

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, 2011. 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 14 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

- Charleston County reported net assets (total assets less total liabilities) of \$147,813 at June 30, 2011, comprised of \$843,254 in total assets offset by \$695,441 in total liabilities.
- The County's unrestricted net assets were (\$176,751) at June 30, 2011. The negative balance resulted from expenditures in the transportation sales tax fund. The County issued transportation sales tax general obligation bonds in fiscal years 2007 and 2008. The proceeds from these bonds are used for state and municipal road projects, and municipal and special purpose district greenbelt acquisitions. The assets created by these expenditures are not Charleston County assets, even though the County is responsible for the debt used to acquire these assets. The debt service on these bonds is paid from the ½ percent transportation sales tax.
- The government's total net assets decreased by \$43,694 during the fiscal year ended June 30, 2011, with a \$50,793 decrease resulting from governmental activities and a \$7,099 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 \$224,049, which is a \$68,884 decrease from the prior year. Approximately 18 percent or \$41,175 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$41,175 or approximately 26 percent of the total general fund expenditures.
- Charleston County's total assets decreased by \$36,009, while total liabilities increased by \$7,685.

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, 2011. 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 environmental management (recycling and waste disposal) and parking garages. 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 132 through 142 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 158 through 163.

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 165 through 169 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 171 through 173 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 122 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 145. Additional trend information about the County, which may be of interest to the reader, is found under the Statistical Section of this report, starting on page 178.

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 \$147,813 at the close of fiscal year 2011. This was a decrease of \$43,694 or 22.8 percent during fiscal year 2011.

The largest portion of the County's net assets (\$142,505 or 96.4 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 \$11,287 or 7.6 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 are (\$176,751,355), resulting from expenditure of capital proceeds in the transportation and road sales tax special revenue fund. These expenditures were for state and municipal roads projects and municipal and special purpose district greenbelt acquisitions. The assets created by these expenditures are not Charleston County's, even though the County is responsible for the debt used to pay for these assets.

An additional portion of the County's net assets, \$67,260 or 45.5 percent, represents resources that are subject to external restrictions on how they may be used.

At the end of 2011 the County had positive balances in three of the four categories of net assets for the primary government as well as all four categories for 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 transportation and road sales tax general obligation bonds. These proceeds were spent on greenbelt purchases, where the asset does not belong to the County and on non-county road projects, which are also not recorded as County assets.

Charleston County's Net Assets

June 30, 2011

(Recapped from page 39)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$381,129	\$446,394	\$111,516	\$ 81,680	\$ 492,645	\$528,074
Capital assets	306,888	306,907	43,721	44,282	350,609	351,189
Total assets	<u>\$688,017</u>	<u>\$753,301</u>	<u>\$155,237</u>	<u>\$125,962</u>	<u>\$ 843,254</u>	<u>\$879,263</u>
Long-term liabilities						
outstanding	\$468,703	\$485,157	\$ 14,335	\$ 15,673	\$ 483,038	\$500,830
Other liabilities	181,380	179,417	31,023	7,509	212,403	186,926
Total liabilities	<u>\$650,083</u>	<u>\$664,574</u>	<u>\$ 45,358</u>	<u>\$ 23,182</u>	<u>\$ 695,441</u>	<u>\$687,756</u>
Net assets:						
Invested in capital assets, net of related debt	\$109,880	\$ 98,334	\$ 32,625	\$ 30,486	\$142,505	\$128,820
Restricted-special revenue projects	114,256	11,043	543	519	114,799	11,562
Restricted - other	19,695	20,672	47,565	41,314	67,260	61,986
Unrestricted	<u>(205,897)</u>	<u>(41,322)</u>	<u>29,146</u>	<u>30,461</u>	<u>(176,751)</u>	<u>(10,861)</u>
Total net assets	<u>\$37,934</u>	<u>\$88,727</u>	<u>\$109,879</u>	<u>\$102,780</u>	<u>\$147,813</u>	<u>\$191,507</u>

The County's net assets decreased by \$43,694 during fiscal year 2011. The governmental activities had a decrease in net assets of \$50,793. This is due primarily to expenditures in the transportation and road sales tax special revenue fund. During fiscal year 2011 approximately \$15,690 of proceeds from the 2006 and 2007 transportation sales tax general obligation bonds (GOBs) were used by the Charleston County Park and Recreation Commission, municipalities, and other special purpose districts to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, approximately \$38,250 of proceeds from these GOBs were used to construct and improve roads that are not assets of the County.

