

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, 2012. 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

- Charleston County reported net assets (total assets less total liabilities) of \$101,436 at June 30, 2012, comprised of \$1,017,834 in total assets offset by \$916,398 in total liabilities.
- The County's unrestricted net assets were (\$401,327) at June 30, 2012. 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, 2008 and 2012. The proceeds from these bonds are used for state and municipal road projects, and Charleston County Park and Recreation Commission (PRC), 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 \$46,376 during the fiscal year ended June 30, 2012, with a \$56,308 decrease resulting from governmental activities and a \$9,932 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 \$353,709, which is a \$129,661 increase from the prior year. Approximately 12 percent or \$42,944 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 \$42,944 or approximately 27 percent of the total general fund expenditures.
- Charleston County's total assets increased by \$174,582, while total liabilities increased by \$220,958.

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 37 through 39 of this report.

The statement of net assets shows the County's assets less its liabilities at June 30, 2012. 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), a countywide E-911 communication 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 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 62 through 64 of this report.

The government-wide financial statements can be found on pages 56 through 59 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 45 through 47, 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 48 through 53 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 Radio Communications, and Revenue Collections are presented in one total column termed as "Nonmajor Other Funds" but may be separately reviewed in the combining statements on pages 153 through 157.

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 159 through 163 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 165 through 167 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages 60 through 119 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 140. 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 172.

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 \$101,436 at the close of fiscal year 2012. This was a decrease of \$46,376 or 31.4 percent during fiscal year 2012.

A portion of the County's net assets, \$151,331, 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. 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.

An additional portion of the County's net assets, \$351,432, represents resources that are subject to external restrictions on how they may be used. These include funds for road projects, operation of the environmental management department which are held by a trustee, and construction/purchase of capital assets.

Unrestricted net assets are (\$401,327), resulting from expenditure of capital proceeds in the transportation and road sales tax special revenue fund. These expenditures were for state and municipal road projects and PRC, 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.

At the end of 2012 the County had positive balances in two of the three categories of net assets for the primary government as well as all three categories for the business-type activities. The governmental activities had positive balances in two of the three 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, 2012
(Recapped from page 37)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011 (restated)	2012	2011 (restated)	2012	2011 (restated)
Current and other assets	\$529,012	\$381,129	\$120,374	\$111,516	\$ 649,386	\$ 492,645)
Capital assets	321,570	306,888	46,878	43,721	368,448	350,609
Total assets	\$850,582	\$688,017	\$167,252	\$155,237	\$ 1,017,834	\$ 843,254
Long-term liabilities						
outstanding	\$661,471	\$468,703	\$ 12,572	\$ 14,335	\$ 674,043	\$ 483,038
Other liabilities	207,486	181,380	34,869	31,023	242,355	212,403
Total liabilities	\$868,957	\$650,083	\$ 47,441	\$ 45,358	\$ 916,398	\$ 695,441
Net assets:						
Invested in capital assets, net of related debt	\$113,296	\$109,880	\$ 38,035	\$ 32,625	\$151,331	\$142,505
Restricted for:						
Environmental trust operations	-	-	51,142	45,008	51,142	45,008
Capital projects	41,931	37,749	570	543	42,501	38,292
Transportation and road sales tax projects	213,333	90,160	-	-	213,333	90,160
Other special revenue projects	22,863	24,096	-	-	22,863	24,096
Debt service	19,123	19,695	2,470	2,557	21,593	22,252
Unrestricted	(428,921)	(243,646)	27,594	29,146	(401,327)	(214,500)
Total net assets	(\$18,375)	\$37,934	\$119,811	\$109,879	\$101,436	\$147,813

The County's net assets decreased by \$46,376 during fiscal year 2012. The governmental activities had a decrease in net assets of \$56,308. This is due primarily to expenditures in the transportation and road sales tax special revenue fund. During fiscal year 2012 proceeds from the 2011 transportation sales tax general obligation bonds (GOBs) were used by the PRC, municipalities, and other special purpose districts to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, proceeds from the 2006, 2007 and 2011 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 \$9,932 resulting primarily from activity in the environmental management fund. User fee revenues are increased as the one-time credit of \$25 on the fiscal year 2011 tax bill was eliminated. In addition, the user fee is set at a rate designed to accumulate net assets for future pay-as-you go project funding.

