

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, 2009. 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 15 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Charleston County reported net assets (total assets less total liabilities) of \$228,296 at June 30, 2009, comprised of \$883,387 in total assets offset by \$655,091 in total liabilities. Of this amount, \$34,625 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$37,903 during the fiscal year ended June 30, 2009, with a \$36,386 decrease resulting from governmental activities and a \$1,517 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 \$319,737, which is an \$87,624 decrease from the prior year. Approximately 17 percent or \$53,064 of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$43,677 or 28 percent of the total general fund expenditures. Unreserved fund balance is comprised of \$6,268 of designations for subsequent years' appropriations, \$8,000 of designations for rainy day, and \$29,408 of undesignated fund balance.
- Charleston County's total assets decreased by \$42,184, while total liabilities decreased by \$4,281.

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 assets and a statement of activities. These statements appear on pages 39 through 41 of this report.

The statement of net assets shows the County's assets less its liabilities at June 30, 2009. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The statement of activities follows the statement of net assets and presents information showing how the County's net assets 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 parking garages and environmental management (recycling and waste disposal). Other business-type activities include the Department of Alcohol and Other Drug Abuse Services (DAODAS), radio communications, revenue collections and a countywide E-911 communication system.

Charleston County's government-wide financial statements include component units of the County. Component Units can be blended or discretely presented. Component units are other governmental units over which the County (the County Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy and are presented as a separate column in the government-wide statements and as combining statements of net assets 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 66 of this report.

The government-wide financial statements can be found on pages 58 through 61 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 43 through 49, essentially account for the same functions as those reported under the governmental activities on the government-wide statement of net assets 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in Charleston County's statements include four major funds: the General Fund, the Debt Service Fund, the Transportation and Road Sales Tax Special Revenue Fund, and the General Obligation Bond (GOB) Capital Projects 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 128 through 138 of this report.

Proprietary Funds. Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 50 through 55 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, radio communications, revenue collections and E-911 communications are presented in one total column termed as "Nonmajor Other Funds" but may be separately reviewed in the combining statements on pages 154 through 159.

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, telecommunications, and employee benefits. See pages 161 through 165 of this report. ISFs have been eliminated on the statement of net assets.

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 167 through 169 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 62 through 120 of the report.

Other Information. Individual statements, which present more detailed views of nonmajor funds used in governmental and business-type funds, begin on page 141. 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 174.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charleston County, assets exceeded liabilities by \$228,296 at the close of fiscal year 2009. This was a decrease of \$37,903 or 14.2 percent during fiscal year 2009.

The largest portion of the County's net assets (\$127,200 or 55.7 percent) is investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. An additional \$18,434 or 8.1 percent is being held by the County as cash and investments to be used for the planned purchase/construction of additional capital assets already approved by County Council. Charleston County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's 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.

Unrestricted net assets of \$34,625 or 15.2 percent indicate the portion of net assets which can be used for day-to-day operations without constraints established by legislation or other legal requirements.

An additional portion of the County's net assets, \$48,038 or 21.0 percent, represents resources that are subject to external restrictions on how they may be used.

At the end of 2009 the County had positive balances in all four categories of net assets both for the County as a whole, as well as the business-type activities. The governmental activities had positive balances in three of the four categories. Unrestricted net assets have a negative balance resulting from the County spending proceeds from the 2006 and 2008 transportation and road sales tax general obligation bonds for greenbelt purchases, where the asset does not belong to the County. In addition, road projects funded by the bonds are for non-county roads, and are not being recorded as County assets.

Charleston County's Net Assets
June 30, 2009
(Recapped from page 39)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008 (restated)	2009	2008 (restated)	2009	2008 (restated)
Current and other assets	\$473,705	\$557,461	\$ 89,434	\$ 87,185	\$563,139	\$644,646
Capital assets	276,214	235,534	44,033	45,391	320,247	280,925
Total assets	\$749,919	\$792,995	\$133,467	\$132,576	\$883,386	\$925,571
Long-term liabilities						
outstanding	\$438,020	\$455,578	\$ 17,721	\$ 19,204	\$455,741	\$474,782
Other liabilities	187,250	176,382	12,099	8,208	199,349	184,590
Total liabilities	\$625,270	\$631,960	\$ 29,820	\$ 27,412	\$655,090	\$659,372
Net assets:						
Invested in capital assets, net of related debt	\$ 99,410	\$ 102,685	\$ 27,790	\$ 26,840	\$127,200	\$129,525
Restricted for future construction	9,233	82,344	9,201	5,483	18,434	87,827
Restricted - other	17,264	37,678	30,774	32,538	48,038	70,216
Unrestricted	(1,258)	(61,672)	35,882	40,303	34,624	(21,369)
Total net assets	\$124,649	\$161,035	\$103,647	\$105,164	\$228,296	\$266,199

