

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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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, 2011.

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 Charleston Public Facilities Corporation has been included as a blended component unit because the County appoints the entire board, receives all benefits and burdens of its activities and is fiscally responsible for its operation. The Charleston Development Corporation has been included as a blended component unit because the County has a majority representation on the board and receives all of the benefits and burdens of its activities. The various discretely presented component units were included since they are fiscally dependent upon the County for the levy of property tax revenues, approval of annual operating budgets, authorization of all general obligation debt issues, or as in the case of the Charleston County Volunteer Rescue Squad Inc., receives substantially all of their funding from the County. Blended component units, although legally separate entities, are in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the County. Each blended and discretely presented component unit, except for Charleston County Volunteer Rescue Squad, Inc., has a June 30 year-end. The Charleston County Volunteer Rescue Squad, Inc. has a December 31 year-end.

The County appoints the board of the Charleston County Housing Authority but has not included the Authority as a component unit because there is no financial accountability or influence by the County over the Authority.

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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.</p>	<p>Debt Service Fund - Certificates of Participation Enterprise Fund - Parking Garages DAODAS</p> <p>Special Revenue Fund - Charleston Development Corporation</p>
<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>	
<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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<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
<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) 747-0776</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 its 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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<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>Discretely Presented Component Units</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>Brief Description of Activities and Relationship to the County</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. 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.</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 assets 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 assets 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 assets 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 assets, 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 incineration plant overflow and 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.

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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.

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.

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Fiduciary fund reporting focuses on net assets and changes in net assets. This fund accounts for assets held by the entity 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.

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 assets.

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.

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.

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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.

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, 2010, but which were levied to finance fiscal year 2012 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.

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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.
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.

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".

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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.

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.

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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, 2011.

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

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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 assets. 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 assets and displayed in three components:

1. Invested in capital assets, net of related debt – 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.
2. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

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

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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 – Amounts that cannot be spent either because they are not in a spendable form, such as inventory or prepaid insurance, or because they are legally or contractually required to be maintained intact – such as a trust.

Restricted – Amounts that can be spent only for specific purposes because of County ordinances, state or federal laws, or externally imposed conditions by grantors or creditors – such as a millage adopted to pay the County's debt.

Committed – Amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., County Council). To be reported as committed, amounts cannot be used for any other purpose unless County Council takes the same highest level action to remove or change the constraint.

Assigned – Amounts the County intends to use for a specific purpose. Intent can be expressed by an official or body to which County Council delegates the authority.

Unassigned – All amounts not included in other spendable classifications.

The County permits funds to be expended in the following order: Committed, Assigned, and Unassigned.

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 Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists 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 assets 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.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, \$22,251,532 of net assets is restricted by enabling legislation.

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

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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 the same manner as general revenues.

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 nonoperating 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.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
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B. Restatement of Prior Year Fund Equities

During the fiscal year ended June 30, 2011, two of the County's component units made adjustments that resulted in a restatement of beginning net assets.

	<u>Component Units</u>	
	<u>CCL</u>	<u>NCD</u>
Net assets, July 1, 2010	\$ 4,639,221	\$ 834,376
Restatements:		
Capital assets	-	(46,668)
Accumulated depreciation	<u>153,224</u>	<u>34,058</u>
Net assets, July 1, 2010 (as restated)	<u>\$ 4,792,445</u>	<u>\$ 821,766</u>

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 Home Loan Mortgage Corporation, in which the local entity is named as beneficiary and the letter of credit other wise meets the criteria established and prescribed by the local entity.

As of June 30, 2011, none of the County's bank balance of \$196,671,505 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, 2011, the County had no exposed custodial credit risk on its investments which total \$174,729,757. \$142,089,352 is reported on the Statement of Net Assets and \$32,640,405 is reported with Agency Funds. The County does not have a formal investment policy to address custodial credit risk.

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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 \$46,362,714 invested in the South Carolina Local Government Investment Pool (SCLGIP). \$12,295,000 has been invested in certificates of deposits and therefore by definition is not subject to credit risk. \$16,451,938 has been invested in debt securities of the Federal Home Loan Mortgage Discount Note, \$15,000,000 has been invested in debt securities of the Federal Home Loan Bank Discount Note and \$84,620,104 has been invested in Federal National Mortgage Assistance Pool. 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.

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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 \$174,729,757 as of June 30, 2011.

	<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	\$ 12,295,000	\$ -	\$ -
SCLGIP	46,362,715	-	-
Federal Home Loan Mortgage Discount Note	1,451,938	15,000,000	-
Federal Home Loan Bank Discount Note	-	15,000,000	-
Federal National Mortgage Assistance Pool	58,883,104	15,737,000	10,000,000
	<u>\$ 118,992,757</u>	<u>\$ 45,737,000</u>	<u>\$ 10,000,000</u>

Concentrations of Credit Risk

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

Certificates of Deposits	7.04%
SCLGIP	26.53%
Federal Home Loan Mortgage Discount Note	9.42%
Federal Home Loan Bank Discount Note	8.58%
Federal National Mortgage Assistance Pool	<u>48.43%</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.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
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Custodial Credit Risk

As of June 30, 2011, the Charleston County Park and Recreation Commission's total bank balance was \$30,959,264. Of this amount, \$29,501,229 was insured under FDIC or collateralized by government investments held by the pledging financial institution's trust department or agent in the Commission's name. The uncollateralized balance of \$1,458,035 resulted from a timing difference of accounts collateralized in excess of FDIC. As of the date of the audit opinion letter, all deposits of the Commission were properly collateralized.

Credit Risk

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

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, 2011, St. Paul's Fire District had \$72,403, James Island Public Service District had \$117,474 and St. John's Fire District had \$3,006,777 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 Assets for the primary government and the component units and Statement of Fiduciary Net Assets for agency funds follows:

Cash on hand – primary government	\$ 24,098
Cash on hand – component units	52,848
Carrying amount of deposits - primary government	196,522,407
Carrying amount of deposits - component units	47,394,249
Carrying amount of investments - primary government	174,729,757
Carrying amount of investments – component units	3,079,180
Cash with fiscal agent – primary government	<u>125,000</u>
 Total carrying amount of cash and investments	 <u><u>\$ 421,927,539</u></u>
 Non-pooled cash and cash equivalents	 \$ 78,293,379
Pooled cash and cash equivalents	104,921,959
Restricted cash and cash equivalents	60,778,264
Pooled investments	170,063,806
Non-pooled investments	7,745,131
Cash with fiscal agent	<u>125,000</u>
 Total carrying amount of cash and investments	 <u><u>\$ 421,927,539</u></u>

