

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the County of Charleston (County) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds, governmental and business-type activities, and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainders of the notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2013.

B. Financial Reporting Entity

The County of Charleston, South Carolina, was established by the State of South Carolina on April 9, 1948, under the provisions of Act 681 of 1942. The County operates under a Council-Administrator form of government and provides the following services: public safety (sheriff and fire), highways and streets, sanitation, health and social services, cultural and recreational programs, public improvements, planning and zoning, courts, economic development and general administrative services. As required by GAAP, these financial statements present the County (the Primary Government) and its component units, entities for which the County is considered to be financially accountable or for which exclusion of a component unit would render the financial statements misleading.

The County implemented GASB Statement No. 61 in the year ended June 30, 2013, which amended requirements for the inclusion of component units. The implementation did not have a material effect on the County's financial statements.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the County (a primary entity).

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A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- (1) The primary government is legally entitled to or can otherwise access the organization's resources.
- (2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- (3) The primary government is obligated in some manner for the debt of the organization.



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Based on the criteria, component units are reported in the County's Comprehensive Annual Financial Report (CAFR) as shown in the following table:

Blended Component Units Reported with the Primary Government	Brief Description of Activities and Relationship to the County	Reporting Funds
<p>Charleston Public Facilities Corporation Administrative Office Address: 4045 Bridge View Drive Room 429 North Charleston, SC 29405 Telephone: (843) 958-4600</p> <p>Charleston Development Corporation Administrative Office Address: 4045 Bridge View Drive Suite B226 North Charleston, SC 29405 Telephone: (843) 958-4600</p>	<p>Single purpose corporate entity established on July 31, 1990, which is prohibited from engaging in any business other than to construct, own and lease facilities to be used for essential County functions in connection with the issuance of tax-exempt Certificates of Participation to finance such facilities. The Corporation is governed by a Board of Directors who is appointed to staggered terms by County Council. The Corporation exists solely for the benefit of Charleston County.</p> <p>Non-Profit Corporate entity established September 16, 2004, to further human, social, and economic development in the County of Charleston, to promote a healthier and safer community, and apply for funding that the County would otherwise not be eligible to receive. The Corporation is governed by a Board of Directors which shall consist of one member of Charleston County Council, two Charleston County employees, and two Charleston County citizens. The Corporation exists solely for the benefit of Charleston County and Charleston County is the sole beneficiary of the corporation's funding.</p>	<p>Debt Service Fund- Certificates of Participation Enterprise Fund- Parking Garages DAODAS</p> <p>Special Revenue Fund- Charleston Development Corporation</p>
Discretely Presented Component Units	Brief Description of Activities and Relationship to the County	
<p>Charleston County Library (CCL) Administrative Office Address: 68 Calhoun Street Charleston, SC 29401 Telephone: (843) 805-6801</p>	<p>The Charleston County Library System was created by South Carolina Legislation in 1979 as part of Charleston County Government. Its primary purpose is to provide library services to the citizens of Charleston County and bookmobile services in the rural areas of the County. The Library operates under an 11 member Board of Trustees which is appointed by County Council. County Council approves the budget and all general obligation debt for the Library.</p>	

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Discretely Presented Component Units	Brief Description of Activities and Relationship to the County
<p>Charleston County Park and Recreation Commission (CCPRC) Administrative Office Address: 861 Riverland Drive Charleston, SC 29412 Telephone: (843) 762-2172</p>	<p>The Commission was created under the provisions of Act 1595 of the South Carolina Legislature on August 3, 1972. The Commission is empowered to acquire land, establish recreational facilities, and provide recreational activities within Charleston County. The Commission is governed by a seven member board which is appointed by the Governor upon recommendation of the County Council. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>Cooper River Park & Playground Commission (CRPPC) Administrative Office Address: PO Box 71846 N. Charleston, SC 29415 Telephone: (843) 764-3072</p>	<p>The Commission was created on April 27, 1942, under Act 640 of the South Carolina Legislature to provide parks and recreation facilities for use by citizens residing within the geographic boundaries of the Commission. The Commission is governed by a six member Board of Trustees appointed by the North Charleston District and the Cooper River School District. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>North Charleston District (NCD) Administrative Office Address: P.O. Box 63009 Charleston, SC 29419 Telephone: (843) 764-3072</p>	<p>The District was created as a public service district in 1972 by Act 1768 of the South Carolina Legislature. The District provides fire, sanitation, street lighting, and cleaning services to the residents within its geographic boundaries. The District is governed by a nine member Commission appointed by the Governor through recommendations of the City of North Charleston and the Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the District.</p>
<p>James Island Public Service District (JIPSD) Administrative Office Address: P.O. Box 12140 Charleston, SC 29422 Telephone: (843) 795-9060</p>	<p>The District was created by Act 498 of the General Assembly of South Carolina in 1961. The District provides sanitation, fire protection, and sewer treatment services to the residents within geographic boundaries. The District is governed by a seven member Commission elected by the residents of the service area. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the District.</p>

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Discretely Presented Component Units	Brief Description of Activities and Relationship to the County
<p>St. Andrew's Parish Parks & Playground Commission (SAPPPC) Administrative Office Address: P.O. Box 31825 Charleston, SC 29407 Telephone: (843) 763-4360</p>	<p>The Commission was created by the General Assembly of the State of South Carolina in 1945. The Commission has the power to create, develop, maintain, and operate a system of parks and playgrounds for the use and benefit of the residents within its jurisdictional area. The Commission is governed by five members appointed by the Governor upon recommendation of the County Council. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>St. John's Fire District (SJFD) Administrative Office Address: P.O. Box 56 Johns Island, SC 29457 Telephone: (843) 559-9194</p>	<p>The Fire District was created by Act 369 of the South Carolina General Assembly on April 9, 1959. The Fire District provides fire protection services to residents within its geographic boundaries. The Fire District is governed by a seven member commission appointed by the Governor upon recommendation of the County Council. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Fire District.</p>
<p>St. Paul's Fire District (SPFD) Administrative Office Address: P.O. Box 65 Hollywood, SC 29449 Telephone: (843) 889-6450</p>	<p>The Fire District was formed under Act 440 of the South Carolina General Assembly in 1949. The Fire District provides fire protection services to the western portion of the County. The Fire District is governed by a seven member commission appointed by the Governor upon recommendation of the County Council. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Fire District.</p>
<p>Charleston County Volunteer Rescue Squad, Inc. (CCVRS) Administrative Office Address: P.O. Box 5012 North Charleston, SC 24906 Telephone: (843) 225-7728</p>	<p>The Rescue Squad received its Charter January 30, 1973, from the State of South Carolina. The primary purpose is to provide volunteer rescue services for the citizens of Charleston County. The rescue squad is exempt from federal and state income taxation under Section 501(c) (3) of the U.S. Internal Revenue Code and is not a private foundation. The rescue squad is economically dependent on the County. In the event CCVRS is dissolved, Charleston County would be the beneficiary of any assets.</p>

The complete financial statements for each component unit may be obtained from their administrative offices at the addresses stated above.

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C. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The accounts of the County and its component units are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. There are three categories of funds: governmental, proprietary, and fiduciary.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues and all taxes are presented as general revenues of the County, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements

The County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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Fund Accounting - The major fund types are:

Governmental funds are used to account for general governmental activities. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund – This is the primary operating fund of the County. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

General Obligation Bond Capital Projects Fund – This fund accounts for financial resources to be used to complete several construction projects funded by bond issues. These include the Consolidated Dispatch Center, Detention Center expansion, and radio system improvements.

Transportation and Road Sales Tax Special Revenue Fund – This fund accounts for revenues generated by the half cent sales tax for roads, public transportation, and greenbelts.

Proprietary funds reporting focus is on the determination of operating income, changes in net position, financial position, and cash flow. Proprietary funds are classified as either enterprise or internal service. These funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business. In the enterprise funds a fee is charged to external users. The County reports the following major proprietary funds:

Environmental Management – This fund is used to account for the County's solid waste disposal activities, currently consisting of the following:

1. Incineration plant service agreement including ash disposal, which was terminated December 2009.
2. Landfill to dispose of all county dry goods and construction materials.
3. Service contracts for hauling and transfer of municipal solid waste.

This fund is also used to account for the County's recycling operations, which consist of the following:

1. Curbside collection of recyclables in the urban areas of the County.
2. Drop-box collection in all areas of the County.
3. Operation of materials recovery facility.
4. Yard waste mulch facility.

These services are funded from collection of a countywide user fee, tipping fees at the landfill, and sale of recyclables.

Charleston County Council elected not to renew the service agreement with Montenay for the incinerator that ended November 30, 2009. The waste-to-energy facility has been dismantled according to the terms of the facility site lease removing all buildings and equipment improvements. Charleston County and Montenay are currently negotiating the final adjustment to the operation and maintenance fees according to the service agreement.

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Parking Garages – This fund is used to account for the operation, financing, and construction of parking facilities. The County has operated a 454 space parking garage adjacent to the County's administrative and court facilities, which also serves area hotels, restaurants, and others since the 1970's. During 1992 the fund received \$12,375,000 of the proceeds from Charleston Public Facilities Corporation (a component unit of the County) Certificates of Participation to construct a 1,608 space-parking garage adjacent to the Charleston Memorial Hospital. During 1996 the fund received \$8,884,000 of the proceeds from the 1995 Certificates of Participation to construct an additional 438 space parking garage adjacent to the existing City of Charleston Cumberland Street garage to service the future Judicial Center. The County assumed the operation of the existing Cumberland Street garage in April 1998 from the City of Charleston. During fiscal year 2004 the parking garage adjacent to the Charleston Memorial Hospital was sold to the Medical University Hospital Authority.

Internal Service Funds – These funds account for the financing of services provided by one department to other departments of the County, or to other governments, on a cost reimbursement basis.

Fleet Management – This fund is used to account for all operations of the County's centrally administered vehicle operation. Functions included within this operation are writing the specifications and assisting in the purchase of all on and off-road vehicles and equipment; owning all vehicles and equipment not specifically used in other County proprietary operation; maintaining all vehicles and equipment; operating a County-wide fuel distribution and monitoring system; operating a fleet of pool cars for those departments not directly assigned vehicles; and operating a vehicle parts warehouse.

Office Support Services – This fund is used to account for the centrally administered mail pick-up and delivery service, duplicating machines, postage metering service, and records management. Records management includes establishing records retention schedules for all County operations, centralized storage of records, and a centralized microfilming operation.

Telecommunications – This fund is used to account for the centrally administered telecommunications system, which includes pagers and cellular telephones.

Workers' Compensation – This fund is used to account for the costs of staffing a workers' compensation division as well as the cost of providing insurance through the S.C. Association of County Commissioners Self-Insurance Fund. Funding is provided by levying a percentage charge against all departmental payrolls. In fiscal year 1996, insurance was converted to self-insurance coverage for all claims less than \$100,000.

Employee Benefits – This fund is used to account for costs of providing health and life insurance to the County's employees and retirees. Funding is provided by a percentage charge against all departmental payrolls and payments from retirees. The fund is administered by seven trustees; the Finance Director and Human Resources Director as permanent members, the Chairman of the Employee Insurance Committee for the duration of term in office, and for two year periods, trustees appointed by the 1) Elected Officials, 2) Appointed Officials, 3) County Administrator and 4) Assistant Administrator of Finance. As of January 1, 1993, the Trustees had contracted with the South Carolina Department of Insurance to provide all of the County's health and life insurance.

Fiduciary fund reporting focuses on net position and changes in net position. This fund accounts for assets held by the County as an agent on behalf of others. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The County's only fiduciary funds are agency funds.

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Agency Funds – This fund primarily consists of monies collected and disbursed by the County Treasurer (an elected, constitutionally mandated official) for various governmental units and taxing entities within Charleston County’s borders as defined by South Carolina law. These monies are not under the control of Charleston County Council. This fund also consists of monies administered by several elected, appointed and other officials who, by nature of their position, collect and disburse cash. These officials consist of the Revenue Collections Director, Clerk of Court (who administers both Clerk of Court and Family Court funds), Delinquent Tax Collector, Family Court, Magistrates, Master-In-Equity, Probate Court Judge, Sheriff, and Solicitor.

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

D. Measurement Focus

Government-Wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The County implemented the new requirements in the current year.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise on the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year-end with respect to property taxes and one year after fiscal year-end for all other governmental revenues.

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Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements in which the County must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes collected within 60 days of fiscal year end, sales tax, grants, interest, accommodations fees, intergovernmental revenue, and charges for services.

Unearned/Deferred Revenue – Deferred and unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2014 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. Assets, Liabilities and Equity

1. Cash and Investments

The County maintains and controls several major cash and investment pools which the funds of the primary government share. Each fund's portion of a pool is presented on its respective balance sheets as "pooled cash and cash equivalents." In addition, non-pooled cash and investments are separately held and reflected in the respective funds as "non-pooled cash and cash equivalents" and "investments," some of which are restricted assets.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. For purposes of the Proprietary Funds' statement of cash flows, all short-term highly liquid investments, including restricted assets, with original maturities of three months or less from the date of acquisition are considered to be cash equivalents.