The County's net assets decreased by \$37,903 during the current fiscal year. The governmental activities had a decrease in net assets of \$36,386. This is due primarily to expenditures in the transportation and road sales tax special revenue fund. During fiscal year 2009 approximately \$17,000 of proceeds from the 2008 transportation sales tax general obligation bond (GOBs) were awarded to municipalities to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, approximately \$18,000 of proceeds from the 2006 and 2008 transportation sales tax GOBs were used to construct and improve roads that are not assets of the County.

The business type activities had a decrease in net assets of \$1,517 resulting primarily from activity in the environmental management fund.

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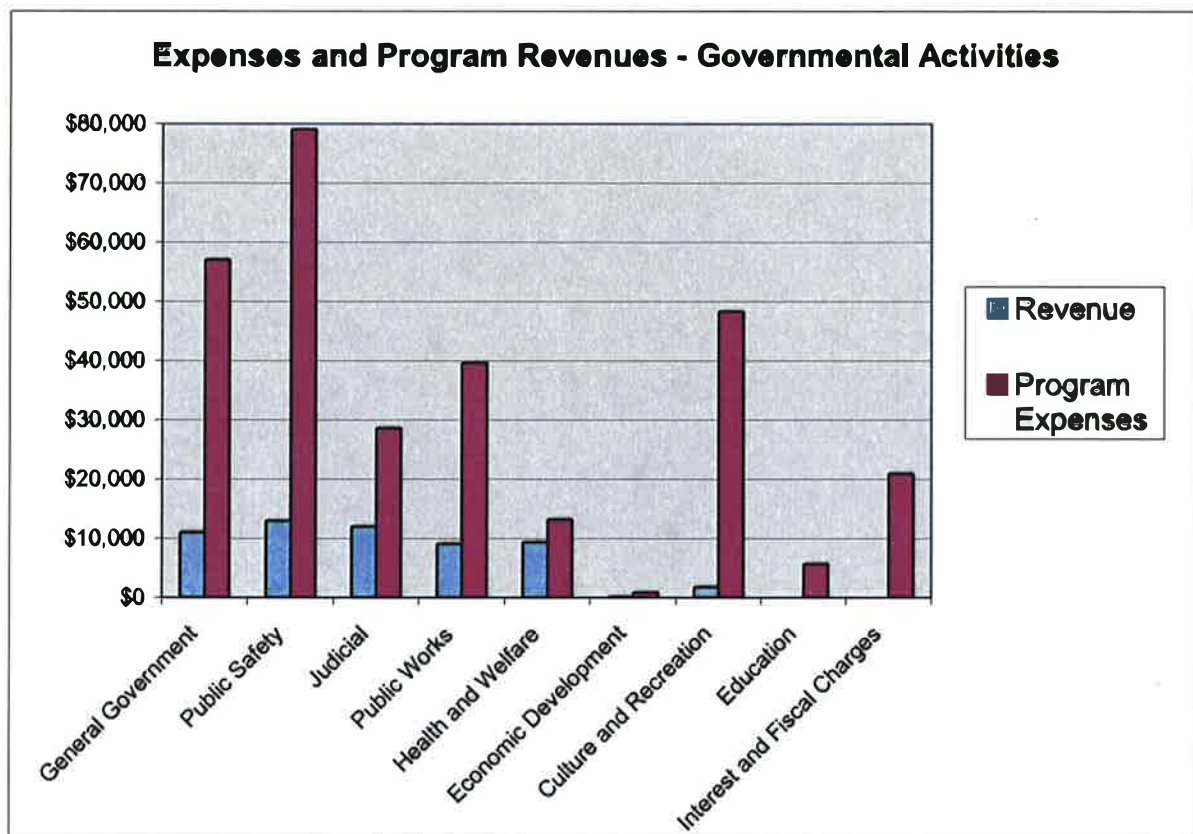


