

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, 2018. 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, 2018 by \$128,220 (net position.) This is comprised of net investment in capital assets of \$90,649, restricted net position of \$166,587 and unrestricted net position of \$(385,456). 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 \$12,565 during the fiscal year ended June 30, 2018, with a \$11,047 increase resulting from governmental activities and a \$1,518 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 \$429,363, which is a \$126,751 increase from the prior year. Approximately 10.94 percent or \$46,990 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 \$82,411 or approximately 37.12 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$63,576, or approximately 29 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, 2018 is \$266,188.
- 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, 2018 is \$71,338.

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 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 40 through 42, 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 143 through 150 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 167 through 172.

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 174 through 178 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 180 through 182 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 126 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 143. 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 189. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 164.

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 \$128,220 at the close of fiscal year 2018. This was an increase of \$12,565 or 8.92 percent during fiscal year 2018.

A portion of the County's net position, \$90,649, 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, \$166,587, 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 (\$385,456), 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 2018, 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 ended June 30, 2015, and GASB No. 75 during the fiscal year ended June 30, 2018.

Charleston County's Net Position

June 30, 2018

(Recapped from page 36)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current, restricted and other assets	\$ 703,591	\$ 554,350	\$ 77,963	\$ 80,387	\$ 781,554	\$ 634,737
Capital assets	314,519	304,052	61,332	54,871	375,851	358,923
Total Assets	1,018,110	858,402	139,295	135,258	1,157,405	993,660
Total deferred outflows of resources	73,360	65,288	-	-	73,360	65,288
Long-term liabilities outstanding	1,094,396	958,028	10,810	9,944	1,105,206	967,972
Other liabilities	44,471	37,247	8,167	6,514	52,638	43,761
Total liabilities	1,138,867	995,275	18,977	16,458	1,157,844	1,011,733
Total deferred inflows of resources	201,141	188,000	-	-	201,141	188,000
Net Position:						
Investment in capital assets	29,317	116,089	61,332	54,871	90,649	170,960
Restricted for:						
Capital projects	123,770	96,486	-	-	123,770	96,486
Debt service	27,179	18,435	-	-	27,179	18,435
General government	398	147	-	-	398	147
Law enforcement	6,196	6,716	-	-	6,196	6,716
Judicial	3,649	3,557	-	-	3,649	3,557
Health and welfare assistance	381	386	-	-	381	386
Economic development	4,209	3,322	-	-	4,209	3,322
Tourism related	805	188	-	-	805	188
Unrestricted	(444,442)	(504,911)	58,986	63,929	(385,456)	(440,982)
Total net position	\$ (248,538) *	\$ (259,585)	\$ 120,318 *	\$ 118,800	\$ (128,220)	\$ (140,785)

The County's net position increased by \$12,565 during fiscal year 2018. The governmental activities had an increase in net position of \$11,047. Overall revenues for the Governmental Activities increased 22.65 percent.

