

Management's Discussion and Analysis

As management of Charleston County, South Carolina, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Charleston County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 15 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Charleston County reported net assets (total assets less total liabilities) of \$191,507 at June 30, 2010, comprised of \$879,263 in total assets offset by \$687,756 in total liabilities.
- The County's unrestricted net assets were (\$10,861) at June 30, 2010. The negative balance resulted from expenses in the transportation sales tax fund. The County issued transportation sales tax general obligation bonds in 2007 and 2008. The proceeds from these bonds are used for state and municipal road projects, and municipal and special purpose district greenbelt acquisitions. The assets created by these expenses are not Charleston County assets, even though the County is responsible for the debt used to acquire these assets. The debt service on these bonds is paid from the ½ percent transportation sales tax.
- The government's total net assets decreased by \$36,789 during the fiscal year ended June 30, 2010, with a \$35,922 decrease resulting from governmental activities and an \$867 decrease resulting from business-type activities.
- As of the close of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$292,933, which is a \$26,804 decrease from the prior year. Approximately 20 percent or \$59,966 of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$49,869 or approximately 33 percent of the total general fund expenditures. Unreserved fund balance is comprised of \$7,588 of designations for rainy day, \$2,695 of designations for subsequent years' appropriations, and \$39,586 of undesignated fund balance.
- Charleston County's total assets decreased by \$4,124, while total liabilities increased by \$32,665.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Charleston County's basic financial statements which are comprised of three sections:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required supplementary and other supplementary financial information in addition to the basic financial statements.

Government-wide Financial Statements. Government-wide financial statements are designed to provide readers with a broad overview of the financial position of Charleston County and are similar to private sector financial statements. They include a statement of net assets and a statement of activities. These statements appear on pages 39 through 41 of this report.

The statement of net assets shows the County's assets less its liabilities at June 30, 2010. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial position.

The statement of activities follows the statement of net assets and presents information showing how the County's net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of related cash flows. Some included items, such as accounts payable or earned but unused vacation leave, will produce changes in cash in future fiscal periods.

Both statements distinguish between functions of Charleston County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include general government, public safety, judicial, public works, health and welfare, economic development, culture and recreation, and education. Major business activities include environmental management (recycling and waste disposal) and parking garages. Other business-type activities include the Department of Alcohol and Other Drug Abuse Services (DAODAS), radio communications, revenue collections and a countywide E-911 communication system.

Charleston County's government-wide financial statements include component units of the County. Component units can be blended or discretely presented. Component units are other governmental units over which the County (the County Council, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy and are presented as a separate column in the government-wide statements and as combining statements of net assets and of activities in the fund financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. For those readers interested in more information on the component units, contact information is provided in Note I. B. on pages 64 through 66 of this report.

The government-wide financial statements can be found on pages 58 through 61 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Charleston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Charleston County government can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds. Governmental funds, presented on pages 43 through 49, essentially account for the same functions as those reported under the governmental activities on the government-wide statement of net assets and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Charleston County's near-term financing requirements and available resources.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in Charleston County's statements include four major funds: the General Fund, the Debt Service Fund, the Transportation and Road Sales Tax Special Revenue Fund, and the General Obligation Bond (GOB) Capital Projects Fund. Although there are many smaller governmental funds in Charleston County government, they have been presented in a total column termed as "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 128 through 138 of this report.

Proprietary Funds. Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 50 through 55 of this report.

Enterprise funds report in greater detail the same information presented as business-type activities in the government-wide financial statements for environmental management and parking garages. DAODAS, radio communications, revenue collections and E-911 communications are presented in one total column termed as "Nonmajor Other Funds" but may be separately reviewed in the combining statements on pages 154 through 159.

Internal service funds (ISFs) are an accounting mechanism to accumulate and allocate costs internally for Charleston County Government. The County uses internal service funds to account for fleet management, office support services, workers' compensation, telecommunications, and employee benefits. See pages 161 through 165 of this report. ISFs have been eliminated on the statement of net assets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Charleston County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 167 through 169 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages 62 through 120 of the report.

Other Information. Individual statements, which present more detailed views of nonmajor funds used in governmental and business-type funds, begin on page 141. Additional trend information about the County, which may be of interest to the reader, is found under the Statistical Section of this report, starting on page 174.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charleston County, assets exceeded liabilities by \$191,507 at the close of fiscal year 2010. This was a decrease of \$36,789 or 16.1 percent during fiscal year 2010.

The largest portion of the County's net assets (\$128,820 or 67.3 percent) is investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. An additional \$11,562 or 6.0 percent is being held by the County as cash and investments to be used for the planned purchase/construction of additional capital assets already approved by County Council. Charleston County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

Unrestricted net assets are (\$10,861), resulting from expenditure of capital proceeds in the transportation and road sales tax special revenue fund. These expenses were for state and municipal roads projects and municipal and special purpose district greenbelt acquisitions. The assets created by these expenses are not Charleston County's, even though the County is responsible for the debt used to pay for these assets.

