

## 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, 2020. 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 13 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

- Assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at June 30, 2020 by \$21,101 (net position.) This is comprised of net investment in capital assets of \$177,769, restricted net position of \$276,537 and unrestricted net position of \$(433,205). 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 (OPEB), *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions* during fiscal year 2018.
- Charleston County's total net position increased by \$61,280 during the fiscal year ended June 30, 2020, with a \$63,217 increase resulting from governmental activities and a \$1,937 decrease 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 \$592,004, which is a \$143,152 increase from the prior year. Approximately 10.96 percent or \$64,858 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 \$98,259 or approximately 41.44 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$85,984, or approximately 36.26 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, 2020 is \$273,199.
- The County implemented GASB No. 75 in fiscal year 2018. 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, 2020 is \$74,602.

## 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 40 through 42 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 66 through 67 of this report.

The government-wide financial statements for component units can be found on pages 59 through 62 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 44 through 46, 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 153 through 160 of this report.

**Proprietary Funds.** Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 51 through 56 and pages 177 through 188 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 177 through 182.

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 184 through 188 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 190 through 192 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 63 through 137 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 153. 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 199. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 174.

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 139.

## **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, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,101 at the close of fiscal year 2020. This was an increase of \$61,280 or 152.5 percent during fiscal year 2020.

A portion of the County's net position, \$177,769, 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, \$276,537, 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 2020, the County had positive balances in two of the three categories of net position for the primary government. Unrestricted net position is (\$433,205), indicates the portion of net position which can be used for day-to-day operations without constraints established by legislation or other legal requirements. 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. Another contributing factor to the negative net position is 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, 2020

(Recapped from page 40)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Current, restricted and other assets	\$ 893,886	\$ 740,426	\$ 81,236	\$ 81,388	\$ 975,122
Capital assets	364,384	341,278	84,348	62,903	448,732	404,181
<b>Total Assets</b>	<b>1,258,270</b>	<b>1,081,704</b>	<b>165,584</b>	<b>144,291</b>	<b>1,423,854</b>	<b>1,225,995</b>
Total deferred outflows of resources	55,923	61,259	-	-	55,923	61,259
Long-term liabilities outstanding	1,139,390	1,037,110	35,359	11,701	1,174,749	1,048,811
Other liabilities	44,757	46,770	11,378	11,806	56,135	58,576
<b>Total liabilities</b>	<b>1,184,147</b>	<b>1,083,880</b>	<b>46,737</b>	<b>23,507</b>	<b>1,230,884</b>	<b>1,107,387</b>
Total deferred inflows of resources	227,792	220,046	-	-	227,792	220,046
<b>Net Position:</b>						
Investment in capital assets	121,876	81,465	55,893	62,903	177,769	144,368
Restricted for:						
Capital projects	229,415	179,588	-	-	229,415	179,588
Debt service	35,705	22,120	-	-	35,705	22,120
General government	130	806	-	-	130	806
Law enforcement	4,657	6,121	-	-	4,657	6,121
Judicial	2,679	3,149	-	-	2,679	3,149
Health and welfare assistance	377	395	-	-	377	395
Economic development	3,574	3,444	-	-	3,574	3,444
Tourism related	-	2,063	-	-	-	2,063
Unrestricted	(496,159)	(460,114)	62,954	57,881	(433,205)	(402,233)
<b>Total net position</b>	<b>\$ (97,746)</b>	<b>\$ (160,963)</b>	<b>\$ 118,847</b>	<b>\$ 120,784</b>	<b>\$ 21,101</b>	<b>\$ (40,179)</b>

The County's net position increased by \$61,280 during fiscal year 2020. The governmental activities had an increase in net position of \$63,217. Overall revenues for the Governmental Activities increased 6.47 percent. The Business-Type activities had a decrease in net position of \$1,937. Overall expenses for the Business-Type activities increased 11.86 percent.