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B. Receivables

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			
Primary government:	<u>General</u>	<u>Debt Service</u>	<u>Transportation Special Revenue Fund</u>	<u>Non-major Governmental Funds</u>
Receivables:				
Current property taxes	\$ 114,655,829	\$ 18,824,091	\$ -	\$ 7,463,028
Delinquent property taxes	3,729,523	821,163	-	372,611
Accounts	12,082,335	-	36,175	856,000
Intergovernmental	15,580,086	-	17,456,159	6,194,870
Notes	-	-	-	106,729
Gross receivables	<u>146,047,773</u>	<u>19,645,254</u>	<u>17,492,334</u>	<u>14,993,238</u>
Less allowance for uncollectibles:				
Current property taxes	6,764,694	1,063,561	-	496,159
Delinquent property taxes	976,561	212,241	-	95,283
Accounts	9,132,707	-	-	175,697
Notes	-	-	-	106,729
Gross allowance	<u>16,873,962</u>	<u>1,275,802</u>	<u>-</u>	<u>873,868</u>
Net total receivable	<u>\$ 129,173,811</u>	<u>\$ 18,369,452</u>	<u>\$ 17,492,334</u>	<u>\$ 14,119,370</u>

	Proprietary		Totals
	Business-type Activities	Governmental Activities- Internal Service Funds	Primary Government
Receivables:			
Current property taxes	\$ -	\$ -	\$ 140,942,948
Delinquent property taxes	-	-	4,923,297
Accounts	26,259,865	129,354	39,363,729
Intergovernmental	1,023,424	122,103	40,376,642
Notes	-	-	106,729
Interest	6,581	-	6,581
Gross receivables	27,289,870	251,457	225,719,926
Less allowance for uncollectibles:			
Current property taxes	-	-	8,324,414
Delinquent property taxes	-	-	1,284,085
Accounts	5,321,460	-	14,629,864
Notes	-	-	106,729
Gross allowance	5,321,460	-	24,345,092
Net total receivable	\$ 21,968,410	\$ 251,457	\$ 201,374,834

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Component Units:	<u>CCL</u>	<u>CCPRC</u>	<u>CRPPC</u>	<u>JIPSD</u>	<u>NCD</u>
Receivables:					
Current property taxes	\$ -	\$ 15,579,174	\$ 151,202	\$ 4,991,908	\$ 978,788
Delinquent property taxes	-	689,678	12,470	270,611	29,426
Accounts	87,641	153,703	-	268,194	-
Intergovernmental	403	281,200	10,703	22,072	-
Gross receivables	<u>88,044</u>	<u>16,703,755</u>	<u>174,375</u>	<u>5,552,785</u>	<u>1,008,214</u>
Less allowance for uncollectible:					
Current property taxes	-	880,223	9,345	301,511	67,830
Delinquent property taxes	-	74,867	4,477	16,489	18,148
Accounts	-	-	-	40,000	-
Gross allowance	-	<u>955,090</u>	<u>13,822</u>	<u>358,000</u>	<u>85,978</u>
Net total receivable	<u>\$ 88,044</u>	<u>\$ 15,748,665</u>	<u>\$ 160,553</u>	<u>\$ 5,194,785</u>	<u>\$ 922,236</u>

	<u>SAPPPC</u>	<u>SJFD</u>	<u>SPFD</u>	<u>Total Component Units</u>
Receivables:				
Current property taxes	\$ 1,070,500	\$ 10,097,506	\$ 4,231,147	\$ 37,100,225
Delinquent property taxes	65,537	250,973	366,717	1,685,412
Accounts	-	14,112	537	524,187
Intergovernmental	-	-	130,374	444,752
Gross receivables	<u>1,136,037</u>	<u>10,362,591</u>	<u>4,728,775</u>	<u>39,754,576</u>
Less allowance for uncollectible:				
Current property taxes	70,974	365,530	412,537	2,107,950
Delinquent property taxes	14,426	50,669	123,131	302,207
Accounts	-	-	-	40,000
Gross allowance	<u>85,400</u>	<u>416,199</u>	<u>535,668</u>	<u>2,450,157</u>
Net total receivable	<u>\$ 1,050,637</u>	<u>\$ 9,946,392</u>	<u>\$ 4,193,107</u>	<u>\$ 37,304,419</u>

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During April 1999, the County's Fleet Management Internal Service Fund has financed \$791,600 of its share of the new heavy equipment repair facility through a loan from the Environmental Management Enterprise Fund. The loan is payable in semi-annual installments of \$40,000 with interest at 6.08 percent per annum. The note matures on January 1, 2014. This note is presented as note receivable-internal balances on the statement of Net Assets for the Business-type activities.

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.

The following reflects the future minimum payments receivable at June 30, 2011, under these notes receivable:

Primary Government	
<u>Year Ending June 30</u>	<u>Business-type Activities</u>
2012	\$ 80,001
2013	80,001
2014	80,001
Total minimum note payments	<u>240,003</u>
Less amount representing interest	(23,607)
Present value of minimum note payments	216,396
Less current portion	(67,856)
Long-term portion	<u>\$148,540</u>

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>
2012	\$ 375,207
2013	375,207
2014	375,207
Total minimum note payments	<u>1,125,621</u>
Less amount representing interest	(57,054)
Present value of minimum note payments	1,068,567
Less current portion	(346,926)
Long-term portion	<u>\$ 721,641</u>

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C. Capital Assets

Primary government capital asset activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	<u>Balance July 1, 2010</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 16,807,789	\$ -	\$ (103,547)	\$ 16,704,242
Construction in progress	3,121,481	9,444,723	(301,833)	12,264,371
Infrastructure-easements, land	8,560,117	27,739	(30,461)	8,557,395
Total capital assets not being depreciated	<u>28,489,387</u>	<u>9,472,462</u>	<u>(435,841)</u>	<u>37,526,008</u>
Capital assets being depreciated:				
Buildings	303,183,365	-	-	303,183,365
Improvements other than buildings	2,166,637	-	-	2,166,637
Machinery and equipment	82,278,993	5,138,939	(3,312,681)	84,105,251
Infrastructure	36,405,965	1,522,373	(50,916)	37,877,422
Total capital assets being depreciated	<u>424,034,960</u>	<u>6,661,312</u>	<u>(3,363,597)</u>	<u>427,332,675</u>
Less accumulated depreciation:				
Buildings	(59,907,326)	(7,019,374)	-	(66,926,700)
Improvements other than buildings	(1,386,825)	(47,310)	-	(1,434,135)
Machinery and equipment	(54,738,934)	(6,546,519)	2,887,900	(58,397,553)
Infrastructure	(29,583,913)	(1,668,040)	39,500	(31,212,453)
Total accumulated depreciation	<u>(145,616,998)</u>	<u>(15,281,243)</u>	<u>2,927,400</u>	<u>(157,970,841)</u>
Total capital assets being depreciated, net	<u>278,417,962</u>	<u>(8,619,931)</u>	<u>(436,197)</u>	<u>269,361,834</u>
Governmental activities,				
Total capital assets, net	<u>\$ 306,907,349</u>	<u>\$ 852,531</u>	<u>\$ (872,038)</u>	<u>\$ 306,887,842</u>