An additional portion of the County's net assets, \$61,986 or 32.4 percent, represents resources that are subject to external restrictions on how they may be used.

At the end of 2010 the County had positive balances in three of the four categories of net assets for the primary government as well as all four categories for the business-type activities. The governmental activities had positive balances in three of the four categories. Unrestricted net assets have a negative balance resulting from the County spending proceeds from the 2006 and 2007 transportation and road sales tax general obligation bonds. These proceeds were spent on greenbelt purchases, where the asset does not belong to the County and on non-county road projects, which are also not recorded as County assets.

Charleston County's Net Assets
June 30, 2010
(Recapped from page 39)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$446,394	\$473,705	\$ 81,680	\$ 89,434	\$528,074	\$563,139
Capital assets	306,907	276,214	44,282	44,033	351,189	320,247
Total assets	<u>\$753,301</u>	<u>\$749,919</u>	<u>\$125,962</u>	<u>\$133,467</u>	<u>\$879,263</u>	<u>\$883,386</u>
Long-term liabilities						
outstanding	\$485,157	\$438,020	\$ 15,673	\$ 17,721	\$500,830	\$455,741
Other liabilities	179,417	187,250	7,509	12,099	186,926	199,349
Total liabilities	<u>\$664,574</u>	<u>\$625,270</u>	<u>\$ 23,182</u>	<u>\$ 29,820</u>	<u>\$687,756</u>	<u>\$655,090</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 98,334	\$ 99,410	\$ 30,486	\$ 27,790	\$128,820	\$127,200
Restricted for future construction	11,043	9,233	519	9,201	11,562	18,434
Restricted - other	20,672	17,264	41,314	30,774	61,986	48,038
Unrestricted	<u>(41,322)</u>	<u>(1,258)</u>	<u>30,461</u>	<u>35,882</u>	<u>(10,861)</u>	<u>34,624</u>
Total net assets	<u>\$88,727</u>	<u>\$124,649</u>	<u>\$102,780</u>	<u>\$103,647</u>	<u>\$191,507</u>	<u>\$228,296</u>

The County's net assets decreased by \$36,789 during fiscal year 2010. The governmental activities had a decrease in net assets of \$35,922. This is due primarily to expenses in the transportation and road sales tax special revenue fund. During fiscal year 2010 approximately \$20,500 of proceeds from the 2006 and 2007 transportation sales tax general obligation bonds (GOBs) were used by the Charleston County Park and Recreation Commission, municipalities, and other special purpose districts to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, approximately \$16,700 of proceeds from the 2006 and 2007 transportation sales tax GOBs were used to construct and improve roads that are not assets of the County.

The business type activities had a decrease in net assets of \$867 resulting primarily from activity in the environmental management fund. The incinerator contract ended in November 2009. The debt for the incinerator included a balloon payment which the County paid through the operator's fee. Offsetting this decrease was an increase in net assets in the parking garages fund due to a transfer in to fund repairs to the garages.

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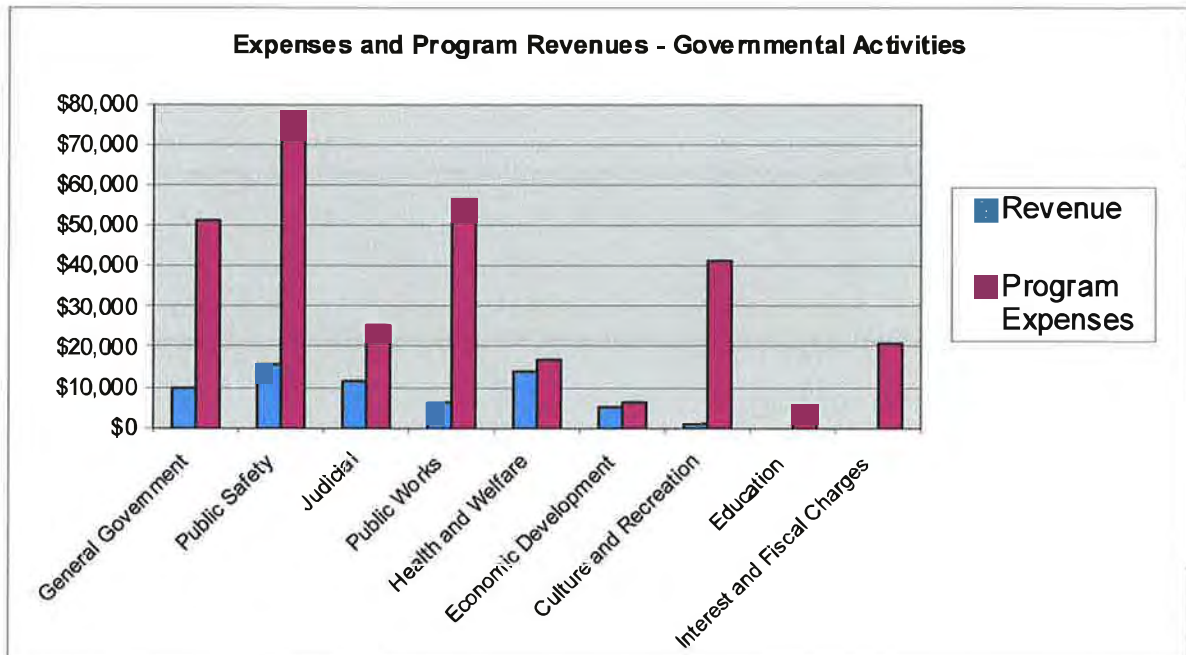