The business type activities had an increase in net assets of \$7,099 resulting primarily from activity in the environmental management fund. This can be attributed to the ending of the incinerator contract in fiscal year 2010 and the outsourcing of the material recovery facility operations in September 2010. Offsetting the savings is an increase in landfill operations and curbside collection of recyclables.

County of Charleston, South Carolina
Changes in Net Assets (Recapped from pages 40 and 41)
For the Fiscal Year Ended June 30, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 44,329	\$ 33,333	\$ 38,332	\$ 42,917	\$ 82,661	\$ 76,250
Operating grants and contributions	15,639	29,233	768	284	16,408	29,517
Capital grants and contributions	396	-	-	-	396	-
General Revenues:						
Property taxes	106,384	104,956	-	-	106,384	104,956
Other taxes and fees	91,329	87,432	538	554	91,866	87,986
State aid to political subdivisions	12,111	14,223	-	-	12,111	14,223
Unrestricted investments earnings	837	1,319	85	102	922	1,420
Gain on sale of capital assets	-	-	19	46	19	46
Total Revenues	271,025	270,496	39,742	43,903	310,767	314,398
Program Expenditures:						
Governmental Activities:						
General government	55,668	51,006	-	-	55,668	51,006
Public safety	82,517	77,891	-	-	82,517	77,891
Judicial	26,116	25,578	-	-	26,116	25,578
Public works	80,325	56,597	-	-	80,325	56,597
Health and welfare	7,903	16,553	-	-	7,903	16,553
Economic development	1,457	6,078	-	-	1,457	6,078
Culture and recreation	38,886	41,391	-	-	38,886	41,391
Education	5,885	5,720	-	-	5,885	5,720
Interest and fiscal charges	20,739	21,110	-	-	20,739	21,110
Business-Type Activities:						
DAODAS	-	-	7,803	8,408	7,803	8,408
E-911 communications	-	-	1,565	1,200	1,565	1,200
Environmental management	-	-	19,920	33,738	19,920	33,738
Parking garages	-	-	1,968	1,969	1,968	1,969
Radio communications	-	-	2,226	2,227	2,226	2,227
Revenue collections	-	-	1,483	1,721	1,483	1,721
Total Expenditures	319,496	301,924	34,965	49,263	354,461	351,187
Excess (deficiency) of revenue over (under) expenditures	(48,471)	(31,429)	4,777	(5,360)	(43,694)	(36,789)
Transfers	(2,322)	(4,493)	2,322	4,493	-	-
Increase (Decreases) in Net Assets	(50,793)	(35,922)	7,099	(867)	(43,694)	(36,789)
Net assets, beginning	88,727	124,649	102,780	103,647	191,507	228,296
Net Assets, ending	\$37,934	\$88,727	\$109,879	\$102,780	\$147,813	\$191,507