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	<u>Balance as July 1, 2010</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2011</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 3,950,930	\$ -	\$ -	\$ 3,950,930
Construction in progress	<u>16,329,363</u>	<u>1,079,283</u>	<u>(15,966,135)</u>	<u>1,442,511</u>
Total capital assets not being depreciated	<u>20,280,293</u>	<u>1,079,283</u>	<u>(15,966,135)</u>	<u>5,393,441</u>
Capital assets being depreciated:				
Buildings	24,933,128	134,930	-	25,068,058
Improvements other than buildings	816,500	15,983,204	-	16,799,704
Machinery and equipment	<u>17,266,453</u>	<u>1,359,063</u>	<u>(339,213)</u>	<u>18,286,303</u>
Total capital assets being depreciated	<u>43,016,081</u>	<u>17,477,197</u>	<u>(339,213)</u>	<u>60,154,065</u>
Less accumulated depreciation:				
Buildings	(8,055,000)	(562,040)	-	(8,617,040)
Improvements other than buildings	(562,854)	(848,031)	-	(1,410,885)
Machinery and equipment	<u>(10,396,253)</u>	<u>(1,711,315)</u>	<u>309,030</u>	<u>(11,798,538)</u>
Total accumulated depreciation	<u>(19,014,107)</u>	<u>(3,121,386)</u>	<u>309,030</u>	<u>(21,826,463)</u>
Total capital assets being depreciated, net				
Business-type activities	<u>24,001,974</u>	<u>14,355,811</u>	<u>(30,183)</u>	<u>38,327,602</u>
Total capital assets, net	<u>\$ 44,282,267</u>	<u>\$ 15,435,094</u>	<u>\$ (15,996,318)</u>	<u>\$ 43,721,043</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 7,470,339
Public safety	3,859,311
Judicial	1,409,988
Public works	1,772,596
Health and welfare	143,567
Economic Development	9,331
Culture and recreation	<u>616,111</u>
Total	<u>\$ 15,281,243</u>

Business-type Activities:

Environmental Management	\$ 2,332,018
Parking Garages	304,531
DAODAS	246,801
E-911 Communications	195,015
Radio Communications	<u>43,021</u>
Total	<u>\$ 3,121,386</u>

Component Units:

	Balance (as restated) July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 59,668,219	\$ 16,285,575	\$ -	\$ 75,953,794
Artwork	11,000	-	-	11,000
Construction in progress	<u>2,676,074</u>	<u>2,674,634</u>	<u>(3,184,995)</u>	<u>2,165,713</u>
Total capital assets not being depreciated	<u>62,355,293</u>	<u>18,960,209</u>	<u>(3,184,995)</u>	<u>78,130,507</u>
Capital assets being depreciated:				
Buildings	59,840,286	1,215,553	(98,851)	60,956,988
Improvements other than buildings	19,610,895	82,250	(572,575)	19,120,570
Machinery and equipment	30,454,175	4,462,391	(2,046,142)	32,870,424
Infrastructure	40,534,685	1,792,217	(77,433)	42,249,469
Library materials	<u>22,652,457</u>	<u>1,684,164</u>	<u>(1,997,565)</u>	<u>22,339,056</u>
Total capital assets being depreciated	<u>173,092,498</u>	<u>9,236,575</u>	<u>(4,792,566)</u>	<u>177,536,507</u>
Less accumulated depreciation	<u>(82,616,457)</u>	<u>(7,660,810)</u>	<u>4,048,745</u>	<u>(86,228,522)</u>
Total capital assets being depreciated, net	<u>90,476,041</u>	<u>1,575,765</u>	<u>(743,821)</u>	<u>91,307,985</u>
Component units				
Total capital assets, net	<u>\$ 152,831,334</u>	<u>\$ 20,535,974</u>	<u>\$ (3,928,816)</u>	<u>\$ 169,438,492</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

General government	\$ 2,526,898
Public safety	1,471,424
Culture and recreation	2,793,991
Health and welfare	94,047
Waste water	<u>774,450</u>
 Total	 <u>\$ 7,660,810</u>

Construction in progress in the Governmental Activities as of June 30, 2011, is composed of the following:

	Project <u>Authorization</u>	Expended to <u>June 30, 2011</u>	Commitments <u>Outstanding</u>	Required Future <u>Financing</u>
Primary government:				
Consolidated Dispatch Center	\$ 26,870,000	\$ 1,631,032	\$13,766,976	General obligation bonds
Property Tax Software	2,000,000	1,085,616	895,296	None
Law Enforcement Software	1,500,000	1,052,969	413,076	None
Cartograph Work order System	150,319	174,067	1,053	None
Detention Center Expansion	3,431,628	2,805,920	106,253	None
SCE&G Building	12,500,000	34,986	-	General obligation bonds
Senior Citizens Center	556,752	277,727	131,524	General obligation bonds
PSB Cooling Tower	395,000	248,921	142,287	None
Pictometry Change Analysis	52,460	13,115	39,345	None
Radio System	<u>12,100,000</u>	<u>4,940,018</u>	<u>6,274,025</u>	General obligation bonds
Total primary government	<u>\$ 59,556,159</u>	<u>\$ 12,264,371</u>	<u>\$ 21,769,835</u>	

Commitments outstanding represent signed contracts and outstanding encumbrances of the County. As of June 30, 2011, the County has assets under capital lease with a total cost of \$7,387,329 and a net book value of \$2,910,051. 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.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Construction in progress as of June 30, 2011, in the Business-type activities is composed of the following:

	<u>Project Authorization</u>	<u>Expended to June 30, 2011</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
Primary government:				
Parking Garages Renovations	\$ 5,659,744	\$ 1,414,156	\$ 1,144,919	None
Environmental Management Lined Landfill	<u>142,915</u>	<u>28,355</u>	<u>114,560</u>	None
Total primary government	<u>\$ 5,802,659</u>	<u>\$ 1,442,511</u>	<u>\$ 1,259,479</u>	
Component Unit:				
CCPRC				
Hwy 171 property	\$ -	\$ 5,750	\$ -	None
Wannamaker Phase III	440,000	110,785	-	None
W.O. Thomas Boat landing	28,000	11,880	-	None
McLeod Plantation	700,000	198,985	111,946	None
Manager's residence	185,000	1,084	-	None
West Ashley Phase I	200,000	92,931	88,654	None
Palmetto Islands bulkheads	40,000	15,215	3,145	None
James Island fishing dock	15,000	4,650	-	None
East Arctic property	<u>-</u>	<u>14,466</u>	<u>-</u>	None
Total CCPRC	<u>1,608,000</u>	<u>455,746</u>	<u>203,745</u>	
JIPSD				
Waste water upgrade	<u>1,991,684</u>	<u>1,281,939</u>	<u>709,745</u>	Impact fees & Revenue Bonds
Total JIPSD	<u>1,991,684</u>	<u>1,281,939</u>	<u>709,745</u>	
SPFD				
Station 1	1,652,979	39,510	643,000	None
Station 7	2,478,757	358,518	1,180,994	None
Cascade system	<u>122,411</u>	<u>30,000</u>	<u>92,000</u>	None
Total SPFD	<u>4,254,147</u>	<u>428,028</u>	<u>1,915,994</u>	
Total Component Units	<u>\$ 7,853,831</u>	<u>\$ 2,165,713</u>	<u>\$ 2,829,484</u>	

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

D. Interfund Receivables and Payables

The composition of primary government interfund balances at June 30, 2011, is as follows:

	Receivable Fund	Payable Fund
Major governmental funds: General Fund	\$ 2,520,574	\$ 643,974
Non-major governmental funds	-	1,306,524
Major enterprise funds: Environmental Management	-	1,214,050
Internal service funds	643,974	-
Total	<u>\$ 3,164,548</u>	<u>\$ 3,164,548</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.

