

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

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COUNTY OF CHARLESTON, SOUTH CAROLINA
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JUNE 30, 2002

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 and 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. During June 1999, the GASB issued GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments*, which provides for substantial changes in financial reporting and accounting, including the use of full accrual accounting for certain statements, new terms, depreciation of capital assets, and presentation of management's discussion and analysis. The County of Charleston implemented GASB Statement No. 34 for the fiscal year ending June 30, 2002.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2002.

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, 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 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 and authorization of all general obligation debt issues. 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 has a June 30 year-end.

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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 Charleston, SC 29401 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 are appointed to staggered terms by County Council. The Corporation exists solely for the benefit of Charleston County.</p>	<p>Debt Service Fund - Certificates of Participation Capital Projects Fund - Public Services Building COP Judicial Center COP Enterprise Fund - Parking Garages DAODAS</p>

Discretely Presented Component Units	Brief Description of Activities and Relationship to the County
<p>Charleston County Library (CCL) Administrative Office Address: 68 Calhoun Street Charleston, SC 29401 Telephone: (843) 805-6801</p>	<p>The Charleston County Library System was created by South Carolina Legislation in 1979 as part of Charleston County Government. Its primary purpose is to provide library services to the citizens of Charleston County and bookmobile services in the rural areas of the County. The Library operates under an eleven member Board of Trustees which are appointed by County Council. County Council approves the budget and all general obligation debt for the Library.</p>
<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 an eight member board which is appointed by the Governor with the advice of the County's Legislative Delegation. County Council approves the operating budget, levies taxes and authorizes the issuance of all general obligation debt for the Commission.</p>

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<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
<p>Cooper River Park & Playground Commission (CRPPC) Administrative Office Address: 3841 Chestnut Street Charleston, SC 29405 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>
<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's Legislative Delegation. County Council approves the operating budget, levies taxes and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>St. John's Fire District (SJFD) Administrative Office Address: P.O. Box 56 Johns Island, SC 29457 Telephone: (843) 559-9194</p>	<p>The Fire District was created by Act 369 of the South Carolina General Assembly on April 9, 1959. The Fire District provides fire protection services to residents within its geographic boundaries. The Fire District is governed by a seven member commission appointed by the Governor upon recommendation of the County's Legislative Delegation. County Council approves the operating budget, levies taxes and authorizes the issuance of all general obligation debt for the Fire District.</p>

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<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
St. Paul's Fire District (SPFD) Administrative Office Address: P.O. Box 65 Hollywood, SC 29449 Telephone: (843) 889-6450	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's Legislative Delegation. County Council approves the operating budget, levies taxes and authorizes the issuance of all general obligation debt for the Fire District.

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

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.

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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.

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. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

1999 Capital Projects Fund - This fund accounts for financial resources to be used for the construction of two new juvenile detention facilities, a new branch library on John's Island, as well as to refund the outstanding balance of the Series 1994 G.O. Bonds.

2001 Capital Projects Fund - This fund accounts for financial resources to be used to complete the funding of several construction projects funded by prior bond issues. These include the Judicial Center, O.T. Wallace County Office Building and the Juvenile Detention Center. These resources will also fund three new EMS stations and refund the outstanding balance of the Series 1990 Hospital COP.

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 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:

Solid Waste - This fund is used to account for the County's solid waste disposal operations, currently consisting of the following:

1. Incineration plant including ash disposal.
2. Landfill to dispose of incineration plant overflow and all county dry goods and construction materials.

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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, sales of steam and electricity from the incineration plant, tipping fees at the landfill and sale of recyclables.

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.

Internal Service 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.

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.

Component units are either legally separate organization 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.

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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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

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 accounting. Governmental Funds use the modified accrual basis of accounting.

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

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

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.

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Deferred Revenue - Deferred 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, 2001 but which were levied to finance fiscal year 2003 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. ASSETS, LIABILITIES AND EQUITY

1. Cash and Investments

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

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

State statutes authorize the entities to invest 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 deposit 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, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No load open and closed-end portfolios of certain investment companies with issues of the U.S. Government.

Investments may be stated at cost, amortized cost, or fair value. 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. Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less are stated at amortized cost, provided the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are

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short-term, highly liquid debt instruments including commercial paper, bankers acceptances, and U.S. Treasury and agency 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, directly or indirectly, interest payments. Participating interest-earning investment contracts, that have a remaining maturity at the time of purchase of more than one year, and open-end mutual funds, are stated at fair value. Participating interest-earning investment contracts are investments whose value is affected by market (interest rate) changes. Fair value is based on quoted market prices.