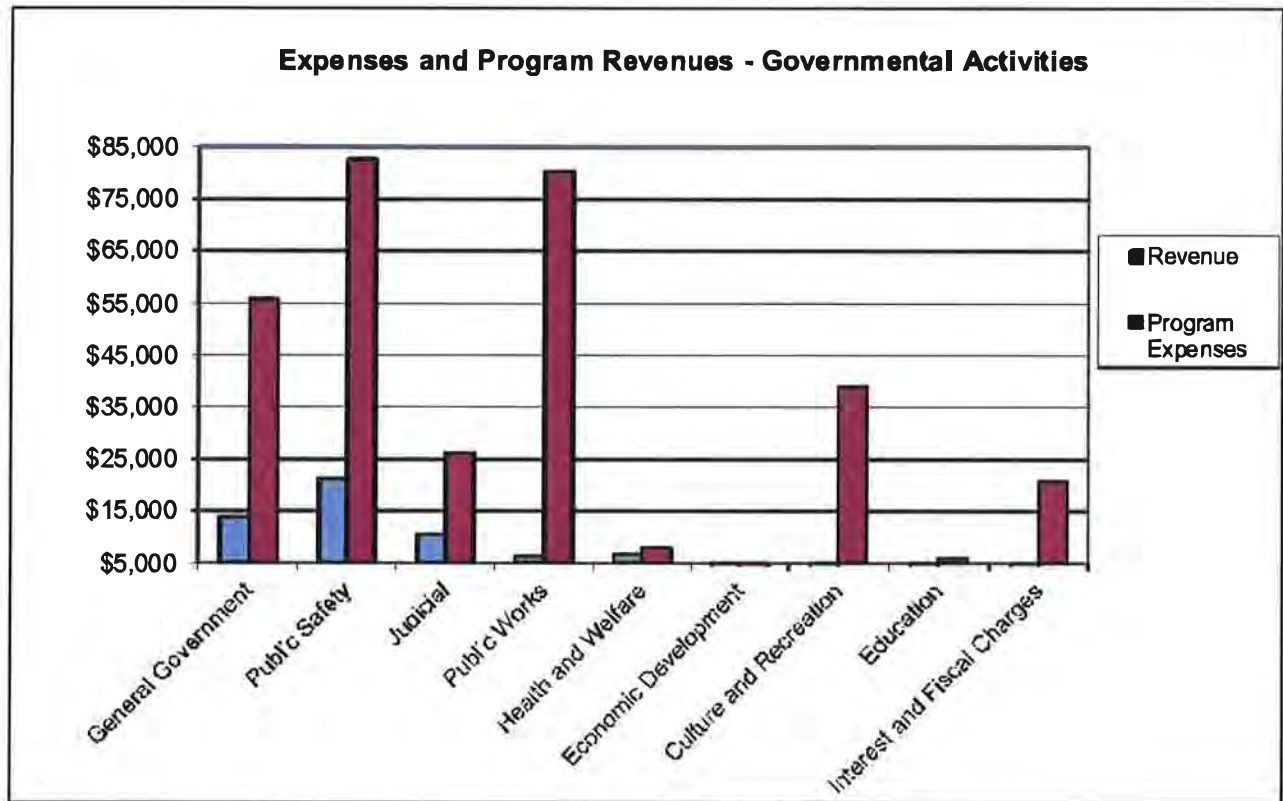
Governmental Activities. Governmental activities decreased the County's net assets by \$50,793. Key elements of the decrease are:

Total expenditures for the year increased by \$17,572 (5.8 percent).

- Public works expenditures increased \$23,728 (41.9 percent) reflecting increased spending on the road projects funded from the transportation and roads sales tax special revenue fund.
- General government expenditures increased \$4,662 (9.1 percent). This increase can be contributed to several departments: facilities management increased due to growth in utility costs, technology services had increased expenditures for maintenance contracts and the assessor's office had increased costs for the implementation of reassessment.
- Public safety expenditures show an increase of \$4,626 (5.9 percent.). This increase can be attributed to increased personnel costs in the Sheriff's office and in consolidated dispatch.
- Offsetting these increases are decreases in health and welfare, economic development and culture and recreation.
 - Health and welfare shows decrease of \$8,650 (52.3 percent.) The workforce investment act program was transferred to the Berkeley-Charleston-Dorchester Council of Governments (BCD COG) with the commencement of fiscal year 2011.
 - Economic development has a decrease of \$4,621 (76 percent). Fiscal year 2010 included one-time state grant funds for site development for the Boeing plant.
 - Culture and recreation shows a decrease of \$2,505 (6.1 percent) due to reduced spending for greenbelt acquisitions.

Total revenues for the year showed a slight increase of \$529.