County of Charleston, South Carolina
Changes in Net Assets (Recapped from pages 38 and 39)
For the Fiscal Year Ended June 30, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 39,861	\$ 44,329	\$ 41,692	\$ 38,332	\$ 81,553	\$ 82,661
Operating grants and contributions	25,771	15,639	779	768	26,550	16,408
Capital grants and contributions	2,620	396	-	-	2,620	396
General Revenues:						
Property taxes	107,177	106,384	-	-	107,177	106,384
Other taxes and fees	99,969	91,329	606	538	100,575	91,866
State aid to political subdivisions	10,780	12,111	-	-	10,780	12,111
Unrestricted investments earnings	1,277	837	32	85	1,309	922
Gain on sale of capital assets	239	-	189	19	428	19
Total Revenues	287,694	271,025	43,298	39,742	330,992	310,767
Program Expenditures:						
Governmental Activities:						
General government	60,157	55,668	-	-	60,157	55,668
Public safety	86,502	82,517	-	-	86,502	82,517
Judicial	26,578	26,116	-	-	26,578	26,116
Public works	92,741	80,325	-	-	92,741	80,325
Health and welfare	7,174	7,903	-	-	7,174	7,903
Economic development	4,314	1,457	-	-	4,314	1,457
Culture and recreation	30,821	38,886	-	-	30,821	38,886
Education	6,643	5,885	-	-	6,643	5,885
Interest and fiscal charges	26,019	20,739	-	-	26,019	20,739
Business-Type Activities:						
DAODAS	-	-	7,761	7,803	7,761	7,803
E-911 communications	-	-	1,616	1,565	1,616	1,565
Environmental management	-	-	21,278	19,920	21,278	19,920
Parking garages	-	-	1,975	1,968	1,975	1,968
Radio communications	-	-	2,469	2,226	2,469	2,226
Revenue collections	-	-	1,321	1,483	1,321	1,483
Total Expenditures	340,949	319,496	36,420	34,965	377,369	354,461
Excess (deficiency) of revenues over (under) expenditures	(53,255)	(48,471)	6,878	4,777	(46,377)	(43,694)
Transfers	(3,054)	(2,322)	3,054	2,322	-	-
Increase (Decrease) in Net Assets	(56,309)	(50,793)	9,932	7,099	(46,377)	(43,694)
Net assets, beginning	37,934	88,727	109,879	102,780	147,813	191,507
Net Assets, ending	(\$18,375)	\$37,934	\$119,811	\$109,879	\$101,436	\$147,813

Governmental Activities. Governmental activities decreased the County's net assets by \$56,309. Key elements of the decrease are:

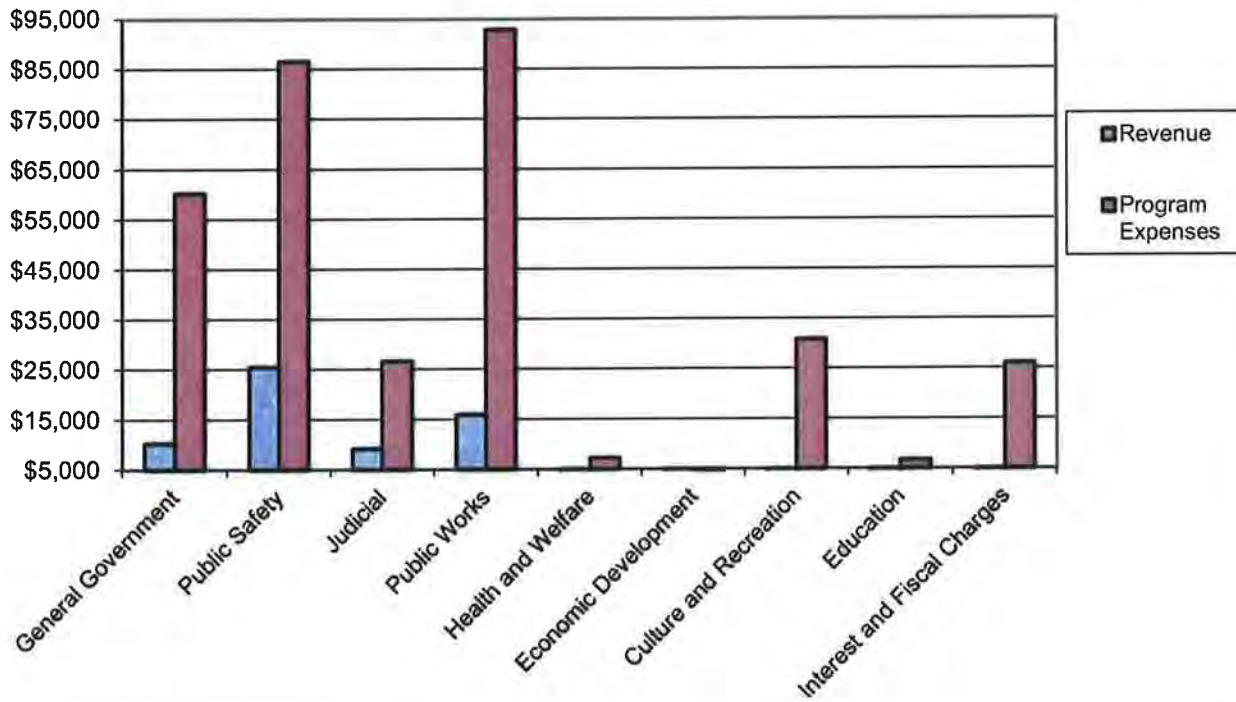
Total expenditures for the year increased by \$21,452 (6.7 percent) as follows:

- Public works expenditures increased \$12,416 (15.5 percent) reflecting increased spending on the road projects funded from transportation and road sales tax and public works construction special revenue funds.
- Interest and fiscal charges increased \$5,280 (25.5 percent) due the issuance of \$167,000 in transportation sales tax and \$27,100 in capital improvement program GOBs in July 2011.
- General government expenditures increased \$4,489 (8.1 percent). This increase is primarily due to the phase III upgrade to the County's 800 MHz radio system paid for in the capital projects construction fund. In addition facilities management had an increase in maintenance contracts as the warranties on equipment at the new detention center expired.
- Public safety expenditures show an increase of \$3,985 (4.8 percent.). This increase can be attributed to the following: 1) grants received for computers and consultants for the new consolidated dispatch center, 2) various grants for the Sheriff's offices for items such as SWAT team supplies, DUI enforcement, secure schools (pass-through) and, 3) increased personnel costs in the general fund for emergency medical services, consolidated dispatch and the Sheriff's office
- Economic development expenditures are increased \$2,857 (196.1 percent) due to a pass-through wind-turbine grant received during fiscal year 2012.
- Offsetting these increases is a decrease in culture and recreation of \$8,065 (20.7 percent) due to a reduction in allocations for greenbelt purchases as the greenbelt program is nearing the end of its funding.

Total revenues for the year showed an increase of \$16,669 (6.2 percent.)

- Operating grants and contributions increased by \$10,132 (64.8 percent) during the year. This increase is due to the following: 1) grants received for computers and consultants for the new consolidated dispatch center, 2) various grants for the Sheriff's office for items such as SWAT team supplies, DUI enforcement, secure schools (pass-through) and, 3) a pass-through wind-turbine grant for economic development.
- Other taxes and fees increased by \$8,640 (9.5 percent). The local option sales tax, transportation sales tax and accommodations tax all showed growth during the fiscal year because of increased consumer spending.
- Capital grants and contributions increased by \$2,224 (561.6 percent) due to grants received for capital purchases by the Sheriff's office and consolidated dispatch. The Sheriff's office purchased marine equipment and a vehicle for the bomb squad. Consolidated dispatch purchased equipment for the new dispatch center.
- Charges for services decreased by \$4,468 (10.1 percent) during the year which reflects a one-time settlement of a lawsuit on the judicial center project during fiscal year 2011. In addition, federal prisoner per diem is reduced as fewer prisoners are being housed by Charleston County.
- State aid to political subdivisions decreased by \$1,331 (11.0 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.