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".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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 in which they are levied and available for financing current expenditures. Property taxes receivable represent 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 - three percent, February 1 - an additional seven percent, March 16 - an additional five 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

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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 a historical estimate of the collections within each customer category: residential, commercial, governmental or housing agencies.

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 fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. Restricted Assets

Certain assets of the County's Debt Service, Capital Projects 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.

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 assets lives 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, 2002.

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All reported capital assets except land and certain infrastructural 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:

Assets	Years
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

Not all of the County's infrastructure has been recorded at June 30, 2002. The County has recorded easements, bridges, paved roads, sidewalks and unpaved roads. The public works department is still gathering information as to the cost for drainage-type infrastructure.

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 recognized 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.

The liability has been recorded in the fund from which the employees who have accumulated unpaid leave are paid. The estimated liabilities include salary-related payments.

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8. Fund Equity

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

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 improvements 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.

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, 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 good or service that is 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.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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, Emergency Medical Services, Emergency Preparedness, Fire Districts, Geographic Information Systems, Hazardous Materials Enforcement, Mosquito Abatement, Sheriff, Solicitor, Transportation 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.

All agencies of the County and its component units must submit requests for appropriations to the Council 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, suborganizational 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 Deputy 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.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Changes in Accounting Principles and Restatement of Prior Year Fund Equities

As of and for year ended June 30, 2002, the County and its component units implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- *No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- *No. 36 - Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- *No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- *No. 38 - Certain Financial Statement Note Disclosures*

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

Interpretation

- *No. 6 - Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The more significant of the changes affecting the County and its component units as required by the new standards include.

- Management's discussion and analysis:
- Basis financial statements that include:
 - Government-wide financial statements split County programs between business-type and governmental activities.
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds; nonmajor funds are presented in total in one column.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

The County has corrected two errors from the prior year. The first error was the understatement of capital assets and accumulated depreciation in the Fleet internal service fund. This resulted in an overstatement of expenditures in the prior year of \$307,494, and a net increase of the same amount to the Fleet equity. The second restatement resulted because of an overstatement of receivables in the Construction Public Works Special revenue fund. The prior year revenues were overstated by \$218,642. The restatement results in a reduction of \$218,642 in the special revenue fund balance.

Primary Government:

Beginning fund balances as of June 30, 2001 were restated as follows:

Governmental fund balance as of June 30, 2001, as originally reported	\$118,423,441
Internal Service funds equity as of June 30, 2001, as originally reported	<u>20,294,555</u>
Prior period adjustment:	\$138,717,996
Correction of Internal Service funds, Capital asset and related accumulated depreciation	307,494
Correction of Receivable - Special Revenue Fund	<u>(218,642)</u>
Sub-total	\$138,806,848
GASB 34 adjustments:	
Capital assets (including infrastructure)	263,343,241
Accumulated depreciation	(58,963,395)
Accrued interest payable	(1,629,905)
Long-term debt	(194,766,838)
Deferred revenue	1,860,975
Internal Service Fund elimination	<u>(8,808,710)</u>
Governmental Activities,	
Net assets, June 30, 2001 (restated)	<u><u>\$139,842,216</u></u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Component Units:	CCL	CCPRC	CRPPC	JIPSD	NCD
Governmental fund Balances as of June 30, 2001	\$2,932,033	\$17,664,510	\$17,787	\$18,497,579	\$265,367
Prior period adjustment:					
Correction of equity	-	30,000	-	-	-
Capital asset correction	-	103,495	-	-	-
GASB 34 Adjustments:					
Capital Assets	21,432,372	58,149,896	975,248	4,243,697	1,515,347
Change in capitalization policy	(1,522,946)	-	-	-	-
Accumulated depreciation	(15,048,423)	(5,642,988)	(801,234)	(1,711,591)	(1,093,483)
Compensated absences	(559,146)	(253,123)	-	(199,394)	-
Accrued interest payable on long-term debt	-	(263,127)	-	-	-
Deferred revenue	-	244,127	8,326	113,543	79,885
Capital lease obligation payable	-	(734,274)	-	(180,392)	(31,418)
General obligation bonds payable	-	(17,600,000)	-	(1,043,450)	-
Governmental net assets, restated as of June 30, 2001	<u>\$7,233,890</u>	<u>\$51,698,516</u>	<u>\$200,127</u>	<u>\$19,719,992</u>	<u>\$735,698</u>