County of Charleston, South Carolina
Changes in Net Assets (Recapped from pages 40 and 41)
For the Fiscal Year Ended June 30, 2009

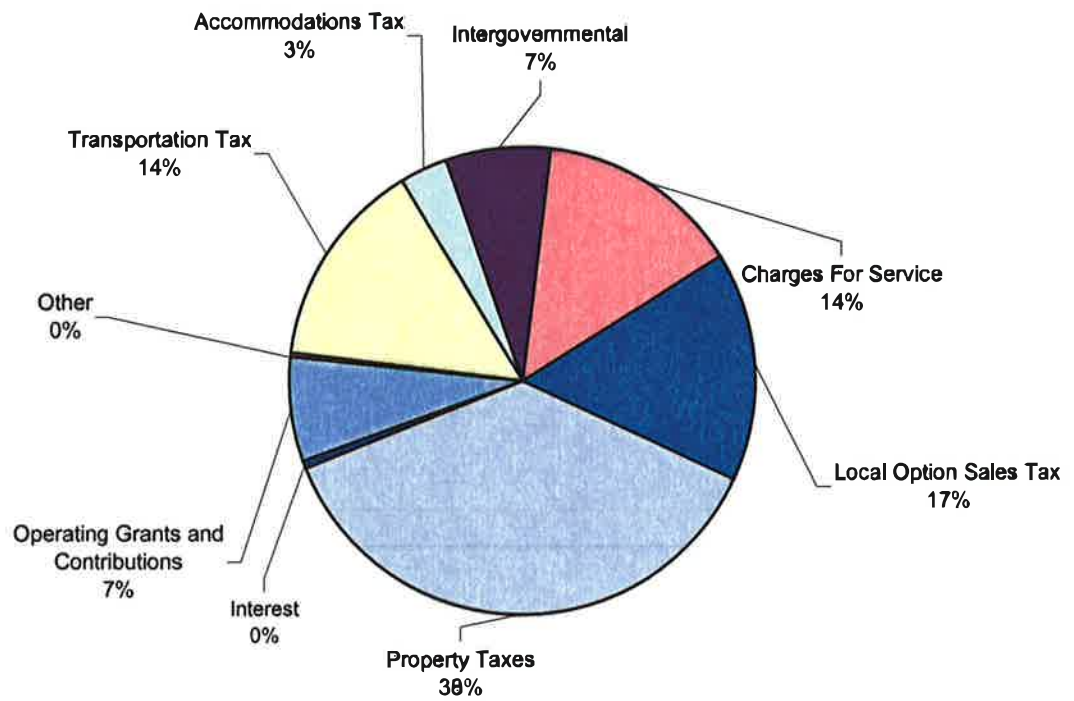
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 37,585	\$ 45,308	\$ 49,363	\$ 53,979	\$ 86,948	\$ 99,287
Operating grants and contributions	18,703	20,815	2,662	3,081	21,365	23,896
General Revenues:						
Property taxes	96,622	86,508	-	-	96,622	86,508
Other taxes and fees	89,958	97,445	554	554	90,512	97,999
State aid to political subdivisions	17,037	17,865	-	-	17,037	17,865
Unrestricted investments earnings	1,174	3,749	748	2,446	1,922	6,195
Gain on sale of capital assets	-	-	44	66	44	66
Total Revenues	<u>261,079</u>	<u>271,690</u>	<u>53,371</u>	<u>60,126</u>	<u>314,450</u>	<u>331,816</u>
Program Expenses:						
Governmental Activities:						
General government	57,001	65,853	-	-	57,001	65,853
Public safety	79,005	79,153	-	-	79,005	79,153
Judicial	28,605	22,201	-	-	28,605	22,201
Public works	39,606	31,011	-	-	39,606	31,011
Health and welfare	13,211	12,879	-	-	13,211	12,879
Economic development	858	3,228	-	-	858	3,228
Culture and recreation	48,254	53,822	-	-	48,254	53,822
Education	5,652	5,325	-	-	5,652	5,325
Interest and fiscal charges	20,935	18,462	-	-	20,935	18,462
Business-Type Activities:						
DAODAS	-	-	8,977	9,349	8,977	9,349
E-911 communications	-	-	1,096	1,016	1,096	1,016
Environmental management	-	-	43,209	39,065	43,209	39,065
Parking garages	-	-	2,149	2,008	2,149	2,008
Radio communications	-	-	2,153	1,974	2,153	1,974
Revenue collections	-	-	1,642	1,724	1,642	1,724
Total Expenses	<u>293,127</u>	<u>291,934</u>	<u>59,226</u>	<u>55,136</u>	<u>352,353</u>	<u>347,070</u>
Excess (deficiency) of revenue over (under) expenses	(32,048)	(20,244)	(5,855)	4,990	(37,903)	(15,254)
Transfers	(4,338)	(3,882)	4,338	3,882	-	-
Increase (Decreases) in Net Assets	<u>(36,386)</u>	<u>(24,126)</u>	<u>(1,517)</u>	<u>8,872</u>	<u>(37,903)</u>	<u>(15,254)</u>
Net assets, beginning	161,035	174,751	105,164	96,292	266,199	271,043
Prior Period Adjustments	-	10,410	-	-	-	10,410
Net Assets, beginning adjusted	<u>161,035</u>	<u>185,161</u>	<u>105,164</u>	<u>96,292</u>	<u>266,199</u>	<u>281,453</u>
Net Assets, ending	<u>\$124,649</u>	<u>\$161,035</u>	<u>\$103,647</u>	<u>\$105,164</u>	<u>\$228,296</u>	<u>\$266,199</u>