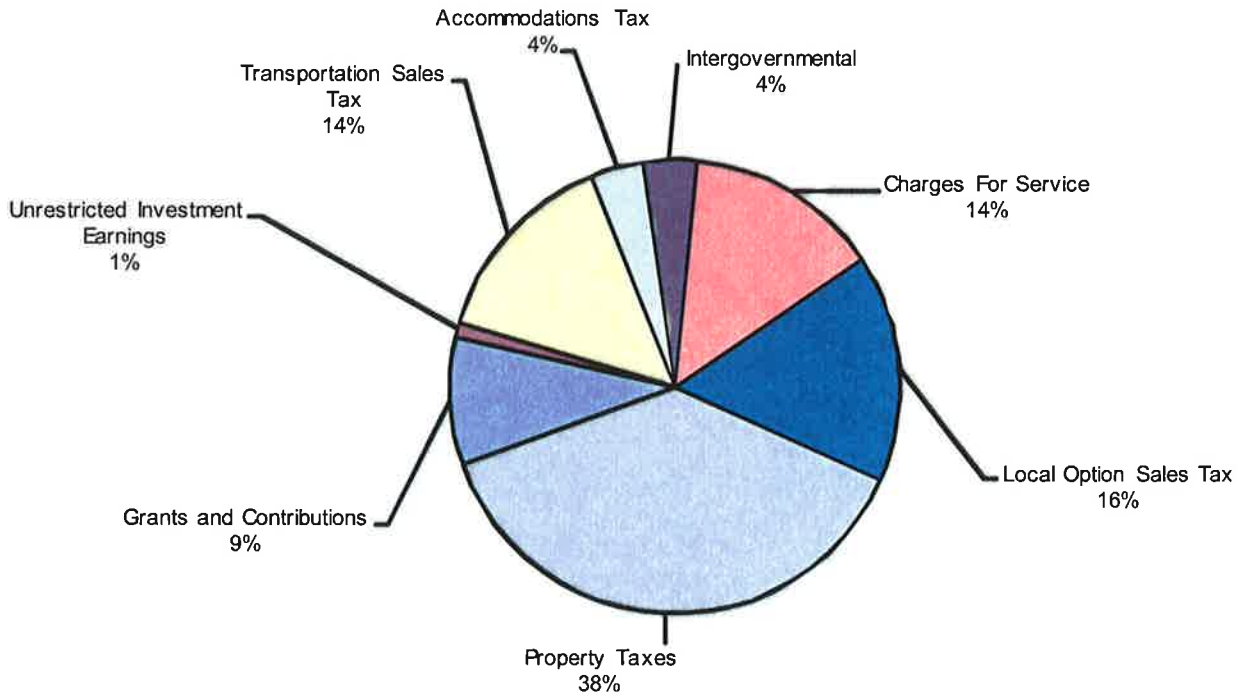
Expenses and Program Revenues - Governmental Activities



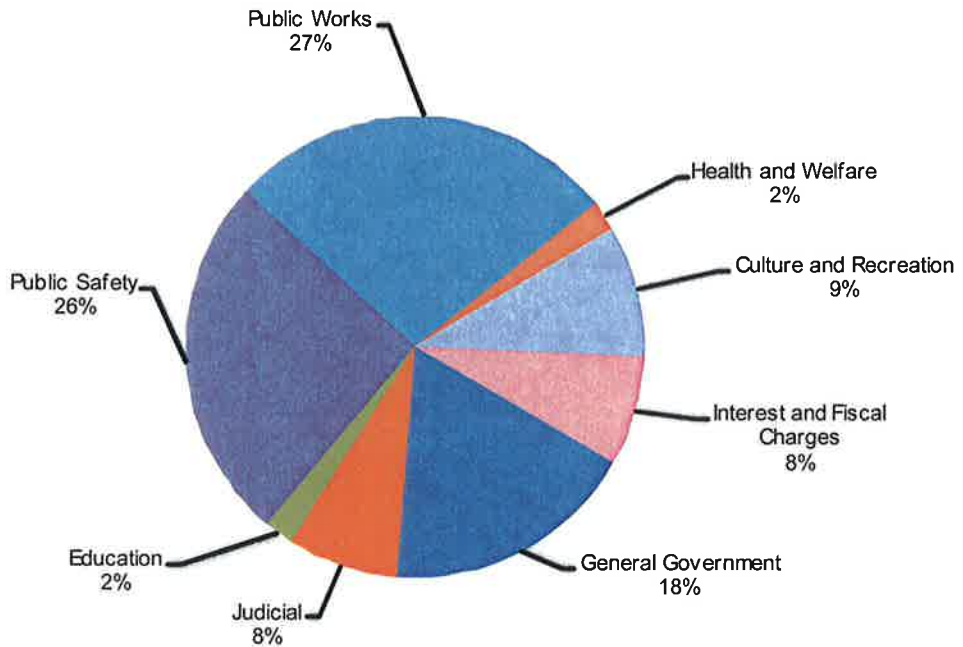
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Revenues by Source - Governmental Activities