County of Charleston, South Carolina
Changes in Net Assets (Recapped from pages 40 and 41)
For the Fiscal Year Ended June 30, 2010

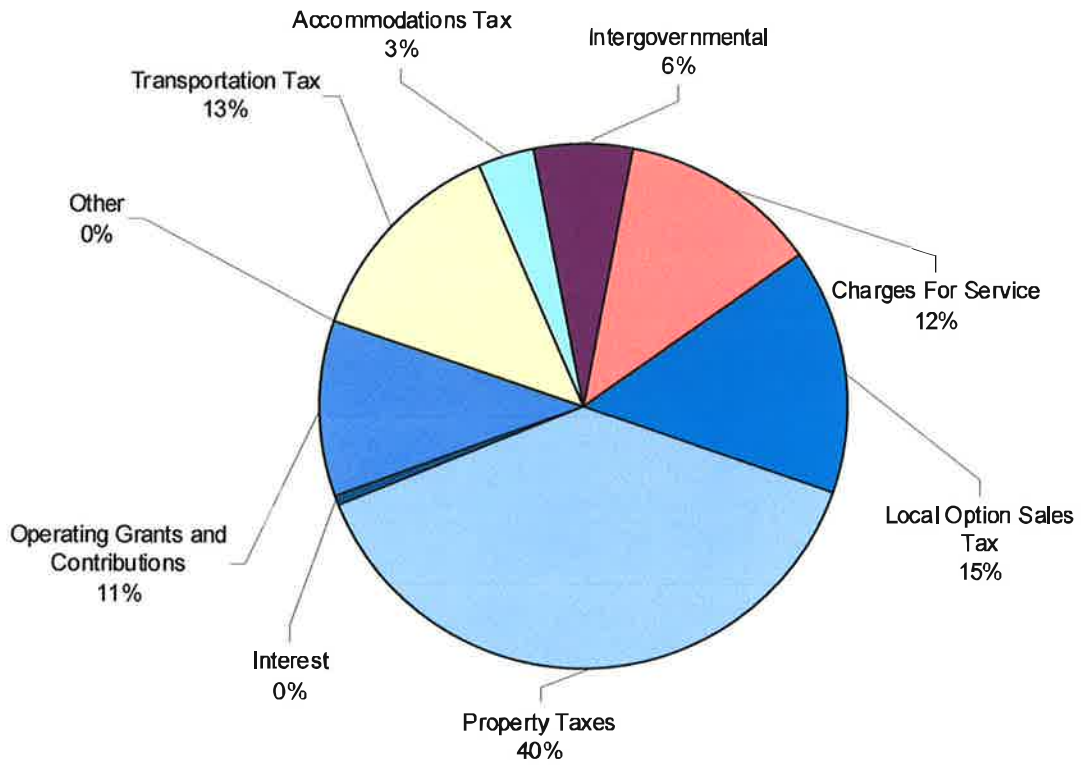
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 33,333	\$ 37,585	\$ 42,917	\$ 49,363	\$ 76,250	\$ 86,948
Operating grants and contributions	29,233	18,703	284	2,662	29,517	21,365
General Revenues:						
Property taxes	104,956	96,622	-	-	104,956	96,622
Other taxes and fees	87,432	89,958	554	554	87,986	90,512
State aid to political subdivisions	14,223	17,037	-	-	14,223	17,037
Unrestricted investments earnings	1,319	1,174	102	748	1,420	1,922
Gain on sale of capital assets	-	-	46	44	46	44
Total Revenues	270,496	261,079	43,903	53,371	314,398	314,450
Program Expenses:						
Governmental Activities:						
General government	51,006	57,001	-	-	51,006	57,001
Public safety	77,891	79,005	-	-	77,891	79,005
Judicial	25,578	28,605	-	-	25,578	28,605
Public works	56,597	39,606	-	-	56,597	39,606
Health and welfare	16,553	13,211	-	-	16,553	13,211
Economic development	6,078	858	-	-	6,078	858
Culture and recreation	41,391	48,254	-	-	41,391	48,254
Education	5,720	5,652	-	-	5,720	5,652
Interest and fiscal charges	21,110	20,935	-	-	21,110	20,935
Business-Type Activities:						
DAODAS	-	-	8,408	8,977	8,408	8,977
E-911 communications	-	-	1,200	1,096	1,200	1,096
Environmental management	-	-	33,738	43,209	33,738	43,209
Parking garages	-	-	1,969	2,149	1,969	2,149
Radio communications	-	-	2,227	2,153	2,227	2,153
Revenue collections	-	-	1,721	1,642	1,721	1,642
Total Expenses	301,924	293,127	49,263	59,226	351,187	352,353
Excess (deficiency) of revenue over (under) expenses	(31,429)	(32,048)	(5,360)	(5,855)	(36,789)	(37,903)
Transfers	(4,493)	(4,338)	4,493	4,338	-	-
Increase (Decreases) in Net Assets	(35,922)	(36,386)	(867)	(1,517)	(36,789)	(37,903)
Net assets, beginning	124,649	161,035	103,647	105,164	228,296	266,199
Net Assets, ending	\$88,727	\$124,649	\$102,780	\$103,647	\$191,507	\$228,296

