarily in the Environmental Management Fund. Operating expenses in this fund increased \$741 with the largest increases in fleet expense \$225, and other expenses \$784.





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 \$448,852, an increase of \$19,489 in comparison with the prior year. This increase is due to several factors, including an increase in property taxes levied and collected of \$12,085 and an increase in Transportation Sales Taxes collected of \$6,981. The 2nd half cent sales tax began on May 1, 2017. Total expenditures for the governmental funds decreased \$24,323. The Public Works expenditures decreased by \$53,183. The majority of this decrease is due to prior year storm repairs from the past hurricanes and flooding.

The ending fund balance of \$448,852 for the governmental funds is composed of five components: unassigned fund balance of \$58,610, assigned fund balance of \$20,611, committed fund balance of \$42,979, restricted fund balance of \$325,738 and non-spendable fund balance of \$914.

Unassigned fund balance accounts for approximately 13.06 percent or \$58,610 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 \$20,611 or 4.6 percent of ending fund balance. Assigned fund balance includes \$6,549 which was encumbered at the end of fiscal year 2019. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$42,979 or 9.6 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 \$325,738 or 72.6 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$283,564, 2) debt service of \$26,197, 3) \$6,121 for law enforcement activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,149 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 \$914. 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 \$74,895 while total fund balance reached \$96,420. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$10,425. 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 32 percent of total general fund disbursements, while total fund balance represents 41.3 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 27.6 percent of disbursements, which also meets the financial policy. There was an increase of \$13,300 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$13,633 or 6 percent higher than the previous fiscal year.

- Property taxes and local option sales taxes collected increased \$8,026 or 4.88 percent.
- Services charges increased \$3,221 or 14 percent.
- Intergovernmental revenues increased \$3,219 or 12.63 percent.
- Interest income was up \$1,277.

Expenditures increased by \$13,093 or 6.25 percent.

- Public Safety expenditures were up \$6,274 or 6.47 percent.
- Public Works expenditures increased \$2,777 or 32.72 percent.
- Culture and Recreation expenditures increased \$1,711 or 11 percent.

Debt Service Fund. The debt service fund balance is \$26,197 and is \$5,602 or 17.6 percent less than the prior fiscal year. This decrease is due to debt service expenditures increase of \$6,640 or 21 percent.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance increased \$58,603 or 46.78 percent from the prior fiscal year. The new 2nd half cent Transportation Sales Tax was effective May 1, 2017. This increase is due to sales tax collected, \$6,980 or 6 percent increase over prior year. The expenditures in this fund decreased \$10,303 or 13.65 percent from the prior fiscal year

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 \$81,849 which is a \$1,269 decrease from the prior fiscal year.

G.O.B. Capital Projects. This fund balance decreased \$47,896 or 54.1% from prior fiscal year due to the increase in construction projects.

Other Governmental Funds. The other governmental funds had a increase in fund balance of \$2,352 or 13.4 percent from the prior fiscal year. The Construction Fund had a decrease in fund balance of \$24,673. This will be reimbursed by the future sale of capital assets.

Non-major Capital Projects Funds. The non-major capital projects funds reflect a total fund balance of \$(11,573) and are shown on pages 148 and 152. The fund balance for the non-major capital projects funds decreased \$876 in fiscal year 2019.

Non-major Special Revenue Funds. The non-major special revenue funds have a combined total fund balance of \$31,417, all classified as restricted. Non-major special revenue funds are shown on pages 145 through 147, and 149 through 151. The fund balance for the non-major special revenue funds increased \$3,228 from the prior year.

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, 2019, is \$73,491 (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 \$75,623. The non-major proprietary funds have total net position of \$(2,132). These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 49 through 54 and pages 169 through 174 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 \$73,491 (before internal eliminations), a decrease of \$965 or 1.3 percent in comparison with the prior year. The proprietary funds implemented GASB No. 75 during fiscal year 2018. Two of the non-major enterprise funds have negative net position. These negative net positions are due primarily because of the OPEB and retirement expenses.

General Fund Budgetary Highlights

During fiscal year 2019, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$10,300 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$4,019. Mosquito control operations collected \$88 over budgeted revenue. The majority of this revenue comes from state and federal entities and can be dependent on their available budgets. The Detention Center collected \$1,736 in additional prisoner's per diem due to housing an increase in illegal aliens. EMS revenues were \$4,117 over budget due to increased collections. At the beginning of FY19, EMS changed to a new third party billing/collection company.
- Permits and licenses were over budget by \$6,812. County Business License revenue was \$562 over budget due to business growth. The Coroner was \$16 over budget for cremation permits. Building Permits were \$249 overbudget due to an increase in residential building.
- Property and local option sales taxes were over budget by \$2,687.