	SAPPC	SJFD	SPFD	TOTAL
Governmental fund Balances as of June 30, 2001	\$2,066,273	\$1,270,124	\$1,525,031	\$44,238,704
Prior period adjustment:				
Correction of equity	-	-	-	30,000
Capital asset correction	-	-	-	103,495
GASB 34 Adjustments:				
Capital Assets	2,069,301	5,655,158	3,370,425	97,411,444
Change in capitalization policy	-	-	-	(1,522,946)
Accumulated depreciation	(729,038)	(2,202,707)	(1,367,117)	(28,596,581)
Compensated absences	(8,910)	(338,490)	(38,838)	(1,397,901)
Accrued interest payable on long-term debt	(8,612)	(58,989)	(8,142)	(338,870)
Deferred revenue	41,879	80,814	116,370	684,944
Capital lease obligation payable	(35,215)	(1,519,432)	(78,140)	(2,578,871)
General obligation bonds payable	(325,000)	-	(315,966)	(19,284,416)
Governmental net assets, restated as of June 30, 2001	<u>\$3,070,678</u>	<u>\$2,886,478</u>	<u>\$3,203,623</u>	<u>\$88,749,002</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

C. Fund Deficits

The ITS refresh program in the Capital Projects fund has a deficit of \$12,731 at June 30, 2002. This deficit will be eliminated in the next fiscal year by the financing of the capital lease.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits are categorized into these three categories of credit risk:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, with securities held by the entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the entity's name.

Due to higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in category 2 and 3 at those times were substantially higher than at year-end.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

The following reflects the allocation of deposits by risk category for the primary government and its component units as of June 30, 2002:

	Carrying Amount	Bank Balance	Category		
			1	2	3
Primary government:	<u>\$ 50,931,139</u>	<u>\$ 53,451,768</u>	<u>\$ 5,222,883</u>	<u>\$ 44,525,403</u>	<u>\$ 3,703,482</u>
Component units:					
CCL	(67,803)	145,500	100,000	45,500	-
CCPRC	7,343,742	7,609,396	464,924	-	7,144,472
CRPPC	6,634	6,634	6,634	-	-
JIPSD	2,815,962	2,765,284	468,700	2,296,584	-
NCD	121,182	121,182	100,000	-	21,182
SAPPPC	115,074	224,504	224,504	-	-
SJFD	1,132,857	1,209,267	200,000	1,009,267	-
SPFD	50,330	50,330	50,330	-	-
Total component units	<u>11,517,978</u>	<u>12,132,097</u>	<u>1,615,092</u>	<u>3,351,351</u>	<u>7,165,654</u>
Total reporting entity	<u>\$ 62,449,117</u>	<u>\$ 65,583,865</u>	<u>\$ 6,837,975</u>	<u>\$ 21,038,885</u>	<u>\$ 37,707,005</u>

At year-end, the primary government's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ -	\$ 24,364,344	\$ -	\$ 24,364,344	\$ 24,364,344
Repurchase agreements	-	86,501,533	-	86,501,533	86,501,533
Subtotal	<u>\$70,471,700</u>	<u>\$110,865,877</u>	<u>-</u>	<u>110,865,877</u>	<u>110,865,877</u>

Investments not subject to categorization:

State local government investment pool		<u>22,460,888</u>	<u>22,460,888</u>
Total primary government investments		<u>\$133,326,765</u>	<u>\$133,326,765</u>

At year-end, the component units' investment balances were as follows:

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

At year-end, the component units' investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
CCL					
Repurchase agreements	\$ -	\$ 2,767,399	\$ -	\$ 2,767,399	\$ 2,767,399
CCPRC					
Repurchase agreements	-	-	1,138,000	1,138,000	1,138,000
JIPSD					
Repurchase agreements	-	3,530,043	-	3,530,043	3,530,043
NCD					
Obligations of other federal agencies	-	-	269,826	269,826	269,826
SJFD					
Repurchase agreements	-	81,759	-	81,759	81,759
SPFD					
Repurchase agreements	-	-	1,007,119	1,007,119	1,007,119
Subtotal	\$ -	\$ 6,379,201	\$ 2,414,945	8,794,146	8,794,146
Investments not subject to categorization:					
SPFD					
State local government investment pool				189,861	189,861
Total component units investments				\$ 8,984,007	\$ 8,984,007