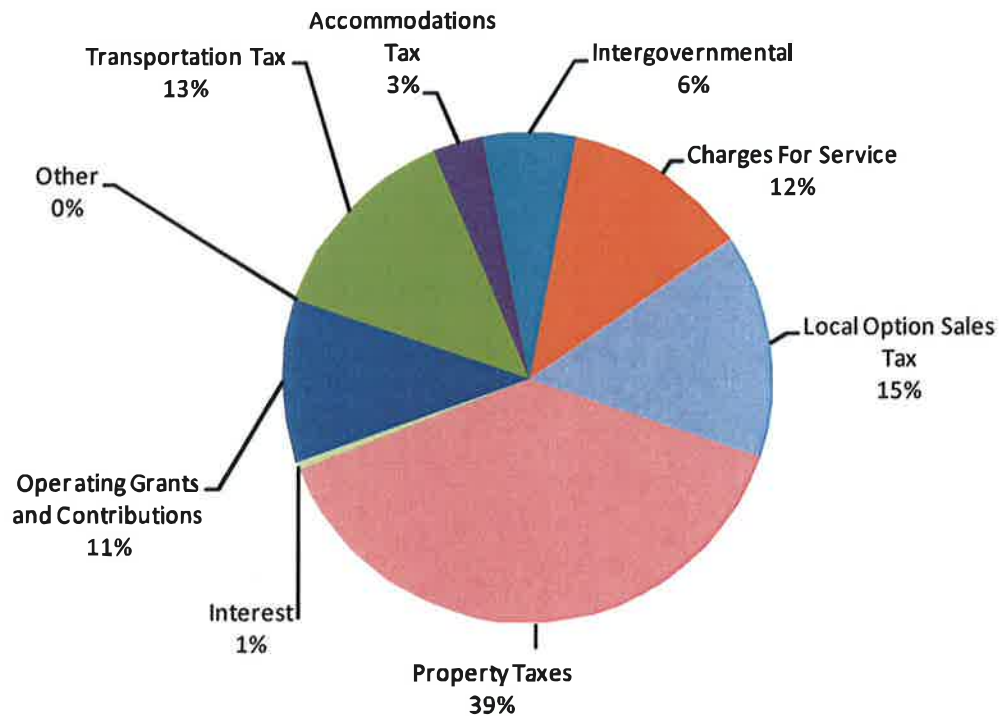
- Charges for services increased by \$10,996 (33 percent) during the year reflecting the settlement of a lawsuit on the Judicial Center project, growth in EMS collections and federal prisoner per diem.
- Other taxes and fees increased by \$3,897 (4.5 percent). The local option sales tax, transportation sales tax and accommodations tax all showed growth during the fiscal year because of increased consumer spending.
- Property taxes increased by \$1,428 (1.4 percent) due growth in the property base for fiscal 2011.
- Operating grants and contributions decreased by \$13,594 (46.5 percent) during the year. This reflects the transfer of the workforce investment act program to BCD COG. In addition the County received a one-time grant in fiscal year 2010 for site development at the Boeing plant
- State aid to subdivisions decreased by \$2,112 (14.8 percent) due to a decrease in state revenues and the decision by state lawmakers to provide funding at an amount less than called for by the legislated state formula.



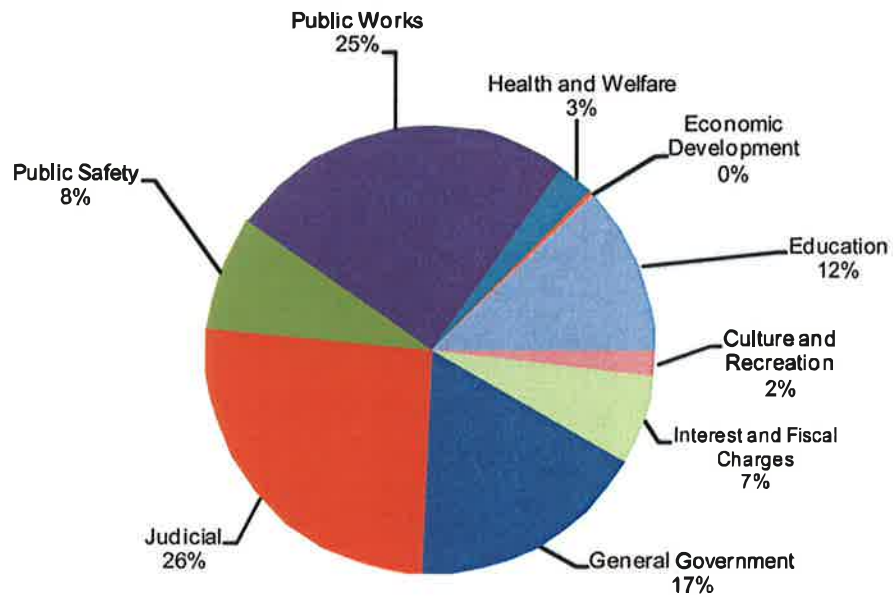
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Revenues by Source - Governmental Activities