South Carolina State law limits investments to those authorized by South Carolina Code of Laws Section 6-5-10. These state statutes authorize investments in the following:

1. Obligations of the United States and agencies thereof.
2. General obligations of the State of South Carolina or any of its political units.
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation.

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4. Certificates of deposits and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest.
5. No load open and closed-end portfolios of certain investment companies with issues of the US Government.

The County and its component units have certain funds invested with the South Carolina State Treasurer's Office which established the South Carolina Local Government Investment Pool (the Pool) pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs which are under the custody of any county treasurer or any governing body of a political subdivision of the State may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Separate financial statements can be requested at Wade Hampton Office Building, 1200 Senate Street, Columbia, SC, 29201.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The allowance for trade accounts receivable is computed based upon an estimate of collections within each aging category. The allowance for property taxes receivable is based upon a composite average of each delinquent tax year's collections to the outstanding balance at the beginning of the fiscal year.

The County bills and collects property taxes for itself and all other taxing entities within the County. Property taxes are recognized in the period for which they are levied and available for financing current expenditures. Property taxes receivable represents current and delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds. Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – 3 percent, February 1 – an additional 7 percent, March 16 – an additional 5 percent. On March 16, the property tax bills are turned over to the delinquent tax office and the properties are subject to sale. Taxes on licensed motor vehicles are levied during the month when the taxpayer's vehicle license registration is up for renewal. The County must provide proof of payment to the South Carolina Department of Transportation before that agency will renew the taxpayer's vehicle license.

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The County charges a user fee to real property owners and certain commercial and governmental entities providing revenues for a portion of the County's solid waste collection and disposal effort (e.g., incineration, landfill and recycling). Tipping fees charged to certain commercial and governmental entities are also included. Annual charges to real property owners are billed in the fall for the subsequent calendar year, but are recognized in full in the year of billing. An allowance for uncollectible accounts is established based upon an historical estimate of the collections within each customer category: residential, commercial, governmental or housing agencies.

The County also charges an annual storm water fee to real property owners in unincorporated areas and certain municipalities. This fee funds the County's storm water management program, which is now required under federal regulations. An allowance for uncollectible accounts is established based upon historical estimates.

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In the governmental fund statements, reported inventories and prepaid items are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. *Restricted Assets*

Certain assets of the County's Debt Service and Enterprise Funds and component units derived from proceeds of various General Obligation Bonds, Revenue Bonds and Certificates of Participation are set aside for their repayment or earmarked by the Trustee for specific purposes. These assets are classified as restricted assets on the balance sheet in both the government-wide and fund financial statements, because their use is limited by applicable bond covenants. All restricted assets are considered expendable.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets are not capitalized by governmental or business-type activities.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended June 30, 2013.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
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All reported capital assets except land and certain infrastructure assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Buildings Improvements	10-45
Improvements other than buildings	10-45
Public Domain Infrastructure	20-50
Vehicles	5
Office Equipment	5-10
Computer Equipment	3-5
Other Equipment	5-12
Landfill Land	10-20
Sewer Systems	25-50

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred refunding costs represent the difference between the reacquisition price and the net carrying value of the refunded debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is recorded when accrued by the employee in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of the employee resignations and retirements.

8. Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of the other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – A net position that does not meet the definition of “net investment in capital assets” or “restricted.”

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and changes the caption Net Assets to Net Position. The County implemented the new requirements in the current year.

Fund Statements

The County has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

Nonspendable fund balance cannot be spent because of its form.

Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only the purpose specified by the legislation.

Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority. County Council is the County's highest level of decision making that can, by adoption of an ordinance establish, modify or rescind a fund balance commitment. Committed amounts cannot be used for any other purpose unless Council removes those constraints by taking the same type of action. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Council.

Assigned fund balance are amounts intended to be used by the County for specific purposes. Assigned fund balance includes all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed and amounts in the General Fund that are intended to be used for a specific purpose. At this time, Council has elected not to delegate this authority.

Unassigned fund balance in the General Fund equals the net resources in excess of what can be properly classified in one of the above four categories.

The County targets General Fund unassigned fund balance at a minimum of 1-1/2 to 2 months of the subsequent year's General Fund disbursements.

Unassigned – All amounts not included in other spendable classifications. The County permits funds to be expended in the following order: Committed, Assigned, and Unassigned.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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9. Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the County's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Net Position

Net position represents the difference between assets and liabilities. Net position, net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Nonspendable fund balance cannot be spent because of its form.

Restricted fund balance has limitations imposed by creditors, grantors, or contributors of by enabling legislation or constitutional provisions. Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority. County is the County's highest level of decision making that can, by adoption of an ordinance establish, modify or rescind a fund balance commitment. Committed amounts cannot be used for any other purpose unless Council removes those constraints by taking the same type of action. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Council.

Assigned fund balanced are amounts intended to be used by the County for specific purposes. County Council delegates the authority to classify fund balance as "assigned" to the Administrator per the County's financial policy. Assigned fund balance includes all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed and amounts in the General Fund that are intended to be used for a specific purpose.

Unassigned fund balance in the General Fund equals the net resources in excess of what can be properly classified in one of the above four categories.

11. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for solid waste disposal, recycling, parking garages, E-911 communication system, radio communication system, revenue collections, and the activity of the programs administered by the Department of Alcohol and Other Drug Abuse Services (DAODAS), vehicle maintenance, telephone service, and insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

12. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in as general revenues as transfers.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and certain Special Revenue Funds including Accommodations, Child Support Enforcement, Economic Development, Education, Fire Districts, Hazardous Materials Enforcement, Public Defender, Storm Water Drainage, Sheriff, Solicitor, and Victim Notification Funds. The balance of the Special Revenue Funds and Capital Projects Funds are budgeted over the life of the grant or project. Formal budgetary policies are not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through General Obligation Bond indenture provisions and the base lease agreements governing the Certificates of Participation. Certain reclasses have been made to the general fund presentation of the budget.

All agencies of the County and its component units must submit requests for appropriations to the County Administrator by March 15 along with revenue estimates so that a budget may be prepared. By May 1, the proposed budgets are presented to County Council for review. The Council holds public hearings and adopts the final budgets by July 1 through passage of an ordinance.

The legal level of budgetary control is determined by County Council at the individual fund level. Expenditures by department, sub-organizational level and major category, i.e. personnel, non-personnel and capital outlay, are further defined in the budget document and are subject to County Administrator approval. The County Administrator is authorized to make transfers between major expenditure categories within departments and between departments within the same fund.

The Administrator has further delegated to the Assistant Administrators the authority to transfer between departments. The budget ordinance must be amended by Council to effect changes in fund totals.

Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations were necessary.

The results were increases and decreases within the individual departments within the funds. All annual appropriations lapse at year-end.

III. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits, Cash Equivalents and Investments

Custodial Credit Risk - Deposits

Custodial Credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County follows Section 6-5-15, South Carolina Code of Law, 1976 (as amended) as its policy for custodial credit risk which states that to the extent that these deposits exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation, the bank or savings and loan association at the time of deposit must: (1) furnish an indemnity bond in a responsible surety company authorized to do business in this State; or (2) pledge as collateral: (a) obligations of the United States; (b) obligations fully guaranteed both as to principal and interest by the United States; (c) general obligations of this State or any political subdivision of this State; or (d) obligations of the Federal National Mortgage Association, the Federal Home Loan Bank, Federal Farm Credit Bank, or the Federal

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit otherwise meets the criteria established and prescribed by the local entity.

As of June 30, 2013, none of the County's bank balance of \$149,758,681 was exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2013, the County had no exposed custodial credit risk on its investments which total \$286,369,748. \$221,334,441 is reported on the Statement of Net Position and \$65,035,307 is reported with Agency Funds. The County does not have a formal investment policy to address custodial credit risk.

The State Treasurer sells participation in the South Carolina Local Government Investment Pool to political subdivisions of the State. Funds deposited into the South Carolina Local Government Investment Pool by legally qualified entities are used to purchase investment securities as follows:

1. U.S. Government Securities (direct obligations)
2. Federal Agency Securities
3. Repurchase Agreements Secured by U.S. Government Securities and/or Federal Agency Securities
4. A1/P1 Commercial Paper (Moody's/S&P highest rating)

Funds belonging to any entity that are on deposit with the South Carolina Local Government Investment Pool represent participation units in a portfolio comprised of the above referenced securities, and the external investment pool is not rated.

It is policy of the State Treasurer's Office that no derivatives of U.S. Government Securities and/or Federal Agency Securities and/or A1/P1 Commercial Paper are to be purchased by or for the South Carolina Local Government Investment Pool.

Credit Risk

The County had \$33,975,174 invested in the South Carolina Local Government Investment Pool (SCLGIP). \$41,596,124 has been invested in certificates of deposits and therefore by definition is not subject to credit risk. \$30,976,681 has been invested in debt securities of the Federal Home Loan Mortgage Discount Note and \$138,666,769 has been invested in Federal National Mortgage Assistance Pool. \$2,155,000 has been invested in Federal Farm Credit Bank and \$39,000,000 has been invested in Federal Home Loan Bank. They are rated AAA and Aaa for long-term unsecured debt by Standards & Poor's and Moodys, respectively. The County has no formal policy relating to the credit risk of investments.

Investment Policy

The County's Investments are carried at cost or amortized cost. Non-participating interest-earning investment contracts, such as bank certificates of deposit whose terms are not affected by changes in market rates, are stated at cost. Investment contracts that have a remaining maturity at the time of the purchase of one year or less are stated at amortized cost, provided the fair value of the investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Amortization of investment premiums and discounts is netted against investment income for financial statement purposes. Money market investments are short-term, highly liquid debt instruments including US Treasury obligations. Interest-earning investment contracts are contracts that a government enters into with a financial institution or other financial services company for which it receives interest payments.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy specifies limitations on instruments; diversification and maturity scheduling that are dependent upon whether the funds being invested are considered short term or long term funds. Investment maturities for operating funds are scheduled to coincide with projected cash flow needs, taking in to account large routine expenditures as well as considering sizeable blocks of anticipated revenue. Maturities in this category are timed to comply with the following guidelines:

Under 30 days	10% minimum
Under 90 days	25% minimum
Under 270 days	50% minimum
Under 1 year	90% minimum
Under 18 months	100% minimum

Long-term investment maturity scheduling is timed according to anticipated needs. The County's investments have a fair value of \$286,369,748 as of June 30, 2013.

	<u>Maturity Date</u>		
	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Investments and Maturity:			
Certificates of Deposits	\$ 491,124	\$ 41,105,000	\$ -
SCLGIP	33,975,174	-	-
Federal Home Loan Bank	-	-	39,000,000
Federal Farm Credit Bureau	-	2,155,000	-
Federal Home Loan Mortgage Discount Note	1,451,681	19,525,000	10,000,000
Federal National Mortgage Assistance Pool	-	127,931,769	10,735,000
	<u>\$ 35,917,979</u>	<u>\$ 190,716,769</u>	<u>\$ 59,735,000</u>

Concentrations of Credit Risk

More than 5 percent of the County's investments are listed as follows:

Certificates of Deposits	14.44%
SCLGIP	11.88%
Federal Home Loan Bank	13.63%
Federal Farm Credit Bureau	.75%
Federal Home Loan Mortgage Discount Note	10.83%
Federal National Mortgage Assistance Pool	<u>48.47%</u>
	100.00%

Component Units

Cash Deposits, Cash Equivalents and Investments

Interest Rate Risk

The Component Units have no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

None of the component unit's deposits or investments were subject to custodial credit risk.

Credit Risk

None of the component unit's deposits or investments were subject to credit risk.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Concentrations of Credit Risk

The component units have no formal policies that limit the amounts that may be invested in any one issuer.

Custodial Credit Risk-Investments

None of the component units have a formal investment policy for managing custodial credit risk. As of June 30, 2013, the Charleston County Park and Recreation Commission had \$31,058,957, St. Paul's Fire District had \$72,748 and St. John's Fire District had \$4,764,820 invested in the State Treasurer's Local Government Investment Pool.

Concentration of Risk

The Library and St Paul's Fire District have no limit on the amount they may invest in any one issuer. The remaining component units have no formal investment policy that would limit its investment choices. None of the component units have more than 5 percent of their investments in any one issuer.

