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To the members of County Council and the citizens of Charleston County, South Carolina:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements, presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for Charleston County, South Carolina, for the fiscal year ending June 30, 2008.

This report consists of management's representations concerning the finances of Charleston County. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Charleston County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and beliefs, this financial report is complete and reliable in all material aspects.

Charleston County's financial statements have been audited by Scott McElveen, L.L.P, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Charleston County's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Charleston County was part of a broader, federally mandated "Single Audit" that is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Charleston County's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement, and should be read in conjunction with MD&A. Charleston County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The County of Charleston 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. Policy-making and legislative authority is vested in a governing council consisting of nine Council members. The Council is elected on a partisan basis. During the November 2006 election Council finished the conversion from all members being elected at large to single-member district elections. Six seats were converted in the November, 2004 election and the final three seats were converted in the November, 2006 election.

Charleston County Council is responsible for, among other duties, passing ordinances and policies, approving the budget, appointing committee members, and hiring the County's Administrator, Internal Auditor and Attorney. The Administrator is responsible for enforcing the policies and ordinances of the governing council, overseeing the day-to-day operations of the government services and its approximately 2,300 employees, and for appointing the heads of the various County departments.

Charleston County, under a Council-Administrator form of government, provides a broad range of services that include:

- Public safety - countywide law enforcement (Sheriff's Office), detention facilities, emergency preparedness plans to include activation of the County's Emergency Operations Center in an event of a disaster, as well as fire protection in the Awendaw Consolidated Fire District, the East Cooper Fire District, the West St. Andrew's Fire District, and Northern Charleston County Fire District
- Veterans' assistance
- Health-related assistance - Emergency Medical Services (EMS), alcohol and other drug abuse services, indigent health care, and social services
- Voter registration
- Street and drainage maintenance
- Waste disposal and recycling
- Planning and zoning administration
- Criminal, civil, probate, and family court administration
- Public defender assistance
- Tax billing, collection, and dispersal to appropriate entities/municipalities
- Mosquito control

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Charleston Public Facilities Corporation has been shown in the government-wide statements in both the government and business-type activities, as appropriate. It is also shown in the fund financial statements in the debt service and capital project governmental funds, and in the parking garages and other enterprise funds. Charleston Development Corporation has been shown in the government-wide statements in the governmental activities, and in the fund financial statements in other governmental funds.

Discretely presented component units are reported in a separate column in the statement of net assets and in the statement of activities in order to emphasize that they are legally separate from the primary government, and to differentiate their financial position and results of operations from those of the primary government.

The following entities are being reported as discretely presented component units:

- Charleston County Library (CCL)
- Charleston County Park and Recreation Commission (CCPRC)
- Cooper River Park and Playground Commission (CRPPC)
- James Island Public Service District (JIPSD)
- North Charleston District (NCD)
- St. Andrew's Parish Parks and Playground Commission (SAPPPC)
- St. John's Fire District (SJFD)
- St. Paul's Fire District (SPFD)

Charleston County Volunteer Rescue Squad (CCVRS)

Additional information on these nine legally separate entities can be found in Note I.B. in the notes to the financial statements starting on Page 64.

The annual budget serves as the foundation for Charleston County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the County Administrator by March 15 each year. The County's Budget Office uses these requests as the starting point for developing a proposed budget for the next fiscal year. The County Administrator presents the proposed budget to County Council for review during May. Council is required to hold public hearings on the proposed budget, and to adopt a final budget each year no later than June 30, which is the close of Charleston County's fiscal year. The appropriated budget is prepared by fund, function (public safety), and department (Sheriff's Office).

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 (personnel, non-personnel, and capital outlay) are further defined in the budget document and are subject to approval by the County Administrator. The County Administrator has the authority to make transfers between major expenditure categories within departments and between departments within the same fund. The Administrator has further delegated to the Chief Deputy Administrator/CFO, the Deputy Administrator for Support, the Deputy Administrator for Operations, and the Deputy Administrator for Transportation Sales Tax the authority to transfer between departments under their authority. The budget ordinance must be amended by County Council to effect changes in fund totals.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General fund, this comparison is presented on Pages 47-49 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General fund, with appropriated annual budgets, this comparison is presented in the non-major governmental fund subsection of this report, which begins on Page 137.

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Charleston's Economy at a Glance. Charleston County's economic base is diversified and growing. The economy has gone through a significant shift in the past two decades from a military dependent economy to a more diversified economy that is stimulated by four distinct economic engines:

- The tourism industry, experiencing quantum growth in recent years, expanding the tourist season to be virtually year-round.
- The Port of Charleston, fueling the manufacturing and supply chain sectors in Charleston, statewide, and around the nation.

- The medical industry, focused around the Medical University of South Carolina (MUSC), the State's teaching hospital.
- The military, with significant Air Force, Navy, Army, and Coast Guard facilities in Charleston.

The history, quality of life, and culture of the area have also continued to attract new residents, which has in turn encouraged the real estate and development industries.

Biotech research at MUSC has generated many new emerging technology companies in the area and key federal and state research institutions. These new facilities are: NOAA Southeast Coastal Center, the Hollings Marine Laboratory, and the Clemson University Extension Vegetable Research Center have propelled Charleston County into a bustling and varied research hub.