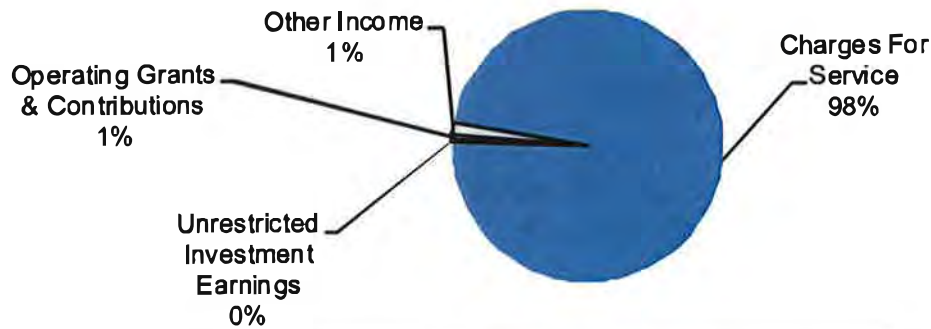
Expenses by Program - Governmental Activities



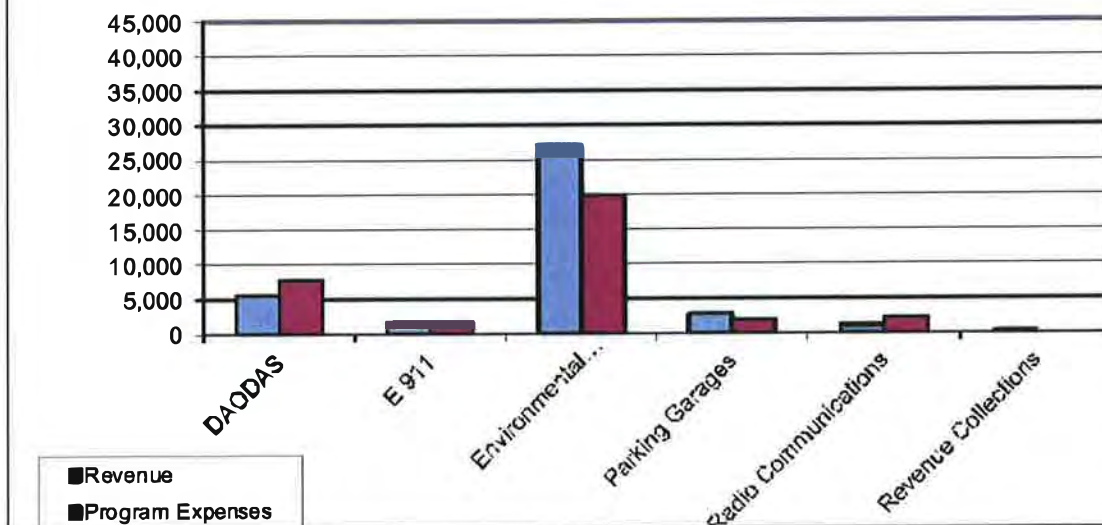
Business-type Activities. Business-type activities increased the County's net assets by \$7,099. The key elements of this decrease were:

- Environmental management had an increase in net assets of \$7,374 which is primarily due to the expiration of the incinerator contract. The final payment for operator's debt made January 1, 2010, included a balloon payment which was charged to the County through the operator's fee.
- DAODAS had an increase in net assets of \$847 which can be attributed to a transfer in from the debt service fund to cover principal and interest payments on the certificates of participation issued to build Charleston Center.
- The parking garages showed a decrease in net assets of \$1,160 which is primarily due to a transfer out to the capital projects fund of excess garage renovation funds.
- Revenue collections had a decrease in net assets of \$705 after the elimination of the fee paid by county departments for collections of revenues. These revenues include solid waste user fee, business licenses and accommodations fee.

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, 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 \$224,049, a decrease of \$68,884 in comparison with the prior year. This decrease is largely due to the transportation and road sales tax special revenue fund which showed a drop in fund balance of \$66,456. The GOB capital projects fund had a decrease of \$1,339 and the debt service fund showed a decrease of \$978.

The ending fund balance of \$224,049 for the governmental funds is composed of five components: unassigned fund balance of \$41,175, assigned fund balance of \$10,093, committed fund balance of \$37,749, restricted fund balance of \$133,952 and nonspendable fund balance of \$1,080.

Unassigned fund balance accounts for approximately 18.4 percent or \$41,175 of the total fund balance constitutes. Unassigned fund balance is available for spending at Charleston County's discretion.