A reconciliation of cash and investments as shown on the Statement of Net Position for the primary government and the component units and Statement of Fiduciary Net Position for agency funds follows:

Cash on hand - primary government	\$ 55,372
Cash on hand - component units	92,164
Carrying amount of deposits - primary government	144,125,291
Carrying amount of deposits - component units	30,389,834
Carrying amount of investments - primary government	286,369,748
Carrying amount of investments - component units	31,169,856
Cash with fiscal agent - primary government	125,000
	<hr/>
Total carrying amount of cash and investments	\$ 492,327,265
	<hr/>
Non-pooled cash and cash equivalents	59,873,548
Pooled cash and cash equivalents	65,697,721
Restricted cash and cash equivalents	80,150,349
Pooled investments	281,756,298
Non-pooled investments	110,899
Restricted investments	4,613,450
Cash with fiscal agent	125,000
	<hr/>
Total carrying amount of cash and investments	\$ 492,327,265
	<hr/>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

B. Receivables

Receivables as of June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>				
	General	Debt Service	Transportation Special Revenue Fund	G.O.B. Capital Projects	Non-major Governmental Funds
Primary government:					
Receivables:					
Current property taxes	\$ 127,288,458	\$ 19,080,880	\$ -	\$ -	\$ 10,016,262
Delinquent property taxes	3,582,610	776,069	-	-	446,483
Accounts	14,572,049	-	-	95,712	1,029,560
Intergovernmental	17,119,936	27,653	27,654,329	-	6,513,643
Notes	-	-	-	-	26,737
Gross receivables	<u>162,563,053</u>	<u>19,884,602</u>	<u>27,654,329</u>	<u>95,712</u>	<u>18,032,685</u>
Less allowance for uncollectable:					
Current property taxes	7,255,442	1,028,459	-	-	672,600
Delinquent property taxes	954,356	203,156	-	-	118,506
Accounts	11,586,095	-	-	-	550,164
Notes	-	-	-	-	26,737
Gross allowance	<u>19,795,893</u>	<u>1,231,615</u>	<u>-</u>	<u>-</u>	<u>1,368,007</u>
Net total receivable	<u>\$ 142,767,160</u>	<u>\$ 18,652,987</u>	<u>\$ 27,654,329</u>	<u>\$ 95,712</u>	<u>\$ 16,664,678</u>

	<u>Proprietary</u>		<u>Totals</u>
	Business-type Activities	Governmental Activities-Internal Service Funds	Primary Government
Receivables:			
Current property taxes	\$ -	\$ -	\$ 156,385,600
Delinquent property taxes	-	-	4,805,162
Accounts	36,457,533	146,081	52,300,935
Intergovernmental	526,360	135,530	51,977,451
Notes	-	-	26,737
Gross receivables	<u>36,983,893</u>	<u>281,611</u>	<u>265,495,885</u>
Less allowance for uncollectable:			
Current property taxes	-	-	8,956,501
Delinquent property taxes	-	-	1,276,018
Accounts	6,386,483	-	18,522,742
Notes	-	-	26,737
Gross allowance	<u>6,386,483</u>	<u>-</u>	<u>28,781,998</u>
Net total receivable	<u>\$ 30,597,410</u>	<u>\$ 281,611</u>	<u>\$ 236,713,887</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Component Units:

	<u>CCL</u>	<u>CCPRC</u>	<u>CRPPC</u>	<u>JIPSD</u>	<u>NCD</u>
Receivables:					
Current property taxes	\$ -	\$ 16,911,339	\$ 141,544	\$ 5,013,859	\$ 871,038
Delinquent property taxes	-	681,391	13,080	295,941	80,022
Accounts	54,243	241,449	-	264,246	-
Intergovernmental	13,596	812	10,571	113,928	-
Gross receivables	<u>67,839</u>	<u>17,834,991</u>	<u>165,195</u>	<u>5,687,974</u>	<u>951,060</u>
Less allowance for uncollectible:					
Current property taxes	-	778,108	11,182	340,441	68,812
Delinquent property taxes	-	-	4,210	20,559	25,667
Accounts	-	-	-	40,000	-
Gross allowance	<u>-</u>	<u>778,108</u>	<u>15,392</u>	<u>401,000</u>	<u>94,479</u>
Net total receivable	<u>\$ 67,839</u>	<u>\$ 17,056,883</u>	<u>\$ 149,803</u>	<u>\$ 5,286,974</u>	<u>\$ 856,581</u>
				Total	
				Component	
	<u>SAPPPC</u>	<u>SJFD</u>	<u>SPFD</u>	<u>CCVR</u>	<u>Units</u>
Receivables:					
Current property taxes	\$ 1,299,410	\$ 11,054,358	\$ 5,188,940	\$ -	\$ 40,480,488
Delinquent property taxes	70,585	275,564	411,917	-	1,828,500
Accounts	-	2,877	537	-	563,352
Intergovernmental	19,932	-	-	27,814	186,653
Gross receivables	<u>1,389,927</u>	<u>11,332,799</u>	<u>5,601,394</u>	<u>27,814</u>	<u>43,058,993</u>
Less allowance for uncollectible:					
Current property taxes	85,631	476,443	509,553	-	2,270,170
Delinquent property taxes	18,569	63,113	135,877	-	267,995
Accounts	-	-	-	-	40,000
Gross allowance	<u>104,200</u>	<u>539,556</u>	<u>645,430</u>	<u>-</u>	<u>2,578,165</u>
Net total receivable	<u>\$ 1,285,727</u>	<u>\$ 10,793,243</u>	<u>\$ 4,955,964</u>	<u>\$ 27,814</u>	<u>\$ 40,480,828</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013**

In fiscal year 2004, County Council approved a \$400,000 non-interest bearing loan from the County's accommodations fee special revenue fund to the Convention and Visitor's Bureau to be repaid at \$40,000 per year for the next ten years. The loan was expended on the County's books when made with a corresponding entry to allowance for doubtful accounts.

During March 2010, the County entered into an agreement with the City of Charleston where the County is to provide digital radio system and services for the City's police and fire services at an initial cost of \$1,431,217 for equipment. The County did not complete the 800 megahertz (MHz) upgrade until August 2010, at which point the City of Charleston owed the County the first of four payments of \$375,207.

Primary Government

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 375,207
Total minimum note payments	<u>375,207</u>
Less amount representing interest	(9,674)
Present value of minimum note payments	<u>\$ 365,533</u>



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COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Capital Assets

Primary government capital asset activity for the year ended June 30, 2013, was as follows:

Governmental Activities	<u>Balance July 1, 2012</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 21,213,038	\$ -	\$ (2,335)	\$ 21,210,703
Construction in progress	17,063,065	4,816,471	(19,463,883)	2,415,653
Infrastructure-easements, land	8,643,216	481,822	(75,936)	9,049,102
Total capital assets not being depreciated	<u>46,919,319</u>	<u>5,298,293</u>	<u>(19,542,154)</u>	<u>32,675,458</u>
Capital assets being depreciated:				
Buildings	306,472,516	16,231,252	(474,803)	322,228,965
Improvements other than buildings	2,166,637	-	-	2,166,637
Machinery and equipment	98,862,804	20,836,556	(12,309,344)	107,390,016
Infrastructure	38,227,120	590,961	(1,408,515)	37,409,566
Total capital assets being depreciated	<u>445,729,077</u>	<u>37,658,769</u>	<u>(14,192,662)</u>	<u>469,195,184</u>
Less accumulated depreciation:				
Buildings	(73,965,703)	(7,013,961)	337,638	(80,642,026)
Improvements other than buildings	(1,480,148)	(71,948)	-	(1,552,096)
Machinery and equipment	(63,281,830)	(12,034,957)	11,293,729	(64,023,058)
Infrastructure	(32,350,747)	(1,395,177)	704,260	(33,041,664)
Total accumulated depreciation	<u>(171,078,428)</u>	<u>(20,516,043)</u>	<u>12,335,627</u>	<u>(179,258,844)</u>
Total capital assets being depreciated, net	<u>274,650,649</u>	<u>17,142,726</u>	<u>(1,857,035)</u>	<u>289,936,340</u>
Governmental activities				
Total capital assets, net	<u>\$ 321,569,968</u>	<u>\$ 22,441,019</u>	<u>\$ (21,399,189)</u>	<u>\$ 322,611,798</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	Balance as of July 1, 2012	Transfer/ Additions	Transfers/ Deletions	Balance June 30, 2013
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 3,950,930	\$ -	\$ -	\$ 3,950,930
Construction in progress	-	18,825	-	18,825
Total capital assets not being depreciated	<u>3,950,930</u>	<u>18,825</u>	<u>-</u>	<u>3,969,755</u>
Capital assets being depreciated:				
Buildings	27,724,082	147,976	-	27,872,058
Improvements other than buildings	16,821,781	-	-	16,821,781
Machinery and equipment	22,315,506	5,554,349	(666,366)	27,203,489
Total capital assets being depreciated	<u>66,861,369</u>	<u>5,702,325</u>	<u>(666,366)</u>	<u>71,897,328</u>
Less accumulated depreciation:				
Buildings	(9,344,362)	(546,677)	-	(9,891,039)
Improvements other than buildings	(2,246,049)	(13,513)	-	(2,259,562)
Machinery and equipment	(12,344,852)	(3,840,825)	656,366	(15,529,311)
Total accumulated depreciated	<u>(23,935,263)</u>	<u>(4,401,015)</u>	<u>656,366</u>	<u>(27,679,912)</u>
Total capital assets being depreciated, net				
Business-type activities	42,926,106	1,301,310	(10,000)	44,217,416
Total capital assets, net	<u>\$ 46,877,036</u>	<u>\$ 1,320,135</u>	<u>\$ (10,000)</u>	<u>\$ 48,187,171</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities

General government	\$ 8,029,410
Public safety	8,718,007
Judicial	1,432,833
Public works	1,518,220
Health and welfare	172,432
Economic development	11,393
Culture and recreation	633,748
Total	<u>\$ 20,516,043</u>

Business-type Activities

DAODAS	\$ 241,221
E-911 Communications	655,689
Environmental Management	3,101,618
Parking Garage	339,943
Radio Communications	59,919
Revenue Collections	2,625
Total	<u>\$ 4,401,015</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Component Units

Capital assets not being depreciated:	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Land	\$ 83,833,892	\$ 2,024,212	\$ -	\$ 85,858,104
Construction in progress	2,333,788	6,345,191	(3,168,354)	5,510,625
Artwork	11,000	-	-	11,000
Total capital assets not being depreciated	86,178,680	8,369,403	(3,168,354)	91,379,729
Capital assets being depreciated:				
Buildings	63,991,498	1,257,968	(760,162)	64,489,304
Improvements other than buildings	18,987,035	117,107	(592)	19,103,550
Machinery and equipment	32,750,678	3,829,511	(1,166,634)	35,413,555
Infrastructure	43,268,615	1,970,514	-	45,239,129
Library materials	19,807,371	1,506,141	(2,667,742)	18,645,770
Total capital assets being depreciated	178,805,197	8,681,241	(4,595,130)	182,891,308
Less accumulated depreciation	(87,666,905)	(7,538,081)	4,194,978	(91,010,008)
Total capital assets being depreciated, net	91,138,292	1,143,160	(400,152)	91,881,300
Component units total capital assets, net	\$ 177,316,972	\$ 9,512,563	\$ (3,568,506)	\$ 183,261,029

Depreciation expense was charged to functions of the component units as follows:

General government	\$ 2,484,094
Public safety	1,501,435
Culture and recreation	2,634,106
Health and welfare	94,441
Wastewater	<u>824,005</u>
Total	<u>\$ 7,538,081</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Construction in progress in the Governmental Activities as of June 30, 2013, is composed of the following:

Primary Government	<u>Project Authorization</u>	<u>Expended to June 30, 2013</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
Detention Center Admin Bldg.	1,269,225	655,886	320,566	None
Law Enforcement Center	12,500,000	1,280,294	4,419,074	General obligation bonds
Pictometry Change Analysis	<u>822,166</u>	<u>479,473</u>	<u>42,751</u>	None
Total governmental activities	<u>\$ 14,591,391</u>	<u>\$ 2,415,653</u>	<u>\$ 4,782,391</u>	

Construction in progress as of June 30, 2013 in the business-type activities is composed of the following:

Primary Government

Environmental Management Lined Landfill	<u>\$ 5,000,000</u>	<u>\$ 18,825</u>	<u> -</u>	None
Total business-type activities	<u>\$ 5,000,000</u>	<u>\$ 18,825</u>	<u>\$ -</u>	
 Total Primary Government	 <u>\$ 19,591,391</u>	 <u>\$ 2,434,478</u>	 <u>\$ 4,782,391</u>	

Commitments outstanding represent signed contracts and outstanding encumbrances of the County. As of June 30, 2013, the County has assets under capital lease with a total cost of \$8,345,660 and a net book value of \$4,048,725. The assets are computer equipment depreciated over a three to five year period, copier equipment depreciated over a five year period and two firefighting vehicles depreciated over an eight year period included in the County's machinery and equipment capital asset category. Also included is a capital lease for the Lee Building which is being depreciated over a 45 year period. This asset is included in the buildings capital asset category.