Recent Economic Indicators. General economic indicators for 2007 were reported by the Charleston Metro Chamber Economic Outlook Board in March of 2008. Highlights are as follows:

Population-

The Charleston metro area population increased by over 8 percent, 506,875 to 549,033 persons, in the decade from 1990 to 2000. The U.S. Census Bureau estimates the 2007 population in the metro area to be 630,100, meaning that the percentage growth from 2000 to 2007 has been 14.8 percent. The percentage growth is significant as it surpasses the State of South Carolina's growth (9.9 percent) and the United State's growth (7.2 percent) during the same period.

Labor Force & Employment-

Since the Naval Base closed in 1995, the civilian labor force in the Charleston region has grown by almost 28 percent, from 245,940 to 314,960 persons as of 2007. The Metro Chamber of Commerce's Economic Outlook Board reported that total employment grew by 10,045 jobs in 2007, for an increase of 3.5 percent, which is three times the national average (1.1 percent). Labor force and employment are forecasted to grow at an average of just under 1 percent in 2008 and then expand by 1.2 percent in 2009, keeping the unemployment rate stable between 4.5-4.6 percent. As of May 2008, the Charleston region is experiencing 4.6 percent unemployment, compared to the state of South Carolina at 6.1 percent.

Housing-

A total of 6,753 new residential permits were issued in the Charleston region in 2007, which was a decline of 25.6 percent from the previous year. The average sales price of all homes sold increased from \$291,056 in 2006 to \$300,446 in 2007 – a 3.2 percent increase.

Retail Sales-

Total retail sales for the Charleston area grew 2.5 percent in 2007, topping \$18.6 billion with \$13 billion of that total being spent in Charleston County. The Tanger Outlet Mall/Centre Point development in North Charleston continued to expand in 2007 and 2008, with several new retail businesses opening.

Visitor Industry-

The Charleston region attracted over 4.3 million visitors in 2007, generating an economic impact of \$5.3 billion. Hotel occupancy rates were 73.5 percent for the year, and the average daily rate for lodging increased 8 percent from 2006 up to \$150.47 per night. Attendance rates at area attractions have remained flat over the past few years as the profile of visitors to the Charleston region has shifted. Many of the region's visitors are now largely repeat visitors coming to shop and dine in the area several times a year.



Port Activity-

In 2007, the Port of Charleston was ranked fourth on the list of busiest U.S. East Coast container ports. It is consistently recognized as one of the nation's most efficient and productive ports. In 2007, the Port of Charleston handled 1.75 million TEUs (twenty foot equivalent cargo containers). The Charleston break-bulk cargo totaled 646,000 tons. Port activity is expected to rise over the next decade, largely due to the new container terminal currently under construction on the former Navy base. Site preparation associated with the new 280-acre terminal is currently underway. The terminal is expected to open in 2014 and, at build out, will increase

Charleston's total container capacity by 50 percent. In addition, a new 25-acre yard will open at the Wando Welch Terminal by the end of 2008, representing a 10 percent capacity increase for the terminal.

Airport Activity-

Total passenger activity at the Charleston International Airport increased by over 20 percent in 2007, largely thanks to the arrival of low cost carrier AirTran Airways. Total passenger traffic increased on all airlines as a result of the lower fares. Average one way fares declined by 20 percent, saving Charleston air travelers an estimated \$70-80 million.

BRIEF SECTOR PROFILES

Visitor Industry. Tourism has long been an economic mainstay in one of America's most photogenic and historic cities. In the 1990's this sector soared, recording visitation and earnings once thought impossible. Charleston recorded 4.3 million visitors in 2007, providing an economic impact of \$5.3 billion to the local economy. The hospitality industry directly employs 36,700 people in Charleston County, accounting for 12.3 percent of the workforce. When direct and indirect employment from the hospitality industry is combined, the total employed balloons to over 50,000.

Charleston hoteliers have widely expanded the regional room inventory and range of choices in the past decade. Current regional inventory of hotel rooms stood at 16,669 at the end of 2007, with 14,938 of those rooms located in Charleston County. The hotel industry has not only seen growth in the number of available rooms, but is also seeing an increase in occupancy rates and average daily rates. Occupancy has risen significantly since the lower travel years following 9/11 terrorist attacks to its current average of 73.5 percent. The average daily rates have also steadily climbed to the current 2007 level of \$150.47 per night.

Complementing this lodging growth, in 1997 Charleston County partnered with the City of North Charleston on the \$37 million Charleston Area Convention Center Complex, which is made up of a 160,000 square foot convention facility, a Performing Arts Center, and a 14,000 seat coliseum. These facilities have been host to numerous high profile events including industry trade shows, conferences, Broadway plays, and concerts featuring Grammy Award-winning artists.

The past few years have seen the emergence of a new facet to Charleston's tourism market – the cruise ship industry. For many years ships made calls into the Charleston area sporadically, but the trend toward marketing to passengers within driving distance of smaller terminals has allowed Charleston to siphon off some of the lucrative business typically staged from Florida. The State Ports Authority (SPA) announced in November 2007 that it had signed a new contract with Norwegian Cruise Line that will bring 36 Norwegian ships to the Charleston port a year, which is an increase of nine ships over the previous season's totals. The agreement guarantees a minimum of 105,000 passengers, most of who will shop and dine in the Market Street area. The SPA predicts record-setting numbers this year for the fall through spring cruise season. Five other cruise lines are scheduled to visit Charleston as a port of call, though Norwegian is the only cruise line with an SPA contract.