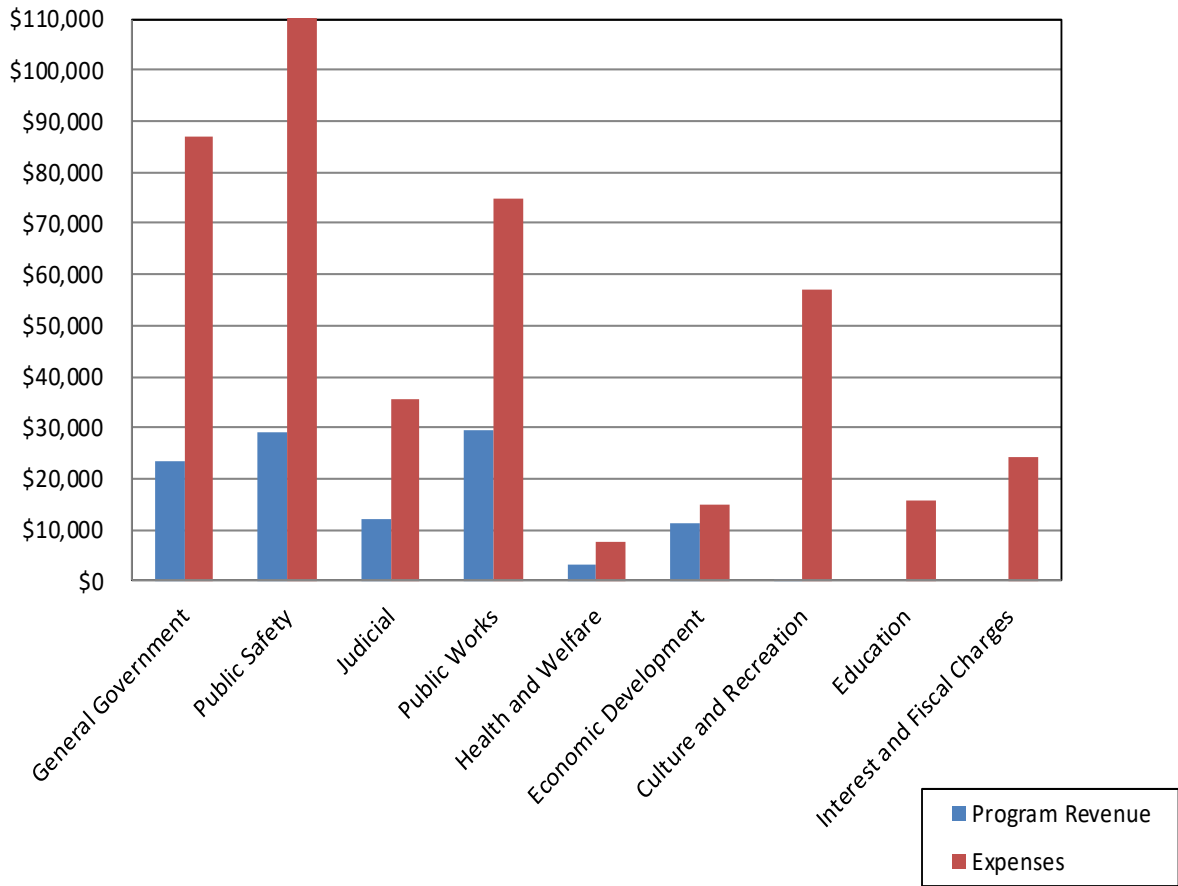
County of Charleston, South Carolina  
Changes in Net Position (Recapped from pages 41 and 42)  
For the Fiscal Year Ended June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 60,187	\$ 63,469	\$ 49,676	\$ 49,770	\$ 109,863	\$ 113,239
Operating grants and contributions	42,837	21,084	1,207	1,204	44,044	22,288
Capital grants	5,417	-	183	-	5,600	-
<b>General Revenues:</b>						
Property taxes	178,577	167,544	-	-	178,577	167,544
Other taxes and fees	207,306	212,277	707	811	208,013	213,088
State aid to political subdivisions	14,189	13,482	-	-	14,189	13,482
Unrestricted investments earnings	4,261	3,701	1,051	1,374	5,312	5,075
Miscellaneous	-	-	790	-	790	-
Gain on sale of capital assets	-	46	549	148	549	194
<b>Total Revenues</b>	<b>512,774</b>	<b>481,603</b>	<b>54,163</b>	<b>53,307</b>	<b>566,937</b>	<b>534,910</b>
<b>Program Expenses</b>						
<b>Governmental Activities:</b>						
General government	86,998	85,877	-	-	86,998	85,877
Public safety	129,003	120,711	-	-	129,003	120,711
Judicial	35,776	35,615	-	-	35,776	35,615
Public works	74,986	52,658	-	-	74,986	52,658
Health and welfare	7,790	9,914	-	-	7,790	9,914