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**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Component Unit	<u>Project Authorization</u>	<u>Extended to June 30, 2013</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
CCPRC				
Folly Beach County Park	\$ 3,914,570	\$ 3,754,659	\$ 198,198	None
McLeod Plantation Phase I	487,838	301,483	186,356	None
Old Towne Property	221,225	29,228	11,899	None
West Ashley Phase I	185,387	103,694	77,891	None
Skate Park	184,076	36,706	140,519	None
Small Projects	94,234	62,015	32,220	None
Total CCPRC	<u>5,087,330</u>	<u>4,287,785</u>	<u>647,083</u>	
JIPSD				
Wastewater upgrade	2,999,945	615,360	2,384,585	Impact fees
Total JIPSD	<u>2,999,945</u>	<u>615,360</u>	<u>2,384,585</u>	& Revenue Bonds
SJFD Building				
	4,238,326	607,490	3,720,836	General Obligation
Total SJFD	<u>4,238,326</u>	<u>607,490</u>	<u>3,720,836</u>	Bonds
Total Component Units	<u>\$ 12,325,601</u>	<u>\$ 5,510,635</u>	<u>\$ 6,752,504</u>	

D. Interfund Receivables and Payables

The composition of primary government interfund balances at June 30, 2013, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Major governmental funds: General Fund	\$ 4,035,468	\$ 765,249
Non-major governmental funds	-	463,177
Major enterprise funds: Environmental Management	-	3,423,122
Internal service funds	765,250	-
Agency Funds	-	149,170
Total	<u>\$ 4,800,718</u>	<u>\$ 4,800,718</u>

Interfund activity relates to funding from the County's General Fund related to County policies for cash flow and operating cash levels of governmental funds, and are expected to be collected within one year.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

E. Interfund Transfers

A summary of transfers is as follows:

	Transfer In	Transfer out
Major governmental funds:		
General Fund	\$ 1,114,433	\$ (15,639,608)
Debt Service Fund	5,086,160	(684,986)
Transportation and Road Sales Tax	22,834,210	(25,852,634)
G.O.B. Capital Projects	2,150,300	(65,869)
Non-major governmental funds	13,746,945	(7,904,075)
Major business-type activities:		
Environmental Management	-	(34,200)
Parking Garage	-	(1,270,809)
Non-major business-type activities	3,651,638	(2,150,300)
Internal Service Funds	5,865,132	(846,337)
 Total	 \$ 54,448,818	 \$ (54,448,818)

Transfers are used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Leases

Operating Leases

In December 2012 the Charleston County Library entered into a new lease agreement for computers. The lease agreement is for a thirty-six month period commencing January 2013, with a minimum monthly charge of \$8,468, for a total minimum commitment of \$304,848 over the term of the lease. In addition to this lease the Library holds other verbal agreements with various parties for the rental of Library branches and equipment. These leases run on a month-to-month basis and are cancelable by either party. Rental expense associated with the copier and facilities leases for the year ended June 30, 2013, is \$195,608.

Future minimum lease payments under these non-cancelable operating leases are as follows:

Year Ending - June 30	CCL
2014	\$101,616
2015	101,616
2016	50,808
	\$ 254,040

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

G. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the County to place a final cover on its Romney Street and Bees Ferry landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,917,000 reported as the accrual for landfill closure and post-closure at June 30, 2013, represents the estimated remaining cost reported of \$23,805,000 less \$17,888,000 deferred to date based on the following information:

Landfill Site	Percentage of Capacity Used	Estimated Costs Recognized			Balance To Be Recognized
		Closure	Post-closure	Total	
Romney Street	100%	\$ 5,244,478	\$ 525,200	\$ 5,769,678	\$ -
Bees Ferry					
Ash storage facility	100%	929,018	312,500	1,241,518	-
68 acres	100%	6,038,809	-	6,038,809	-
54 acres	100%	6,190,000	3,537,000	9,727,000	-
Bees Ferry lined landfill	16%	2,552,593	847,407	3,400,000	17,830,000
Bees Ferry C&D landfill	97%	1,270,000	590,000	1,860,000	58,000
Totals		\$ 22,224,898	\$ 5,812,107	\$ 28,037,005	\$ 17,888,000

These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2013. The County began to close the Landfills in 1994. Actual cost may be higher due to inflation, changes in technology or changes in regulations. The County anticipates that available resources will be the primary source of funds to pay the cost of closure.

The County has issued under separate cover, a certification signed by its Deputy Administrator for Finance stating compliance with final Environmental Protection Agency regulations regarding financial assurance for operators of Municipal Solid Waste Landfill Facilities, including a required statement from our independent auditors. The computations required under these regulations are included in page 201 in the statistical section of this report.

H. Short-term Debt

The County had no short-term borrowings during the fiscal year. Some of the County's component units use short-term tax anticipation notes or lines of credit to finance general operating expenditures during the fiscal year ended June 30, 2013. The activity in short-term debt for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
SAPPPC	\$ 75,000	\$ 300,000	\$ (75,000)	\$ 300,000
SPFD	1,250,000	-	(1,250,000)	-
SJFD	-	1,000,000	(1,000,000)	-
	\$ 1,325,000	\$ 1,300,000	\$ (2,325,000)	\$ 300,000

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. Long-term Debt

The following is a summary of debt transactions for the County for the year ended June 30, 2013.

	July 1, 2012	Increase	Decrease	June 30, 2013	In One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 597,380,150	\$ 138,587,542	\$ (160,664,657)	\$ 575,303,035	\$ 24,830,439
Certificates of participation	31,582,499	-	(3,591,930)	27,990,569	3,767,280
Intergovernmental note payable	30,887,856	-	(1,230,126)	29,657,730	1,300,612
Capital lease payable	2,038,252	712,056	(1,173,129)	1,577,179	773,630
Compensated absences	10,348,583	427,200	(282,123)	10,493,660	427,110
OPEB	17,800,983	3,979,252	-	21,780,235	-
Total	<u>\$ 690,038,323</u>	<u>\$ 143,706,050</u>	<u>\$ (166,941,965)</u>	<u>\$ 666,802,408</u>	<u>\$ 31,099,071</u>
<u>Business-type activities</u>					
Certificates of participation	\$ 5,609,545	\$ -	\$ (642,394)	\$ 4,967,151	\$ 695,928
Revenue bonds	3,232,289	-	(1,697,983)	1,534,306	1,534,306
Accrual for landfill closure	5,360,000	557,000	-	5,917,000	557,000
Compensated absences	1,148,076	57,892	(63,715)	1,142,253	57,892
Total	<u>\$ 15,349,910</u>	<u>\$ 614,892</u>	<u>\$ (2,404,092)</u>	<u>\$ 13,560,710</u>	<u>\$ 2,845,126</u>

Internal Service Funds predominantly serve the Governmental Funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated from the applicable governmental fund's budgeted operations monies.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

General Obligation Bonds. The County and its component units issue General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. All other obligations are reported in the Governmental activities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the County.

Primary government General Obligation Bond's payable at June 30, 2013, is comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
April 2, 2004	General Obligation Refunding Bonds, Series 2004, 2.00 percent to 4.00 percent interest, semi-annual principal and interest payments beginning in 2004, matures 2021, the first principal payment was due in fiscal year 2005.	\$ 63,740,000	\$ 6,450,000
May 2, 2006	General Obligation Transportation Sales Tax Bonds, Series 2006 (referendum) 4.00 percent to 5.00 percent interest, semi-annual interest payments beginning in November 2006, matures 2027; the first annual principal payment was due in fiscal year 2008.	65,000,000	7,750,000
December 5, 2007	General Obligation Bonds, Series 2007, 4.30 percent to 5.0 percent interest, semi-annual interest payments beginning in May 2008, matures 2028; the first annual principal payment is due in fiscal year 2010.	75,000,000	38,820,000
December 5, 2007	General Obligation Transportation Sales Tax Bonds, Series 2007 (referendum), 4.00 percent to 5.25 percent interest, semi-annual interest payments beginning in May 2008, matures 2027; the first annual principal payment is due in fiscal year 2010.	150,000,000	77,885,000
August 1, 2009	General Obligation Capital Improvement Bonds of 2009, Series A, 3.00 percent to 5.50 percent interest, annual principal payment beginning in fiscal year 2012, semi-annual interest payments beginning in fiscal year 2010, matures in fiscal year 2029.	50,000,000	47,660,000
August 1, 2009	General Obligation Refunding Bonds of 2009, Series B, 1.25 percent to 3.25 percent interest, annual principal payments beginning in fiscal year 2011, semi-annual interest payments beginning in fiscal year 2010, matures in fiscal year 2021.	20,775,000	11,470,000
July 27, 2011	General Obligation Capital Improvement Transportation Sales Tax Bonds of 2011, 3.00 percent to 5.00 percent interest, semi-annual interest payments beginning in November 2011, first annual principal payment due in fiscal year 2013, matures in fiscal year 2030.	167,000,000	162,375,000

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

July 27, 2011	General Obligation Capital Improvement Bonds of 2011, 2.00 percent to 5.00 percent interest, semi-annual interest payments beginning in November 2011, first annual principal payment due in fiscal year 2013, matures in fiscal year 2032.	27,100,000	26,260,000
March 22, 2012	General Obligation Transportation Sales Tax Refunding Bonds of 2012, 2.00 percent to 5.00 percent interest, semi-annual interest payments beginning in May 2012, first annual principal payment due in fiscal year 2013, matures in fiscal year 2025.	32,095,000	31,905,000
May 21, 2013	General Obligation Transportation Sales Tax Refunding Bond of 2013, 3.25 percent to 5.00 percent semi-annual interest payments beginning in November 2013, first annual principal payment due in fiscal year 2018, matures in fiscal year 2028.	70,135,000	70,135,000
May 21, 2013	General Obligation Refunding Bond Series A of 2013, 3.00 percent to 5.00 percent semi-annual interest payments beginning in November 2013, first annual principal payment due in fiscal year 2020, matures in fiscal year 2025.	28,940,000	28,940,000
May 21, 2013	General Obligation Refunding Bonds Taxable Series B of 2013, .250 percent to 2.00 percent semi-annual interest payments beginning in November 2013, first annual principal payment due in fiscal year 2014, matures in fiscal year 2022.	30,695,000	30,695,000
Subtotal		<u>\$780,480,000</u>	540,345,000
Less Deferred refunding cost			(20,078,359)
Add: Premium			<u>55,036,394</u>
General obligation debt per statement of net position			575,303,035
Less current portion, including deferred refunding cost and premium			<u>(24,830,439)</u>
Long-term portion outstanding			<u>\$ 550,472,596</u>

Certificates of Participation. The County issues Certificates of Participation through the Charleston Public Facilities Corporation, a blended component unit, to finance the acquisition of essential government facilities. The Certificates have been issued for both governmental and proprietary fund activities and are reported in the proprietary fund if they are expected to be repaid from proprietary fund revenues. All other obligations are reported in the Governmental activities.

Primary government Certificates of Participation payable at June 30, 2013, is comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
May 1, 2004	Certificates of Participation, Series 2004, Charleston Public Facilities Corporation, 2.00 percent to 5.00 percent interest, semi-annual principal and interest payments beginning in 2004, matures 2016.	\$ 44,160,000	\$ 19,275,000

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

March 3, 2005	Certificates of Participation, Series 2005, Charleston Public Facilities Corporation, 5.00 percent to 5.125 percent interest, semi-annual interest payments beginning in 2005, annual principal payments beginning in 2011, matures 2019.	<u>19,945,000</u>	<u>13,840,000</u>
Subtotal		<u>\$ 64,105,000</u>	33,115,000
Less: Deferred refunding cost			(924,519)
Add: Premium			<u>767,239</u>
Certificate of participation debt per statement of net position			32,957,720
Less current portion, including deferred refunding cost and premium			<u>(3,767,280)</u>
Long-term portion outstanding			<u>\$ 29,190,440</u>

Revenue Bonds. The County issued \$22,570,000 Solid Waste User Fee Revenue Bonds on October 12, 1994. Proceeds of this issue were to be used to reimburse the County for the acquisition of equipment previously financed through a \$9.5 million bond anticipation note; finance construction costs related to closure of the Romney Street and Bees Ferry landfills; fund the design and approval process for permitting a new landfill site; and partially fund a heavy equipment repair facility. These bonds are expected to be repaid from the countywide user fee assessment. The revenue bonds were refunded in fiscal year 2004.

Primary government Revenue Bonds payable at June 30, 2013, is comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
May 4, 2004	Charleston County Solid Waste User Fee Revenue Refunding Bonds, Series 2004, 2.00 percent to 5.00 percent interest, semi-annual principal and interest payments beginning in 2005, matures in 2014.	<u>\$ 14,525,000</u>	<u>\$ 1,665,000</u>
Subtotal		<u>\$ 14,525,000</u>	1,665,000
Less: Deferred refunding cost applicable to business-type activities			(133,892)
Add: Premium applicable to business-type activities			<u>3,198</u>
Revenue bond debt per statement of net position			1,534,306
Less current portion, including deferred refunding cost and premium			<u>(1,534,306)</u>
Long-term portion outstanding			<u>\$ -</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Intergovernmental Note Payable - In July 2001 the County entered into an intergovernmental loan agreement with the South Carolina Transportation Infrastructure Bank to fund a portion of the cost of the new Arthur Ravenel, Jr. Bridge over the Cooper River. The County has agreed to pay \$3,000,000 per year for the next twenty-five years beginning January 2004. The County has recorded the obligation on its records at a net present value using the discount rate of 5.73 percent.