Governmental Activities. Governmental activity decreased the County's net assets by \$35,922. Key elements of the decrease are:

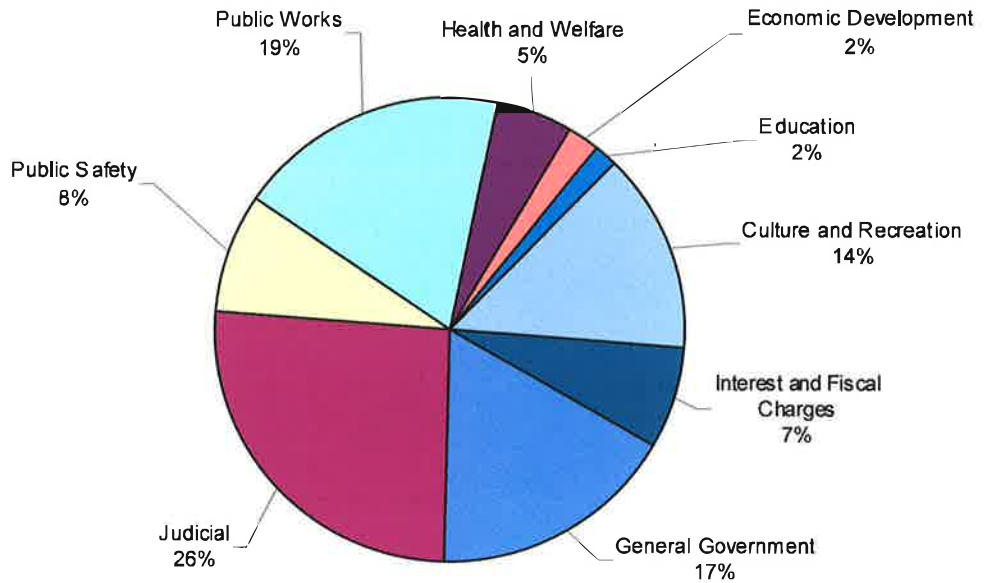
- Total expenses for the year increased by \$8,797 (3.0 percent). Public works expenses increased \$16,991 reflecting increased spending on the road projects funded from the transportation and roads sales tax special revenue fund. Health and welfare shows an increase of \$3,342 resulting from American Recovery and Reinvestment Act (ARRA) grant funding for workforce training and community development programs. These increases are offset by decreased expenses in culture and recreation of \$6,863 which reflects a reduction of \$6,300 in the greenbelts program. General government expenses are reduced \$5,995. This is made up of a reduction of \$2,138 in the general fund primarily due to the continued budget freeze. In addition general government expenses were reduced \$1,000 in the transportation and road sales tax special revenue fund.
- Charges for services decreased by \$4,252 (11.3 percent) during the year due to the reclassification of general fund administrative charges to the enterprise funds from revenue to reimbursement for fiscal year 2010.
- State aid to subdivisions decreased by \$2,814 (16.5 percent) due to the impact of the recession on state revenues.
- Other taxes and fees decreased by \$2,526 (2.8 percent). Transportation sales taxes decreased by \$1,177 and the local option sales taxes decreased by \$1,130. These decreases can be attributed to lower spending due to the recession.
- Operating grants and contributions increased by \$10,530 (56.3 percent) during the year. This is due to pass-through grant expenditures of \$5,150 in economic development. This grant was from the Department of Commerce to Boeing to reimburse for site preparation for the new plant. In addition, the County received \$3,800 in ARRA grant funding for workforce training and community development programs. Finally, there was an increase in public safety of \$2,244 due to growth in federal prisoner per diem of \$1,233 and the receipt of \$979 of ARRA grant funds.
- Property taxes increased by \$8,334 (8.6 percent) due to a reduction in the local option sales tax credit on the 2009 tax bills. The local option sales tax is a one percent tax on sales in the county. Revenue generated by the tax is applied against property tax bills as a credit. The recession drastically reduced sales tax collections in fiscal years 2009 and 2010, resulting in a reduction of the LOST credit on the tax bill.