Restaurants in Charleston multiply and flourish, nourished by a constant flow of aspiring and accomplished chefs coupled with an increasingly affluent Charleston visitor. *The New York Times*, *Southern Living*, *Bon Appetit*, and *Wine Spectator* have all praised area restaurants where seafood, nouvelle, and southern cooking predominate in the over 100 restaurants in downtown Charleston alone. The average Charleston visitor is well acquainted with these wonderful restaurants, as they spent an average of \$235 per day in 2007 on food, accommodations, local attractions, shopping, and other entertainment.

The Port. The Port of Charleston is currently ranked fourth as the busiest port of the U.S. East Coast, maintaining its 2006 ranking. Port volume is expected to increase in the coming years due to the 2007 announcement that the State Ports Authority (SPA) received permits for a new three-berth, 280-acre marine terminal at the former Charleston Naval Base. Work is already underway at the new facility and the first phase of the terminal is expected to open in six years.

The Charleston customs district ranks as the nation's sixth largest in dollar value of international shipments, with the Port of Charleston's cargo valued at more than \$60 billion annually. Top commodities that pass through Charleston docks include consumer goods, agricultural products, metals, machinery, vehicles, chemicals and clay products. Charleston's five port facilities, located close to the open ocean for fast turnarounds, consist of two container ports, two break-bulk ports, and one container and break-bulk port.

The \$148 million Charleston harbor deepening project completed in 2004 took the inner harbor channel to -45 feet at mean low water. With the completion of the Arthur Ravenel Bridge spanning the Cooper River, and with 186 feet of vertical clearance at mean high water, it allows Charleston to handle larger vessels under any tidal condition. The SPA's fiscal year 2008 capital improvement program calls for \$128.7 million in enhancements and equipment for new and existing facilities.



The Port of Charleston

The SPA, which operates the Port of Charleston, employs approximately 600 people. International trade through the SPA's facilities provides 260,800 jobs paying \$11.8 billion in wages to South Carolinians. In all, trade pumps \$44.8 billion into the state economy and generates \$1.5 billion in state and local taxes.

The Medical Industry. The region's medical industry is anchored by the State's teaching hospital, the Medical University of South Carolina (MUSC), and accounts for over 10 percent of the area's total employment. The majority of the employment currently exists in five private regional hospitals, MUSC, Charleston Memorial Hospital, and the Ralph H. Johnson VA Medical Center, along with the hundreds of general practitioners, dentists, and medical specialists in the region.

The center of energy in the region's medical arena is MUSC. It is made up of six colleges: College of Medicine, College of Pharmacy, College of Nursing, College of Graduate Studies, College of Dental Medicine, and College of Health Professions. These colleges give students a variety of options and gives the region a talented group of new medical professionals every year. Enrollment in the six colleges collectively stands at 2,537, with over 1,300 faculty members being employed. In fiscal year 2008, MUSC received \$200 million in research funding.

MUSC established one of the first infirmaries specifically for teaching purposes in 1834, which is now known as the MUSC Medical Center. This comprehensive facility is now comprised of three separate hospitals: the University Hospital, the Institute of Psychiatry, and the Children's Hospital. The Medical Center includes centers for specialized care: Heart Center, Transplantation Center, Hollings Cancer Center, Digestive Diseases Center, and Storm Eye Institute. Numerous outpatient facilities include the Family Medicine Center and affiliated faculty practice ambulatory care centers. Among the programs that have earned distinguished reputations at the Medical University of South Carolina are: neuroscience, substance abuse, cardiovascular medicine, drug sciences, prenatal medicine, ophthalmology, hearing loss, genetics, rheumatology, and cancer care.

In 2007, the MUSC Medical Center completed a 156 bed, 641,000 square foot expansion of its medical center. The new facility was named Ashley River Tower and is now home to the hospital's Heart & Vascular center as well as its Digestive Disease Center. Scheduled for completion over the next several years are the new James B. Edwards College of Dental Medicine Clinical Education Building and a new Bee Street Parking Garage. A Drug Discovery Building is already in the design phase, and approvals are expected soon for a Bioengineering Building in collaboration with the University of South Carolina and Clemson University.

Several of the private hospitals are also currently in a growth mode. Roper St. Francis Healthcare, a non-profit hospital group, broke ground on a new medical campus in the Mt. Pleasant area in May 2008. The 308,000 sq. ft., \$164 million campus will include a medical office building (90,000 sq. ft., \$21 million) and a state-of-the-art hospital (218,000 sq. ft. - \$143 million). The 85-bed full-service hospital expects to receive its first patients in November 2010. The hospital will include 24-hour Emergency Care, Women's Services including high tech and comfortable Labor & Delivery Suites, inpatient and outpatient surgery, Intensive and Critical Care Units, and imaging, laboratory and pharmacy. East Cooper Regional Medical Center is also building a new hospital in Mt. Pleasant to replace its existing facility. The new 250,000 sq. ft. hospital will cost \$160 million to build, and it will be equipped with 140 beds. Along with the additional bed space, the new hospital brings 200 more jobs in addition to the over 600 that East Cooper currently provides. It is expected to be completed in early 2010.

The Military. Despite the 1993 decision to close most of the Charleston Naval Complex, the military still makes a large annual economic impact in the Charleston region. There are 22,000 active-duty, reserve personnel, civilians, and civilian contractors employed in the region by the area's defense facilities. In total, the military provides an annual economic impact on the Charleston region estimated at \$3.4 billion.