* As restated for GASB No. 75

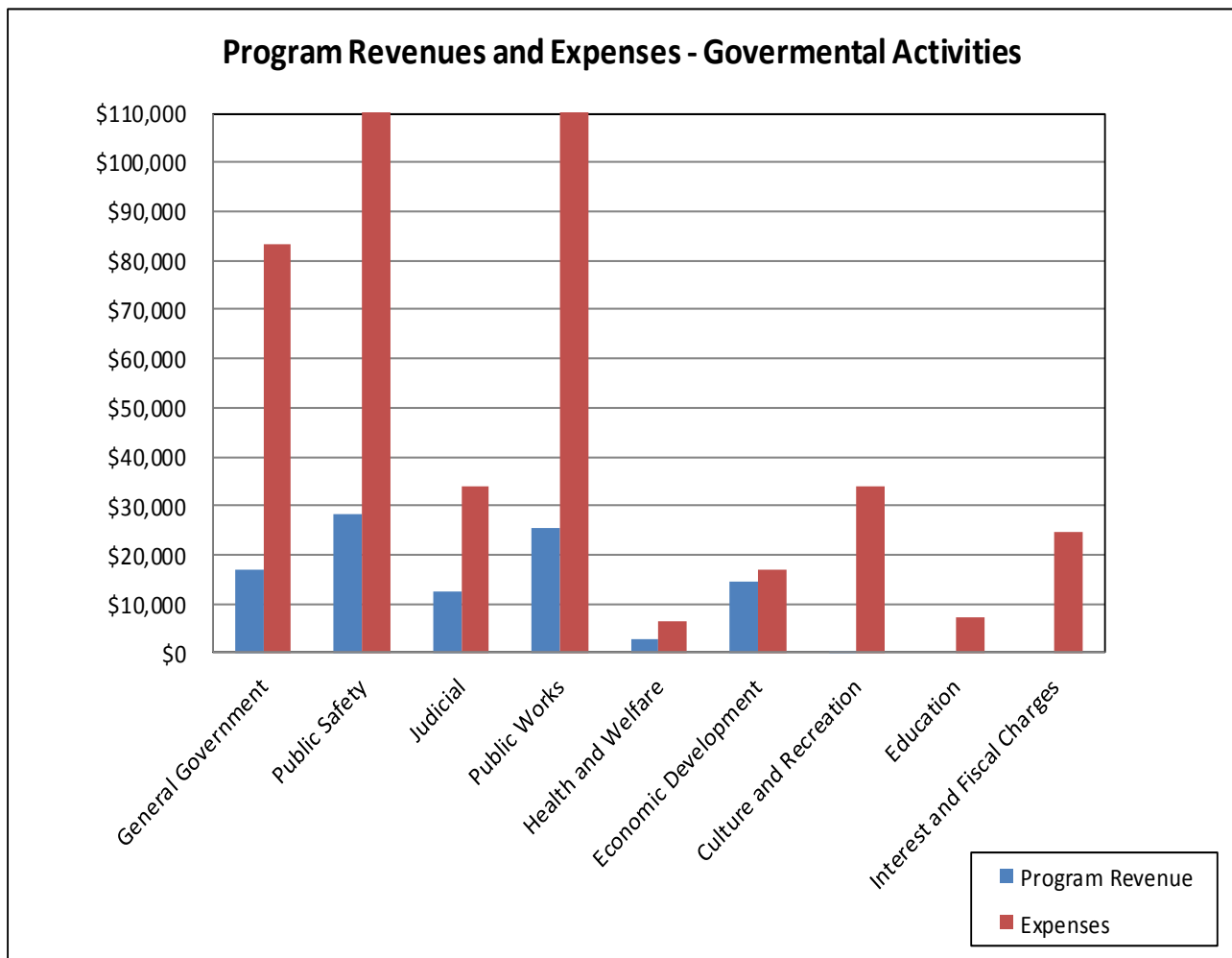
County of Charleston, South Carolina
Changes in Net Position (Recapped from pages 37 and 38)
For the Fiscal Year Ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 52,967	\$ 53,420	\$ 48,386	\$ 45,795	\$ 101,353	\$ 99,215
Operating grants and contributions	47,866	24,996	1,232	1,077	49,098	26,073
General Revenues:						
Property taxes	159,894	148,891	-	-	159,894	148,891
Other taxes and fees	201,395	147,395	749	689	202,144	148,084
State aid to political subdivisions	13,352	13,586	-	-	13,352	13,586
Unrestricted investments earnings	1,878	893	831	532	2,709	1,425
Gain on sale of capital assets	-	-	214	274	214	274
Total Revenues	477,352	389,181	51,412	48,367	528,764	437,548
Program Expenses						
Governmental Activities:						
General government	83,327	112,526	-	-	83,327	112,526
Public safety	118,398	107,538	-	-	118,398	107,538
Judicial	34,034	31,543	-	-	34,034	31,543
Public works	110,663	61,613	-	-	110,663	61,613
Health and welfare	6,475	6,736	-	-	6,475	6,736
Economic development	16,950	5,098	-	-	16,950	5,098
Culture and recreation	33,990	33,765	-	-	33,990	33,765
Education	7,140	6,750	-	-	7,140	6,750
Interest and fiscal charges	24,792	22,085	-	-	24,792	22,085
Business-Type Activities:						
DAODAS	-	-	10,151	10,466	10,151	10,466
E-911 communications	-	-	2,704	2,640	2,704	2,640
Environmental management	-	-	30,737	29,899	30,737	29,899
Parking garages	-	-	2,633	2,511	2,633	2,511
Public safety system	-	-	568	673	568	673
Radio communications	-	-	3,559	3,718	3,559	3,718
Revenue collections	-	-	2,078	2,118	2,078	2,118
Total Expenses	435,769	387,654	52,430	52,025	488,199	439,679
Excess (deficiency) of revenues before transfers over (under) expenses	41,583	1,527	(1,018)	(3,658)	40,565	(2,131)
Transfers	(2,536)	(2,754)	2,536	2,754	-	-
Increase (Decrease) in Net Position	39,047	(1,227)	1,518	(904)	40,565	(2,131)
Special Items	(28,000)	-	-	-	(28,000)	-
Net position, beginning (As restated)	(259,585)	(258,358)	118,800	119,704	(140,785)	(138,654)
Net Position, ending	\$ (248,538) *	\$ (259,585)	\$ 120,318	\$ 118,800 *	\$ (128,220)	\$ (140,785)