E. Interfund Transfers

A summary of transfers is as follows:

	Transfer In	Transfer Out
Major governmental funds:		
General Fund	\$ 885,872	\$ (17,470,734)
Debt Service Fund	5,058,750	(1,007,157)
Transportation and Road Sales Tax	39,745,966	(42,745,966)
G.O.B. Capital Projects	8,811,738	-
Non-major governmental funds	15,024,823	(15,250,255)
Major business-type activities:		
Environmental Management	6,499	-
Parking Garage	-	(2,019,998)
Non-major business-type activities	4,335,602	-
Internal Service Funds	4,890,808	(265,948)
Total	<u>\$ 78,760,058</u>	<u>\$ (78,760,058)</u>

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 March 2008 the Charleston County Library entered into a new lease agreement for copiers. The lease agreement is for a sixty-month period commencing January 2008, with a minimum monthly charge of \$12,450, for a total minimum commitment of \$747,000 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. 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, 2011, is \$194,845.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Year Ending June 30	CCL
2012	\$ 149,400
2013	74,700
	<u>\$ 224,100</u>

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 \$4,947,000 reported as the accrual for landfill closure and post-closure at June 30, 2011, represents the estimated remaining cost reported of \$22,542,000 less \$17,595,000 deferred to date based on the following information:

Landfill Site	Percentage Of Capacity Used	Estimated Costs Recognized			Balance To Be Recognized
		Closure	Postclosure	Total	
Romney Street	100%	\$ 5,244,478	\$ 514,200	\$ 5,758,678	\$ -
Bees Ferry:					
Ash storage facility	100%	929,018	311,500	1,240,518	-
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	12%	1,772,811	617,189	2,390,000	17,540,000
Bees Ferry C&D landfill	97%	1,200,000	593,000	1,793,000	55,000
Totals		<u>\$21,375,116</u>	<u>\$ 5,572,889</u>	<u>\$ 26,948,005</u>	<u>\$ 17,595,000</u>

These amounts are based on what it would cost to perform all closure and post closure care in fiscal year 2011. 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 Assistant 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 207 in the statistical section of this report.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011. The activity in short-term debt for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
SAPPPC	\$ -	\$ 300,000	\$ 300,000	\$ -
SPFD	-	1,000,000	1,000,000	-
	<u>\$ -</u>	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ -</u>

I. Long-term Debt

The following is a summary of debt transactions for the County for the year ended June 30, 2011.

Primary Government:	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011	Amounts Due in One Year
Governmental activities					
General obligation bonds	\$406,590,609	\$ -	\$ 11,633,400	\$ 394,957,209	\$ 13,780,839
Certificates of participation	41,756,721	-	6,511,151	35,245,570	3,663,071
Intergovernmental note payable	33,151,722	-	1,100,406	32,051,316	1,163,460
Capital lease payable	3,070,072	716,113	975,752	2,810,433	1,067,376
Compensated absences	9,994,780	333,613	424,221	9,904,172	424,221
OPEB	10,938,993	2,894,433	-	13,833,426	-
Total	<u>\$505,502,897</u>	<u>\$ 3,944,159</u>	<u>\$ 20,644,930</u>	<u>\$ 488,802,126</u>	<u>\$ 20,098,967</u>
Business-type activities					
Certificates of participation	\$ 7,421,883	\$ -	\$ 1,169,627	\$ 6,252,256	\$ 642,714
Revenue bonds	6,374,140	-	1,530,467	4,843,673	1,611,385
Accrual for landfill closure	4,650,000	297,000	-	4,947,000	297,000
Compensated absences	1,199,413	68,023	221,640	1,045,796	202,245
Total	<u>\$ 19,645,436</u>	<u>\$ 365,023</u>	<u>\$ 2,921,734</u>	<u>\$ 17,088,725</u>	<u>\$ 2,753,344</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, 2011

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, 2011, is comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
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	\$ 38,530,000
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	56,860,000
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	72,460,000
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	145,250,000
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	50,000,000
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	17,835,000
Subtotal		<u>\$ 424,515,000</u>	<u>380,935,000</u>
Less: Deferred refunding cost			(1,933,150)
Add: Premium			15,955,359
General obligation debt per statement of net assets			394,957,209
Less current portion, including deferred refunding cost and premium			(13,780,839)
Long-term portion outstanding			<u>\$ 381,176,370</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, is comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
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	\$ 23,715,000
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.	19,945,000	18,010,000
Subtotal		<u>\$ 64,105,000</u>	41,725,000
Less: Deferred refunding cost			(1,475,276)
Add: Premium			1,248,102
Certificate of participation debt per statement of net assets			41,497,826
Less current portion, including deferred refunding cost and premium			<u>(4,305,785)</u>
Long-term portion outstanding			<u>\$ 37,192,041</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 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.	\$ 14,525,000	\$ 5,005,000
Subtotal		<u>\$ 14,525,000</u>	5,005,000
Less: Deferred refunding cost applicable to business-type activities			(236,622)
Add: Premium applicable to business-type activities			75,295
Revenue bond debt per statement of net assets			4,843,673
Less current portion, including deferred refunding cost and premium			<u>(1,611,385)</u>
Long-term portion outstanding			<u>\$ 3,232,288</u>

Notes Payable. The County's Fleet Management Internal Service Fund has issued a note payable to the Environmental Management Enterprise Fund for \$791,600 payable from Debt Service Fund transfers to the Fleet Management Internal Service Fund.