Assigned fund balance is \$10,093 or 4.5 percent of the ending fund balance. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$37,749 or 16.8 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 \$133,952 or 59.8 percent of ending fund balance. The major reserved fund balances are: 1) for roads and stormwater projects of \$94,633, 2) for debt service of \$19,695, 3) for greenbelt and tourist-related expenditures of \$11,513. 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.

Nonspendable fund balance is \$1,080 or 0.5 percent of ending fund balance. Nonspendable 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 \$41,175 while total fund balance reached \$52,349. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$8,087 and is composed of \$2,388 from the general fund and \$5,700 from the environmental management fund. 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 expenditures. Unassigned fund balance represents 26.3 percent of total general fund expenditures, while total fund balance represents 33.4 percent of that same amount. This meets the County's financial policy of maintaining an unassigned fund balance of 1½ to 2 months of expenditures. Excluding the rainy day fund from the calculation, unassigned fund balance is 24.8 percent of expenditures, which also meets the financial policy. There was a slight decrease of \$247 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$5,782 or 3.5 percent higher than the previous fiscal year.

- Property and local option sales tax revenues were \$3,057 or 2.6 percent over the previous year. Approximately half of the increase, \$1,384, is due to higher local option sales tax collections over the prior year due to increased consumer spending. Current property tax collections were up over the prior year by \$1,143 due to growth in the property tax base. Lastly, delinquent tax collections were \$417 higher than the previous year.
- Intergovernmental revenues increased \$2,270 or 10.8 percent over fiscal year 2010. Local government reimbursements increased \$2,397 for the expanded consolidated dispatch operations center which reflects the assumption of dispatch services for several new entities. In addition there was an increase of \$1,702 in per diem for federal prisoners held in the Charleston County detention center. The detention center expansion opened in 2010 and resulted in an increase in inmate capacity of 1,334. The new facility and increased capacity allowed to Sheriff to accept more federal inmates than in previous years. Offsetting these increases is a decrease of \$2,112 in the local government fund allocation from the state reflecting decreasing state revenues.
- Service charges are up \$1,304 or 7 percent. Increases in EMS fees of \$961 and RMC fees of \$228 account for most of the growth. EMS saw an increase in call volume and the RMC experienced additional home sales and refinancing activity.
- These increases are offset by a decrease in interest earnings of \$473 (38 percent) and fines and forfeitures of \$397 (17.8 percent).

Expenditures increased by \$7,121 or 4.8 percent.

- Public Safety expenditures are up \$4,916 or 7.2 percent. Expenditures for the Sheriff increased \$2,951 or 5.5 percent due to increased personnel costs. Consolidated dispatch expenditures are up \$2,476 or 100.3 percent over the prior fiscal year which reflects the addition of staff members to dispatch for the City of Charleston Fire Department, the City of North Charleston, Folly Beach, St. Andrews Fire Department, and St. John's Fire Department.
- General Government expenditures are increased \$2,432 or 6 percent. Facilities Management expenditures increased \$1,238 or 11.7 percent which reflects the higher cost of utilities. Technology services is up \$696 or 9.6 percent which reflects increased capital costs and increases in maintenance contracts. The assessor's office is increased \$475 or 15.5 percent for the implementation of reassessment.

Transfers out increased \$4,384 or 38.3 percent. This is primarily due to a mid-year budget amendment approved by Council which increased transfers out by \$8,600. The budget amendment provided for \$5,300 in additional pay-as-you-go funding for the capital projects program. In addition, \$2,300 was transferred to the capital replacement fund and \$1,000 was transferred to the workers' compensation internal service fund. Funding for the budget amendment was from fiscal year 2010 fund balance, which exceeded amounts required by the financial policy.

Debt Service Fund. The debt service fund balance is \$19,695 and is \$978 or 4.7 percent lower than the prior fiscal year. The use of fund balance was anticipated in the fiscal year 2011 budget. Transfers in were reduced \$4,110. Fiscal year 2010 included a one-time transfer in of \$5,407 which was the premium on the 2009 general obligation bond issuance.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance was reduced \$66,455 or 42.4 percent from the prior fiscal year. Total expenditures were \$104,157 an increase of \$20,430 from the prior fiscal year. Public works expenditures for road work increased \$24,731 while culture and recreation expenditures decreased \$4,326, reflecting a decrease in greenbelt property purchases. Revenues showed an increase of \$3,545. This results from an increase in sales tax collections of \$1,638 and intergovernmental revenues of \$2,314 for the MUSC road improvement project.