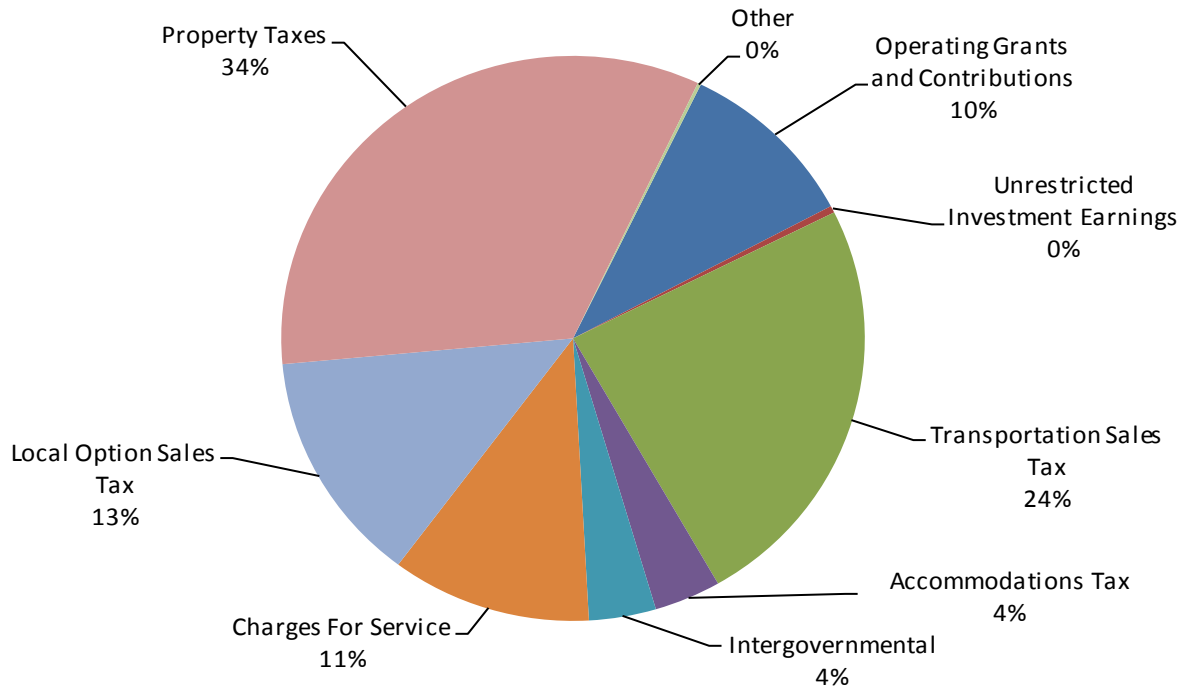
* As restated for GASB No. 75

Governmental Activities. Governmental activities increased the County's net position by \$11,047. The key elements of the increase are:

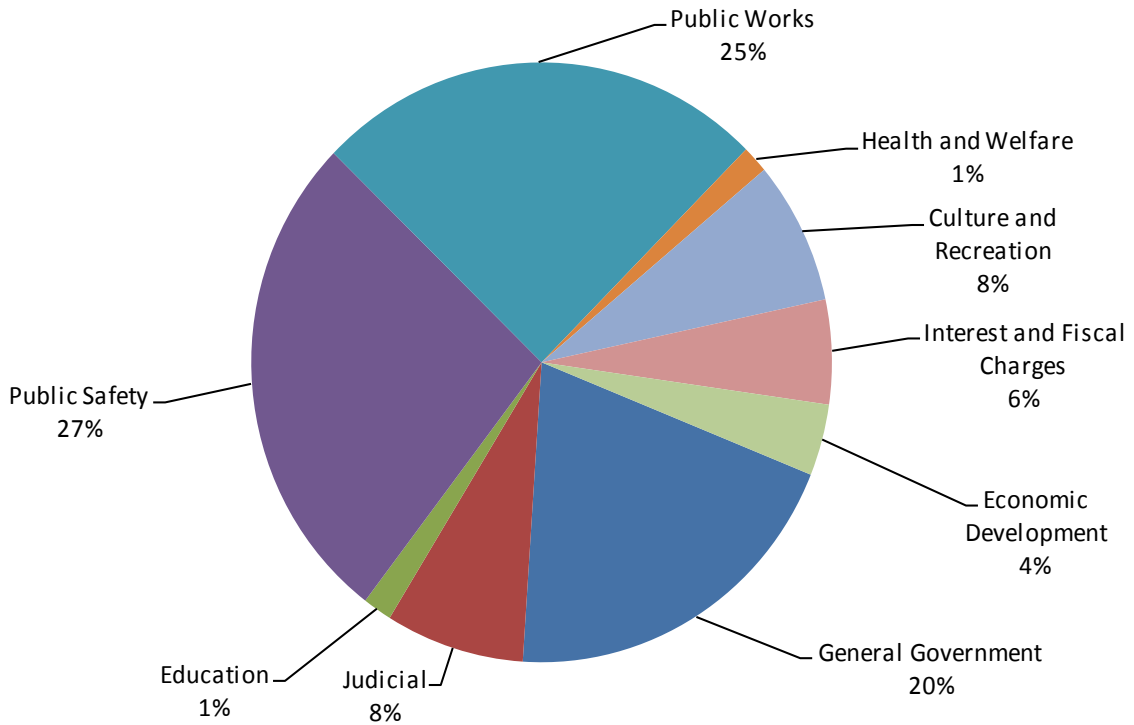
- Property tax revenue increased \$11,003 (7.4 percent) primarily due to an increase in the County's total taxable assessed value for real and personal property and vehicles.
- Other taxes and fees increased \$54,000 (36.6 percent) due to increased consumer spending in Charleston County. This includes 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.
- Operating grants and contributions increased \$22,870 (91.5 percent) due to several new grants for economic development.
- Total governmental activities expenses increased \$48,115 (12.4 percent) due to increased FTE's for Facilities and other general government functions.
- The Public Works expenses increased \$49,050 (80 percent) due to repairs needed from hurricane and flooding damage.
- The economic development expenses increased \$11,852 (232 percent) due to several new grants, including a \$14 million state grant.
- The County recognized two special items for a loss of \$28,000.