Governmental Activities. Governmental activity decreased the County's net assets by \$36,386. Key elements of the decrease are:

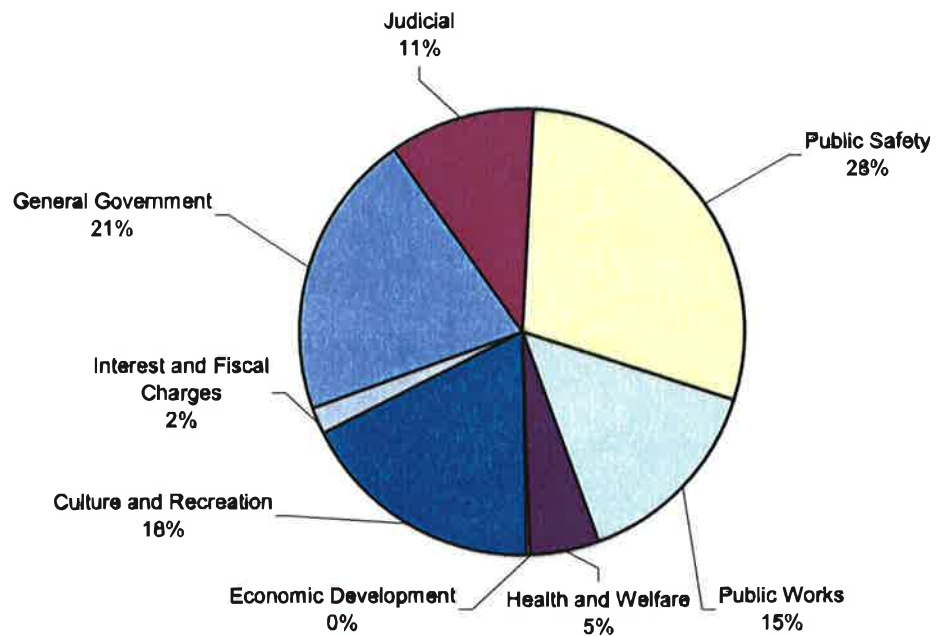
- Charges for services decreased by \$7,723 (17.0 percent) during the year. RMC fees, EMS fees and interest earnings in the transportation sales tax fund all decreased during the year.
- Other taxes and fees decreased by \$7,487 (7.7 percent). Local option sales tax revenues decreased \$3,373, accommodations taxes decreased by \$1,008 and the transportation sales tax decreased by \$2,627. All of these decreases can be attributed to the recession.
- Operating grants and contributions decreased by \$2,112 (10.1 percent) during the year. This is due to a one-time grant of \$2,075 received by the economic development department for Vought Aircraft Industries in fiscal year 2008. This was a pass-through grant from the Department of Commerce to reimburse for site preparation for the plant to build the fuselage of the Boeing 787.
- Investment earnings decreased by \$2,575 (68.7 percent) during the year which reflects the sharp decline in interest rates during fiscal year 2009.
- Property taxes increased by \$10,114 (11.7 percent) due to growth in the property base. This growth can be attributed to new construction and a change in the state law which allows growth in property values to be recognized when the property is sold.
- Expenses for the year increased by \$1,193. The Ninth Circuit Public Defender became part of Charleston County government in fiscal year 2009. A change in state law called for the dissolution of the existing public defender corporations and the creation of circuit public defender offices. This treatment is similar to the Circuit Solicitors. The Ninth Circuit Public Defender office added an additional \$4,419 in expenditures for fiscal year 2009. A budget freeze was put into place during fiscal year 2009 due to revised revenue expectations because of the economy. This freeze reduced total expenditures in the general fund by \$4,550 as compared to fiscal year 2008.