Economic development	15,002	6,115	-	-	15,002	6,115
Culture and recreation	57,219	41,058	-	-	57,219	41,058
Education	15,648	20,500	-	-	15,648	20,500
Interest and fiscal charges	24,369	21,799	-	-	24,369	21,799
<b>Business-Type Activities:</b>						
DAODAS	-	-	10,552	9,702	10,552	9,702
E-911 communications	-	-	2,995	2,392	2,995	2,392
Environmental management	-	-	36,043	31,478	36,043	31,478
Parking garages	-	-	2,603	2,551	2,603	2,551
Public safety system	-	-	742	866	742	866
Radio communications	-	-	3,605	3,754	3,605	3,754
Revenue collections	-	-	2,326	1,879	2,326	1,879
<b>Total Expenses</b>	<b>446,791</b>	<b>394,247</b>	<b>58,866</b>	<b>52,622</b>	<b>505,657</b>	<b>446,869</b>
Excess (deficiency) of revenues before transfers over (under) expenses	65,983	87,356	(4,703)	685	61,280	88,041
Transfers	(2,766)	220	2,766	(220)	-	-
<b>Increase in Net Position</b>	<b>63,217</b>	<b>87,576</b>	<b>(1,937)</b>	<b>465</b>	<b>61,280</b>	<b>88,041</b>
Net position, beginning	(160,963)	(248,539)	120,784	120,319	(40,179)	(128,220)
<b>Net Position, ending</b>	<b>\$ (97,746)</b>	<b>\$ (160,963)</b>	<b>\$ 118,847</b>	<b>\$ 120,784</b>	<b>\$ 21,101</b>	<b>\$ (40,179)</b>