The Charleston Air Force Base is home to 437th Airlift along with 6,150 (airbase) employees and over 50 C-17

aircraft. The C-17s are currently serving a vital supply role to the military in both Afghanistan and Iraq. The Charleston Naval Weapons Station is another of the larger military facilities in the area, employing 11,000 people in over 40 separate commands.

The Space and Naval Warfare Systems Center Charleston (SPAWAR) is a high technology, engineering facility that designs, builds, tests, fields, and supports the Navy as well as other federal customers. SPAWAR Charleston is responsible for integrating the Mine Resistant Ambush Protected (MRAP) vehicles that are used to protect the warfighters on the ground in Iraq and Afghanistan. MRAPs have a V-shaped hull that deflects bomb blasts and protects troops better than other military vehicles. MRAP vehicles are equipped with a full complement of command, control, computers, communication, intelligence, surveillance and reconnaissance systems by the SPAWAR Charleston employees. In August 2008, SPAWAR celebrated the integration of the 10,000th MRAP vehicle. The facility employs over 2,400 Civil Service employees with an average salary of \$75,678 and supports an estimated 80 local defense contractors operating in the region, which employ 9,000 contractor employees. SPAWAR's economic impact on Charleston's economy is estimated at \$1.5 billion.

Other facilities include the Nuclear Power Training Command and Nuclear Power Training Unit, which are both state-of-the-art nuclear power schools that graduate over 2,000 students each year. The Army's Combat Equipment Group Afloat and Surface Deployment Distribution Commands 841st Transportation Battalion both transport equipment to support the war efforts. The US Coast Guard and Federal Law Enforcement Training Center also operate facilities in the region.

Industrial and Service Companies. The Charleston region has experienced record levels of success in economic recruitment since 1995, when it commenced a unique tri-county collaborative industry recruitment program. Through the end of 2007, over \$2.67 billion in corporate and industrial capital investment was recorded and some 15,780 new primary jobs were created in Charleston County. Charleston has placed on the state's top performing counties list ten times. In 2007 the trend continued as the Charleston region was ranked 12th on the Milken Institute's "Best Performing Cities" list, with its job growth seven percent ahead of the U.S. average. The Best Performing Cities index ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The components include job, wage and salary and technology growth.

Pro-business government attitudes permeate through the State of South Carolina and the Charleston region, where state commerce department officials work hand-in-hand with economic developers from the Charleston Regional Development Alliance, Charleston County and its three largest municipalities: City of Charleston, City of North Charleston, and Town of Mt. Pleasant. This team searches out national and international business prospects, facilitating their relocations and expansions. State and local financial incentives are strategically utilized to leverage private sector relocation and expansion decisions. A key incentive among these is the customized, turn-key workforce training available from the state's Center for Accelerated Technology Training, the oldest and most well regarded program of its kind in the U.S.

Charleston County in 2004 embraced a recruitment strategy that centers on five key economic clusters:

- Aerospace and Aviation
- Automotive Manufacturing and Suppliers
- Biotech, Medical and Pharmaceutical Activities
- Information Technology and Advanced Security
- The Creative Cluster of Internet, Movie-Making, Architecture and Urban Design- Related Activities

Aerospace and Aviation-

Recently opened for business at the Charleston International Airport, the Vought aircraft complex is an international collaboration on a cutting edge commercial aircraft which is already making history. The Boeing 787 will be the first commercial aircraft ever constructed from carbon graphite composite materials. They are a super-strength, light-weight material with many fuel efficiency and maintenance advantages over conventional metals traditionally used in aviation.

During May 2007, Vought Aircraft Industries (Dallas, TX) fabricated its first aft fuselage for the 787, and Global Aeronautica (a joint venture of Vought and Alenia Aeronautica of Milan, Italy) integrated the flooring systems and various other interior components. The finished fuselage sections are being shipped via air on Dreamlifters (large, converted 747s) to the Boeing facility in Everett, WA, for final assembly. There they are united with the wings, tail, front fuselage and nose cone sections made in Italy, Japan, and Wichita, KS. Boeing held a roll-out



Vought Aircraft Industries Dreamliners

ceremony for the first completed 787 on July 7, 2007, in Everett, WA. Its worldwide suppliers on several continents joined via simulcast, including the U.S. City of North Charleston, SC.

The local Vought plant did experience a few setbacks in 2008. In November 2008, Vought announced it would be temporarily halting work on the 787 at its North Charleston plant along with laying off some employees. The temporary halt and layoffs are the result of a two-month-long strike at Boeing's final assembly plant in Everett, WA. In addition, the first test flight of the 787 has been delayed several times due to several different factors. The first plane is now scheduled for

delivery sometime in 2009. Despite the setbacks, the future still appears to be bright for the 787 program and its local Charleston presence. The 787 is the fastest selling airplane in commercial aviation history with around 900 firm orders currently on the books.

Charleston's aerospace cluster gained another member in December 2007 when Venture Aerobearings announced a capital investment of \$28 million and 100 new jobs. The new company is a joint venture of GE Aviation and SKF Aerobearings. The new facility will be responsible for manufacturing and repairing bearings for GE jet engines.