Revenues by Source - Governmental Activities



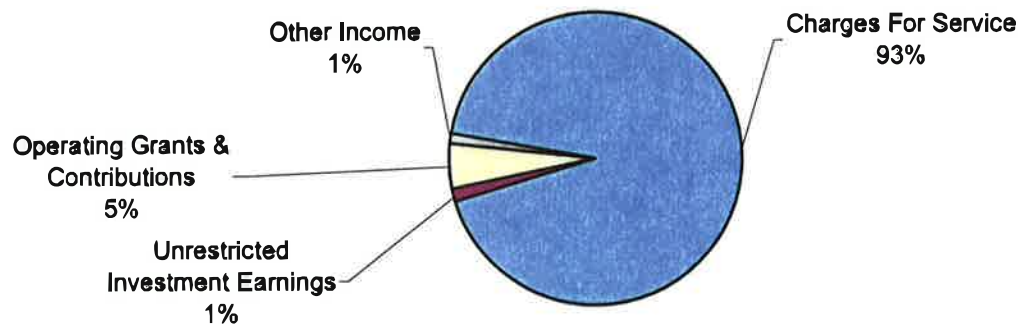
Expenses by Program - Governmental Activities



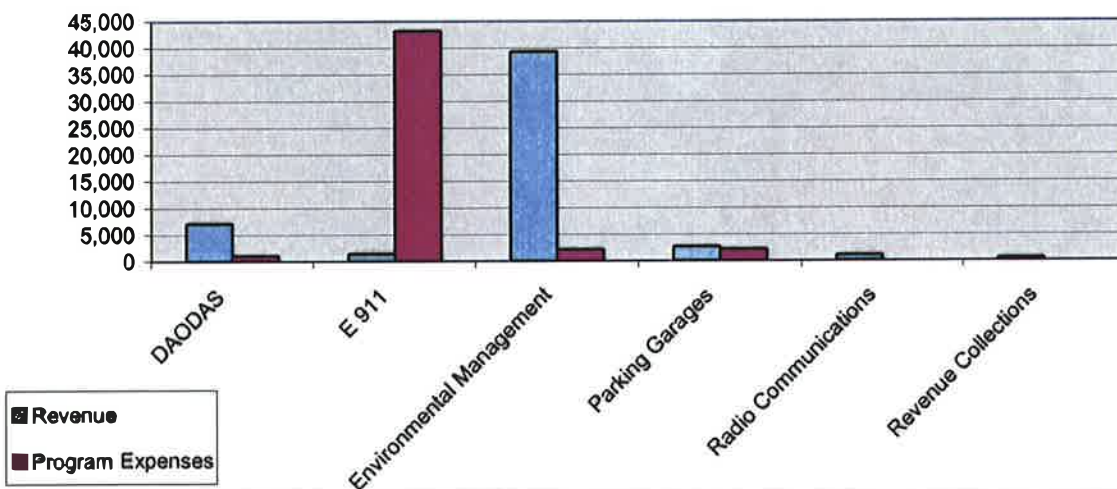
Business-type Activities. Business-type activities decreased the County's net assets by \$1,517. The key elements of this decrease were:

- Total revenues for the business-type activities decreased by \$6,755. The majority of this decrease comes from the environmental management fund. Revenues from the sale of recyclables dropped by \$1,400. It is not unusual to see large swings in the revenues coming from the volatile recycling market. Tipping fees at the landfill decreased by \$2,400; results of the decision during fiscal year 2009 to stop accepting construction and demolition debris at the landfill. Interest earnings fell by \$1,400 due to the drop in interest rates because of the recession. Finally, revenues from the sale of electricity sales fell by \$1,300 due to a decrease of garbage burned at the incinerator which produced less electricity.
- Total expenses increased by \$4,090. This increase is primarily due to the environmental management fund. Expenses for landfill closure and post-closure care costs accounts increased \$1,680 which reflects landfill use over the year. Contractual expenses grew by \$2,159 due to work on the closure of a cell at the Bees Ferry landfill.

Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



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, unreserved 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 \$319,737, a decrease of \$87,624 in comparison with the prior year. Of this decrease amount, \$33,933 resulted from the transportation and road sales tax special revenue fund and \$50,275 occurred in the GOB Capital Projects fund. Approximately 17 percent or \$53,064 of this ending fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$49,633), 2) to pay debt service (\$17,264), 3) to pay for capital projects as restricted by bond covenants (\$27,529), 4) reserved for inventories and prepaid items (\$699), or 5) reserved for transportation and roads sales tax special revenue fund projects (\$171,548).

General Fund. The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$43,677 while total fund balance reached \$45,712. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28.1 percent of total general fund expenditures, while total fund balance represents 29.4 percent of that same amount. Undesignated fund balance was \$29,408 or 18.9 percent of expenditures. This meets the County's financial policy of maintaining an undesignated fund balance of 1½ to 2 months of undesignated fund balance. The net increase in the fund balance of the general fund was \$983 during the current year. Highlights of the general fund were as follows:

- An increase of \$5,156 in taxes and local option sales tax which is 1.0 percent over the previous year. This results from growth in property tax collections offset by a decrease in local option sales tax collections.
- A decrease of \$4,012 in service charges due to the reduction in number of homes sold because of the recession. This resulted in a decrease in the volume of deed changes filed with the RMC's office which decreased revenues from the fees for these recordings.
- A decrease of \$2,437 in interest earnings due to sharply dropping interest rates in fiscal year 2009 due to the recession.
- A decrease of \$1,220 in permits and licenses due to a drop in construction activity in fiscal year 2009 which can be attributed to the recession.
- A decrease in expenditures of \$4,550. This was the result of a several-step budget freeze action taken by the County Administrator during fiscal year 2009.
- A decrease of \$3,416 in transfers out due to the elimination of one-time funding for OPEB during fiscal year 2008.
- An increase of \$2,030 in transfers in due to a resizing of net assets in the DAODAS enterprise fund and the employee benefits internal service fund, and the resizing of fund balance in the public works construction capital projects fund.

Capital Projects Funds. Capital projects funds have a combined total fund balance of \$27,529. These funds are 100 percent reserved either to cover existing encumbrances or for future capital construction. The fund balance for General Obligation Bond Capital Projects fund is \$18,296 and is shown as a major fund. The nonmajor funds total \$9,233 and are shown on pages 131 through 132 and 138. The fund balance for the capital projects funds decreased \$54,816 from fiscal year 2008 as the construction of the addition to the detention center was underway.

Special Revenue Funds. The special revenue funds have a combined total fund balance of \$229,232. The transportation and road sales tax special revenue fund balance is \$206,186 and is shown as a major fund. The remaining funds of \$23,046 are all nonmajor funds. The fund balance for the nonmajor special revenue funds is made up of \$9,387 designated for subsequent years' appropriations, and \$13,659 reserved for encumbrances. Nonmajor special revenue funds are shown on pages 128 through 131, and 134 through 137. The fund balance for the special revenue funds decreased \$31,043 from the prior year resulting from spending on noncounty assets in the transportation and road sales tax special revenue fund.

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 assets for these funds at June 30, 2009 are \$85,173 (before the elimination of internal service fund charges and indirect costs.) The major funds are environmental management and the parking garages with total net assets of \$71,690. The nonmajor proprietary funds have total net assets of \$13,483. These funds include E-911 communications, DAODAS, radio communications and revenue collections. See pages 50 through 55, 154 through 159 and 161 through 165 for the proprietary funds statements.