Revenues by Source - Governmental Activities

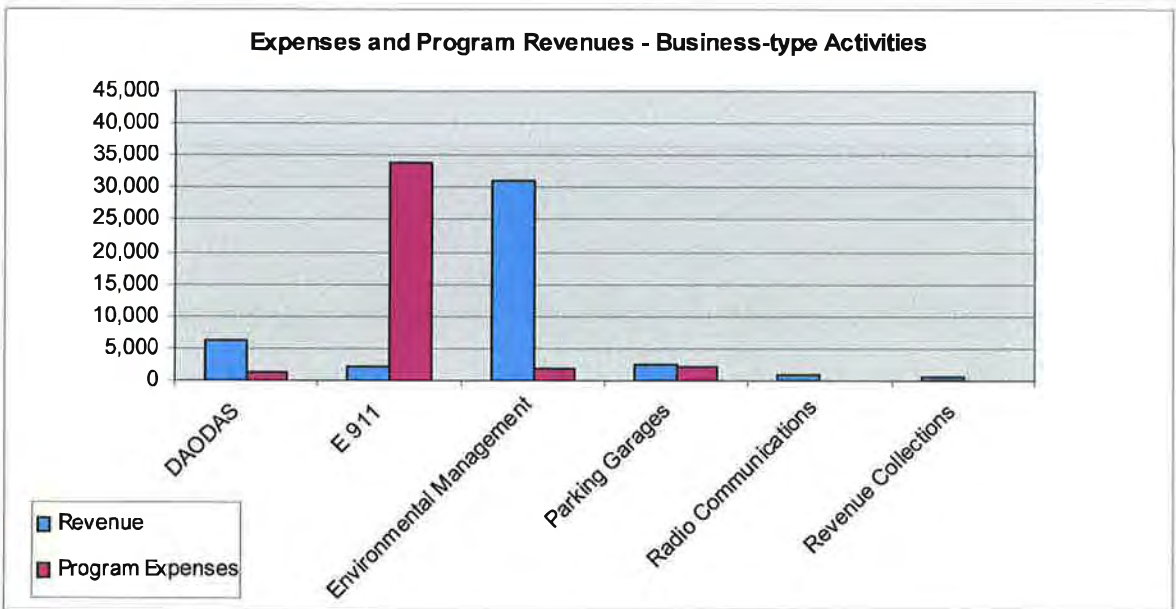
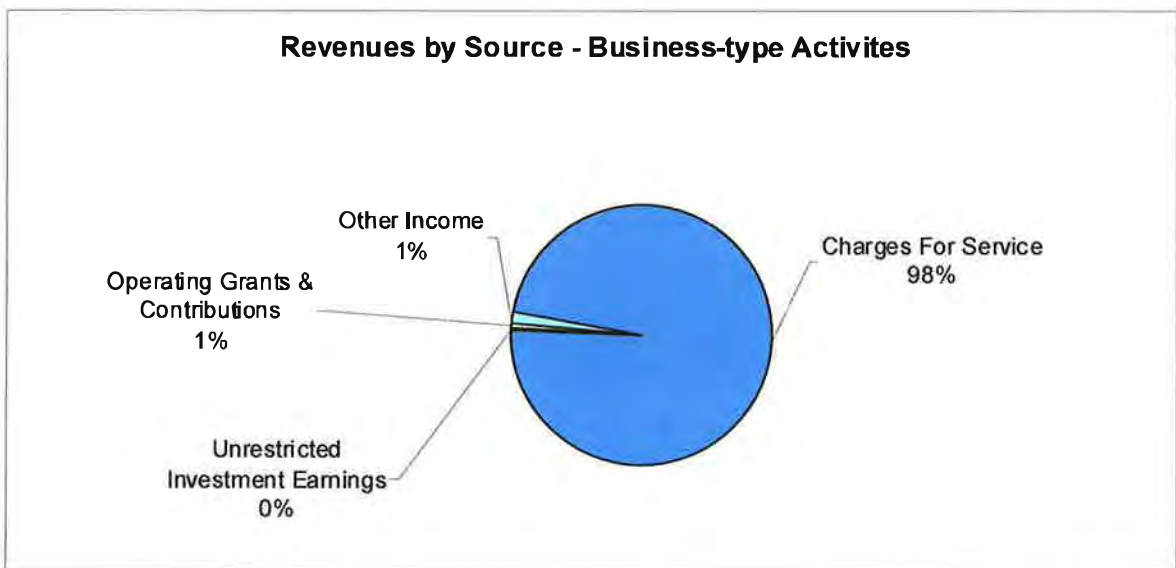