Primary government note payable at June 30, 2011, is comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
April 1, 1999	Solid Waste Revenue Bond Fund Promissory Note, semi-annual payments of \$40,000 including interest at 6.08 percent, matures in 2014.	\$ 791,600	\$ 216,396
Subtotal		<u>\$ 791,600</u>	216,396
Less current portion			<u>(67,856)</u>
Debt per statement of net assets			<u>\$ 148,540</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Annual requirements to amortize primary government notes payable outstanding at June 30, 2011, are as follows:

Year Ending June 30	Internal Service Fund	Principal	Interest
2012	\$ 80,001	\$ 67,856	\$ 12,145
2013	80,001	72,046	7,955
2014	80,001	76,494	3,507
Total	<u>\$ 240,003</u>	<u>\$ 216,396</u>	<u>\$ 23,607</u>

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, 2011, are as follows:

Year Ending June 30	Intergovernmental Note Payable	Principal	Interest
2012	\$ 3,000,000	\$ 1,163,460	\$ 1,836,540
2013	3,000,000	1,230,126	1,769,874
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
2017-2021	15,000,000	8,618,990	6,381,010
2022-2026	15,000,000	11,388,001	3,611,999
2027-2028	6,000,000	5,521,057	478,943
Total	<u>\$ 51,000,000</u>	<u>\$ 32,051,316</u>	<u>\$ 18,948,684</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 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	\$ 946,027
Lease dated April 2008 payable to Ontario Investments, Inc. for the purchase of EMS computer equipment. Payable in eight equal installments of \$13,990 through December 2011, includes principal and interest at 6.059 percent per annum.	100,539	13,579
Lease dated February 2009 payable to Ontario Investments, Inc. for the purchase of new computer equipment. Payable in eight semi-annual installments of \$116,101 through October 2012, includes principal and interest at 10.6 percent per annum.	775,100	314,206
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	455,157
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	45,070
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	509,568
<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	17,577
Leases dated November 2010 payable to Ontario Investments, Inc. for the purchase of new copiers. Payable in three annual installments of \$24,242 through December 2012, includes principal and interest from 2.221 percent to 4.298 percent per annum.	83,282	59,212
Lease dated September 2008-February 2009 payable to Ontario Investments, Inc. for the purchase of new copier equipment. Payable in five annual installments of \$250,598 through March 2013 and includes principal and interest at 7.285 to 10.994 percent per annum.	1,130,205	450,037
	<u>\$ 5,878,860</u>	<u>2,810,433</u>
Less current portion		<u>(1,067,376)</u>
Long-term portion outstanding		<u>\$ 1,743,057</u>

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

A summary of the annual requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 1,067,376	\$ 140,917	\$ 1,208,293
2013	1,001,201	71,043	1,072,244
2014	549,305	19,952	569,257
2015	<u>192,551</u>	<u>2,470</u>	<u>195,021</u>
Total	<u>\$ 2,810,433</u>	<u>\$ 234,382</u>	<u>\$ 3,044,815</u>



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COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Amortization of Long-term Debt. Annual requirements to amortize primary government general long-term debt outstanding at June 30, 2011, excluding notes payable and accrued compensated absences, are as follows:

Year Ending June 30	General Obligation Bonds		Certificates Of Participation		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 12,675,000	\$ 17,052,437	\$ 4,340,000	\$ 2,036,781	\$ 1,630,000	\$ 250,250	\$ 37,984,468
2013	13,865,000	16,532,641	4,270,000	1,833,119	1,710,000	168,750	38,379,510
2014	15,130,000	15,945,302	4,490,000	1,633,050	1,665,000	83,250	38,946,602
2015	16,470,000	15,310,117	4,690,000	1,414,393	-	-	37,884,510
2016	18,015,000	14,589,057	4,920,000	1,178,768	-	-	38,702,825
2017	19,895,000	13,743,357	5,190,000	927,787	-	-	39,756,144
2018	21,715,000	12,764,320	5,450,000	663,513	-	-	40,592,833
2019	23,705,000	11,680,532	4,135,000	385,945	-	-	39,906,477
2020	25,825,000	10,549,538	2,820,000	177,000	-	-	39,371,538
2021	22,400,000	9,440,989	1,420,000	35,500	-	-	33,296,489
2022	23,960,000	8,311,782	-	-	-	-	32,271,782
2023	24,230,000	7,165,839	-	-	-	-	31,395,839
2024	26,425,000	6,010,927	-	-	-	-	32,435,927
2025	28,775,000	4,753,890	-	-	-	-	33,528,890
2026	31,275,000	3,376,612	-	-	-	-	34,651,612
2027	33,935,000	1,882,855	-	-	-	-	35,817,855
2028	17,570,000	687,262	-	-	-	-	18,257,262
2029	5,070,000	133,088	-	-	-	-	5,203,088
Totals	380,935,000	169,930,545	41,725,000	10,285,856	5,005,000	502,250	608,383,651
Less amount in Business-type activities before discounts and deferred costs	-	-	(6,460,969)	(1,572,122)	(5,005,000)	(502,250)	(13,540,341)
Subtotal	380,935,000	169,930,545	35,264,031	8,713,734	-	-	594,843,310
Less discounts and deferred refunding costs	(1,933,150)	-	(1,103,665)	-	-	-	(3,036,815)
Add Premiums	15,955,359	-	1,085,204	-	-	-	17,040,563
Total debt- governmental activity	\$394,957,209	\$ 169,930,545	\$ 35,245,570	\$ 8,713,734	\$ -	\$ -	\$ 608,847,058

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

<u>Year Ending</u> <u>June 30</u>	<u>Certificates</u> <u>Of Participation</u>		<u>Revenue Bonds</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 682,257	\$ 317,467	\$ 1,630,000	\$ 250,250	\$ 2,879,974
2013	679,651	285,055	1,710,000	168,750	2,843,456
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	6,460,969	1,572,122	5,005,000	502,250	13,540,341
Less discounts and deferred					
refunding costs	(371,611)	-	(236,622)	-	(608,233)
Add Premiums	162,898	-	75,295	-	238,193
Total business-type activities debt	<u>\$ 6,252,256</u>	<u>\$ 1,572,122</u>	<u>\$ 4,843,673</u>	<u>\$ 502,250</u>	<u>\$ 13,170,301</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, 2011.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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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, 2011:

<u>Number of Issues</u>	<u>Current Amount Outstanding (in millions)</u>	<u>Original Issue Amount (in millions)</u>
4	\$189	\$287

The following is a summary of the changes in long-term obligations of the component units for the year ended June 30, 2011:

Component Units:	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due in One year</u>
Accrued compensated absences	\$ 3,248,567	\$ 1,023,319	\$ (729,235)	\$ 3,542,651	\$ 1,628,746
Net other post employment benefits	2,334,740	755,280	(16,776)	3,073,244	15,510
General obligation bonds	15,309,611	16,173,954	(2,047,643)	29,435,922	2,179,947
Capital lease obligations	9,083,623	626,789	(2,193,334)	7,517,078	1,337,650
Revenue bonds	5,985,680	717,520	(690,390)	6,012,810	681,008
Notes payable	<u>51,563</u>	<u>-</u>	<u>(5,333)</u>	<u>46,230</u>	<u>5,543</u>
Total	<u>\$ 36,013,784</u>	<u>\$ 19,296,862</u>	<u>\$ (5,682,711)</u>	<u>\$ 49,627,935</u>	<u>\$ 5,848,404</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
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	Range of Maturity Dates	Range of Interest Rates	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Accrued compensated absences:						
CCL			\$ 948,431	\$ 483,804	\$ (415,254)	\$ 1,016,981
CCPRC			975,621	87,709	(53,145)	1,010,185
JIPSD			426,497	4,405	(24,691)	406,211
SAPPPC			36,597	27	(1,541)	35,083
SJFD			711,959	19,498	-	731,457
SPFD			<u>149,462</u>	<u>427,876</u>	<u>(234,604)</u>	<u>342,734</u>
Total accrued compensated absences			<u>3,248,567</u>	<u>1,023,319</u>	<u>(729,235)</u>	<u>3,542,651</u>
Net other post employment benefits:						
CCPRC			1,136,805	363,911	-	1,500,716
JIPSD			1,077,601	364,116	-	1,441,717
SPFD			<u>120,334</u>	<u>27,253</u>	<u>(16,776)</u>	<u>130,811</u>
Total net other post employment benefits			<u>2,334,740</u>	<u>755,280</u>	<u>(16,776)</u>	<u>3,073,244</u>
General obligation bonds:						
CCPRC	2012 - 2021	2.00% - 4.00%	14,930,000	12,873,954	(1,830,959)	25,972,995
JIPSD	2012 - 2037	5.00% - 5.50%	379,611	-	(10,314)	369,297
SPFD	2012 - 2025	3.45% - 3.59%	<u>-</u>	<u>3,300,000</u>	<u>(206,370)</u>	<u>3,093,630</u>
Total general obligation bonds			<u>15,309,611</u>	<u>16,173,954</u>	<u>(2,047,643)</u>	<u>29,435,922</u>
Capital lease obligations:						
CCPRC	2011	2.05% - 4.41%	481,051	-	(481,051)	-
JIPSD	2012 - 2018	4.07% - 6.88%	1,996,486	-	(441,046)	1,555,440
SAPPPC	2012 - 2014	2.99% - 3.75%	166,739	165,000	(90,350)	241,389
SJFD	2012 - 2021	4.36% - 5.593%	6,123,435	461,789	(864,975)	5,720,249
SPFD	2011	4.67% - 4.86%	<u>315,912</u>	<u>-</u>	<u>(315,912)</u>	<u>-</u>
Total capital lease obligations			<u>9,083,623</u>	<u>626,789</u>	<u>(2,193,334)</u>	<u>7,517,078</u>
Revenue Bonds:						
SAPPPC	2012 - 2019	3.41% - 3.95%	405,682	-	(119,216)	286,466
JIPSD	2012 - 2036	2.00% - 5.75%	6,042,895	717,520	(629,646)	6,130,769
Less deferred refunding costs			<u>(462,897)</u>	<u>-</u>	<u>58,472</u>	<u>(404,425)</u>
Total revenue bonds			<u>5,985,680</u>	<u>717,520</u>	<u>(690,390)</u>	<u>6,012,810</u>
Notes payable						
SAPPPC	2012 - 2019	3.89% - 3.99%	<u>51,563</u>	<u>-</u>	<u>(5,333)</u>	<u>46,230</u>
Total component units long-term obligations			<u>\$36,013,784</u>	<u>\$ 19,296,862</u>	<u>\$ (5,682,711)</u>	<u>\$ 49,627,935</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
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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>	<u>SPFD</u>	<u>CCPRC</u>	<u>JIPSD</u>	<u>Total Component Units</u>
2012	\$ 291,193	\$ 2,682,638	\$ 30,902	\$ 3,004,733
2013	291,194	3,577,141	30,902	3,899,237
2014	291,193	3,773,291	30,902	4,095,386
2015	291,193	4,408,653	30,902	4,730,748
2016	291,193	2,098,423	30,902	2,420,518
2017-2021	1,455,968	13,269,770	152,548	14,878,286
2022-2026	1,019,831	-	113,130	1,132,961
2027-2031	-	-	113,130	113,130
2032-2036	-	-	113,130	113,130
2037	-	-	12,441	12,441
Total	3,931,765	29,809,916	658,889	34,400,570
Less interest and plus unamortized premium included above	<u>(838,135)</u>	<u>(3,836,921)</u>	<u>(289,592)</u>	<u>(4,964,648)</u>
Debt per statement of net assets	<u>\$ 3,093,630</u>	<u>\$ 25,972,995</u>	<u>\$ 369,297</u>	<u>\$ 29,435,922</u>

Future minimum capital lease payments:

<u>Year Ending June 30</u>	<u>JIPSD</u>	<u>SAPPPC</u>	<u>SJFD</u>	<u>Total Component Units</u>
2012	\$ 456,972	\$ 103,841	\$ 1,091,730	\$ 1,652,543
2013	394,783	81,177	850,764	1,326,724
2014	288,392	48,115	850,764	1,187,271
2015	147,284	19,387	850,764	1,017,435
2016	147,284	-	734,198	881,482
2017-2021	<u>291,175</u>	<u>-</u>	<u>2,646,413</u>	<u>2,937,588</u>
Future minimum capital lease payments	1,725,890	252,520	7,024,633	9,003,043
Less amount representing interest	<u>(170,450)</u>	<u>(11,131)</u>	<u>(1,304,384)</u>	<u>(1,485,965)</u>
Debt per statement of net assets	<u>\$ 1,555,440</u>	<u>\$ 241,389</u>	<u>\$ 5,720,249</u>	<u>\$ 7,517,078</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Revenue Bonds:

<u>Year ending June 30</u>	<u>JIPSD</u>	<u>SAPPPC</u>	Total Component Units
2012	\$ 923,776	\$ 87,383	\$ 1,011,159
2013	924,376	71,763	996,139
2014	919,176	60,605	979,781
2015	923,115	60,950	984,065
2016	914,272	29,958	944,230
2017-2021	1,959,403	-	1,959,403
2022-2026	548,501	-	548,501
2027-2031	490,111	-	490,111
2032-2036	<u>156,204</u>	<u>-</u>	<u>156,204</u>
Total	7,758,934	310,659	8,069,593
Less interest and deferred refunding costs included above	<u>(2,032,590)</u>	<u>(24,193)</u>	<u>(2,056,783)</u>
Debt per statement of net assets	<u>\$ 5,726,344</u>	<u>\$ 286,466</u>	<u>\$ 6,012,810</u>

Notes Payable:

<u>Year ending June 30</u>	<u>SAPPPC</u>
2012	\$ 7,274
2013	7,271
2014	7,271
2015	7,271
2016	7,271
2017-2020	<u>16,961</u>
Total	53,319
Less interest included above	<u>(7,089)</u>
Debt per statement of net assets	<u>\$ 46,230</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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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, 2011, the following debt issues outstanding are considered defeased:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Primary government:		
General Obligation Bonds:		
Series 1994	\$ 5,830,000	
Series 1999	14,155,000	
Series 2001	<u>3,700,000</u>	
Total General Obligation Bonds	<u>23,685,000</u>	
Certificates of Participation:		
Series 1995	<u>35,743,147</u>	<u>\$ 8,426,853</u>
Total Certificates of Participation	<u>35,743,147</u>	<u>8,426,853</u>
Revenue Bonds:		
Solid Waste User Fee Revenue Bonds		
Series 1994	<u>-</u>	<u>5,360,000</u>
Total Revenue Bonds	<u>-</u>	<u>5,360,000</u>
Total primary government	<u>\$ 59,428,147</u>	<u>\$ 13,786,853</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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		\$ 3,118,892,338
Value of merchants inventory and manufacturers depreciation		<u>26,943,597</u>
Total assessed value		<u>\$ 3,145,835,935</u>
Debt limitation - 8 percent of total assessed value		\$ 251,666,874
Total bonded debt:		
General Obligation Bonds	\$380,935,000	
Less:		
Bonds issued pursuant to referendum:		
Series 2004 Refunding G.O. Bond	\$(5,000,000)	
Series 2007 G.O. Bond Transportation Sales tax	(145,250,000)	
Series 2006 G.O. Bond Transportation Sales tax	<u>(56,860,000)</u>	
	(207,110,000)	
Total debt subject to debt limit		<u>173,825,000</u>
Legal debt margin		<u>\$ 77,841,874</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

IV. 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 \$3,520,000 reported in the Fund at June 30, 2011, is based on the requirements of 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 assets.

**COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Changes in the Fund's estimated claims liability amount in fiscal year 2011 and 2010 were:

<u>Year Ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$ 2,750,000	\$ 3,404,788	\$ (3,539,788)	\$ 2,615,000
2011	2,615,000	5,915,414	(5,010,414)	3,520,000

For all of the above risk management programs, except workers' compensation, the County and its component units have not significantly reduced insurance coverages 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, 2011

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 Assets:	<u>DAODAS</u>
Assets:	
Current assets	\$ 2,639,834
Deferred issuance costs	41,806
Capital assets	<u>6,822,972</u>
Total assets	<u>\$ 9,504,612</u>
Liabilities:	
Current liabilities	\$ 412,302
Certificates of participation	2,754,214
Other long-term obligations	<u>295,212</u>
Total liabilities	<u>3,461,728</u>
Net Assets:	
Invested in capital assets, net of related debt	4,068,758
Unrestricted	<u>1,974,126</u>
Total net assets	<u>6,042,884</u>
Total liabilities and net assets	<u>\$ 9,504,612</u>

**Condensed Statement of Revenues,
Expenses, and Changes in Net Assets:**

	<u>DAODAS</u>
Operating revenues	\$ 5,643,453
Depreciation and amortization	(256,466)
Other operating expenses	<u>(8,664,333)</u>
Operating income (loss)	<u>(3,277,346)</u>
Nonoperating revenues (expenses):	
Interest income	9,544
Interest expense	(215,402)
Intergovernmental revenue	<u>605,096</u>
Total nonoperating revenues (expenses)	<u>399,238</u>
Net Transfers in	<u>2,391,599</u>
Change in net assets	(486,509)
Beginning net assets	<u>6,529,393</u>
Ending net assets	<u>\$ 6,042,884</u>

Condensed Statement of Cash Flows:

	<u>DAODAS</u>
Net cash provided (used) by:	
Operating activities	\$ (3,375,947)
Noncapital financing activities	2,996,695
Capital and related financing activities	(723,369)
Investing activities	<u>9,544</u>
Net increase (decrease)	(1,093,077)
Beginning cash and cash equivalents	<u>2,418,047</u>
Ending cash and cash equivalents	<u>\$ 1,324,970</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

C. Subsequent Events

On July 27, 2011, the County issued General Obligation Capital Improvement Bonds with a par value of \$27,100,000. The County also issued General Obligation Capital Improvement Transportation Sales Tax Bonds with a par value of \$167,000,000.

On October 13, 2011, the County purchased the South Carolina Electric & Gas Company building located on Leeds Avenue. The purchase price was \$4.5 million. This property will be developed for a Sheriff's Law Enforcement Center.

During October 2011, County Council authorized staff to finalize negotiations with Motorola for Phase 3 of the new network design. The price is not to exceed \$7,000,000.

During the fiscal year, Charleston County Council approved the future issuance of a tax anticipation note (TAN) in the amount of \$1,000,000 for St. John's Fire District. Subsequent to June 30, 2011, the District has not borrowed any funds on this TAN. The entire \$1,000,000 is available to the District as of the date of their audit report. This note, which bears interest at a rate equal to the interest rate paid by the South Carolina Investment Pool during the period the note is outstanding, is due and payable in March 2012.

The St. John's Fire District is in the process of obtaining general obligation bonds of approximately \$7.5 million to fund buildings/improvements and several fire truck acquisitions. The District anticipates the bond closing will occur in December 2011.

At year end, the James Island Public Service District was waiting on approved loan proceeds from two SC Budget and Control Board (SCB&CB) loans. The loan proceeds are to be used to pay \$1,921,684 of the cost of two wastewater projects which will cost \$1,991,684, and will be completed in the year ended June 30, 2012.

The first SCB&CB loan was closed on June 28, 2011, in the amount of \$1,334,927. This loan will be amortized in 80 quarterly payments of \$23,273. Payments will begin on October 1, 2011. As of June 30, 2011, the District was still waiting to receive the proceeds of this loan.

The second SCB&CB loan was received on October 3, 2011, in the amount of \$586,757. This loan will be amortized over 79 quarterly payments of \$10,319. Payments on this loan are also scheduled to begin on October 1, 2011.

In October 2011, the Commissioner of St. Paul's Fire District approved an amendment increasing a construction contract by \$315,000.

On July 29, 2011, the Charleston County Park and Recreation Commission purchased a tract of land on Hughes Road consisting of approximately 208 acres of highlands and approximately 115 acres of marshlands. The purchase price was \$4,900,000, of which \$4,075,000 was funded by the Greenbelt Bank Board and \$825,000 from the Commission.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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JUNE 30, 2011

On September 11, 2011, the Charleston County Park and Recreation Commission purchased a tract of land on Highway 171 consisting of approximately 48.50 acres of highlands and approximately 10 acres of marshlands. The purchase price was \$3,400,000 which was funded from the debt service fund and is expected to be reimbursed from the General Obligation Bond proceeds.

On and around August 26, 2011, Hurricane Irene caused extensive damage to the Folly Beach County Park due to beach erosion. Costs to stabilize the beach incurred through November 2, 2011, totaled \$152,850.

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.

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.

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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.

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.

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

<u>Year ending June 30</u>	
2012	\$ 3,241,852
2013	2,536,401
2014	1,930,560
TOTAL	<u>\$ 7,708,813</u>

The amount paid for these services for the year-ended June 30, 2011, was \$3,774,327.