Annual requirements to amortize the intergovernmental note payable outstanding at June 30, 2013, are as follows:

Year Ending June 30	Intergovernmental Note Payable	Principal	Interest
2014	\$ 3,000,000	\$ 1,300,612	\$ 1,699,388
2015	3,000,000	1,375,137	1,624,863
2016	3,000,000	1,453,933	1,546,067
2017	3,000,000	1,537,243	1,462,757
2018	3,000,000	1,625,327	1,374,673
2019-2023	15,000,000	9,635,023	5,364,977
2024-2028	15,000,000	12,730,455	2,269,545
Total	<u>\$ 45,000,000</u>	<u>\$ 29,657,730</u>	<u>\$ 15,342,270</u>



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COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Capital Lease Obligations - Several component units have utilized capital leases to finance the acquisition of various types of equipment. The details of each entity's capital leasing activities are summarized later in this note. The County uses capital lease funding to finance the purchase of various equipment and a building. Capital leases outstanding at June 30, 2013, include the following:

<u>Governmental Activities</u>	<u>Original</u>	<u>Outstanding</u>
Lease dated November 2004 payable to Chicora Center Inc. for the purchase of the building at 3366 Rivers Ave. Payable in 120 monthly payments of \$25,725 through October 2014, and includes principal and interest at 5.0 percent per annum.	\$ 2,425,425	\$ 397,386
Leases dated December 2009 to February 2010 payable to Ontario Investments, Inc. for the purchase of new computer equipment. Payable in eight equal installments of \$97,901 through November 2013, includes principal and interest at 4.933 percent to 4.964 percent per annum.	702,710	95,536
Leases dated December 2010 to May 2011 payable to MB Financial Bank for the purchase of new computer equipment. Payable in eight equal semi-annual installments of \$74,383 through January 2015, includes principal and interest at 1.220 percent to 1.598 percent per annum.	575,857	219,767
Leases dated June 2012, payable to Ontario Investments, Inc. for the purchase of new computer equipment. Payable in eight semi-annual installments of \$4,649 through April 2016 includes principal and interest at 7.181 percent per annum.	32,575	24,969
Leases dated June 2012 payable to Ontario Investments, Inc. for the purchase of new computer equipment. Payable in ten semi-annual installments of \$31,338 through April 2017, includes principal and interest at 6.572 to 6.587 percent per annum.	267,075	193,136
Leases dated January 2013, payable to Ontario Investments, Inc. for the purchase of new computer equipment. Payable in eight semi-annual installments of \$90,328 through December 2016 includes principal and interest at 5.30 to 5.52 percent per annum.	712,055	621,728
<u>Internal Service Fund</u>		
Lease dated February 2010 payable to Ontario Investments, Inc. for the purchase of new copier equipment. Payable in five annual installments of \$3,078 to \$9,234 through July 2013, and includes principal and interest of 5.114 to 7.807 percent per annum.	28,768	734
Lease dated July 2010 payable to Ontario Investments, Inc. for the purchase of a new copier. Payable in five equal installments of \$13,116 through July 2014 includes principal and interest at 6.366 percent per annum.	56,974	23,924
	<u>\$ 4,801,439</u>	<u>1,577,180</u>
Less current portion		(773,630)
Long-term portion outstanding		<u>\$ 803,550</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013**

A summary of the annual requirements are as follows:

Year Ending June 30	Principal	Interest	Totals
2014	\$ 773,630	\$ 59,257	\$ 832,887
2015	425,703	30,321	456,024
2016	251,348	15,795	267,143
2017	126,499	3,625	130,124
Total	\$ 1,577,180	\$ 108,998	\$ 1,686,178



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**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Amortization of Long-term Debt. Annual requirements to amortize primary government general long-term debt outstanding at June 30, 2013, excluding notes payable and accrued compensated absences, are as follows:

Year Ending June 30, 2013	General Obligation Bonds		Certificates Of Participation		Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2014	\$ 21,630,000	\$ 22,935,167	\$ 4,490,000	\$ 1,633,050	\$ 1,665,000	\$ 83,250	\$ 52,436,467
2015	23,305,000	22,331,184	4,690,000	1,414,393	-	-	51,740,577
2016	25,230,000	21,319,038	4,920,000	1,178,768	-	-	52,647,806
2017	27,440,000	20,239,236	5,190,000	927,787	-	-	53,797,023
2018	29,635,000	19,125,118	5,450,000	663,513	-	-	54,873,631
2019	32,045,000	17,873,313	4,135,000	385,945	-	-	54,439,258
2020	34,510,000	16,563,399	2,820,000	177,000	-	-	54,070,399
2021	30,780,000	15,195,632	1,420,000	35,500	-	-	47,431,132
2022	33,035,000	13,672,131	-	-	-	-	46,707,131
2023	34,340,000	12,029,830	-	-	-	-	46,369,830
2024	37,380,000	10,311,940	-	-	-	-	47,691,940
2025	63,485,000	8,473,175	-	-	-	-	71,958,175
2026	47,470,000	6,475,362	-	-	-	-	53,945,362
2027	32,050,000	4,316,393	-	-	-	-	36,366,393
2028	25,450,000	2,478,065	-	-	-	-	27,928,065
2029	22,055,000	1,290,750	-	-	-	-	23,345,750
2030	16,535,000	489,500	-	-	-	-	17,024,500
2031	1,945,000	119,900	-	-	-	-	2,064,900
2032	2,025,000	40,500	-	-	-	-	2,065,500
Totals	540,345,000	215,279,633	33,115,000	6,415,956	1,665,000	83,250	796,903,839
Less amount in Business-type activities before discounts and deferred costs	-	-	(5,099,061)	(969,600)	(1,665,000)	(83,250)	(7,816,911)
Subtotal	540,345,000	215,279,633	28,015,939	5,446,356	-	-	789,086,928
Less discounts and deferred refunding costs	(20,078,359)	-	(700,708)	-	-	-	(20,779,067)
Add Premium	55,036,394	-	675,338	-	-	-	55,711,732
Total debt- governmental activity	\$ 575,303,035	\$ 215,279,633	\$ 27,990,569	\$ 5,446,356	\$ -	\$ -	\$ 824,019,593

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The annual debt service related to that portion of long-term debt recorded in the primary government's Business-type activities is as follows:

Year Ending June 30	Certificates Of Participation		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	
2014	\$ 715,301	\$ 252,786	\$ 1,665,000	\$ 83,250	\$ 2,716,337
2015	748,083	217,766	-	-	965,849
2016	784,692	180,218	-	-	964,910
2017	827,667	140,152	-	-	967,819
2018	869,367	97,953	-	-	967,320
2019	613,117	53,620	-	-	666,737
2020	359,706	22,577	-	-	382,283
2021	181,128	4,528	-	-	185,656
Subtotal	5,099,061	969,600	1,665,000	83,250	7,816,911
Less Discounts and deferred refunding costs	(223,811)	-	(133,892)	-	(357,703)
Add Premiums	91,901	-	3,198	-	95,099
Total business-type activities debt	<u>\$ 4,967,151</u>	<u>\$ 969,600</u>	<u>\$ 1,534,306</u>	<u>\$ 83,250</u>	<u>\$ 7,554,307</u>

The 2004 and 2005 Certificates and related trust agreements require the establishment of 1) a debt service reserve fund or surety bond, to maintain amounts equal to the next semi-annual principal and interest payment, and 2) a payment fund for use in disbursing the semi-annual payments.

There are a number of limitations and restrictions contained in the various bond and certificate indentures, such as types of investments, promise to levy tax sufficient to cover debt service and establishment of a sinking fund. The County is in compliance with all significant limitations and restrictions as of June 30, 2013.

Advance Refundings – The County issued \$70,135,000 General Obligation Transportation Sales Tax Refunding Bonds in May 2013 to provide resources to purchase US Government Treasury Notes that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$13,605,000 of Series 2006 General Obligation Transportation Sales Tax Bonds and \$60,635,000 of Series 2007 General Obligation Transportation Sales Tax Bonds. As a result, the refunded general obligation bonds are considered defeased and the liability has been removed from the Statement of Net Position - Governmental Activities. This refunding was undertaken to substantially reduce interest cost to the County and to level future debt service requirements to minimize the impact on property tax millage. The revised debt service was decreased by \$5,981,307 over the next fifteen years and resulted in an economic gain of \$5,058,730. At June 30, 2013, \$13,605,000 of the 2006 and \$60,635,000 of the 2007 bonds are considered defeased.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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The County also issued \$28,940,000 General Obligation Refunding Bonds Series A in May 2013 to provide resources to purchase US Government Treasury Notes that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$30,265,000 of Series 2006 General Obligation Bonds. As a result, the refunded general obligation bonds are considered defeased and the liability has been removed from the Statement of Net Position – Governmental Activities. This refunding was undertaken to substantially reduce interest cost to the County and to level future debt service requirements to minimize the impact on property tax millage. The revised debt service was decreased by \$2,024,937 over the next twelve years and resulted in an economic gain of \$1,794,591. At June 30, 2013, \$30,265,000 of the bonds are considered defeased.

In addition, the County issued \$30,695,000 General Obligation Refunding Bonds Taxable Series B in May 2013 to provide resources to purchase US Government Treasury Notes that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payment on \$28,945,000 of Series 2004 General Obligation Bonds. As a result, the refunded general obligation bonds are considered defeased and the liability has been removed from the Statement of Net Position – Governmental Activities. This refunding was undertaken to substantially reduce interest cost to the County and to level future debt service requirements to minimize the impact on property tax millage. The revised debt service was decreased by \$2,453,107 over the next nine years and resulted in an economic gain of \$2,373,697. At June 30, 2013, \$28,945,000 of the bonds are considered defeased.

Conduit (No Commitment) Debt. The County is authorized and empowered under and pursuant to the Code of Laws of South Carolina to acquire or cause to be acquired and in connection therewith to enlarge, improve, expand, equip, furnish, own, lease and dispose of properties to promote the public health and welfare of the people of the State of South Carolina and/or to promote the commercial development of the State. To accomplish these objectives the County has issued Revenue Bonds to provide financial assistance to private sector entities. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the County nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The County has issued these conduit debt obligations for Hospital and Health Care, Industrial, Solid Waste, and Pollution Control facilities.

The following is a summary of the County's conduit debt at June 30, 2013:

Number of Issues	Current Amount Outstanding (in millions)	Original Issue Amount (in millions)
4	\$86	\$287

The following is a summary of the changes in long-term obligations of the component units for the year-ended June 30, 2013:

Component Units	Balance			Balance	Amount Due
	July 1, 2012	Increases	Decreases	June 30, 2013	in One Year
Accrued compensated absences	\$ 3,732,472	\$ 1,455,788	\$ (1,351,036)	\$ 3,837,224	\$ 805,716
Net other post-employment benefits	4,110,196	881,691	(48,053)	4,943,834	14,175
General obligation bonds	34,735,419	20,178,925	(3,547,865)	51,366,479	3,878,531
Capital lease obligations	6,623,507	986,667	(1,797,615)	5,812,559	1,300,417
Revenue bonds	7,397,821	-	(819,127)	6,578,694	889,034
Notes payable	41,156	-	(6,244)	34,912	5,514
Total	\$ 56,640,571	\$ 23,503,071	\$ (7,569,940)	\$ 72,573,702	\$ 6,893,387

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	Range of Maturity Dates	Range of Interest Rates	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Accrued compensated absences:						
CCL			\$ 1,142,014	\$ 501,282	\$ (489,667)	\$ 1,153,629
CCPRC			1,068,610	526,013	(501,296)	1,093,327
JIPSD			440,740	19,657	(25,095)	435,302
SAPPC			34,123	-	(6,251)	27,872
SJFD			780,161	62,447	-	842,608
SPFD			266,824	346,389	(328,727)	284,486
Total accrued compensated absences			<u>3,732,472</u>	<u>1,455,788</u>	<u>(1,351,036)</u>	<u>3,837,224</u>
Net other post-employment benefits:						
CCPRC			2,131,824	493,875	-	2,625,699
JIPSD			1,851,062	387,816	-	2,238,878
SPFD			127,310	-	(48,053)	79,257
Total net other post-employment benefits			<u>4,110,196</u>	<u>881,691</u>	<u>(48,053)</u>	<u>4,943,834</u>
General obligation bonds:						
CCPRC	2014 - 2028	2.00% - 4.00%	23,949,035	18,578,925	(2,895,204)	39,632,756
JIPSD	2014 - 2037	5.00% - 5.50%	339,644	-	(16,620)	323,024
SPFD	2014 - 2020	2.315% - 3.45%	2,956,466	1,600,000	(246,435)	4,310,031
SJFD	2014 - 2024	2.00% - 2.125%	7,490,274	-	(389,606)	7,100,668
Total general obligation bonds			<u>34,735,419</u>	<u>20,178,925</u>	<u>(3,547,865)</u>	<u>51,366,479</u>
Capital lease obligations:						
CCPRC	2014 - 2015	1.28%	407,379	725,999	(667,426)	465,952
JIPSD	2014 - 2018	4.07% - 6.88%	1,151,968	146,955	(377,233)	921,690
SAPPPC	2014 - 2014	2.99% - 3.755%	180,613	-	(90,870)	89,743
SPFD	2014 - 2015		-	113,713	(36,833)	76,880
SJFD	2014 - 2021	3.076% - 5.593%	4,883,547	-	(625,253)	4,258,294
Total capital lease obligations			<u>6,623,507</u>	<u>986,667</u>	<u>(1,797,615)</u>	<u>5,812,559</u>
Revenue Bonds:						
SAPPPC	2014 - 2019	3.41% - 3.95%	495,775	-	(104,779)	390,996
JIPSD	2014 - 2036	2.00% - 5.75%	7,247,999	-	(772,820)	6,475,179
Less deferred refunding costs			(345,953)	-	58,472	(287,481)
Total revenue bonds			<u>7,397,821</u>	<u>-</u>	<u>(819,127)</u>	<u>6,578,694</u>
Notes payable:						
SAPPPC	2014 - 2019	3.89% - 3.99%	41,156	-	(6,244)	34,912
Total component units long-term obligations			<u>\$ 56,640,571</u>	<u>\$ 23,503,071</u>	<u>\$ (7,569,940)</u>	<u>\$ 72,573,702</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