A reconciliation of cash and investments as shown on the Statement of Net assets for the primary government and the component units follows:

Cash on hand	\$ 371,982
Carrying amount of deposits - primary government	50,931,139
Carrying amount of deposits - component units	11,517,978
Carrying amount of investments - primary government	133,326,765
Carrying amount of investments - component units	8,984,007
Total carrying amount of cash and investments	\$ 205,131,871
Non-pooled cash and cash equivalents	\$ 27,818,947
Pooled cash and cash equivalents	102,681,757
Restricted cash and cash equivalents	66,063,235
Investments	2,780,794
Restricted investments	5,787,138
Total carrying amount of cash and investments	\$ 205,131,871

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

B. Receivables

Receivables as of June 30, 2002, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Nonmajor Governmental Funds
	General	Debt Service	1999 Capital Projects	2001 Capital Projects	
Primary government:					
Receivables:					
Current Property Taxes	\$80,503,000	\$16,420,000	\$ -	\$ -	\$ 4,118,492
Delinquent Property Taxes	4,537,373	1,435,818	-	-	356,168
Accounts	22,114,849	-	-	-	1,609,515
Intergovernmental	10,721,424	5,234	355,689	12,563	4,573,668
Notes	-	-	-	-	48,986
Interest	-	242	3,485	96,172	346
	<u>117,876,646</u>	<u>17,861,294</u>	<u>359,174</u>	<u>108,735</u>	<u>10,707,175</u>
Gross receivables					
Less allowance for uncollectibles:					
Current Property Taxes	1,181,954	220,941	-	-	56,024
Delinquent Property Taxes	1,602,723	642,104	-	-	155,185
Accounts	<u>19,042,828</u>	-	-	-	-
Gross allowance	<u>21,827,505</u>	<u>863,045</u>	<u>-</u>	<u>-</u>	<u>211,209</u>
Net total receivable	<u>\$96,049,141</u>	<u>\$16,998,249</u>	<u>\$ 359,174</u>	<u>\$ 108,735</u>	<u>\$ 10,495,966</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

	Proprietary		Totals
	Business-type Activities	Governmental Activities - Internal Service Funds	Primary Government
Receivables:			
Current Property Taxes	\$ -	\$ -	\$ 101,041,492
Delinquent Property Taxes	28,027	-	6,357,386
Accounts	7,535,394	29,378	31,289,136
Intergovernmental	1,180,649	181,594	17,030,821
Notes	-	-	48,986
Interest	20,510	-	120,755
Gross receivables	8,764,580	210,972	155,888,576
Less allowance for uncollectibles:			
Current Property Taxes	-	-	1,458,919
Delinquent Property Taxes	18,609	-	2,418,621
Accounts	3,571,439	-	22,614,267
Gross allowance	3,590,048	-	26,491,807
Net total receivable	\$ 5,174,532	\$ 210,972	\$129,396,769

Component Units:	CCL	CCPRC	CRPPC	JIPSC	NCD
Receivables:					
Current Property Taxes	\$ -	\$11,317,289	\$ 180,000	\$ 4,532,169	\$ 1,268,764
Delinquent Property Taxes	-	852,567	38,057	246,830	220,571
Accounts	-	14,271	-	162,009	-
Intergovernmental	88,729	495,182	524	-	197
Notes	-	34,282	-	-	-
Gross receivables	88,729	12,713,591	218,581	4,941,008	1,489,532
Less allowance for uncollectibles:					
Current Property Taxes	-	-	-	-	-
Delinquent Property Taxes	-	574,077	28,366	258,700	129,164
Accounts	-	-	-	21,200	-
Gross allowance	-	574,077	28,366	279,900	129,164
Net total receivable	\$ 88,729	\$12,139,514	\$ 190,215	\$ 4,661,108	\$ 1,360,368

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

	<u>SAPPPC</u>	<u>SJFD</u>	<u>SPFD</u>	<u>Total Component Units</u>
Receivables:				
Current Property Taxes	\$1,065,140	\$6,142,378	\$2,347,605	\$26,853,345
Delinquent Property Taxes	93,032	239,205	325,948	2,016,210
Accounts	-	8,075	-	184,355
Intergovernmental	-	-	-	584,632
Notes	-	-	-	34,282
	<u>1,158,172</u>	<u>6,389,658</u>	<u>2,673,553</u>	<u>29,672,824</u>
Less allowance for uncollectables:				
Current Property Taxes	-	92,135	-	92,135
Delinquent Property Taxes	42,309	121,661	204,291	1,358,568
Accounts	-	-	-	21,200
	<u>42,309</u>	<u>213,796</u>	<u>204,291</u>	<u>1,471,903</u>
Gross allowance	<u>42,309</u>	<u>213,796</u>	<u>204,291</u>	<u>1,471,903</u>
Net total receivable	<u>\$1,115,863</u>	<u>\$6,175,862</u>	<u>\$2,469,262</u>	<u>\$28,200,921</u>