**Governmental Activities.** Governmental activities increased the County's net position by \$63,217. The key elements of this change are:

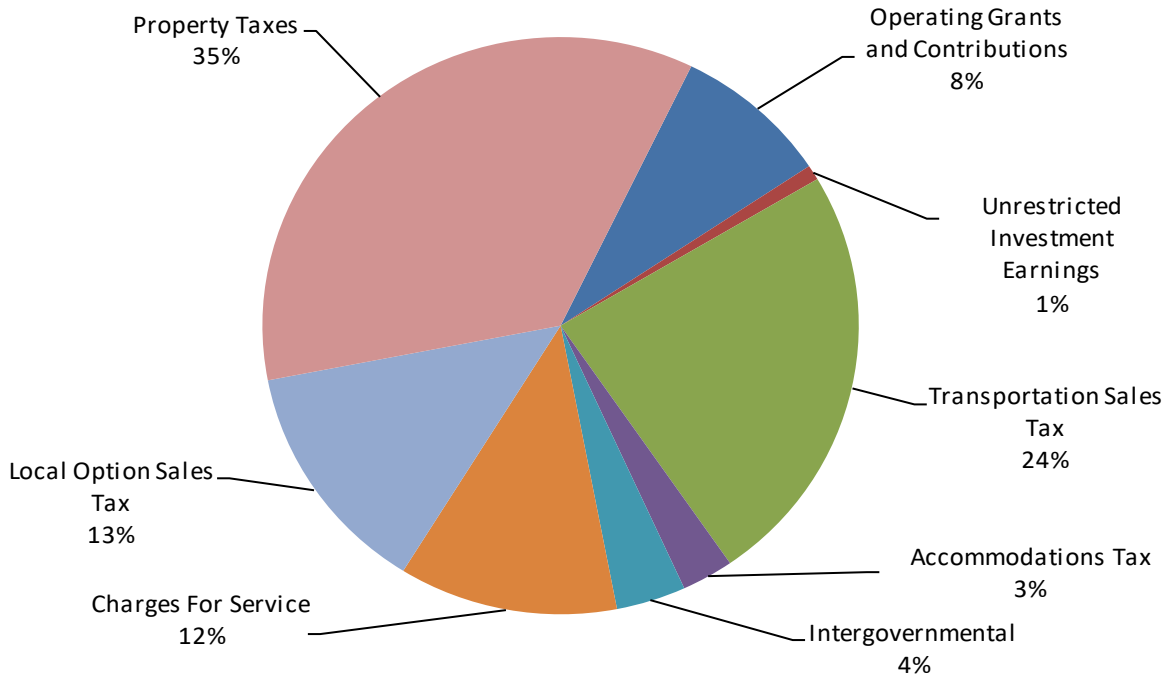
- Property tax revenue increased \$11,033 (6.6 percent) primarily due to an increase in the County's total taxable assessed value for real and personal property and vehicles.
- Other taxes and fees decreased \$4,971 (2.3 percent) due to decreased consumer spending in Charleston County. This decrease is due to COVID related shutdowns. This includes accommodations tax, local option sales tax and transportation sales tax, also, the 2<sup>nd</sup> Transportation one half cent sales tax which was effective May 1, 2017.
- Charges for services decreased \$3,282 (5.2 percent) primarily in the public safety function. The public safety charges for services decreased \$3,646 (14%) due to:
  - Prisoner's Per Diem           \$(1,309)
  - Alien Assistance Program   \$ (161)
- Operating grants and contributions increased \$21,753 (103 percent) due to several new grants for economic development and disaster funds (Public Works).
- Capital grants and contributions increased \$5,417 (100 percent) due to voting machines given to the County by the State.
- Total governmental activities expenses increased \$1,121 (1.3 percent) due to an increase in salaries/benefits and COVID related expenses.
- The Public Safety expenses increased \$8,292 (6.9 percent) due to salaries, overtime costs and employee fringe benefits. COVID related expenses such as disinfectant and protective gear also contributed to this increase.
- The Public Works expenses increased \$22,328 (42 percent) is due to an increase in grant costs. The Public Works (FEMA/Disaster) grants revenue doubled from prior year.
- The Culture and Recreation expenses increased \$16,161 (39 percent) due to the increased appropriation to the Charleston County Library and the non-capital projects paid for by the County.
- The Economic Development expenses increased \$8,887 (145 percent) due to several new pass-through grants.