GOB Capital Projects Fund. This fund showed a decrease in fund balance of \$1,339 or 4.7 percent. Expenditures decreased \$30,376 reflecting the completion of the detention center in fiscal year 2010. Other financing sources decreased \$41,602 as fiscal year 2010 included the issuance of \$50,000 in general obligation bonds.

Other Governmental Funds. The other governmental funds had a slight increase in fund balance of \$136 from the prior fiscal year.

Nonmajor Capital Projects Funds. The nonmajor capital projects funds reflected a total fund balance of \$10,744 and are shown on pages 135 through 136 and 142. The fund balance for the nonmajor capital projects funds decreased \$299 from fiscal year 2010. The construction fund increased \$1,557 while the ITS/MIS and equipment replacement funds decreased \$873 and \$850, respectively.

Nonmajor Special Revenue Funds. The nonmajor special revenue funds have a combined total fund balance of \$24,096, all classified as restricted. Nonmajor special revenue funds are shown on pages 132 through 135, and 138 through 142. The fund balance for the non-major special revenue funds increased \$435 from the prior year. The largest increase in fund balance is in the construction public works fund which accounts for state C-fund expenditures.

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 the enterprise funds at June 30, 2011, are \$86,294 (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 \$73,552. The nonmajor proprietary funds have total net assets of \$12,742. These funds include E-911 communications, DAODAS, radio communications, and revenue collections. See pages 50 through 55, 158 through 163 and 165 through 169 for the proprietary funds statements.

As of the end of the current fiscal year, Charleston County's enterprise funds reported combined ending net assets of \$86,294 (before internal eliminations), an increase of \$4,268 or 5.2 percent in comparison with the prior year. The environmental management fund accounted for \$5,471 of this increase due to cost savings with the elimination of the incinerator contract. Offsetting this is a decrease in net assets of \$1,146 in the parking garages fund resulting from a transfer out to the capital projects fund of excess garage renovation funds.

General Fund Budgetary Highlights

During fiscal year 2011 County Council approved an adjustment to the general fund budget totaling \$9,700. In addition, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

The budget was adjusted by \$9,700 during the fiscal year. The source of funds was fiscal 2010 fund balance that was in excess of the county's reserve policies. The expenditure increases included \$5,300 for the capital improvement plan (law enforcement center), \$2,300 for equipment replacement, \$1,100 for a voluntary retirement incentive program, and \$1,000 for the workers' compensation costs.

Actual revenues and transfers in were \$13,310 over the final budget. The most significant revenue variances are outlined below:

- Property and local option sales taxes were over budget by \$7,303. Current property tax collections were \$3,668 over budget due to growth in the property base. Local option sales tax collections exceeded the budget by \$2,340 reflecting an increase in consumer spending primarily in the second half of the fiscal year. Finally, delinquent tax collections exceeded budget by \$1,295, due to conservative budget estimates.
- Service charges were over budget by \$3,506. Master-in-Equity fees were \$1,191 over budget reflecting increased foreclosure activity. RMC fees were \$832 over budget reflecting increased refinancing and home sale activities. Finally, Emergency medical service fees were \$1,030 over budget reflecting increases in service calls.

- Intergovernmental revenues were over budget by \$1,988 due to increased federal inmate per diem. The housing capacity of the detention center increased with the opening of the expansion during fiscal year 2010. This allowed the Sheriff to accept more federal inmates, including those from immigration services.

Actual expenditures and transfers out were \$6,256 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology services was \$1,448 below budget. Multi-year projects, such as funding for state mandates and the business continuity plan were not completed during the fiscal year. The budget for these projects was rolled to fiscal year 2012. Capital purchases of \$407 were not completed by the end of the fiscal year, but were encumbered and rolled to fiscal year 2012. In addition, there were savings in maintenance contracts.
- Facilities Management was \$886 below budget largely due to savings on maintenance supplies. These savings were encumbered at the end of the fiscal year.
- The Sheriff's office was \$652 below budget. These savings can be attributed to the detention center which was below budget for many of its inmate related accounts such as medical services, food, and custodial and laundry. The majority of this savings was rolled to fiscal year 2012 through encumbrances or Council action.
- Consolidated Dispatch was \$423 below budget due to lower personnel costs during the transition from other local governments. Savings were seen in consultant fees and computer capital. These savings were encumbered at the end of the fiscal year