Venture Aerobearings

Automotive Manufacturing-

In 2007, Charleston County officials helped DaimlerChrysler officials dedicate their newly established Sprinter Van re-assembly facility in North Charleston. To date, over \$50 million has been invested in the project since its inception. The local DaimlerChrysler facility underwent a name change during 2007 with the dissolution of the Daimler and Chrysler merger, and is now doing business as Daimler Vans Manufacturing, LLC. In 2007, the North Charleston facility processed 20,000 Sprinters. With plenty of elbow room in a 1,200 acre industrial park, this facility could eventually grow to a full automotive original equipment manufacturer (OEM) facility, encompassing over \$400 million in additional capital investment and creating over 1,200 additional jobs. The growth of the facility is a very real possibility if demand for the Sprinter is an indicator. Since its introduction to market in 2001, the Sprinter has achieved six percent market share.

Biotech, Medical & Pharmaceutical Activities-

Emerging biotech jobs in Charleston are characterized by firms like GenPhar, which first pioneered an HIV detection kit for hospital use. The company retains ties to MUSC, where its founder first conducted research. It most recently created a vaccine geared at immunizing U.S. troops from the deadly Marburg and Ebola viruses. During 2007, GenPhar announced the establishment of a \$33 million vaccine manufacturing facility in suburban Mt. Pleasant. There, it will employ 133 new biotech researchers over the next five years. Construction is underway at GenPhar's new facility, which is anticipated to open in 2010.

Information Technology and Advanced Security-

Information technology companies are also an expanding sector in Charleston, anchored by nationally known companies such as Scientific Applications International Corporation (SAIC), BAE Systems, and many others servicing their Space and Air Warfare Systems (SPAWAR) research and development contracts. But there are also the Charleston home-grown IT firms. Founded in Charleston, Automated Trading Desk, Inc., now trades four percent of the NASDAQ volume on a daily basis on lightning-fast computer terminals from its \$30 million state-of-the-art complex in Mt. Pleasant. The firm made national business news during 2007 when it was acquired by Citigroup for \$680 million, but will continue to call Charleston home.

Creative Cluster-

Charleston has been a magnet for a growing list of small internet-related companies, architecture and urban design firms, and movie-making expertise. The Charleston Peninsula boasts a treasure trove of well-preserved eighteenth and nineteenth century architecture that is a timeless laboratory for young urban design practitioners. The Center for the Building Arts has provided a training school for craftsmen involved in structural restoration. South Carolina improved its financial incentives offerings for movie-makers recently, hoping to attract yet more television and motion picture productions to Charleston and other statewide locales. Among the first to respond were the producers of the television series "Army Wives", which since 2006 has operated from filming facilities in the neck area of Charleston. "Army Wives" has recently completed its second season and has committed to filming a third season in Charleston. Feature film "Dear John" is scheduled to film in the Charleston area from October to December 2008 and is expected to be released in 2009.

WHY CHARLESTON?

Companies relocating to Charleston, as well as entrepreneurs who start businesses in the area, typically give two primary reasons for why they chose to do business here: the renowned quality of life and the enviable competitive posture.

Quality of Life. Key among the region's advantages is its geographic location, its natural beauty, moderate climate, and a quality of life which has been deliberately and carefully protected.

Charleston has a 330 year history and is widely acknowledged as among the world's leaders in the area of historic preservation. The stunning, well-preserved eighteenth and nineteenth century homes and commercial buildings in downtown Charleston are a testament to this passion. Sightseeing in historic downtown is a favorite pastime for pedestrians and also tourists in horse-drawn carriages. Far from receiving a staid museum-like experience, the visitor to Charleston is struck by the busy streets of a vibrant city which are packed with tourists and locals well into the night.

Charleston is a medium-sized city with big-city arts offerings. The world-renowned Spoleto Festival USA is an annual two-week celebration of opera, jazz, dance, and visual arts that attracts legendary performers to the city. Charleston has an active arts community, with over 70 arts and cultural organizations, including a first-class symphony, museums, a proliferation of art galleries, local stage and theater groups, dance troupes, a community band and chorus, and a variety of dance and music recitals at area colleges.

Charleston offers diverse education options, from K-12 through the technical college and on to bachelor's degrees, and post-secondary study levels. Four public school districts in the tri-county Charleston region operate 137 schools hosting 93,145 students. A variety of learning styles are accommodated and a variety of subject matter

is offered through excellent magnet and charter schools geared to advanced academic studies, creative arts, technology, and other key pursuits. The Charleston area also hosts 65 private and parochial schools where 13,470 students are enrolled.

There are 26 colleges and universities offering a range of two-year, bachelor's, master's, and doctoral degree programs in Charleston. The five largest are : Trident Technical College, with 12,763 students; The College of Charleston, with 11,500 students; Charleston Southern University, with 3,286 students; The Citadel, with 3,198 students; and the Medical University of South Carolina with 2,537 students. One of Charleston's most recent points of pride is the new Charleston School of Law. This private institution was opened in 2004 and is one of only two law schools in the state (the University of South Carolina School of Law being the other). Enrollment is currently over 600. On May 10, 2008, the Charleston School of Law graduated its second class of 183 students.

Sports are an important part of the Charleston social landscape in a town where the median age is 35. Sporting events are big business in Charleston, contributing over \$50 million annually to the regional economy and employing nearly 1,200 people. Charleston hosts several professional teams. The Charleston RiverDogs Baseball team is a Class A affiliate of the New York Yankees, the Charleston Battery Soccer team is part of the USL First Division, and the South Carolina Stingrays Hockey team is a member of the ECHL Southern Division and an affiliate of the NHL Washington Capitals. Southern Conference and Big South Conference collegiate sports round out the mix, with the teams of The Citadel, College of Charleston, and Charleston Southern University taking center stage.