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. 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 \$60,000 each year to provide for the re-nourishment of the erosion that occurs along Folly Beach. During the year ended June 30, 2011, \$0 funds were transferred to the City of Folly Beach for re-nourishment. Capital Projects fund balance of \$414,179 has been reserved for beach re-nourishment.

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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. Total payments made prior to June 30, 2011, for the 2011 program year were \$466,922. The agreement was modified for the 2007 program year to provide for an equitable sharing of increased program fees collected during the year. The amount accrued as program revenue under this agreement was \$280,483.

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.

On August 22, 2005, the Charleston County Park and Recreation Commission entered into an agreement with K.L.B. Group DBA Locklear's Beach City Grill to allow this corporation to operate the restaurant at the Folly Pier. The original lease term was for five years beginning October 1, 2005. The building held for rent had an estimated cost of \$1,253,494 and an estimated net book value of \$883,499. Rent started at \$7,400 per month and increases each November based on the current CPI. The new rental per month based on the CPI increased to \$8,191 per month on November 1, 2010. The lease also provided for contingent rentals of 7.25 percent of annual sales greater than \$1,200,000.

In August 2009 the Commission and K.L.B. Group entered into an agreement to allow the corporation to exercise the option of extending the lease for an additional five years, with the option terminating on October 31, 2015.

The following is a schedule by years of the minimum future rentals on the non-cancelable operating lease as of June 30, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 98,292
2013	98,292
2014	98,292
2015	98,292
2016	<u>32,764</u>
Total minimum lease rentals	<u>\$ 425,932</u>

Total rent income of \$101,393 was recorded during the year.

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, 2008, in the amount of \$61,340. 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 June 24, 2010, the Commission entered into another one year contract with the City covering the period from July 1, 2010 to June 30, 2011, with essentially identical terms as previous contracts.

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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, 2011, the leased assets have a book value of \$82,462.

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, 2011, the District owes the City \$16,679. This contract was extended for one year until June 30, 2012.

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 \$2,058,419 for the fiscal year ending June 30, 2011.

Total contributions made by the Charleston County Library's plan members were \$260,973 for the fiscal year ending June 30, 2011.

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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.

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. 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.

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- 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 543 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, 2011, the County recognized expenses of \$1,196,061 for healthcare, which were net of retiree contributions of \$1,176,450. The James Island Public Service District had 25 employees who had retired and receiving benefits under their plan. The District recognized expenses of \$133,185 for health care premium net of retiree contributions of \$34,150. The St. Paul's Fire District had 3 employees who had retired and receiving benefits under their plan. The District recognized expenses of \$12,000 for health care premiums. The Charleston County Park and Recreation Commission had 5 employees who are retired and receiving benefits.

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, 2011, the County's annual OPEB cost was \$4,570,445 for the post employment healthcare plan. The County's annual OPEB cost for the current year is as follows:

Annual Required Contribution	\$ 4,534,259
Interest on OPEB obligation	492,255
Adjustment to ARC	<u>(456,069)</u>
Annual OPEB cost (expense) end of year	4,570,445
Net estimated employer contributions	<u>(1,676,012)</u>
Increase in net OPEB obligation	\$ 2,894,433
Net OPEB obligation/(asset) beginning of year	\$ 10,938,993
Net OPEB obligation/(asset) end of year	\$ 13,833,426

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.

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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	Starting at 9.0% and decreasing by .5% per year to 4.5% per after 9 years

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, 2011 and the preceding two fiscal years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer Amount</u> <u>Contributed</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2009	\$5,947,354	\$1,872,824	31.5%	\$ 8,286,334
June 30, 2010	\$4,402,193	\$1,749,534	39.7%	\$10,938,993
June 30, 2011	\$4,570,445	\$1,676,012	36.7%	\$13,833,426

Schedule of Funding Progress and Status

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets (a)</u>	<u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL) (b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll ((b-</u> <u>a)/c)</u>
7/1/2007	\$ -	\$52,972,306	\$52,972,306	0%	\$93,550,000	56.62%
7/1/2008	\$ -	\$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%
7/1/2010	\$ -	\$47,374,110	\$47,374,110	0%	\$99,400,000	47.66%

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H. Funds Held by Coastal Community Foundation

As of June 30, 2011, the Coastal Community Foundation was holding \$431,055 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. During the year, \$5,000 was awarded as grants to the Library. Of the balance, \$10,087 is available for grants to the Library.

As of June 30, 2011, the Coastal Community Foundation was holding \$82,395 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, \$2,900 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.

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 State Budget and Control Board. 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. 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 Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy - SCRS. Plan members are required to contribute 6.50 percent of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 9.24 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 6.7 percent of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 10.65 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.

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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, 2011, 2010, and 2009:

<u>SCRS Contributions</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Primary government:	\$ 6,025,133	\$ 6,038,511	\$ 6,157,100
Component units:			
CCL	653,680	641,886	670,394
CCPRC	810,537	750,734	691,007
JIPSD	395,833	393,616	402,807
SAPPPC	106,196	109,493	110,901
SJFD	36,538	47,767	44,726
SPFD	<u>9,464</u>	<u>9,998</u>	<u>7,633</u>
Total SCRS	\$ <u>8,037,381</u>	\$ <u>7,992,005</u>	\$ <u>8,084,568</u>
 <u>SCPORS Contributions</u>			
Primary government:	\$ 3,694,484	\$ 3,303,451	\$ 3,290,463
Component units:			
SJFD	525,406	492,090	479,814
SPFD	<u>258,948</u>	<u>267,074</u>	<u>236,949</u>
Total SCPORS	\$ <u>4,478,838</u>	\$ <u>4,062,615</u>	\$ <u>4,007,226</u>

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

During fiscal year 2011, Charleston County offered a voluntary retirement incentive to employees who were eligible to retire under the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS). Employees who chose to participate in the program were required to separate from Charleston County no later than March 31, 2011. Departments and offices that had employees participate in the program were required to reduce their budgets by 75 percent of the annual salary for the retiree. This reduction is required to be maintained through fiscal year 2014.

Employees were offered two incentive choices. They could receive one week's pay for every year worked with the county, up to a maximum of 26 weeks pay or they could select to have the county purchase two and one half years of service credit in SCRS or PORS. A total of 38 Charleston County employees and 10 Charleston County Library employees retired under the incentive program. The total program cost was \$1,253,460. The program resulted in \$1,999,927 of savings in the fiscal year 2012 budget.

J. Pending GASB Pronouncements

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" for periods beginning after June 15, 2012. The effect of implementation of this statement on the financial statements for the County's year ending June 30, 2013 has not yet been determined. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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This Statement modifies certain requirements for inclusion of component units in this financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government.

The GASB has issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" for periods beginning after December 15, 2011. The effect of implementation of this statement on the financial statements for the County's year ending June 30, 2013 has not yet been determined. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.