Expenses by Program - Governmental Activities



Business-type Activities. Business-type activities decreased the County's net assets by \$867. The key elements of this decrease were:

- Environmental management had a decrease in net assets of \$2,731 which is primarily due to the expiration of the Navy steam contract. The final payment for operator's debt made January 1, 2010, included a balloon payment which was charged to the County through the operator's fee.
- Revenue collections showed a decrease in net assets of \$1,065. This fund provides service to Charleston County and certain municipalities. The elimination of internal revenues results in a decrease in net assets.
- The parking garages showed an increase in net assets of \$1,731 which is primarily due to a transfer in from the general fund to pay for repairs to the parking garages.
- E-911 communications had an increase in net assets due to a reimbursement from the state for maintenance costs for the portion of the E-911 system that allows the dispatch to identify the location of emergency calls made from cell phones.



Financial Analysis of the Government's Funds

As noted earlier, Charleston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$292,933, a decrease of \$26,804 in comparison with the prior year. Of this decrease amount, \$49,571 resulted from the transportation and road sales tax special revenue fund. This decrease was offset by an increase of \$10,048 in the GOB capital projects fund. In addition, the ending fund balance for the general fund increased \$6,884. Finally, the debt service fund had an increase of \$3,409 and the nonmajor capital projects funds had an increase of \$1,810.

Approximately 20.5 percent or \$59,965 of this ending fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The reserved fund balances are: 1) reserved for transportation and roads sales tax special revenue fund projects (\$109,412), 2) to liquidate contracts and purchase orders of the prior period (\$62,552), 3) to pay for capital projects as restricted by bond covenants (\$39,388), 4) to pay debt service (\$20,673), or 5) reserved for inventories and prepaid items (\$943).

General Fund. The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$49,869 while total fund balance reached \$52,596. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33.4 percent of total general fund expenditures, while total fund balance represents 35.2 percent of that same amount. Undesignated fund balance was \$39,586 or 26.5 percent of expenditures. This meets the County's financial policy of maintaining an undesignated fund balance of 1½ to 2 months of undesignated fund balance. The net increase in the fund balance of the general fund was \$6,884 during the current year. Highlights of the general fund were as follows:

- An increase of \$6,500 in property and local option sales taxes which is 6.0 percent over the previous year. This increase is due to a reduction in the local option sales tax credit on the 2009 tax bills. The local option sales tax is a one percent tax on sales in the county. Revenue generated by the tax is applied against property tax bills as a credit. The recession drastically reduced sales tax collections in fiscal years 2009 and 2010, resulting in a reduction of the LOST credit on the tax bill.
- An increase of \$1,584 (9.3 percent) in service charges. This reflects an increase in revenues generated by the Master-in-Equity due to foreclosures. In addition, EMS revenues increased due to higher collection rates through the debt set-a-side program. This program allows governmental entities to receive payment on aged bills from clients' state tax refunds.
- A decrease in expenses of \$6,005 (3.9 percent). Public safety expenses dropped \$2,565 primarily due to a reimbursement in EMS for tourist related services. In fiscal year 2009 this was recorded as revenue rather than a reimbursement. General government expenses fell \$2,138 (5.0 percent). These reduction were primarily capital project and facilities management and technology services departments. The reduction in spending results from less available resources due to the recession.

- A decrease of \$1,456 (6.5 percent) in intergovernmental revenues due to reduced funding from the state. State aid to political subdivisions was reduced \$2,814 for fiscal year 2010 due to state budget issues. Offsetting this decrease is an increase in federal prisoner per diem of \$1,223. The expansion of the detention center increased the County's inmate capacity allowing the County to house more federal prisoners than in previous years.
- A decrease of \$3,022 in transfers in which reflects the reclassification of funding from the Accommodations Tax fund. In fiscal year 2009 this funding was recorded as a transfer. In fiscal year 2010 the funding was recorded as a reimbursement.
- An increase of \$3,659 in transfers out due to a transfer to the capital projects fund out of available fund balance.