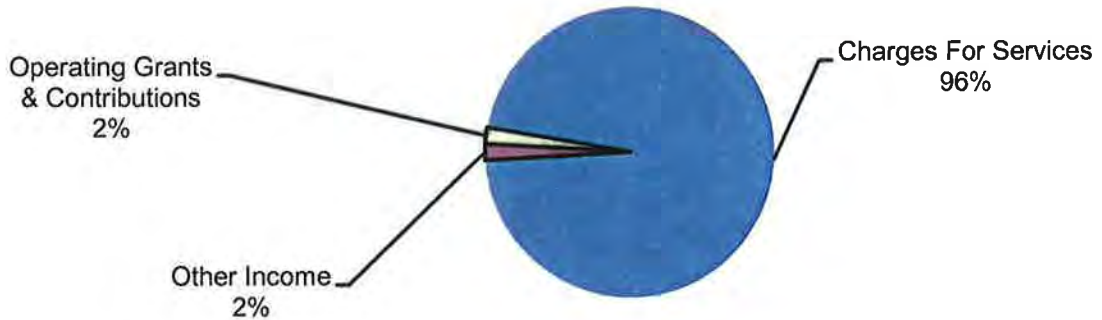
Expenses by Program - Governmental Activities



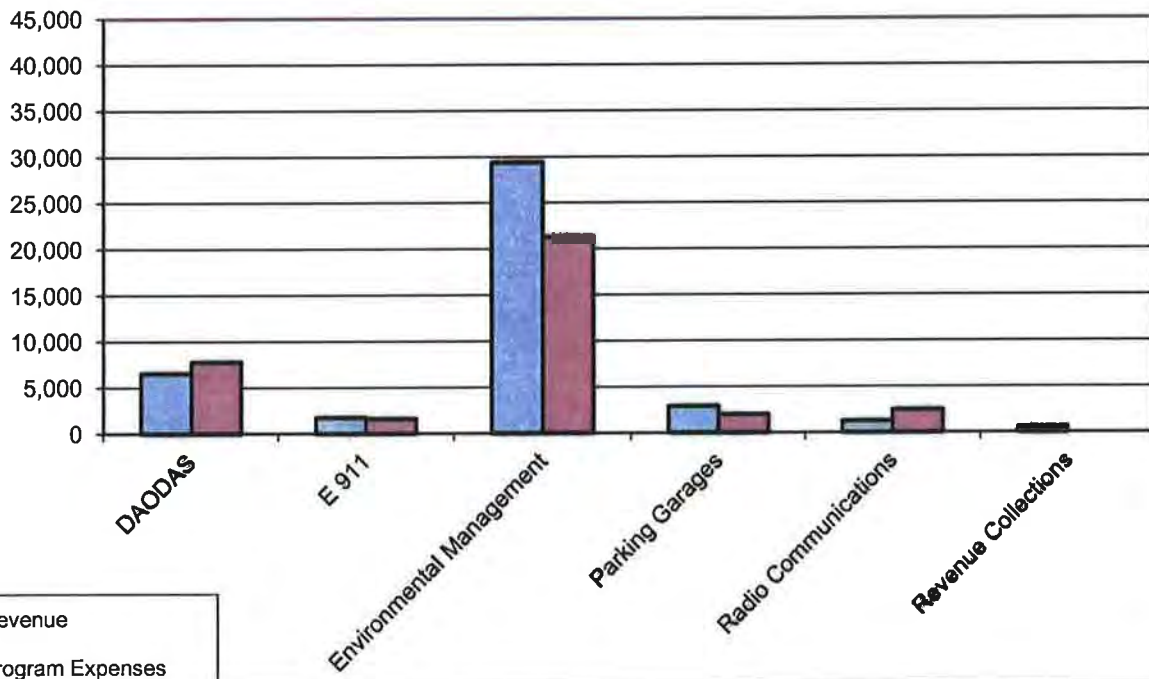
Business-type Activities. Business-type activities increased the County's net assets by \$9,932. The key element of this increase was:

- Environmental management had an increase in net assets of \$6,187. User fee revenues are increased as the one-time credit of \$25 on the fiscal year 2011 tax bill was eliminated. In addition, the user fee is set at a rate designed to accumulate net assets for future pay-as-you go project funding.

Revenues by Source - Business-type Activites



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 \$353,709, an increase of \$129,661 in comparison with the prior year. This increase is largely due to the transportation and road sales tax special revenue fund. The County issued \$167,000 in new general obligation bonds in July 2012, with a premium of \$20,867. This is offset by road and greenbelt funding during the current fiscal year.

The ending fund balance of \$353,709 for the governmental funds is composed of five components: unassigned fund balance of \$42,944, assigned fund balance of \$12,579, committed fund balance of \$41,931 restricted fund balance of \$255,320 and nonspendable fund balance of \$935.

Unassigned fund balance accounts for approximately 12.1 percent or \$42,944 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 \$12,579 or 3.6 percent of ending fund balance. Assigned fund balance includes \$8,821 budgeted for use in the 2013 budget and \$3,758 which was encumbered at the end of fiscal year 2012. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$41,931 or 11.9 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 \$255,320 or 72.2 percent of ending fund balance. The major restricted fund balances are for: 1) roads and stormwater projects of \$226,132, 2) debt service of \$19,123, 3) \$4,042 for public safety activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,644 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.

Nonspendable fund balance is \$935 or 0.3 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 \$42,944 while total fund balance reached \$56,459. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$8,588 and is composed of \$2,888 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 26.7 percent of total general fund expenditures, while total fund balance represents 35.0 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 an increase of \$4,110 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$2,823 or 1.6 percent higher than the previous fiscal year.

- Property and local option sales tax revenues were \$5,151 or 4.3 percent over the previous year. Local option sales tax collections were \$4,704 higher than the prior fiscal year. The County saw an increase in collections in every month of the fiscal year, representing higher consumer spending with the strengthening of the economy.
- Intergovernmental revenues decreased \$2,901 or 12.5 percent. Federal prisoner per diem decreased by \$1,403 as the number of federal prisoners being housed in the detention center was reduced. State aid to political subdivisions decreased \$1,331. In the past few years the state has not funded state aid at the formula level because of state economic conditions which resulted in reduced state revenues.

Expenditures increased by \$4,696 or 3.0 percent.

- Public Safety expenditures are up \$2,331 or 3.2 percent. Emergency medical services, the Sheriff's office and consolidated dispatch all experienced increased personnel costs. This is partially due to the 2 percent COLA that was awarded in October 2011. In addition, this represents increased employer costs for retirement, employee health insurance benefits (including the accrual for other post-employment benefits) and worker's compensation.
- General Government expenditures are increased \$1,255 or 2.9 percent. Technology services had increased cost for IT management contract, and for replacement of servers. Facilities management had increases for utility charges and maintenance contracts due to the expiration of warranties on equipment at the new detention center.

Transfers out decreased \$6,532 or 37.4 percent. Fiscal year 2011 included a one-time mid-year budget adjustment which increased transfers out by \$8,600.

Debt Service Fund. The debt service fund balance is \$19,123 and is \$572 or 2.9 percent lower than the prior fiscal year. The use of fund balance was anticipated in the fiscal year 2012 budget.

Transportation and Road Sales Tax Special Revenue Fund. This fund balance was increased \$123,174 or 136.6 percent from the prior fiscal year. The County issued \$167,000 in new general obligation bonds in July 2012. This is offset by spending on road and greenbelt projects. The County has several large road projects that are currently under way.