Actual expenditures and transfers out were \$21,836 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$2,685 under budget, Facilities was \$13,129 under budget and Public Safety was \$1,703 under budget. The County has quite a few vacancies of personnel in Public Safety. Facilities and Technology had projects they were unable to complete in 2019 and Council designated budgeted items of \$9,000 to carry over into FY 2020.

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, 2019, amounted to \$404,181 (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 \$28,330 or 7.5 percent for the current year. The depreciation expense increased by \$1,149 or 4.47 percent.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and easements	\$ 46,031	\$ 44,123	\$ 6,915	\$ 6,915	\$ 52,946	\$ 51,038
Buildings	227,474	214,103	14,474	15,090	241,948	229,193
Improvements other than buildings	3,544	3,007	16,896	18,145	20,440	21,152
Machinery and equipment	37,786	37,718	13,830	13,395	51,616	51,113
Infrastructure	3,443	2,938	-	-	3,443	2,938
Construction in progress	23,000	12,630	10,788	7,787	33,788	20,417
Total	<u>\$ 341,278</u>	<u>\$ 314,519</u>	<u>\$ 62,903</u>	<u>\$ 61,332</u>	<u>\$ 404,181</u>	<u>\$ 375,851</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 84 through 88 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$666,762. Of this amount, \$542,751 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$124,011 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 Arthur Ravenel, Jr. Bridge over the Cooper River. As of June 30, 2019, this obligation is recorded at a net present value of \$20,647 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 542,751	\$ 592,392	\$ -	\$ -	\$ 542,751	\$ 592,392
Special source revenue bonds	124,011	127,765	-	-	124,011	127,765
Intergovernmental note payable	20,647	22,365	-	-	20,647	22,365
Total	<u>\$ 687,409</u>	<u>\$ 742,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 687,409</u>	<u>\$ 742,522</u>

The County's total bonded debt decreased by \$53,395 (7.4 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 \$339,416. The outstanding debt at June 30, 2019 subject to the debt limitation is \$164,875. 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 91 through 102 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2020 General Fund budget is a balanced budget. Total disbursements and funds available total \$251,201, an increase of \$10,517 or 4.4 percent from the prior year. The millage is 44.7, which is unchanged from fiscal year 2019.

The General Fund's budgeted revenues for fiscal year 2020 increased by \$11,208 or 5.0 percent from 2019. The major changes are:

- The Property Tax and the Local Option Sales Tax, the County's largest revenue sources, reflect a net increase of \$7,184 or 4.3 percent. The net increase is due to an increased projection of property value from new construction and an improvement in the local economy resulting in increased sales tax projections. The increase in the revenue from 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 \$3,320 or 5.1 percent to taxpayers.
- The State: Aid to Sub-Local Government represents an increase of \$717 or 5.4 percent based on a change to the State's allocation formula.
- EMS: Insurance Billings reflects an increase of \$710 or 14.2 percent based on the usage of service due to the growing population and tourism in Charleston County.
- The Sheriff: Local Government Contribution increased \$677 or 185 percent due to the projected reimbursements from the Town of Kiawah Island for four Deputy Sheriff Positions.

- The Register of Deeds: Documentary Stamps represents an increased \$600 or 8.1 percent in fee collections based on a higher volume of recorded real estate transactions.

The General Fund's budgeted expenditures for fiscal year 2020 are increased \$11,419 or 4.9 percent from fiscal year 2019. The major changes for fiscal year 2020 are:

- The Library increase of \$6,857 or 39.4 percent is due to the library expansion approved by voters in 2016. The increase also includes the re-establishment of reimbursements for facilities maintenance costs and insurance costs.
- Sheriff: Law Enforcement reflects the largest budget increase in fiscal year 2020 of \$1,872 or 5.2 percent. The increase represents funding for four new Deputy Sheriff Positions for the Town of Kiawah and increased funding for the Charleston Animal Society.
- Technology Services reflected an increase of \$1,678 or 13.1 percent due to the anticipation of additional costs for the new technology service contract.
- The County Council increase of \$1,617 or 92.8 percent represents the allocation of \$1,042 for contingency, \$150 for Community Investment and \$600 to the City of Charleston to provide School Resource Officers for the schools within the city limits.
- Facilities Management represents a \$6,997 or 25.2 percent decrease due to lower maintenance and project funding for County buildings due to budgetary constraints and the re-establishment of a reimbursement from the Library.

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.