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, 2011, amounted to \$350,609 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and drainage easements. The County's investment in capital assets decreased \$580 or 0.2 percent for the current year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and easements	\$ 16,704	\$ 16,808	\$ 3,951	\$ 3,951	\$ 20,655	\$ 20,759
Buildings	236,257	243,276	16,451	16,878	252,708	260,154
Improvements other than buildings	733	780	15,389	253	16,122	1,033
Machinery and equipment	25,708	27,540	6,488	6,870	32,196	34,410
Infrastructure	15,222	15,382	-	-	15,222	15,382
Construction in progress	12,264	3,121	1,442	16,329	13,706	19,451
Total	<u>\$ 306,888</u>	<u>\$ 306,907</u>	<u>\$ 43,721</u>	<u>\$ 44,282</u>	<u>\$ 350,609</u>	<u>\$ 351,189</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 \$441,460. Of this amount, \$394,957 comprises debt backed by the full faith and credit of the government (general obligation bonds), \$41,498 is comprised of certificates of participation secured by the capital assets constructed with their proceeds, and \$5,005 is comprised of revenue bond debt secured solely by solid waste user fees.

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, 2011, this obligation is recorded at a net present value of \$32,051 using a discount rate of 5.7%. 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>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 394,957	\$ 406,591	\$ -	\$ -	\$ 394,957	\$ 406,591
Certificates of participation	35,246	41,757	6,252	7,422	41,498	49,179
Revenue bonds	-	-	4,844	6,374	4,844	6,374
Intergovernmental note payable	<u>32,051</u>	<u>33,152</u>	<u>-</u>	<u>-</u>	<u>32,051</u>	<u>33,152</u>
Total	<u>\$ 462,254</u>	<u>\$ 481,500</u>	<u>\$ 11,096</u>	<u>\$ 13,796</u>	<u>\$ 473,350</u>	<u>\$ 495,296</u>

The County's total bonded debt decreased by \$21,946 (4.4 percent) during the current fiscal year. No new debt was issued during fiscal year 2011.

During July 2011, the County issued \$27,100 in General Obligation Capital Improvement Bonds which will be used for defraying a portion of the costs for the nursing school facility at the tri-county Trident Technical College and the costs for the Charleston County Law Enforcement Center. In addition, the County issued \$167,000 in General Obligation Transportation Sales Tax Bonds to provide funds to defray a portion of the costs for certain road projects and the costs for greenbelt projects.

The July 2011 GOBs were rated Aaa by Moody's Investor Services and AAA by Standard and Poor's Corporation. Fitch, Inc upgraded the County's outstanding 2004 and 2006 GOBs to AAA during August 2011.

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 \$251,667. The outstanding debt at June 30, 2011 subject to the debt limitation is \$173,825. This would indicate that the County has not exceeded their limit.

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 2012 general fund budget is a balanced budget. Total disbursements are \$171,081, a decrease of \$5,618 or 3.2 percent from the prior year. The budget includes the use of \$6,130 of fund balance for pay-as-you-go capital projects and other one-time expenditures. As a result of a state-mandated property base reassessment, the millage rates for the general fund will decline from 40.2 mills to 39.1 mills and the debt service fund will decline from 6.6 mills to 6.1 mills. The local option sales tax credit will also decline from \$71 to \$70 (per \$100,000 appraised value).

The general fund budgeted revenues for fiscal year 2012 increased by \$4,153 or 2.6 percent from 2011. The major changes are:

- Federal prisoner revenue at the detention center is anticipated to increase \$1,500 or 57.7 percent. This increase reflects higher utilization of the County's recently expanded detention center by federal agencies to house federal detainees.
- The local option sales tax is anticipated to increase \$1,290 or 3.3 percent. This increase reflects an anticipated improvement in the local economy.
- State aid to local governments is decreased \$1,540 or 12.6 percent. Due to the recession and the resulting challenges with state revenues, the general assembly voted to depart from the prescribed formula for funding local governments for fiscal year 2012.

The general fund budgeted disbursements for fiscal year 2012 are decreased \$5,618 or 3.2 percent from fiscal year 2011. The major change for fiscal year 2012 is:

The transfers to other funds are anticipated to decrease by \$5,822 or 36.5 percent to reflect using less fund balance for pay-as-you-go capital projects.

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.