### Program Revenues and Expenses - Governmental Activities

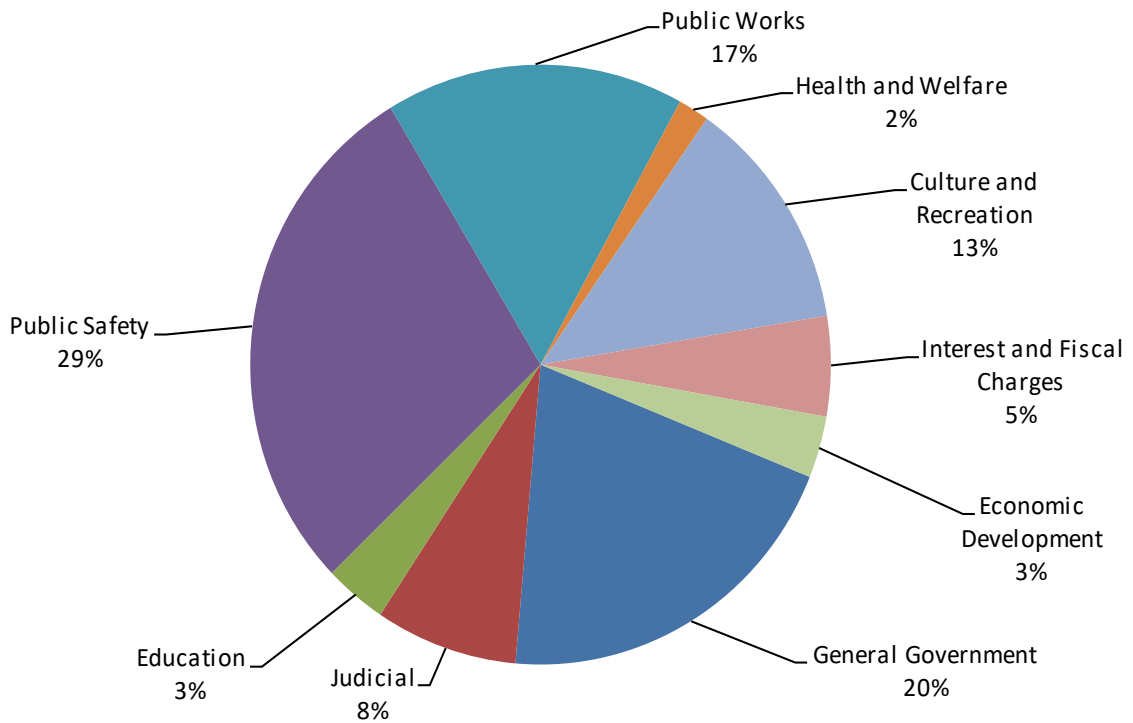




### Revenues by Source - Governmental Activities

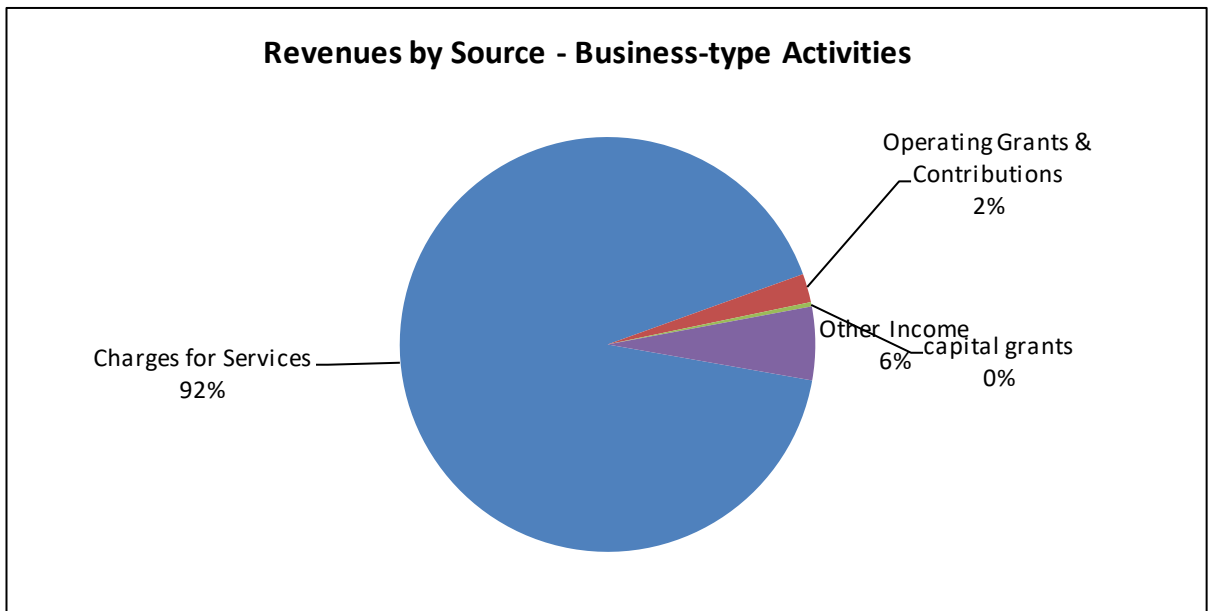


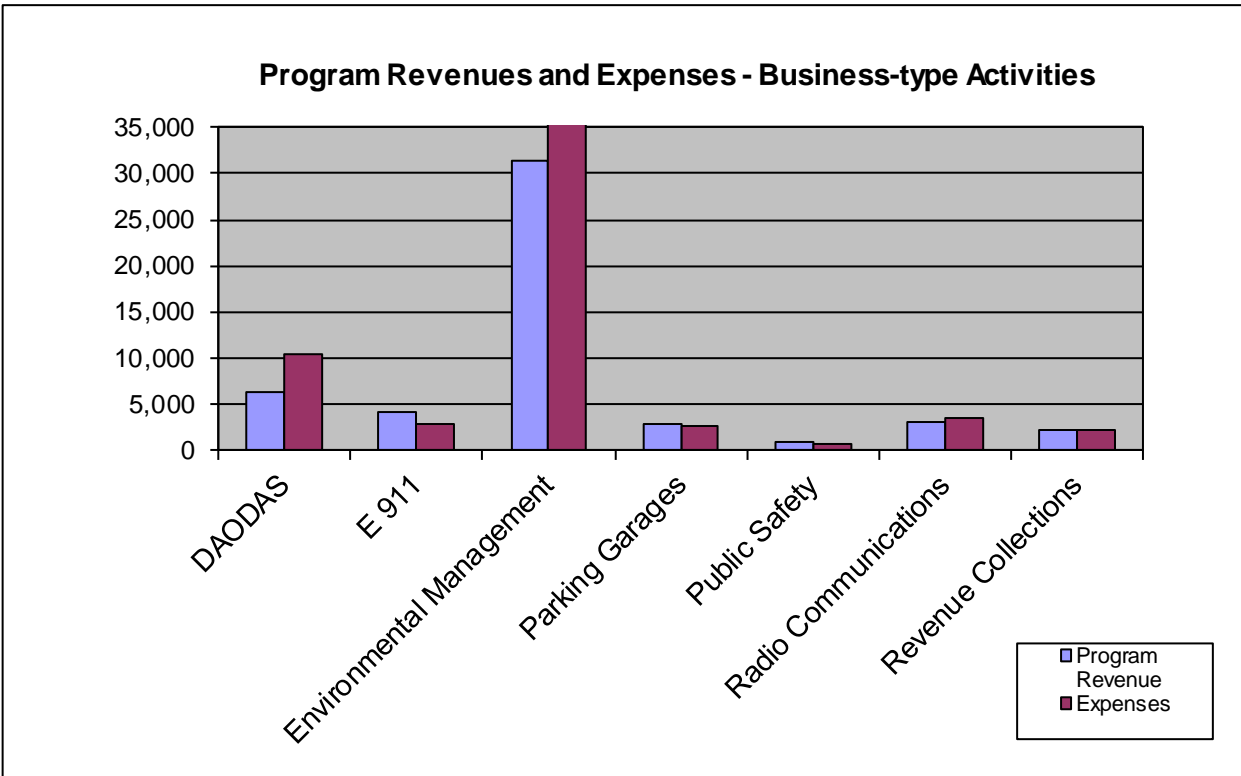
### Expenses by Program - Governmental Activities



**Business-type Activities.** Business-type activities decreased the County's net position by \$(1,937). The key elements of this decrease were:

- Unrestricted investment earnings decreased by \$323 (23 percent) due to lower interest rates.
- Overall, expenses for the business-type activities increased by \$6,245 (12.0 percent). This increase was primarily in the Environmental Management Fund. Operating expenses in this fund increased \$4,565 with the largest increases in contractual services \$1,139, materials and supplies \$2,956, fleet expense \$147, and other expenses \$894. This fund has increased activities which include the building of a new Materials Recovery Facility (MRF), non-capital updates at the landfill, more expensive hauler contracts and contracted temporary staff at the MRF and for curbside collections.