The annual debt service requirements to maturity for component unit long-term obligations, excluding compensated absences, are as follows:

General Obligation Bonds

<u>Year Ending June 30</u>						Total Component
	SJFD	SPFD	CCPRC	JIPSD	Units	
2014	\$ 533,513	\$ 443,030	\$ 4,223,941	\$ 30,902	\$ 5,231,386	
2015	535,712	442,344	4,957,928	30,902	5,966,886	
2016	652,713	442,613	3,987,198	30,902	5,113,426	
2017	537,212	442,811	3,982,748	30,902	4,993,673	
2018	703,813	442,940	3,989,448	30,902	5,167,103	
2019 - 2023	4,068,762	2,112,979	15,909,348	136,056	22,227,145	
2024 - 2028	1,036,569	856,108	9,112,000	113,130	11,117,807	
2029 - 2032	-	-	-	113,130	113,130	
2033 - 2037	-	-	-	1,330	1,330	
Total	8,068,294	5,182,825	46,162,611	518,156	59,931,886	
Less interest and plus amortized premium included above	(967,626)	(872,794)	(6,529,855)	(195,132)	(8,565,407)	
Debt per statement of net position	\$ 7,100,668	\$ 4,310,031	\$ 39,632,756	\$ 323,024	\$ 51,366,479	

Future minimum capital lease payments

<u>Year Ending June 30</u>						Total Component
	CCPRC	JIPSD	SAPPPC	SPFD	SJFD	Units
2014	\$ 272,427	\$ 310,316	\$ 61,898	\$ 40,108	\$ 850,764	\$ 1,535,513
2015	198,297	169,207	29,755	40,108	850,764	1,288,131
2016	-	169,207	-	-	734,198	903,405
2017	-	148,394	-	-	734,198	882,592
2018	-	104,277	-	-	565,937	670,214
2019 - 2021	-	104,277	-	-	1,346,278	1,450,555
Future minimum capital lease payments	470,724	1,005,678	91,653	80,216	5,082,139	6,730,410
Less amount representing interest	(4,772)	(83,988)	(1,910)	(3,336)	(823,845)	(917,851)
Debt per statement of net position	\$ 465,952	\$ 921,690	\$ 89,743	\$ 76,880	\$ 4,258,294	\$ 5,812,559

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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Revenue Bonds

<u>Year Ending June 30</u>	<u>JIPSD</u>	<u>SAPPPC</u>	<u>Total Component Units</u>
2014	\$ 1,020,374	\$ 107,494	\$ 1,127,868
2015	1,024,313	107,494	1,131,807
2016	1,015,470	77,192	1,092,662
2017	981,578	46,890	1,028,468
2018	861,856	46,890	908,746
2019 - 2023	1,097,443	31,258	1,128,701
2024 - 2028	1,097,433	-	1,097,433
2029 - 2033	688,126	-	688,126
2034 - 2036	92,809	-	92,809
Total	<u>7,879,402</u>	<u>417,218</u>	<u>8,296,620</u>
Less interest and deferred refunding costs included above	<u>(1,691,704)</u>	<u>(26,222)</u>	<u>(1,717,926)</u>
Debt per statement of net position	<u><u>\$ 6,187,698</u></u>	<u><u>\$ 390,996</u></u>	<u><u>\$ 6,578,694</u></u>

Notes Payable

<u>Year Ending June 30</u>	<u>SAPPPC</u>
2014	\$ 6,804
2015	7,302
2016	7,293
2017	7,293
2018	7,763
2019 - 2020	<u>2,447</u>
Total	<u>38,902</u>
Less interest included above	<u>(3,990)</u>
Debt per statement of net position	<u><u>\$ 34,912</u></u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Prior Year Defeasance of Debt - In prior years, the primary government defeased various outstanding debt issues by placing proceeds of new debt or other funds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust accounts and the defeased debt are not included in these financial statements. At June 30, 2013, the following debt issues outstanding are considered defeased:

	Governmental Activities	Business-type Activities
Primary Government:		
General Obligation Bonds:		
Series 1999 - CIP	\$ 8,820,000	
Series 2001 - CIP	3,090,000	
Series 2004 - CIP	28,945,000	
Series 2006 - TST	44,515,000	
Series 2006 - CIP	30,265,000	
Series 2007 - TST	60,635,000	
Total General Obligation Bonds	176,270,000	
Certificates of Participation:		
Series 1995	29,026,639	6,843,361
Total Certificates of Participation	29,026,639	6,843,361
Revenue Bonds:		
Solid Waste User Fee Revenue Bonds		
Series 1994	-	1,890,000
Total Revenue Bonds	-	1,890,000
Total Primary Government	\$ 205,296,639	\$ 8,733,361

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Legal Debt Limit - The County's borrowing power is restricted by amended Article X, Section 14, of the State Constitution effective December 1, 1977. This section provides that a local unit cannot at any time have total general obligation debt outstanding in an amount that exceeds eight percent of its assessed property value. Excluded from the limitation are: bonded indebtedness approved by the voters and issued within five years of the date of such referendum; special bonded indebtedness; levies assessed on properties located in an area receiving special benefits from the taxes collected; and bonded indebtedness existing on December 1, 1977, the effective date of the constitutional amendment.

Beginning January 1, 1996, the South Carolina Legislature changed the definition of debt subject to the 8 percent limit to include all Certificates of Participation at the time of issue subsequent to December 31, 1995. The following computation reflects the County's compliance with this limitation:

Assessed value of real and personal property		\$ 3,296,566,189
Value of merchants inventory and manufacturers depreciation		<u>26,943,597</u>
Total assessed value		<u>\$ 3,323,509,786</u>
Debt limitation-8 percent of total assessed value		\$ 265,880,783
Total bonded debt:		
General Obligation Bonds	\$ 540,345,000	
Less:		
Series 2004 Refunding G.O. Bond	\$ (2,500,000)	
Series 2006 G.O. Bond Transportation Sales Tax	(7,750,000)	
Series 2007 G.O. Bond Transportation Sales Tax	(77,885,000)	
Series 2011 G.O. Bond Transportation Sales Tax	(162,375,000)	
Series 2012 G.O. Bond Transportation Sales Tax	(31,905,000)	
Series 2013 G.O. Bond Transportation Sales Tax	(70,135,000)	(352,550,000)
Total debt subject to debt limit		<u>187,795,000</u>
Legal debt margin		<u>\$ 78,085,783</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

J. Fund Equity

Nonspendable for inventories and prepaid items. These amounts do not represent available spendable resources even though they are components of net current assets.

Restricted for debt service. Fund balance subject to the provision of various bond indenture and Certificate of Participation lease agreements as to restrictions on expenditures.

Committed for capital projects. All capital project fund balances, are committed for the acquisition of capital assets, for the completion of existing projects and for future projects.

Restricted for special revenue funds. Amounts restricted in accordance with the various use restrictions placed on their assets under applicable grant agreements and legislation.

I.V. OTHER INFORMATION

A. Risk Management

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. For all of these risks, the County and its component units are members of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County and its component units pay an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The County and its component units are also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The County has enrolled substantially all of its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The County records contributions from employer funds, employees, and retirees in the Employee Benefits Trust Internal Service Fund which remits the premiums to the State. The State reinsures through commercial companies for these risks. The various component units of the County insure the health, life, accident, dental and other medical benefits to their employees and their dependents through commercial insurance companies.

Effective July 1, 1995, the County established a self-insured plan to fund risks associated with workers' compensation claims. Claims administration is handled by a third party with reinsurance through commercial insurance companies for all individual claims in excess of \$100,000. All funds of the County participate in the program and make payments to the Workers' Compensation Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$3,370,000 reported in the Fund at June 30, 2013, is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County purchases insurance contracts from commercial insurers to satisfy certain liabilities under workers' compensation claims; accordingly, no liability is reported for those claims. The liability is included in the County's accounts payable as reported in the fund statement and statement of net position.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Changes in the Fund's estimated claims liability amount in fiscal year 2013 and 2012 were:

Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012	\$ 3,520,000	\$ 5,466,088	\$ (4,921,088)	\$ 4,065,000
2013	\$ 4,065,000	\$ 3,004,403	\$ (3,699,403)	\$ 3,370,000

For all of the above risk management programs, except workers' compensation, the County and its component units have not significantly reduced insurance coverage from the previous year; settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County and its Component units have effectively transferred all risk with no liability for unfunded claims.



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COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

B. Segment Information

The County maintains an enterprise fund which provides drug and alcohol abuse treatment. This fund is supported by a revenue-backed COP. The County also has an enterprise fund for environmental management. It is presented as a major business-type fund.

Condensed Statement of Net Position	DAODAS
Assets:	
Current assets	\$ 2,505,675
Deferred issuance costs	32,673
Capital assets	6,485,002
Total assets	<u>\$ 9,023,350</u>
Liabilities:	
Current liabilities	\$ 694,870
Certificates of participation	1,890,550
Other long-term obligations	362,040
Total liabilities	<u>2,947,460</u>
Net Position:	
Net investment in capital assets	4,283,771
Unrestricted	1,792,119
Total net position	<u>6,075,890</u>
Total liabilities and net position	<u>\$ 9,023,350</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position	DAODAS
Operating revenues	\$ 6,710,718
Depreciation and amortization	(245,788)
Other operating expenses	(8,910,397)
Operating income (loss)	<u>(2,445,467)</u>
Nonoperating revenues (expenses)	
Interest income	1,580
Interest expense	(158,200)
Intergovernmental revenue	636,390
Gain on disposal of capital assets	1,873
Total nonoperating revenues (expenses)	<u>481,643</u>
Net transfers in	<u>2,148,688</u>
Change in net position	184,864
Beginning net position	5,891,026
Ending net position	<u>\$ 6,075,890</u>

Condensed Statement of Cash Flows	DAODAS
Net cash provided (used) by:	
Operating activities	\$ (2,621,770)
Noncapital financing activities	2,785,078
Capital and related financing activities	(582,309)
Investing activities	1,580
Net increase (decrease)	<u>(417,421)</u>
Beginning cash and cash equivalents	1,211,278
Ending cash and cash equivalents	<u>\$ 793,857</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Subsequent Events

On December 11, 2013, the County issued Special Source Revenue Bonds with a par value of \$86,405,000. The bonds were issued for the purpose of: (i) defraying the costs of design and construction of an extension of South Aviation Avenue in North Charleston, (ii) paying capitalized interest on the bonds through December 1, 2016, and (iii) paying the costs of issuance of the bonds. The bonds are limited obligations of the County payable solely from revenues derived by the County from certain fees-in-lieu of taxes received and retained by the County from property located in the County's multi-county park. The interest payment for fiscal year 2014 is \$2,016,091 which will be paid from the capitalized interest account. Principal is not due on the debt until fiscal year 2019.

On September 19, 2013, the Charleston County Park and Recreation Commission entered into a contract to purchase a tract of land on the Ashley River consisting of a combination of approximately 3.85 acres of highlands and marshland at a cost of \$850,000.

In October 2013, the Charleston County Park and Recreation Commission entered into a lease Purchase Agreement in the amount of \$850,000 at an interest rate of 1.42%. The lease will be used for the purchase of various equipment and vehicles for the Commission's fleet. Principal and interest at 1.42% are due in equal semi-annual installments of \$79,209 from April 2014 through October 2016.

On October 21, 2013, the James Island Public Service District received the proceeds of a revenue bond in the amount of \$1,870,340 which will be used to cover the costs incurred in completing an addition to the wastewater system. This new revenue bond will add debt service of \$56,044 for principal and interest of \$31,248 in the next fiscal year to the District's wastewater fund debt service obligations.

During the year ending June 30, 2013 Charleston County Council approved the future issuance of a Tax Anticipation Note (TAN) in the amount of \$1,000,000 for the St. John's Fire District. Subsequent to June 30, 2013, the District has borrowed the entire \$1,000,000 from this TAN as of the audit report date. As a result, none of the \$1,000,000 TAN is available to the District. Any advances received by the District against the TAN will bear interest at a rate equal to the interest rate paid by the South Carolina Investment Pool during the period the note is outstanding, and the principal and accrued interest, if any, is due and payable in March 2013.