As of the end of the current fiscal year, Charleston County's proprietary funds reported combined ending net assets of \$85,173 (before internal eliminations), a decrease of \$4,358 in comparison with prior year. The environmental management fund accounted for \$5,000 of this decrease. The fiscal year 2009 budget included the use of \$3,626 of fund balance. The use of fund balance in fiscal year 2009 increased by \$1,374 due to lower than anticipated interest earnings due to the recession.

General Fund Budgetary Highlights

Over the course of the year, County Council did not amend the original budget. Several rounds of budget freezes were enacted during the year, moving budgets from individual departments to "nondepartmental."

Actual revenues were \$9,378 under budget. The most significant revenue variances are outlined below:

- Property and local option sales taxes were under budget \$3,135 or 2.8 percent due to the drop in sales tax collections during the year. Local option sales tax collections are used to reduce property taxes by providing a credit on the tax bill. The County has always budgeted to give a credit equal to 100 percent of anticipated collections. For fiscal year 2009 the credit exceeded actual sales tax collection. The credit is set in September when the millage rate is set for the year. The credit was set before the recession became evident.
- Service charges were \$2,935 under budget. This is due primarily to a reduction in fees collected by the Register of Mesne Conveyance (RMC). These fees are for title changes when property is sold. The recession resulted in a downturn in the housing market which led to a reduction in sales. This resulted in a large decrease in RMC documentation stamp revenues.
- Permits and licenses were \$1,610 under budget. Actual revenues were under budget in two main areas; building services and business licenses. Reduced revenues in building services were due to the recession which led to a reduction in new construction. The reduction in business licenses were also due to the recession.
- Interest earnings were \$953 below budget due to reductions in interest rates during the fiscal year.

- Interfund transfers in exceeded the budget by \$2,134. This resulted from a resizing of fund balances for the public works construction capital projects fund and net assets for the employee benefits internal service fund and the DAODAS enterprise fund.

Actual expenditures were \$11,557 below the final budget amounts. The most significant contributions to this variance were the following:

- The nondepartmental expenditures were \$4,283 below budget. Transfers were made to the "nondepartmental" department to account for the reductions in the budgets under the control of the County Administrator due to the budget freezes.
- Sheriff's Office expenditures were \$1,317 under budget. This resulted from savings in fleet fuel costs as fuel prices dropped substantially from prices during fiscal year 2008.
- The Public Works department had expenditures that were \$1,328 below budget. As with the Sheriff's Office, the largest savings was in fuel costs.
- Facilities management was \$831 under budget. This resulted primarily from the decision to make payments on capital leases from the debt service fund rather than the general fund. The budget included a payment on a building that the County is acquiring through a capital lease agreement.
- Technology services was \$472 under budget resulting from savings on annual maintenance contracts for printers and other equipment. Consolidated dispatch was \$311 under budget due to personnel lapse.

Capital Asset and Debt Administration

Capital Assets. Charleston County's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$320,248 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and drainage easements. The total increase in the County's investment in capital assets for the current fiscal year was 14 percent and is primarily due to the expansion to the County's detention center. This project was still in progress at fiscal year end.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land and easements	\$ 16,334	\$ 16,334	\$ 3,951	\$ 3,951	\$ 20,285	\$ 20,285
Buildings	144,069	147,844	17,440	18,002	161,509	165,846
Improvements other than buildings	829	1,682	305	362	1,134	2,044
Machinery and equipment	30,084	33,042	6,253	7,118	36,337	40,160
Infrastructure	16,522	18,798	-	-	16,522	18,798
Construction in progress	68,377	17,833	16,084	15,958	84,461	33,791
Total	<u>\$ 276,215</u>	<u>\$ 235,533</u>	<u>\$ 44,033</u>	<u>\$ 45,391</u>	<u>\$ 320,248</u>	<u>\$ 280,924</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 85 through 89 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had total certificates of participation (COPs) and bonded debt outstanding of \$427,000. Of this amount, \$363,445 comprises debt backed by the full faith and credit of the government, \$55,731 is comprised of certificates of participation secured by the capital assets constructed with their proceeds, and \$7,824 is comprised of revenue bond debt secured solely by solid waste user fees.