Charleston also plays host to many high-profile sporting events throughout the year. The annual Family Circle Cup Tennis Tournament, a WTA Tier 1 event, is played at the Family Circle Tennis Center (capacity 10,200) on Daniel Island. The 2007 tournament was attended by 91,899 people with a \$25 million economic impact. Kiawah Island's world-class Ocean Course hosted the 68th Senior PGA Championship tournament in May 2007. This tournament gave Charleston international television exposure and had a \$23.3 million impact on the region's economy. The Ocean Course has also been selected to host the 94th Annual PGA Championship in 2012. Other exciting events in Charleston this past year include the LPGA Ginn Tribute hosted by Annika Sorenstam, the 2008 AVP Charleston Open, and the annual Cooper River Bridge Run 10K, which hosted 45,000 runners in 2008.



Serena Williams at the Family Circle Tennis Tournament

Competitive Posture. Charleston has won numerous accolades in recent years from esteemed business and travel publications. *The Milken Institute* ranked Charleston 12th among largest U.S. metros on its "2007 Best Performing Cities" list in September 2007. *Inc.* magazine placed Charleston 6th among mid-sized metros on its list of "Top US Cities for Doing Business." *Expansion Management* has cited the Charleston region as a top 15 mid-sized metro on their list of "Best Places for Business Attraction" and thirteenth on their list of "Top Real Estate Markets for Expanding Companies." *Bizjournals* listed Charleston 5th in private sector job growth on their "Job Market Leaders" list and 5th in per capita income growth since 1995 on their "Hot Growth for Incomes" list. The Sanctuary at Kiawah Island was ranked the number one Family Resort in the US and Canada by *Travel + Leisure Family*. *Travel + Leisure* also named Charleston the 6th Best City in the United States and Canada.

The Charleston region offers a sizeable real estate portfolio for a mid-sized market, with close to 9 million square feet in upscale executive buildings and offices. The 15.3 million square feet of retail space in the region is distributed between regional malls, strip centers, and the downtown Charleston central business district. A variety of vacant industrial and warehouse buildings and over 20 industrial parks are available for industrial opportunities.

Demand for office space in the Charleston region has led to the development of many new office properties. Since 2000, over 3.5 million square feet of office space has been added to the Charleston region's inventory. Vacancy rates have stabilized at just under 14 percent. The average lease rate for Class A office space is \$26.00 per square foot in the region, with an overall average of \$19.67 per square foot for all office space.

Over 20 industrial parks are strategically located throughout the Charleston region. Each park has a distinct personality and a unique set of attributes. Some parks are adjacent to an interstate highway or rail line, some offer quick access to a port terminal or airport, and many have Foreign-Trade Zone status. All industrial facilities in the region benefit from the area's reliable and affordable water and power. As of the end of 2007, the Charleston region had over 25.5 million square feet of warehouse and flex space, with another 390,000 square feet under construction. Vacancy stands at 9.17 percent and average lease rates are \$4.33 per square foot per year.

The Charleston International Airport, no more than a thirty-minute ride from anywhere in the region, has experienced great growth in recent years. The mix of passengers has shifted away from its tourist base toward one increasingly characterized by business travelers. Carriers include Continental Airlines, Delta Airlines, Northwest AirlinK, US Airways, United Express, American Eagle, and low-cost carrier AirTran Airways. Daily non-stop service is available to Atlanta, Newark, Houston, New York LaGuardia, Cincinnati, Detroit, Memphis, Charlotte, Philadelphia, Washington National, Washington Dulles, Chicago, and Dallas-Fort Worth.

MAJOR COUNTY INITIATIVES

Charleston County's initiatives in fiscal year 2008 focused on enhancing the value of services provided to our citizens, partnering with municipal governments, encouraging economic development, and continuing with an extensive facilities improvement and replacement program.

Financial. Charleston County Government closed two bond issues on Thursday, Dec. 13, 2007, selling \$225 million of general obligation and sales tax bonds to fund future projects, including the Detention Center expansion, road construction and greenbelt land purchases.

The first sale was for \$150 million of general obligation bonds to fund Transportation Sales Tax projects, including road construction and greenbelt land acquisition. Ten underwriting firms bid to purchase the bonds and offer the lowest interest rate. Prager, Sealy & Co. offered the lowest total interest cost of 4.180747 percent.

The second sale was for \$75 million of general obligation bonds to fund the Charleston County Detention Center expansion project, the Consolidated 911 Dispatch Center, a county-wide radio system upgrade, a new auto repair garage, and repairs to the county's Judicial Center. Eight underwriting firms bid on the bonds, with Lehman Brothers, Inc. coming in with the lowest rate of 4.210976 percent.

The bonds were rated "AAA" from Standard & Poor's and "Aa1" from Moody's Investors Service, due to strong financial management and performance, low debt burden, and reasonable capital spending.

Small Business. This year the County's Contracts and Procurement Department rolled out its new business development effort, the Small Business Enterprise (SBE) Program. The SBE Program is race and gender neutral, with an emphasis on growing and enhancing small companies in the county. The concept was developed through a disparity study that was commissioned by County Council in 2006.

The program has many features to aid small businesses, and is the first of its kind in South Carolina. The program certifies businesses as small business according to the following guidelines:

- Gross revenues of \$7.5 million or less
- Provide a useful commercial function
- Eligible owner is actively involved in the daily operations of the business

Additional features of the program include the establishment of mandatory SBE contracting or subcontracting requirements for selected solicitations, and a robust outreach program that will aid entrepreneurs in business development and ready them for competing for County contracts.