Revenues by Source - Governmental Activities

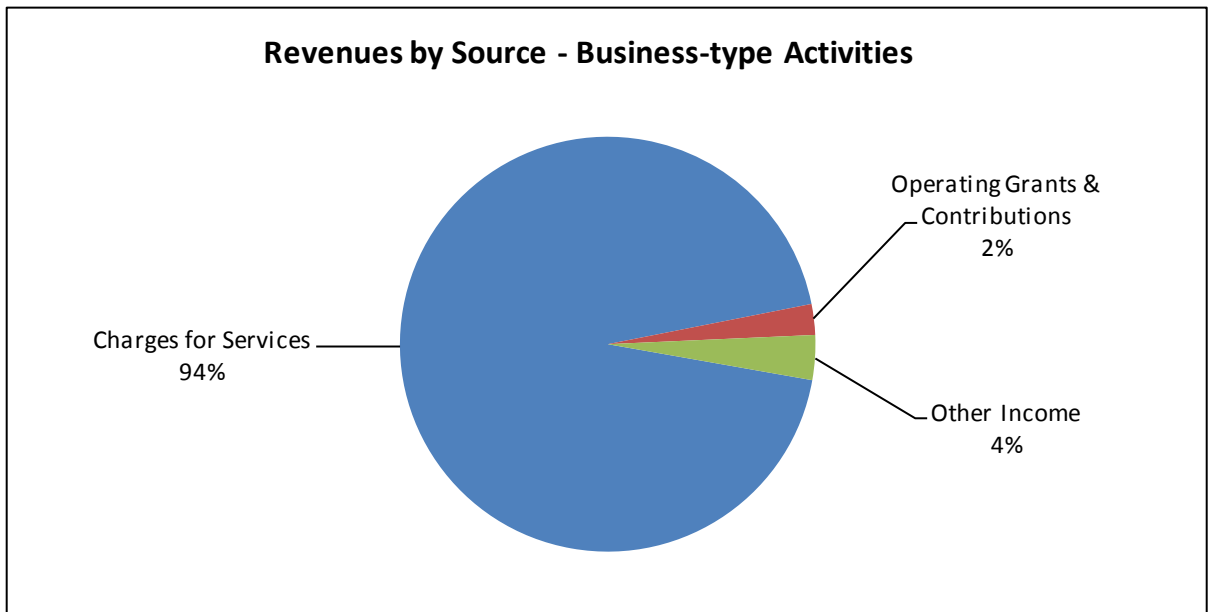


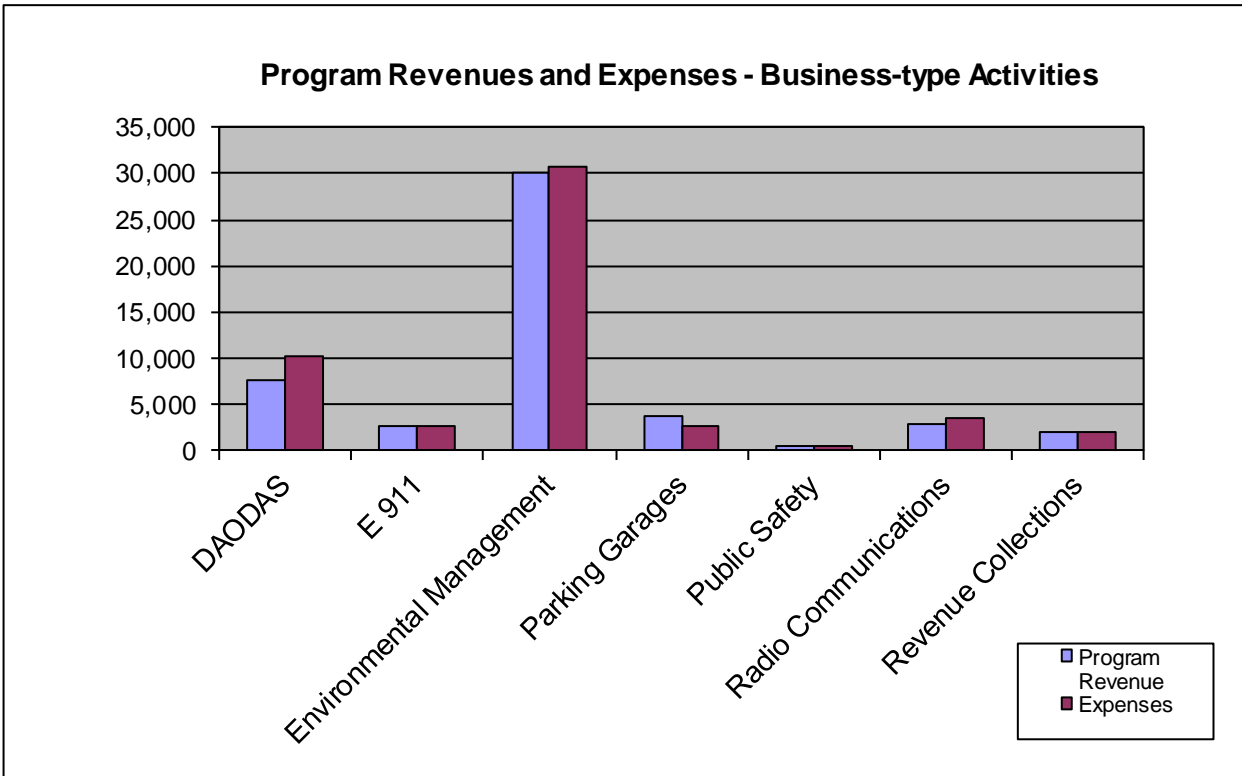
Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities increased the County's net position by \$1,518. The key elements of this increase were:

- Unrestricted investment earnings increased by \$298 (56 percent) due to higher interest rates.
- Charges for services increased by \$2,591 (5.6 percent) largely due to an increase in collections by the Revenue Collections Fund.
- Overall, expenses for the business-type activities increased by \$3,746 (7.7 percent). This increase was primarily in the Environmental Management Fund. Operating expenses in this fund increased \$2,327 with the largest increases in depreciation expense \$294, pension expense \$272, OPEB expense \$218, and contracted services \$321.