### 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 \$592,004, an increase of \$143,152 in comparison with the prior year. This increase is due to several factors including the sale of general obligation bonds of \$125,509, bond premiums of \$14,083, and an increase of \$21,607 in intergovernmental revenues. There were several new grants in economic development and the disaster fund.

The ending fund balance of \$592,004 for the governmental funds is composed of five components: unassigned fund balance of \$64,858, assigned fund balance of \$12,275, committed fund balance of \$130,700, restricted fund balance of \$383,227 and non-spendable fund balance of \$944.

Unassigned fund balance accounts for approximately 10.96 percent or \$64,858 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 \$12,275 or 2.0 percent of ending fund balance. Assigned fund balance includes \$8,028 which was encumbered at the end of fiscal year 2020. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$130,700 or 22.0 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 \$383,227 or 64.7 percent of ending fund balance. The major restricted fund balances are for: 1) Capital and infrastructure projects of \$331,545, 2) debt service of \$40,265, 3) \$4,656 for law enforcement activities (primarily comprised of balances in the Sheriff's office), and 4) \$2,678 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 \$944. 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 \$85,984 while total fund balance reached \$99,203. 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 36 percent of total general fund disbursements, while total fund balance represents 41.8 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 32.0 percent of disbursements, which also meets the financial policy. There was an increase of \$2,784 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$5,296 or 2.2 percent higher than the previous fiscal year.

- Property taxes and local option sales taxes collected increased \$3,582 or 2.0 percent.
- Intergovernmental revenues increased \$534 or 1.8 percent.
- Interest income was up \$828 or 3.4 percent.

Expenditures increased by \$14,573 or 6.5 percent.

- Public Safety expenditures were up \$4,662 or 4.5 percent.
- Health and Welfare expenditures increased \$1,012 or 2.8 percent.
- Culture and Recreation expenditures increased \$6,852 or 39 percent.

**Debt Service Fund.** The debt service fund balance is \$40,265 and is \$14,068 or 53.7 percent more than the prior fiscal year. This increase is due to bond premiums of \$13,998.

**Transportation and Road Sales Tax Special Revenue Fund.** This fund balance increased \$48,401 or 26.32 percent from the prior fiscal year. The new 2<sup>nd</sup> half cent Transportation Sales Tax was effective May 1, 2017. This increase is due to intergovernmental reimbursements of \$1,790 or 100 percent increase over prior year. The expenditures in this fund increased \$11,606 or 17.8 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 \$80,669 which is a \$1,180 decrease from the prior fiscal year.

**G.O.B. Capital Projects.** This fund balance increased \$89,215 or 220.0% from prior fiscal year due to general obligation bonds issued in the amount of \$124,808.

**Other Governmental Funds.** The other governmental funds had a decrease in fund balance of \$10,135 or 51.0 percent from the prior fiscal year. The Disaster Fund had a decrease in fund balance of \$3,608. This will be reimbursed by FEMA. The Equipment Replacement Fund had a decrease in the fund balance of \$1,494. This will be covered by the future sale of assets.

**Non-major Capital Projects Funds.** The non-major capital projects funds reflect a total fund balance of \$(13,890) and are shown on pages 156 and 160. The fund balance for the non-major capital projects funds decreased \$2,317 in fiscal year 2020.

**Non-major Special Revenue Funds.** The non-major special revenue funds have a combined total fund balance of \$23,600, \$29,984 classified as restricted and \$(6,384) as unassigned. Non-major special revenue funds are shown on pages 153 through 155, and 157 through 159. The fund balance for the non-major special revenue funds decreased \$7,817 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, 2020, is \$68,771 (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 \$70,313. The non-major proprietary funds have total net position of \$(1,542). These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 51 through 56 and pages 177 through 182 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 \$68,771 (before internal eliminations), a decrease of \$4,720 or 6.4 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 2020, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$4,635 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$3,336. EMS revenues were \$4,284 over budget due to increased collections. At the beginning of FY19, EMS changed to a new third party billing/collection company.
- Interest Income was over budget by \$2,009.