GovDeals. In the three years since its first GovDeals.com online auction closed, Charleston County Government has sold over \$3 million in used equipment and seized property items. In comparison, Charleston County made only \$318,599 at its final annual live auction in 2004.

The County uses funds earned from the online sales to purchase new equipment. The Sheriff's Office also uses the site to sell items seized by the narcotics unit, for which sales funds are used to purchase new equipment needed to fight the war on drugs.

Technology. In November 2007, Charleston County entered into a contract with Manatron, Inc. for the installation of a new revenue billing and tax collection system. The Computer Aided Mass Appraisal (CAMA) system will also be replaced with Manatron's ProVal which will integrate a complete system from assessment to delinquent tax processing. The system is expected to go live in April 2009.

Transportation Sales Tax. Charleston County's Transportation Sales Tax was approved by voters in November of 2004. Collection of the tax began three years ago in May of 2005. The tax will continue for 25 years or until \$1.303 billion is generated for transportation and greenspace related projects and improvements.

The County has leveraged sales tax proceeds to generate over a half-billion dollars in additional road building dollars. In fiscal year 2007 the South Carolina State Infrastructure Bank (SIB) voted unanimously to commit a total of \$420 million to Charleston County for the completion of Interstate 526 (Mark Clark Expressway) and \$40 million for the intersection of Interstate 526 and US Highway 17-North.

Three months later in September Charleston County officials secured an additional \$43 million in federal funds through the Charleston Area Transportation Study (CHATS) over the next several years to supplement projects funded by the Transportation "Half-Cent" Sales Tax.

In the past three years over 100 resurfacing, paving, handicap ramps, intersection improvements and drainage projects have been either been completed or are underway with funds from the Charleston County Transportation "Half-Cent" Sales Tax Program.

Greenbelt Program. Of the \$1.3 billion generated from the Transportation Sales Tax revenue, \$221 million is

allocated for the conservation of 40,000 acres of greenspace throughout the County. The Greenbelt Programs distribute funding in an equitable manner in the form of financial grants to urban and rural areas of the County. Grants are to be used primarily for the conservation of land; however some grant funds can be used to support the development of related minor improvements that in essence provide for public access and use of conservation lands.

Since the inception of the Greenbelt Programs in calendar year 2007, County Council has approved 61 projects to protect 8,412 acres. During fiscal year 2008, 29 projects closed, resulting in the expenditure of \$19.2 million in greenbelt funds and the generation of \$37 million in match.

Alert Charleston County. Charleston County introduced a new program in fiscal year 2008 called Alert Charleston County. Authorities now have not only the ability to dial every listed landline phone number within the affected area, but also any unlisted landline, cell phone, or broadband phone number if citizens register their number online with the Alert Charleston County program. When notified, citizens will hear a message that gives details on the emergency and includes instructions on any actions they should take.

Charleston Certified as "StormReady". Incorporating new alert notification procedures, including Alert Charleston County and cable override capabilities with Comcast, to get messages out to the public quickly during an emergency is just one of the many reasons why the National Oceanic and Atmospheric Administration's (NOAA) National Weather Service recertified Charleston County as "StormReady."



Cathy Haynes, EPD Director, accepts Charleston County's StormReady Certificate.

Charleston County first received the certification in October 2001 after meeting a set of rigorous warning and evacuation criteria. In October 2006, Charleston County also earned the distinction "TsunamiReady." Charleston County will have to go through a renewal process every three years to maintain the certification.

Consolidated 911 Emergency Dispatch Center. County Council moved forward with its plan to build and operate a Consolidated 911 Emergency Dispatch Center in Charleston County and signed an intergovernmental agreement with eight other jurisdictions within Charleston County.

Currently, there are 10 different 911 emergency dispatch operations within the County under nine jurisdictions (Charleston County Government includes EMS and the Sheriff's Office), and each one is answered and operated by its respective governing agency. A Consolidated Dispatch Center will eliminate the need for 911 calls to be transferred to other centers within Charleston County.

The Consolidated Dispatch Center will be a Charleston County department that will have operational protocols and procedures overseen by a Consolidated Dispatch Board. The board will have a makeup similar to the existing Consolidated Dispatch Committee, which represents all participating jurisdictions.

The Future of Solid Waste. The County's 20 year contract for the waste-to-energy facility, known as the incinerator, will expire in 2010. After community discussion about the future of solid waste in Charleston County, Council voted to establish a Green Ribbon Committee to study the reduction of the height limit for the construction and demolition of waste cells of the Bees Ferry Landfill; evaluate recycling program enhancements; explore alternative means of waste disposal; and function as a liaison with the Berkeley-Charleston-Dorchester Council of Governments to investigate the feasibility of a Tri-county landfill.

Council also decided to hire a consultant who will work with the Green Ribbon Committee to develop a comprehensive solid waste strategy for the County. The consultant will be providing an independent analysis and process audit of how solid waste is managed by the County as well as researching best practices, cost analysis and solid waste disposal innovations.

Capital Projects - Expansion of Detention Center. In order to improve overcrowded conditions and increase the safety of employees and citizens, Charleston County broke ground and began construction on the new Detention Center Expansion. Once the expansion is complete, the total inmate capacity will grow from 1,344 to 2,033. In 2007, the average daily population was 1,762 inmates, including inmates housed at the work



Charleston County Detention Center

camp and those checked out of the facility, and excluding incarcerated juveniles.