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 \$429,363, an increase of \$126,751 in comparison with the prior year. This increase is due to several factors, including an increase in property taxes levied and collected of \$10,785 and an increase in Transportation Sales Taxes collected of \$49,567. The 2nd half cent sales tax began on May 1, 2017. Total expenditures for the governmental funds increased \$103,007. The capital outlay function accounted for \$34,036 of the increase. Other factors in this increase include Public Safety \$7,371 increase in expenditures from prior year, due to salary increases and several new grants. The Public Works expenditures increased by \$42,440. The majority of this increase is due to storm repairs from the last two hurricanes and flooding.

Other financing sources (uses) increased \$136,505 due to bond issuances and refundings.

The ending fund balance of \$429,363 for the governmental funds is composed of five components: unassigned fund balance of \$46,990, assigned fund balance of \$18,836, committed fund balance of \$90,511, restricted fund balance of \$272,318 and non-spendable fund balance of \$708.

Unassigned fund balance accounts for approximately 10.94 percent or \$46,990 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 \$18,836 or 4.4 percent of ending fund balance. Assigned fund balance includes \$8,909 which was encumbered at the end of fiscal year 2018. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$90,511 or 21.08 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 \$272,318 or 63.42 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$224,881, 2) debt service of \$31,799, 3) \$6,196 for law enforcement activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,649 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 \$708. 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 \$63,576 while total fund balance reached \$83,119. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$9,925. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 28.6 percent of total general fund disbursements, while total fund balance represents 37.4 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 28.6 percent of disbursements, which also meets the financial policy. There was an increase of \$9,655 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$8,321 or 3.8 percent higher than the previous fiscal year.

- Property taxes and local option sales taxes collected increased \$8,746 or 5.62 percent.
- Services charges increased \$644 or 2.9 percent.
- Intergovernmental revenues decreased \$1,014 or 3.83 percent.
- Interest income was up \$675.

Expenditures increased by \$15,566 or 8.03 percent.

- Public Safety expenditures were up \$5,734 or 6.29 percent.
- General Government expenditures increased \$9,029 or 16.35 percent.

Debt Service Fund. The debt service fund balance is \$31,799 and is \$13,731 or 76 percent higher than the prior fiscal year. This increase is due to bond premiums of \$14,474 to be used for future debt service payments but recorded as an other financing source this fiscal year.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance increased \$44,048 or 54.21 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, \$49,567 or 75.8 percent increase over prior 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 \$83,118 which is a \$3,889 increase from the prior fiscal year. The increase is due to the issuance of additional Special Source Revenue Bonds in the amount of \$35,815. The new bonds were issued to reimburse Mercedes-Benz Van, LLC for infrastructure improvements.

G.O.B. Capital Projects. This fund balance increased \$73,276 or 480% from prior fiscal year due to the issuance of bonds.

Other Governmental Funds. The other governmental funds had a decrease in fund balance of \$17,849 or 50 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 \$(10,697) and are shown on pages 146 and 150. The fund balance for the non-major capital projects funds decreased \$26,412 in fiscal year 2018.

Non-major Special Revenue Funds. The non-major special revenue funds have a combined total fund balance of \$28,189, all classified as restricted. Non-major special revenue funds are shown on pages 143 through 145, and 147 through 149. The fund balance for the non-major special revenue funds increased \$8,564 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, 2018, is \$74,456 (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 \$76,161. The non-major proprietary funds have total net position of \$(1,705). These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 47 through 52 and pages 167 through 172 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 \$74,456 (before internal eliminations), a decrease of \$2,981 or 3.8 percent in comparison with the prior year. The proprietary funds implemented GASB No. 75 during fiscal year 2018. This resulted in a prior period adjustment to net position of \$35,611 (including internal service funds). 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 2018, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$1,019 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$1,318. Register of Deeds charges exceeded budget by \$372 due to the increased volume of recorded real estate transactions. Mosquito control operations collected \$83 over budgeted revenue. The majority of this revenue comes from state and federal entities and can be dependent on their available budgets. The delinquent tax office collected \$137 in additional delinquent levy costs. Probate court fees were \$182 over budget revenue in fiscal year 2018.
- Permits and licenses were over budget by \$229. County Business License revenue was \$30 over budget due to business growth. The Coroner was \$19 over budget for cremation permits.
- Property and local option sales taxes were over budget by \$651.