In addition to the bonded debt Charleston County has 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, 2009, this obligation is recorded at a net present value of \$34,192 using a discount rate of 5.73%. This is the same rate the Bank is repaying its loan from the federal government, using the money received from the County.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 363,445	\$ 373,504	\$ -	\$ -	\$ 363,445	\$ 373,504
Certificates of participation	47,313	52,628	8,418	9,357	55,731	61,985
Revenue bonds	-	-	7,824	9,195	7,824	9,195
Intergovernmental note payable	34,192	35,177	-	-	34,192	35,177
Total	\$ 444,950	\$ 461,309	\$ 16,242	\$ 18,552	\$ 461,192	\$ 479,861

The County's total bonded debt decreased by \$18,669 (4 percent) during the current fiscal year. No additional debt was issued during fiscal year 2009. The County did issue general obligation bonds of \$70,775 in August 2009, subsequent to these statements. These bonds included \$50,000 of new money and \$20,775 for refunding outstanding bonds. The new money will be used to complete the expansion of the detention center and for the construction of a consolidated dispatch operations center.

Charleston County achieved an "AAA" rating from Standard & Poor's Rating Group and maintains an "Aa1" rating from Moody's Investors Service for its most recent general obligation bonds. The certificates of participation and revenue bonds are all insured issues and are rated "AAA" by Moody's Investors Service and "AAA" by Standard & Poor's Rating Group.

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 \$106,365. The outstanding debt at June 30, 2009 subject to the debt limitation is \$132,863.

Additional information on the County's long-term debt can be found in Note III. I. on pages 92 through 106 of this report.

Economic Factors and Next Year's Budget Rates:

The fiscal year 2010 general fund budget is a balanced budget. Total disbursements are \$167,452, a decrease of \$3,759 or 2.2 percent from the prior year. The budget includes the use of \$6,268 of fund balance for capital projects including the detention center expansion. The millage rate for both the general fund and the debt service fund remains at 46.8 mills, unchanged from fiscal year 2009. The local option sales tax credit was decreased reflecting the continuation of slow sales during fiscal year 2010.

The General Fund budgeted revenues for fiscal year 2010 decreased by \$7,615 or 4.6 percent from 2009. The major changes are:

- State aid to local subdivisions is decreased \$4,717 or 24.8 percent. This reflects reductions that were made by the state in fiscal 2009 and 2010. These reductions were made because of reduced state revenues due to the recession. The state general assembly voted not to follow the prescribed local government funding formula for fiscal year 2010 and to fund local governments at an amount less than is called for per local government fund formula.
- Interest income is reduced \$1,300 or 40.6 percent reflective of the decline in interest rates in 2009. It is not anticipated that interest rates will recover during fiscal year 2010.
- Business Licenses are projected to decrease \$1,000 or 25.0% in fiscal year 2010. The calculation of business license revenues is based on business income for the calendar year. It is expected that these revenues will drop based on poor sales during calendar 2009.

The General Fund budgeted disbursements for fiscal year 2010 are decreased \$3,759 or 2.2 percent from fiscal year 2009. The major changes for fiscal year 2010 are:

- Elimination of budget dollars frozen by the County Administrator during fiscal year 2009 resulted in savings of \$4,280. The County Administrator took several actions during fiscal year 2009 to freeze spending. These cuts have been included in the fiscal year 2010 budget.
- The budget for the detention center is increased \$1,183 due to the addition of 55 full-time positions in the last half of the fiscal year. These positions are needed to staff the detention center expansion which is expected to open during the last quarter of the fiscal year. Total FTEs for the County did not change for fiscal year 2010. Positions for the detention center came from frozen vacant FTEs.

Subsequent to the beginning of fiscal year 2010 the Budget and Control Board recognized that it had miscalculated the local government fund for fiscal year 2010. The reduction in the distribution to Charleston County will be \$647,000. In addition, the Budget and Control Board is projecting revenue shortfalls for the state in fiscal year 2010. Funding cuts have been made to state agencies, but no action has been taken to-date to reduce funding for local government fund.

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, North Charleston, SC 29405-7464.

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