Capital Projects Funds. Capital projects funds have a combined total fund balance of \$39,387. These funds are 100 percent reserved either to cover existing encumbrances or for future capital construction. The fund balance for GOB Capital Projects fund is \$28,344 and is shown as a major fund. The nonmajor funds total \$11,043 and are shown on pages 131 through 132 and 138. The fund balance for the capital projects funds increased \$11,858 from fiscal year 2009. This resulted from the general obligation bond issue of \$50,000 in new money done in August 2009. This is offset by expenditures of \$40,632 primarily for the completion of the addition to the detention center.

Special Revenue Funds. The special revenue funds have a combined total fund balance of \$179,461. The transportation and road sales tax special revenue fund balance is \$156,615 and is shown as a major fund. The remaining fund balance of \$23,662 is all in the nonmajor funds. The fund balance for the nonmajor special revenue funds is made up of \$10,097 designated for subsequent years' appropriations, and \$13,565 reserved for encumbrances. Nonmajor special revenue funds are shown on pages 128 through 131, and 134 through 137. The fund balance for the special revenue funds decreased \$49,771 from the prior year resulting from spending on noncounty assets in the transportation and road sales tax special revenue fund.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Total net assets for the enterprise funds at June 30, 2010, are \$82,026 (before the elimination of internal service fund charges and indirect costs.) The major funds are environmental management and the parking garages with total net assets of \$69,228. The nonmajor proprietary funds have total net assets of \$12,798. These funds include E-911 communications, DAODAS, radio communications, and revenue collections. See pages 50 through 55, 154 through 159 and 161 through 165 for the proprietary funds statements.

As of the end of the current fiscal year, Charleston County's enterprise funds reported combined ending net assets of \$82,026 (before internal eliminations), a decrease of \$3,147 in comparison with prior year. The environmental management fund accounted for \$4,202 of this decrease. Offsetting this is an increase in net assets of \$1,740 in the parking garages fund. The fiscal year 2010 budget included the use of \$29,157 of net assets primarily in environmental management for landfill operations and the final payment for operator's debt.

General Fund Budgetary Highlights

Over the course of the year, County Council did not amend the budget ordinance; however, the Administrator did adjust the budget in accordance with the guidelines contained in the budget ordinance. Actual revenues and transfers were \$6,617 over budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$2,910. Higher than expected foreclosures increased revenues by \$1,312 in the Master-In-Equity's Office. In addition, \$793 more than was estimated for recording property sales was received in the Register of Mesne Conveyance's Office.

Intergovernmental revenues were over budget by \$2,177. Additional funds were received for housing more federal prisoners in the expanded detention center.

- Interfund transfers in exceeded budget by \$1,623. This resulted from transferring maintenance funds from the capital projects funds to the general fund. The amounts transferred to the general fund were designated by Council for future maintenance.

Actual expenditures and transfers were \$7,872 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Capital Projects and Facilities Management were \$1,220 below budget largely due to savings on utilities. The County's energy conservation measures contributed to the savings along with a slightly later than expected opening of the detention center expansion.
- The Sheriff's Office was \$1,132 below budget. This was the result of reduced personnel costs at the detention center due to a staggered transition of prisoners into the detention center expansion.
- Public Works department was \$1,105 below budget due to the Administrator's hiring delay and freeze on positions under his reporting authority.
- Consolidated Dispatch was \$608 below budget due to lower personnel costs during the transition from other local governments.

Capital Asset and Debt Administration

Capital Assets. Charleston County's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$351,189 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and drainage easements. The total increase in the County's investment in capital assets for the current fiscal year was 9.7 percent and is primarily due to the expansion to the County's detention center which was completed in fiscal year 2010.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land and easements	\$ 16,808	\$ 16,334	\$ 3,951	\$ 3,951	\$ 20,759	\$ 20,285
Buildings	243,276	144,069	16,878	17,440	260,154	161,509
Improvements other than buildings	780	829	253	305	1,033	1,134
Machinery and equipment	27,540	30,084	6,870	6,253	34,410	36,337
Infrastructure	15,382	16,552	-	-	15,382	16,522
Construction in progress	<u>3,121</u>	<u>68,377</u>	<u>16,329</u>	<u>16,084</u>	<u>19,451</u>	<u>84,461</u>
Total	<u>\$ 306,907</u>	<u>\$ 276,215</u>	<u>\$ 44,282</u>	<u>\$ 44,033</u>	<u>\$ 351,189</u>	<u>\$ 320,248</u>

Additional information on the County's capital assets can be found in Note III. C. on pages 84 through 88 of this report.

Long-Term Debt. At the end of the current fiscal year, Charleston County had total certificates of participation (COPs) and bonded debt outstanding of \$462,144. Of this amount, \$406,591 comprises debt backed by the full faith and credit of the government, \$49,179 is comprised of certificates of participation secured by the capital assets constructed with their proceeds, and \$6,374 is comprised of revenue bond debt secured solely by solid waste user fees.