GOB Capital Projects Fund. This fund showed an increase in fund balance of \$6,802 or 25.2 percent. The County issued \$27,100 in new general obligation bonds during the fiscal year. Expenditures increased \$13,261. The construction of the new consolidated dispatch center and the renovation of the replacement law enforcement center were well underway during the current fiscal year. Transfers in decreased \$5,731 resulting from a one-time transfer made during the fiscal year 2011 mid-year review.

Other Governmental Funds. The other governmental funds had a decrease in fund balance of \$3,853 or 11.1 percent from the prior fiscal year.

Nonmajor Capital Projects Funds. The nonmajor capital projects funds reflect a total fund balance of \$8,124 and are shown on pages 131 through 132 and 137 through 138. The fund balance for the nonmajor capital projects funds decreased \$2,620 from fiscal year 2011. The construction fund decreased \$3,283 due to costs for the phase III upgrade to the County's 800 MHz radio system. Offsetting this is the increase of \$474 and \$189 in the ITS/MIS and equipment replacement funds, respectively.

Nonmajor Special Revenue Funds. The nonmajor special revenue funds have a combined total fund balance of \$22,864, all classified as restricted. Nonmajor special revenue funds are shown on pages 128 through 131, and 134 through 137. The fund balance for the non-major special revenue funds decreased \$1,233 from the prior year. The largest decrease in fund balance is \$2,334 in the construction public works fund which accounts for state C-fund expenditures. This decrease is offset by increases of \$525 and \$308 in the economic development and solicitor funds, respectively.

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, 2012, are \$93,063 (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 \$80,223. The nonmajor proprietary funds have total net assets of \$12,840. These funds include DAODAS, E-911 communications, radio communications, and revenue collections. See pages 48 through 53, 153 through 157 and 159 through 163 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 \$93,063 (before internal eliminations), an increase of \$6,769 or 7.8 percent in comparison with the prior year. The environmental management fund accounted for \$6,187 of this increase due to the elimination of the tax year 2011 one-time credit of \$25 for the user fee. In addition, the user fee is set at a rate designed to accumulate net assets for future pay-as-you go project funding. In addition, the parking garages had an increase of \$484 or 4.2 percent due to a reduction in the transfer-out for fiscal year 2012.

General Fund Budgetary Highlights

During fiscal year 2012 County Council approved an adjustment to the general fund budget totaling \$2,055. In addition, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

The budget was adjusted by \$2,055 during the fiscal year. The source of funds was additional revenues from property taxes and charges and fees. The adjustment funded a Cost of Living Adjustment (COLA) effective October 7, 2011. This was the first COLA given since fiscal year 2009.

Actual revenues and transfers in were \$9,243 over the final budget. The most significant revenue variances are outlined below:

- Property and local option sales taxes were over budget by \$9,585. Local option sales tax collections exceeded the budget by \$5,754 reflecting an increase in consumer spending throughout the fiscal year. Real property tax collections were over budget \$1,810 resulting from better than anticipated collections. Finally, delinquent tax collections were \$888 over budget due to a delay in the delinquent tax sale.
- Service charges were over budget by \$1,076. EMS charges exceeded budget by \$702 due to increases in call volume.
- Intergovernmental revenues were under budget by \$1,838 primarily due to decreases in federal inmate per diem resulting from a decrease in inmates held.