Actual expenditures and transfers out were \$21,194 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$2,860 under budget, Facilities was \$11,360 under budget and Public Safety was \$2,093 under budget. The County has quite a few vacancies of personnel in Public Safety. Facilities had projects they were unable to complete in 2018 and Council designated budgeted items of \$5,253 to carry over into FY 2019.

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, 2018, amounted to \$375,851 (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 \$16,928 or 4.72 percent for the current year. The depreciation expense decreased by 346 or 1.33 percent.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and easements	\$ 44,123	\$ 35,567	\$ 6,915	\$ 6,915	\$ 51,038	\$ 42,482
Buildings	214,103	221,524	15,090	15,707	229,193	237,231
Improvements other than buildings	3,007	2,473	18,145	18,203	21,152	20,676
Machinery and equipment	37,718	35,825	13,395	12,973	51,113	48,798
Infrastructure	2,938	5,994	-	-	2,938	5,994
Construction in progress	12,630	2,669	7,787	1,073	20,417	3,742
Total	<u>\$ 314,519</u>	<u>\$ 304,052</u>	<u>\$ 61,332</u>	<u>\$ 54,871</u>	<u>\$ 375,851</u>	<u>\$ 358,923</u>

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 \$720,157. Of this amount, \$592,392 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$127,765 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, 2018, this obligation is recorded at a net present value of \$22,365 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 592,392	\$ 517,751	\$ -	\$ -	\$ 592,392	\$ 517,751
Special source revenue bonds	127,765	92,322	-	-	127,765	92,322
Intergovernmental note payable	22,365	23,991	-	-	22,365	23,991
Total	<u>\$ 742,522</u>	<u>\$ 634,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,522</u>	<u>\$ 634,064</u>

The County's total bonded debt increased by \$110,084 (18 percent) during the current fiscal year. The County issued \$35,815 of new Special Source Revenue Bonds, \$117,679 in General Obligation Bonds (including premiums) and \$131,206 (including premiums) Refunding General Obligation Bonds.

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 \$320,804. The outstanding debt at June 30, 2018 subject to the debt limitation is \$187,215. 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 99 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2019 General Fund budget is a balanced budget. Total disbursements are \$240,684 an increase of \$5,054 or 2.1 percent from the prior year. The millage is 44.7, which is unchanged from fiscal year 2018. 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 \$1,740 or 2.7 percent to taxpayers.

The General Fund's budgeted revenues for fiscal year 2019 increased by \$5,772 or 2.5 percent from 2018. The major changes are:

- Property tax revenues reflect an increase of \$6,485 or 4.0 percent. Charleston County is anticipating an increase due to new construction and rising values of existing properties.
- The Local Option Sales Tax, which is applied as a credit against property taxes, is anticipated to increase \$1,750 or 2.7 percent. This increase reflects continued improvements in the level of consumer spending in the Charleston County area.
- Detention Center: Federal Prisoners is anticipated to increase \$1,080 or 43.2 percent due to the federal government's renewed interest in detaining inmates as part of the Immigration and Customs Enforcement. The County receives per diem reimbursement from the federal government for detaining federal prisoners.

- Interfund Transfers In increased \$1,627 million or 43.4 percent from the FY 2018 budget. The most significant change represents an increase in the discretionary transfer of unspent revenue from the Clerk of Court: IV-D Child Support Enforcement Fund.

The General Fund's budgeted disbursements for fiscal year 2019 are increased \$5,054 or 2.1 percent from fiscal year 2018. The major changes for fiscal year 2019 are:

- Sheriff: Law Enforcement reflects the largest budget increase in fiscal year 2019 of \$3,233 or 9.8 percent. The increase represents funding for ten new School Resource Officers to address public safety in the schools.
- Sheriff: Detention Center increased \$2,415 million or 6.5 percent due to full-year funding for the increase in the FY 2018 contracted food service for inmates.
- The Library increase of \$1,623 or 10.3 percent is due to the library expansion approved by voters in 2014.
- Interfund Transfers Out decreased \$2,129 million or 19.9 percent from the prior fiscal year primarily due to a revision in the calculation of the County administrative costs. This revision resulted in lower support of the Radio Communications and DAODAS Enterprise Funds.

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.