Subsequent to year end, the St. Paul's Fire District entered into an agreement with the primary government, Charleston County, for a Tax Anticipation Note (TAN) in the amount of \$2,000,000, maturing on March 15, 2014. The note bears interest at a rate equal to that paid by the State Investment Pool of approximately 3.5%.

D. Contingent Liabilities

Federal Grants - Amounts received or receivable from grants are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management has not been informed of any significant matters of non-compliance with grant provisions or planned grantor audits. The amount of grant expenditures which may be disallowed cannot be determined at this time, but the County believes that any amount will be immaterial.

Litigation - The County and its component units are party to various lawsuits that are normal in the operations of a county government. These lawsuits involve disputes arising from various matters, including the termination of employment, wrongful death and survival, personal injury and other tort actions, delinquent tax sales, contractual agreements, and civil rights violations. It is the opinion of legal counsel that it cannot be determined whether resolution of these matters, individually or in the aggregate in excess of insurance coverage, will have a material adverse effect on the financial condition of the County and its component units.

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Annexation - Several of the component units serve geographic regions which are subject to annexation by the surrounding municipalities. Should these annexations continue, there could be a significant impact on the operations of the various component units. The South Carolina General Assembly is currently considering legislation which would require the municipality which annexes properties of another political subdivision to assume responsibility for payment of the pro-rata bonded debt outstanding on the date of annexation.

In May 2000, the South Carolina General Assembly passed legislation to address the loss of revenues by public service districts due to annexations by municipalities. The legislation calls for an agreed-upon plan between the annexing municipality and the public service district. This plan would protect the remaining unannexed area in the public service district from economic loss of revenue brought about by annexation.

This new legislation should lessen but not eliminate the impact on the operations of various component units due to annexations.

E. Commitments

The County and its various component units have various commitments to provide facilities or services under numerous agreements signed with third parties in addition to its construction commitments and recorded encumbrances.

In July 2001, the County entered into an intergovernmental agreement with the South Carolina Infrastructure Bank to make twenty-five annual payments of \$3,000,000 beginning in January 2004 as a local match to help defray the cost of the Arthur Ravenel Jr. Bridge over the Cooper River built by the State to replace the existing bridges connecting the City of Charleston and the Town of Mt. Pleasant. This debt is shown as an inter-government note payable in Note I of these financial statements.

The County entered into an agreement with the South Carolina Transportation Infrastructure Bank (SCTIB) for the completion of the Mark Clark Expressway. This agreement was executed on June 8, 2007, between the County, the SCTIB, and The South Carolina Department of Transportation. The total project funding requested was \$420 million. Preliminary design is underway on the project.

On September 15, 1997, the County entered into an intergovernmental agreement with the City of North Charleston to help fund the construction of a convention center adjacent to the North Charleston Coliseum. The agreement requires the County to be responsible for the pro-rata debt service on \$18,095,000 of a total \$48,045,000 in Certificates of Participation issued by the City on September 15, 1997. The debt service is to be paid monthly to a trustee from the revenues of the County Accommodations Special Revenue Fund. The agreement allows for non-payment in the event of non-appropriation by the City of North Charleston and for reduced payments if accommodation fee revenues fall below the payment amount. Annual debt service on the County's \$18,095,000 obligation, maturing in 2020, under the agreement is approximately \$1.4 million.

The County partnered with the City of Charleston and Berkeley County to construct the Daniel Island Tennis Center. County Council committed to fund \$750,000 of the project with 15 annual payments of \$50,000 from Accommodations Fee revenues. This agreement contains the same allowances for reduced or non-payment as the City of North Charleston agreement.

Both of these agreements are funded from a specific source of funds, the Accommodations Fee. The agreements also contain provisions for the non-payment of these obligations by the County if the revenues from the Accommodations Fee are not sufficient to make the payment or if the parties that issued the debt (the City of North Charleston and City of Charleston, respectively) do not make their pro-rata debt service. Therefore, the determination has been made that these commitments do not represent debt to the County and are not reflected in the entity-wide financial statements.

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In July 2005, the County entered into an agreement with the LPA Group Incorporated for program management services of the County's \$150,000,000 roads portion of the half-cent sales tax monies (Roadwise Program). The original contract amount was \$18,329,782 over a five year period beginning July 2005. The services are to include: design work, right of way easements, consulting on feasibility, land acquisitions, engineering work, developing bid specifications, and construction services. Amendment 1 of the contract was approved August 23, 2007, changing the contract amount to \$17,973,126 and leaving the contract length unchanged. Amendment 2 of the contract was approved October 20, 2008, changing the contract amount to \$17,882,899 and leaving the contract length the same. Starting November 2008, the contract contains for a monthly base fee of \$316,824, plus 10 percent of work completed. An amendment dated January 27, 2010, extends the term of the contract until June 30, 2014. This extension is subject to annual approval for continuation by the County. This amendment also fixed the contract amount of \$11,122,273 over a four year period.

The following is a schedule by fiscal year of the minimum future payments under this contract:

<u>Year ending June 30</u>	
2014	\$ <u>2,037,402</u>
TOTAL	\$ <u>2,037,402</u>

The amount paid for these services for the year-ended June 30, 2013, was \$3,181,725.

On April 7, 2008, the County entered into a ten-year agreement with the Charleston Animal Society formerly the John Ancrum Society for the Prevention of Cruelty to Animals for the care and impoundment of animals delivered to the shelter by the County. The original agreement with the Society was dated January 23, 1979, and has been updated several times since then. The amended non-cancelable portion of the agreement calls for the County to pay a base monthly fee of \$34,539. Additionally, the County agrees to pay the Society \$5.77 for the receiving and immunization of each animal placed in custody and \$5.77 boarding fee per animal per day. The County will also pay a euthanasia fee of \$5.77 fee for each animal. The County also agrees to pay any reasonable out-of-pocket expenses associated with animal cruelty cases.

As part of the contract, the County provided \$4,500,000 in funds and property towards the construction of a new shelter. Upon early termination of the agreement by the Society, the Society shall repay the County a pro-rata portion of the \$4,500,000.

This contract was amended on July 1, 2009. The amended, non-cancellable portion of the agreement calls for the County to pay a base monthly fee of \$51,772, as well as \$7.48 for the receiving and immunization of each animal placed in the custody of the Society, and \$7.48 boarding fee per animal per day. The County will also pay a euthanasia fee of \$7.48 to the Society for each animal euthanized.

In addition, the County agrees to pay a cremation fee of \$7.48 for each dead animal brought to the shelter by a law enforcement officer, animal control officer of the County or municipality within the County. The Society will bill the County separately for stray animals that it receives from citizens of the County.

The non-cancelable portion of the agreement states the County shall continue to pay the Society the current monthly fee for a five-year period plus any annual increases in the CPI during such five-year period if the County terminates the contract. The agreement was amended February 1, 2011. The following language was added: The Society may contract for accounting services in order to maintain an accurate record of fees and costs associated with the intake of animals delivered to Society. The Society will submit monthly invoices to the County for reimbursement. These monthly invoices shall include an itemized bill for said accounting services.

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The Society will be entirely responsible for any and all costs that exceed Fifteen Hundred (\$1,500.00) Dollars per month. The County may, at any time, request from Society a full audit of the accounting services and duties performed by accountant and Society will comply within a reasonable time with any and all such requests.

The Charleston County Park and Recreation Commission has entered into an agreement with the City of Folly Beach to restrict \$77,850 each year to provide for the re-nourishment of the erosion that occurs along Folly Beach. During the year ended June 30, 2013, \$0 funds were transferred to the City of Folly Beach for re-nourishment. Capital Projects fund balance of \$554,027 has been reserved for beach re-nourishment as of June 30, 2013.

As of June 30, 1997, the Charleston County Park and Recreation Commission had provided approximately \$2,065,171 to the City of Charleston for the construction of the Charleston Maritime Center which was to be leased to and operated by the Commission. On August 4, 1997, the City of Charleston and Charleston County Park and Recreation Commission entered into an agreement that terminated the Master Lease of the Charleston Maritime Center dated August 1, 1995, between the two parties. This agreement grants the Commission the right of first refusal for the purchase of the Maritime Center for a period of 50 years from the date of execution of the agreement. In the event that the Commission does elect to purchase the Maritime Center, then the City of Charleston will credit \$1,500,000 toward the purchase price. If the Commission elects not to purchase the Maritime Center, then the City of Charleston will pay the Commission \$1,500,000 from the proceeds of the sale.

The Charleston County Park and Recreation Commission has an agreement with the Charleston County School District to cooperate in the operation of a Community Education Program. Each sponsor has determined which of its facilities and resources is available to the Community Education Program and agrees to supply the cost of necessary part-time professional staff that may be required. Available state, federal, and private funding is sought with the remaining costs shared to the extent agreed upon by the parties. The agreement with the School District was modified in July 1992 to provide for one-half of the Commission's share of the expenses to be paid to the school district prior to December 21 of each fiscal year and the balance to be paid by March 12 of the following year. The agreement was modified for the 2012 program to eliminate the equitable sharing of program fees collected during the year. As of June 30, 2013, the parties have dissolved their partnership.

In July 1995 the Commission entered into a lease agreement with Charleston County whereby the Commission assumed the responsibilities of operating and maintaining 19 boat landings throughout Charleston County. The lease is for a term of 99 years and commenced on July 1, 1995. The Commission pays a nominal fee of \$1 per year under the lease terms, but the agreement expressed the intent of Charleston County to transfer millage each year to help fund related expenses. Funding is contingent upon future County Council approval.

On June 29, 1988, Kiawah Island was sold to Kiawah Resort Associates. The Charleston County Park and Recreation Commission has been in contact with the owners in order to obtain a new lease agreement for Beach Walker Park. A verbal agreement has been made to ensure that the Park can continue to operate. To date, however, no formal agreement has been signed.

During 1988 the Charleston County Park and Recreation Commission was advised by the South Carolina Highway Department that the proposed Mark Clark Expressway will go through the northern portion of James Island County Park. The Commission is awaiting determination from the South Carolina Department of Transportation and Charleston County on the future location of the Mark Clark corridor.

An open letter of credit for \$33,460 was established in 1989 with the Wachovia Bank at the request of the Commissioners of Public Works. The Charleston County Park and Recreation Commission is required to keep this line of credit open. As of year-end, none of this credit had been utilized.

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In December 2000, the U.S. Secretary of the Interior conveyed property consisting of approximately 25 acres in fee and 0.6 acres of easements to the Charleston County Park and Recreation Commission in a Quitclaim Deed. The property conveyed includes areas presently known as the Cooper River Marina, previously known as the Old Navy Base Marina facilities. The conveyance has several restrictions including the following: the property must be used and maintained for the public park and recreation purposes for which it was conveyed in perpetuity, the property shall not be sold, leased, assigned or otherwise disposed of except to another eligible governmental agency that the Secretary of the Interior agrees in writing can assure the same continued use of the property, and funds generated on the property may not be used for non-recreational purposes and, furthermore, must be used for the development, operation and maintenance of the property until it is fully developed in accordance with the Program of Utilization. There are also various reporting requirements.

The Cooper River Park and Playground Commission contracted on July 1, 1996, with the City of North Charleston (City) to provide recreational services for the fiscal year to the citizens within the Commission's jurisdictional boundaries. Since the original contract date, the Commission and the City have renewed this contract annually with an effective date of July 1 of each fiscal year. Under the terms of this contract, the City agrees to pay all reasonable administrative and professional costs incurred by the Commission, and the Commission agrees to transfer and pay over to the City all appropriated funds, from whatever source, in the accounts of the Commission except for the remaining unreserved fund balance carried forward from June 30, 2009. The City also assumed control and possession (but not legal title) of fixed property and equipment. Due to the declining tax base and the fractured property lines of the Commission, it would be difficult or impractical to provide services to its citizens without this contract with the City. On July 1, 2013, the Commission entered into another one year contract with the City covering the period from July 1, 2013 to June 30, 2014, with essentially identical terms as previous contracts.

Certain real estate and facilities acquired by the Cooper River Park and Playground Commission are located within the corporate limits of the City of North Charleston. Those facilities were originally leased to the City for a 25-year lease term commencing May 23, 1980, at a \$1 annual rental fee. This lease was renegotiated and signed May 23, 2006, for a 50-year term at a \$1 annual rental fee. Additional facilities were leased in February and May of 1990 for a 100-year term also at an annual rental fee of \$1.

Under the annual contract with the City of North Charleston, the Cooper River Park and Playground Commission has agreed to assign to the City all of its assets, real and personal, thereby allowing the City exclusive use, possession, control and management of these assets. As of June 30, 2013, the leased assets have a book value of \$74,472.

The North Charleston District entered into an agreement on April 1, 1996, with the City of North Charleston for the City to provide fire, sanitation, and street lighting services to the constituents of the District. The contract requires the payment of substantially all of the District's revenues to the City and turning over control and possession, but not legal title to, all of the District's fixed property and equipment. On an annual basis since June 30, 1997, the District has entered into additional one year contracts with the City with essentially the same terms as described above. To fulfill the contract at June 30, 2013, the District owes the City \$113,324. This contract was extended for one year until June 30, 2014.