Actual expenditures and transfers out were \$4,960 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology services was \$1,603 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 2013. Capital purchases of \$266 were not completed by the end of the fiscal year, but were encumbered and rolled to fiscal year 2013. In addition, there were savings in maintenance contracts.
- The Sheriff's office was \$1,029 below budget. Illegal alien assistance funds of \$565 were not spent during fiscal year 2012. These funds were rolled to fiscal year 2013. Additional savings were seen throughout the Sheriff's budget. The majority of these savings were encumbered at fiscal year-end.
- Facilities Management was \$809 below budget largely due to savings on air conditioning supplies and maintenance contracts. 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, 2012, amounted to \$368,448 (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 increased \$17,839 or 5.1 percent for the current year and is primarily due to the new consolidated dispatch center and the renovations for a new law enforcement center.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and easements	\$ 21,213	\$ 16,704	\$ 3,951	\$ 3,951	\$ 25,164	\$ 20,655
Buildings	232,507	236,257	18,380	16,451	250,887	252,708
Improvements other than buildings	686	733	14,576	15,389	15,262	16,122
Machinery and equipment	35,581	25,708	9,971	6,488	45,552	32,196
Infrastructure	14,520	15,222	-	-	14,520	15,222
Construction in progress	<u>17,063</u>	<u>12,264</u>	<u>-</u>	<u>1,442</u>	<u>17,063</u>	<u>13,706</u>
Total	<u>\$ 321,570</u>	<u>\$ 306,888</u>	<u>\$ 46,878</u>	<u>\$ 43,721</u>	<u>\$ 368,448</u>	<u>\$ 350,609</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 83 through 87 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 \$637,805. Of this amount, \$597,380 comprises debt backed by the full faith and credit of the government (general obligation bonds), \$37,193 is comprised of certificates of participation secured by the capital assets constructed with their proceeds, and \$3,232 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, 2012, this obligation is recorded at a net present value of \$30,888 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 597,380	\$ 394,957	\$ -	\$ -	\$ 597,380	\$ 394,957
Certificates of participation	31,583	35,246	5,610	6,252	37,193	41,498
Revenue bonds	-	-	3,232	4,844	3,232	4,844
Intergovernmental note payable	<u>30,888</u>	<u>32,051</u>	<u>-</u>	<u>-</u>	<u>30,888</u>	<u>32,051</u>
Total	<u>\$ 659,851</u>	<u>\$ 462,254</u>	<u>\$ 8,842</u>	<u>\$ 11,096</u>	<u>\$ 668,693</u>	<u>\$ 473,350</u>

The County's total bonded debt increased by \$195,343 (41.3 percent) during the current fiscal year. The county issued \$194,100 in general obligation bonds during the current fiscal year. 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.

During March 2012 the County issued \$32,095 general obligation transportation sales tax refunding bonds. The bonds refunded a portion of the Series 2006 general obligation transportation sales tax bonds. The refunding bonds were rated Aaa by Moody's Investor Services, AAA by Standard and Poor's Corporation and AAA by Fitch, Inc.

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 \$257,590. The outstanding debt at June 30, 2012 subject to the debt limitation is \$193,600. 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 90 through 103 of this report.

Economic Factors and Next Year's Budget Rates

The fiscal year 2013 general fund budget is a balanced budget. Total disbursements are \$184,734, an increase of \$11,597 or 6.7 percent from the prior year. The budget includes the use of \$8,821 of fund balance for pay-as-you-go capital projects and other one-time expenditures. The millage was increased 0.8 mills from 39.1 mills for tax year 2011 to 39.9 mills. The local option sales tax credit was also increased. The general fund budgeted revenues for fiscal year 2013 increased by \$8,928 or 5.4 percent from 2012. The major changes are:

- The local option sales tax is anticipated to increase \$4,550 or 11.3 percent. This increase reflects the growth that was seen in collections during fiscal year 2012.
- State aid to local governments is increased \$2,895 or 27.2 percent. The distribution of state aid is determined by a formula. In the past few years the state has not funded state aid at the formula level. As a result of improvements in the state's available revenues the state approved a one-time increase in the funding level to local governments.

- Property tax revenues reflect an increase of \$4,760 or 4.5 percent resulting from the 0.8 mill increase in the tax year 2012 millage rate. The local option sales tax credit applied against property taxes is increased \$3,980 or 9.9 percent reflecting the growth in collections during fiscal year 2012.

The general fund budgeted disbursements for fiscal year 2013 are increased \$11,597 or 6.7 percent from fiscal year 2012. The major changes for fiscal year 2013 are:

- Transfers out are increased \$6,020 or 59.6 percent. This increase is a result of the County's decision to use the unanticipated fund balance from fiscal year 2012 for pay-as-you go projects including the new station alerting system and the total law enforcement system upgrade.
- Sheriff's budget is increased \$1,391 or 5.7 percent for the addition of five positions to allow for 24 hour coverage of the Sheriff's nonemergency phone line.
- Consolidated Dispatch is increased \$1,157 or 20.3 percent as funds are provided for the hiring of 17 additional telecommunicators for the next phase of the consolidation of emergency 911 services for all entities within the county.

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.