The 323,000-square foot expansion includes a four-story jail housing building and a support building. The first floor of the housing building will contain a new kitchen, laundry, medical clinic and infirmary, a space for processing inmates in and out of the building, administrative space and one housing unit. The upper three stories will contain 20 housing units and support office space. All new housing units will be dormitory-style, with each unit housing 64 inmates supervised by one officer. The building is estimated to be completed by August of 2010.

To fund the \$100 million project, Charleston County borrowed \$75 million in December of 2007 to fund its Capital Improvement Plan, which included \$53 million toward the Detention Center expansion. The County anticipates borrowing another \$50 million in the fall of 2009, with \$47 million going to complete the project. The County will repay the amounts borrowed over 20 years.

Design was completed and construction began for the new Automotive Shop which will be located adjacent to the Heavy Equipment Garage. This project includes the Radio Shop. Construction is well underway and completion is anticipated early calendar year 2009.

FINANCIAL INFORMATION

Cash Management. Cash that was temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury, repurchase agreements, or interest-bearing checking accounts. The average yield on investments was 5.32 percent for the year ending June 30, 2008. Charleston County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County's bank balances were approximately \$222,681,151 at June 30, 2008, all but one of which were collateralized or covered by insurance. More detail on the County's deposits and investments is found in Note III. A. of the notes to financial statements starting on Page 78.

Risk Management. The County has a limited risk management program for vehicle comprehensive and collision. As part of this plan, the County has a mandatory defensive driver training class for new employees operating County vehicles. The County insures all licensed vehicles for collision and comprehensive, including a \$1,000 deductible per vehicle provided by the State of South Carolina Insurance Reserve Fund. The County has also acquired commercial insurance on heavy equipment with a \$1,000 deductible for equipment with a value of \$100,000 or less, and a \$2,500 deductible for equipment with a value over \$100,000. There is a \$2,500 per catastrophe limit on the deductible for heavy equipment. The County also has a \$1,000 deductible per location coverage for fire and extended coverage with the State of South Carolina Insurance Reserve Fund.

During fiscal year 1995, the County insured the risk of job-related injury or illness to its employees through the South Carolina Association of Counties' (SCAC) Workers' Compensation Trust. Effective July 1, 1995, the County converted to a self-insured plan with SCAC to fund risks associated with Workers' Compensation claims. More information on the County's risk management plan can be found in Note IV.A. of the notes to financial statements starting on Page 108.

Pension and Other Post Employment Benefits. Charleston County participates in the State of South Carolina Retirement System. All permanent County employees are members of either the South Carolina Retirement System or the South Carolina Police Officer's Retirement System. More information on these pension plans are provided in Note IV.I. of the notes to financial statements starting on Page 118 of this report.

The County also provides post-employment health, life and dental care benefits (as per the requirements of a local ordinance) for certain retirees and their dependents. More information on the post-employment benefits is shown in Note IV.G. of the notes to financial statements starting on Page 117.

Awards and Acknowledgements. Charleston County received its 20th consecutive Distinguished Budget Presentation Award for its fiscal year 2008 budget from the Government Finance Officers Association of the United States and Canada (GFOA). According to the GFOA, the award reflects the commitment of Charleston County Government and its staff to meeting the highest principles of governmental budgeting. The award was given based not only on how well the County budgets its funds, but also on how well it communicates to the public how the money is spent. The County develops a "Citizen's Guide to the Budget" each year so residents can easily see where their tax dollars are going.

The GFOA also awarded its Certificate of Achievement for Excellence in Financial Reporting for the 20th

consecutive year to Charleston County for its fiscal year 2007 Comprehensive Annual Financial Report. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting given to governments that demonstrate a constructive "spirit of full disclosure" to communicate clearly the County's financial story.

A Certificate of Achievement is valid for a period of one year only. We believe that Charleston County's current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

The timely preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Charleston County's Controller's Office. Special thanks go to the team headed by Carla Ritter, who with the assistance of Dolores Dong, Scott Bartley, Summer Gillespie, and Thomas Johnson of the Controller's Office produced the Comprehensive Annual Financial Report, and coordinated the audit with the external auditors. Substantial contributions were also made by several financial staffs throughout the County: Mack Gile and Catherine Ksenzak from the Budget Office; Andrew Smith and Julie Riley-Hollar from the Treasurer's Office; Lisa Murray from the Department of Alcohol and Other Drug Abuse Services, Jean Sullivan and Jeanette Williams from Grants Administration; and Bill Turner and Jackie Proveaux from the Public Works Department. Much appreciation also goes to Dawn Murray and Chrisanne Porter of the Controller's Office who prepared the financial notes, this letter, and the management's discussion and analysis, and provided clerical support to the external auditors. Substantial assistance also came from the staff members of the County Administrator and Chief Financial Officer, with special thanks to Steve Dykes of the Economic Development Office. Thank you's are also extended to the staff of Scott McElveen, L.L.P, the external auditors, for their efforts in producing this Comprehensive Annual Financial Report.

In addition, Charleston County would like to acknowledge the cooperation and support of Charleston County Council in making this report possible.



Keith D. Bustran
Charleston County Chief Deputy Administrator/Chief Financial Officer



Corine Altenhein
Charleston County Controller