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During the 2011 fiscal year, the City of Charleston, SC completed an audit of the taxes remitted to the James Island Public Service District for the last five years relating to properties which were annexed into the City of Charleston. The City of Charleston is required to remit to the District the portion of ad valorem tax the City collects from annexed properties representing the District's fire department budget that would have been collected by the District had the properties not been annexed into the city. As a result of this audit, the City determined the District had been overpaid \$395,328 in the general fund and overpaid \$35,946 in debt service. The District will repay the excess remittances over a five (5) year period beginning in fiscal year 2011 at the rate of \$79,066 per year in the general fund and \$7,189 through the debt service fund. The City will reduce future tax payments each year due to the District until this overpayment has been recovered by the City.

F. Deferred Compensation Plan

The County and its component units offer their employees several deferred compensation plans under programs administered by the South Carolina Deferred Compensation Commission. The multiple employer plans were created in accordance with Internal Revenue Code Sections 457 and 401(K). The plans available to all full-time County and component unit employees, at their option, permit participants to defer a portion of their salary until future years. Only upon termination, retirement, disability, death, or an approved hardship is the deferred compensation available to an employee.

During the year ended June 30, 2000, the deferred compensation plans were amended to allow for employer matching contributions of up to \$300 per year for each covered participant. Effective December 23, 2008, the County suspended this match of \$75 per quarter. The total contributions made by the County's plan members were \$2,064,992 for the fiscal year ending June 30, 2013.

Total contributions made by the Charleston County Library's plan members were \$172,633 for the fiscal year ending June 30, 2013.

G. Other Post-Employment Benefits

Plan Description

The County provides post-employment health, life and dental care benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. This plan is a single employer defined benefit plan. Substantially all employees who retire under the State retirement plans are eligible to continue their coverage with the County paying 50 percent of health insurance premiums and the retiree paying 100 percent of life and dental insurance premiums and the remaining 50 percent of the health insurance premiums. The County's regular insurance providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. Effective July 1, 2008, the County modified its post-employment benefits policy as follows:

A) Increase years of service with the County:

1. Twenty five years of service with the County for the fifty percent of health premium benefit
2. Fifteen years of service with the County for the twenty five percent of health premium benefit

B) Reduce surviving spouse benefit to one year for future retirees who start work with the County January 1, 2009 and later.

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The James Island Public Service District also provides a retiree benefit equal to 100 percent of the health insurance premiums over age 65 and a portion if under age 65. The retiree must pay for all life and dental insurance premiums. At July 1, 2011, the District had 141 covered participants. Of this number, 114 participants are current employees and 27 are retirees. The District's regular insurance providers underwrite the retiree's insurance policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. Effective November 1, 2010, the District will limit the amount it contributes to the health premium, and the contribution will be subject to annual appropriation.

During the fiscal year ended June 30, 2006, the St. Paul's Fire District established a policy that allowed retiree insurance benefits. The plan was amended in 2009 to cease coverage at the earlier of the date of death or the date the participant becomes eligible for Medicare coverage. The plan was further curtailed at the end of the 2010 fiscal year, continuing coverage for those individuals who had retired prior to June 30, 2010, but providing no coverage to any employee retiring after that date.

The Charleston County Park and Recreation Commission provide retiree benefits as follows:

A) Any covered employee who retires with at least 20 years, but less than 25 years of Commission covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular position. The Commission will pay 50 percent of the retiree cost and 50 percent of the dependent cost for health and dental coverage.

B) Any covered employee who retires with 25 years or more years of Commission-covered entity service credit under the South Carolina Retirement Systems will be eligible for Commission funded retiree insurance benefits effective with his/her date of retirement provided he/she is eligible for retirement at the time he/she leaves active Commission service. The last five years must be consecutive and in a full-time, regular, position. The Commission will pay 100 percent of the retiree cost and 65 percent of the dependent cost for health and dental coverage.

C) The health and dental insurance premium for surviving spouses and dependents of deceased retirees will be waived for one year after the retiree's death. Following one year, the surviving spouse and/or dependents are eligible to continue coverage at the same proportional cost (50 percent or 65 percent) as in effect prior to the retiree's death. Survivors may remain on the plan until death or remarriage, whichever comes first.

D) Employees may opt out of the plan. The Commission is not required to contribute at an actuarially determined rate, but has elected to contribute based on an advanced funding basis based on the actuarial determined amount.

Funding Policy

As of year-end, there were 450 employees who had retired from the County and are receiving health insurance premium coverage benefits. The County currently finances the plan on a pay-as-you-go basis. For the year ended June 30, 2013, the County recognized expenses of \$1,828,273 for retiree healthcare, which were net of retiree contributions of \$1,285,112. The James Island Public Service District had 27 employees who had retired and receiving benefits under their plan. The District recognized expenses of \$139,872 for health care premium net of retiree contributions of \$76,885. The St. Paul's Fire District had 3 employees who had retired and receiving benefits under their plan. The District recognized expenses of \$18,200 for health care premiums for the current year. The Charleston County Park and Recreation Commission had 3 employees who are retired and receiving benefits.

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The County's annual cost (expense) for other post-employment benefits is calculated based on the annual required contribution (ARC) of the employer, which is actuarially determined based upon the requirements and parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. The current ARC is based on a level percent of payroll increasing at 3 percent.

For the year ended June 30, 2013, the County's annual OPEB cost was \$6,142,719 for the post-employment healthcare plan. The County's annual OPEB cost for the current year is as follows:

Annual required Contribution	\$ 6,083,834
Interest on OPEB obligation	801,044
Adjustment of ARC	<u>(742,159)</u>
Annual OPEB cost (expense) end of year	6,142,719
Net estimated employer contributions	<u>(2,163,467)</u>
Increase in net OPEB obligation	\$ 3,979,252
Net OPEB obligation/ (asset) beginning of year	17,800,983
Net OPEB obligation/ (asset) beginning of year	21,780,235

Actuarial methods and assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the County's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	Open 30-year period
Salary Growth	3.00% per annum
Inflation	3.00% per annum
Medical Trend	7.25%; 4.5% after 11 years
Drug Trend	7.75%; 4.5% after 11 years

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2013, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$4,570,445	\$1,676,012	36.7%	\$13,833,426
June 30, 2012	\$5,952,395	\$1,984,838	33.3%	\$17,800,983
June 30, 2013	\$6,142,719	\$2,163,467	35.2%	\$21,780,235

Schedule of Funding Progress and Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$52,972,306	\$52,972,306	0%	\$93,550,000	56.62%
7/1/2007	\$ -	\$52,972,306	\$52,972,306	0%	\$97,800,000	54.16%
7/1/2009	\$ -	\$47,374,110	\$47,374,110	0%	\$96,600,000	49.04%
7/1/2009	\$ -	\$47,374,110	\$47,374,110	0%	\$99,400,000	47.66%
7/1/2011	\$ -	\$54,526,503	\$54,526,503	0%	\$98,300,000	55.47%
7/1/2012	\$ -	\$63,154,853	\$63,154,853	0%	\$105,200,000	60.04%

H. Funds Held by Coastal Community Foundation

As of June 30, 2013, the Coastal Community Foundation was holding \$448,834 in the Charleston County Library Fund. The fund was established in November 1983 as a capital fund for the purpose of providing support for unusual or innovative programs and services at the Library not normally funded by government appropriations. Of the balance, \$15,594 is available for grants to the Library.

As of June 30, 2013, the Coastal Community Foundation was holding \$88,379 in the Roper Foundation Community Wellness Endowment for the Charleston County Library. The endowment was established for the purpose of updating the health education information collection. At year-end, \$3,007 is available for grants to the Library.

These amounts are not reflected in the Library's financial statements until grants are received by the Library from the Foundation.

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I. Employee Retirement Systems and Plans

South Carolina Retirement and Police Officers' Retirement Systems

Plan Description - All permanent employees of the County and its component units, except for certain employees involved in law enforcement and fire fighting activities, participate in the South Carolina Retirement System (SCRS). The employees excluded above participate in the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost-sharing multiple-employer defined benefit plans administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. The SCRS and SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance and survivor benefits to plan members and beneficiaries. Each plan's provisions are established under Title 9 of the S.C. Code of Laws.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both the SCRS and SCPORS is issued and publicly available by writing the South Carolina Public Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

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Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

The South Carolina Police Officers Retirement Systems (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III member are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Funding Policy – SCRS. Plan members are required to contribute 7.0 percent of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 10.60 percent of annual covered payroll. The contribution requirements of plan members and employers are established under authority of Title 9 of the South Carolina Code of Law, 1976 (as amended).

Funding Policy – SCPORS. Plan members are required to contribute 7.0 percent of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 12.30 percent of annual covered payroll. The contribution requirements of plan members and employers are established under authority of Title 9 of the South Carolina Code of Law, 1976 (as amended).

Additionally, participating employers of the SCRS contribute .15 percent of payroll to provide a group life insurance benefit for their participants; and participating employers of the SCPORS contribute .4 percent of payroll to provide a group life insurance benefit and accidental death benefits for their participants.

The following table presents the required contributions to the SCRS and SCPORS by the County and its component units for the years ended June 30, 2013, 2012, and 2011:

**COUNTY OF CHARLESTON, SOUTH CAROLINA
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JUNE 30, 2013**

SCRS	Retirement			Incidental Death		
	2013	2012	2011	2013	2012	2011
Rate	10.450%	9.385%	9.240%	0.15%	0.15%	0.15%
Primary Government	\$ 6,999,501	\$ 6,117,302	\$ 5,298,885	\$ 100,471	\$ 97,773	\$ 96,248
Component units:						
CCL	719,395	669,178	653,332	10,326	10,695	348
CCPRC	931,623	807,797	797,589	13,373	12,911	12,948
JISPD	448,073	395,714	389,510	6,432	6,325	6,323
SAPPPC	104,590	106,699	104,502	1,501	1,705	1,696
SJFD	40,954	36,075	35,954	588	577	584
SPFD	11,737	9,811	9,464	168	157	154

PORS	Retirement			Incidental Death			Accidental Death		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	11.900%	11.363%	11.130%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%
Primary Government	\$ 3,961,664	\$ 3,669,060	\$ 3,629,268	\$ 66,583	\$ 64,579	\$ 62,216	\$ 66,583	\$ 64,579	\$ 62,216
Component units:									
SJFD	580,182	540,335	507,179	9,751	9,510	9,114	9,751	9,510	9,114
SPFD	397,658	272,394	258,948	5,003	4,794	4,653	5,003	4,794	4,653

One hundred percent of the required contributions have been made for the current and each of the previous two years.

J. Related Party

During the year St. Paul's Fire District paid \$13,650 to Charleston County in cost sharing for radios used by first responders throughout the County, and \$95,347 for vehicle maintenance performed by the County. In addition, the District entered into a short-term financing agreement with the County for a \$1,250,000 Tax Anticipation Note.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
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During the year there were several transactions between Charleston County Library and Charleston County. These transactions were as follows:

	Amount
Amounts given to CCL:	
Appropriation (including supplemental appropriation)	\$ 14,180,611
Amounts paid to the County by CCL	
Janitorial services	102,831
Carpet cleaning	24,209
Workers' compensation	400,720
OPEB compensation	410,060
Insurance coverage-building & contents, liability, fidelity bond, theft	92,299
Motor vehicle repairs	20,650
Motor vehicle fuel charges	24,556
Other general services	116,245
Solid Waste User Fee	11,806
Health, life and dental insurance (library employees covered through County plan)	845,092
Other minor charges	1,037
	\$ 2,049,505
Other transactions:	
Rent-free use of County-owned Library buildings and County-owned vehicles*	*
*Not Determined	

K. Pending GASB Pronouncements

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, intends to improve financial reporting by clarifying the appropriate use of the financial statement elements “deferred outflows of resources” and “deferred inflows of resources” to ensure consistency in financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. The County will implement the new guidance with the 2014 financial statements.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, intends to improve financial reporting by resolving conflicting guidance in previous pronouncements regarding the accounting and presentation of risk financing activities, operating leases and certain loan transactions. The statement is effective for financial statements for periods beginning after December 15, 2012. The County will implement the new guidance with the 2014 financial statements.

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GASB Statement No. 68, Accounting and Financial Reporting for Pensions, intends to improve financial reporting for most governments that provide their employees with pension benefits. The statement is effective for financial statements for periods beginning after June 15, 2014. The County will implement the new guidance with the 2015 financial statements.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, intends to improve accounting and financial reporting of combinations and disposals of government operations of US state and local governments. The statement is effective for financial statements for periods beginning after December 15, 2013. The County will implement the new guidance with the 2015 financial statements.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, intends to enhance comparability of financial statements among governments by requiring consistent reporting and enhance information disclosed about a government's obligations and risk exposure extending from nonexchange financial guarantees. The statement is effective for financial statements for periods beginning after June 15, 2013. The County will implement the new guidance with the 2014 financial statements.

Management has not yet determined the impact implementation of these standards will have on the County's financial statements, if any.



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