Actual expenditures and transfers out were \$18,759 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$2,567 under budget, Facilities was \$10,652 under budget and Public Works was \$2,227 under budget. The County has quite a few vacancies of personnel in Public Works as well as projects that were not completed. Facilities and Technology had projects they were unable to complete in 2020.
- Due to the COVID pandemic, the County was shut down for non-essential functions for fifty-one days.

## 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, 2020, amounted to \$448,732 (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 \$44,551 or 11.0 percent for the current year. The depreciation expense increased by \$77 or 0.29 percent.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 45,880	\$ 46,031	\$ 7,044	\$ 6,915	\$ 52,924	\$ 52,946
Buildings	245,434	227,474	13,885	14,474	259,319	241,948
Improvements other than buildings	3,441	3,544	16,354	16,896	19,795	20,440
Machinery and equipment	40,832	37,786	11,339	13,830	52,171	51,616
Infrastructure	2,454	3,443	-	-	2,454	3,443
Construction in progress	26,343	23,000	35,726	10,788	62,069	33,788
Total	<u>\$ 364,384</u>	<u>\$ 341,278</u>	<u>\$ 84,348</u>	<u>\$ 62,903</u>	<u>\$ 448,732</u>	<u>\$ 404,181</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 86 through 90 of this report.

**Long-Term Debt.** At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$777,670. Of this amount, \$657,592 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$120,078 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, 2020, this obligation is recorded at a net present value of \$18,830 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 635,143	\$ 542,751	\$ 22,449	\$ -	\$ 657,592	\$ 542,751
Special source revenue bonds	120,078	124,011	-	-	120,078	124,011
Intergovernmental note payable	18,830	20,647	-	-	18,830	20,647
Total	\$ 774,051	\$ 687,409	\$ 22,449	\$ -	\$ 796,500	\$ 687,409

The County's total bonded debt increased by \$110,908 (16.6 percent) during the current fiscal year, due to the sale of 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 \$377,935. The outstanding debt at June 30, 2020 subject to the debt limitation is \$266,875. 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 94 through 106 of this report.

### **Economic Factors and Next Year's Budget Rates**

The fiscal year 2021 General Fund budget is a balanced budget. Total disbursements and funds available total \$249,976, a decrease of \$1,224 or 0.5 percent from the prior year. The millage is 44.7, which is unchanged from fiscal year 2020.

The General Fund's budgeted revenues for fiscal year 2021 decreased by \$461 or 0.2 percent from 2020. The major changes are:

- The Property Tax and the Local Option Sales Tax, the County's largest revenue sources, reflect a net decrease of \$7,479 or 11.3 percent. The net decrease is due to a reduction in sales tax projections resulting from the 2020 pandemic and its impact on the local economy. The decrease 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 lower credit of \$7,940 or 11.6 percent to taxpayers.
- The Register of Deeds: Documentary Stamps represents a decrease of \$2,000 or 25.0 percent in fee collections based on a lower volume of recorded real estate transactions.
- The Treasurer: Interest Income represents a net decrease of \$1,000 or 80.0 percent based on lower interest earning projections in FY 2021 due to the uncertainties associated with the national economy during the COVID-19 pandemic.

The General Fund's budgeted expenditures for fiscal year 2021 are increased \$3,591 or 1.5 percent from fiscal year 2020. The major changes for fiscal year 2021 are:

- The County Council increase of \$4,373 or 166.5 percent reflects a budgeted stop gap amount to address the uncertainties associated with the national economy. The Stop Gap Measure, budgeted in the County Council budget, represents a 2% reduction in the remaining General Fund budgets. The Stop Gap allowed Council to approve a budget based on the April 2020 revenue projections, while limiting the offices'/departments' spending patterns until an initial evaluation of the County's financial status is completed in October 2020 and the mid-year review is completed in February 2021. If funding is available, offices/departments will receive 1% in their current budget in October and another 1% in February.
- Facilities Management represents a \$1,744 or 8.1 percent decrease due to lower maintenance project funding to balance the budget.

### **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.