In addition to the bonded debt Charleston County signed a contract with the S.C. Infrastructure Bank to pay \$3,000 a year starting on January 1, 2004, for a period of 25 years as the County's commitment toward the new Arthur Ravenel, Jr. Bridge over the Cooper River. As of June 30, 2010, this obligation is recorded at a net present value of \$33,152 using a discount rate of 5.7%. This is the same rate the Bank is repaying its loan from the federal government, using the money received from the County.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 406,591	\$ 363,445	\$ -	\$ -	\$ 406,591	\$ 363,445
Certificates of participation	41,757	47,313	7,422	8,418	49,179	55,731
Revenue bonds	-	-	6,374	7,824	6,374	7,824
Intergovernmental note payable	<u>33,152</u>	<u>34,192</u>	<u>-</u>	<u>-</u>	<u>33,152</u>	<u>34,192</u>
Total	<u>\$ 481,500</u>	<u>\$ 444,950</u>	<u>\$ 13,796</u>	<u>\$ 16,242</u>	<u>\$ 495,296</u>	<u>\$ 461,192</u>

The County's total bonded debt increased by \$35,144 (8.2 percent) during the current fiscal year. The County issued general obligation bonds of \$70,775 in August 2009. These bonds included \$50,000 of new money and \$20,775 for refunding outstanding bonds. The new money will be used to complete the expansion of the detention center and for the construction of a consolidated dispatch operations center.

During May 2010, Moody's Investors Service recalibrated its long-term U.S. Municipal bond ratings in an effort designed to remove the separate municipal rating scale and convert all ratings to their global rating scale system. This effort resulted in the Charleston County bond rating being upgraded from Aa1, Moody's second highest rating available, to AAA, Moody's highest rating available. In April 2006, Charleston County's municipal bond rating for general obligation debt was upgraded from AA+ to AAA by Standard and Poor's Corporation. These upgrades are a direct result of the County's continued strong financial performance and emphasis on conservative fiscal management. The certificates of participation and revenue bonds are all insured issues and are rated AAA by Moody's Investors Service and AAA by Standard & Poor's Rating Group.

South Carolina statutes limit the amount of general obligation (G.O.) debt a governmental entity may issue (without referendum) to 8 percent of its total assessed value. The current available G.O. debt limit for Charleston County is \$238,980. The outstanding debt at June 30, 2010 subject to the debt limitation is \$184,650. This would indicate that the County has not exceeded their limit.

Additional information on the County's long-term debt can be found in Note III. I. on pages 91 through 105 of this report.

Economic Factors and Next Year's Budget Rates:

The fiscal year 2011 general fund budget is a balanced budget. Total disbursements are \$168,984, an increase of \$1,532 or 0.9 percent from the prior year. The budget includes the use of \$8,594 of fund balance; \$2,487 for capital projects and for \$6,107 for operating costs to avoid property tax increases as the local economy recovers from the recession. The use of \$6,107 was made possible by Council reducing the Rainy Day Fund by \$6,107 in the general fund and establishing a Rainy Day Fund in a like amount in the environmental management fund where the majority of spending for the County's natural disasters would occur. The millage rate for both the general fund and the debt service fund remains at 46.8 mills, unchanged from fiscal year 2010. The local option sales tax credit also remains unchanged from the prior year.

The general fund budgeted revenues for fiscal year 2011 decreased by \$1,011 or 0.6 percent from 2010. The major changes are:

- Property tax revenues are anticipated to decrease \$2,220 or 3.1 percent. This decrease reflects a decline in the value of motor vehicles and an increase in the number of appeals requested by property owners.
- State aid to local governments is decreased \$2,113 or 14.8 percent. Due to the recession and the resulting challenges with State revenues, the general assembly voted to depart from the prescribed formula for funding local governments for fiscal year 2011.
- Local government contributions for Consolidated Dispatch increased \$2,161 or 432 percent. This reflects an intermediate stage in the transition of dispatch from other local governmental entities to the County where local governments continue funding dispatch although the costs are incurred by the County.

The general fund budgeted disbursements for fiscal year 2011 are increased \$1,532 or 0.9 percent from fiscal year 2010. The major changes for fiscal year 2011 are:

- The Consolidated Dispatch budget is increased \$2,229 to reflect the transfer of positions and their related costs from other governmental entities to the County.
- The Sheriff's Detention Center budget is increased \$1,505 for the full-year impact of the detention center expansion which included additional staffing and operating costs.
- The Public Works budget is decreased \$1,092 as the result of service reductions and departmental efficiencies.

Requests for Information

This financial report is designed to provide a general overview of Charleston County's finances for all those with an interest in the government's financing. Questions concerning any of the information should be addressed to the Finance Department, 4045 Bridge View Drive, North Charleston, SC 29405-7464.

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