Notes Receivable results from the sale of certain assets by the County and its component units. The Charleston County Park and Recreation Commission has received a note from the City of Charleston for expenditures made under a lease agreement for the Charleston Maritime Center. The note bears interest at the prime rate plus one-half percent with a term not to exceed ten years. In addition, 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 Solid Waste 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. The County's Capital Projects Fund received a note from the Charleston County Housing Authority (CCHA) representing a \$70,000 non-interest bearing loan in fiscal year 1998. There is no maturity date on this note. Because of collectibility questions, the loan was expended on the County's books when made with a corresponding entry to deferred revenue. CCHA did repay \$2,270 of the loan in fiscal year 2002.

County Council sold the Charleston Memorial Hospital to the Medical University Hospital Authority, an affiliate of the Medical University of South Carolina on July 1, 2001 in exchange for a long-term note receivable in the amount of \$12,881,827 payable over 20 years with an effective interest rate of 5.171 percent per annum. The County recognized a loss of \$224,758 on the sale. This loss is included in the statement of activities as a special item.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

The following reflects the future minimum payments receivable at June 30, 2002 under these notes receivable:

Year Ending June 30	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	CCPRC
2003	\$ 650,344	\$ 80,001	\$ 50,000
2004	1,139,853	80,001	50,000
2005	1,133,476	80,001	50,000
2006	1,126,086	80,001	50,000
2007	1,117,680	80,001	50,000
Later years	15,484,705	560,007	179,005
Total minimum note payments	20,652,144	960,012	429,005
Less amount representing interest	(7,721,331)	(285,565)	(136,310)
Present value of minimum note payments	\$ 12,930,813	\$ 674,447	\$ 292,695
Less current portion	(49,986)	(39,574)	(34,282)
Long-term portion	\$ 12,881,827	\$ 634,873	\$ 258,413

The County has also recorded a due from component units in the amount of \$1,556,000. This represents a tax anticipation note to Charleston County PRC dated September 2001, principal due in a single payment on or before January 15, 2004. Interest due annually on June 30. The rate is based on a floating rate equal to the Local Government Investment Pool rate as computed by the State of South Carolina. The rate at June 30, 2002 was 1.97 percent. Interest in the amount of \$29,241 was paid to the County by PRC at fiscal year end.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

C. Capital Assets

Primary government capital asset activity for the year ended June 30, 2002 was as follows:

Governmental Activities:	Balance as Restated July 1, 2001	Additions	Deletions	Balance June 30, 2002
Capital assets not being depreciated:				
Land	\$ 6,086,277	\$ 226,702	\$ -	\$ 6,312,979
Construction in Progress	48,289,238	19,647,973	(11,667,819)	56,269,392
Infrastructure	<u>10,682,298</u>	<u>71,120</u>	<u>-</u>	<u>10,753,418</u>
Total capital assets not being depreciated:	<u>65,057,813</u>	<u>19,945,795</u>	<u>(11,667,819)</u>	<u>73,335,789</u>
Capital assets being depreciated:				
Buildings	133,239,388	11,667,819	(15,459,383)	129,447,824
Improvements other than buildings	3,406,981	-	-	3,406,981
Machinery and equipment	66,267,201	7,257,265	(17,349,491)	56,174,975
Infrastructure	47,506,938	1,211,536	-	48,718,474
Total capital assets being depreciated:	<u>250,420,508</u>	<u>20,136,620</u>	<u>(32,808,874)</u>	<u>237,748,254</u>
Less Accumulated depreciation:				
Buildings	\$ (30,775,642)	\$ (303,399)	\$ 3,124,064	\$ (27,954,977)
Improvements other than buildings	(1,008,346)	(1,111)	-	(1,009,457)
Machinery and equipment	(43,879,220)	(7,042,375)	16,076,389	(34,845,206)
Infrastructure	<u>(22,194,794)</u>	<u>(2,228,063)</u>	<u>-</u>	<u>(24,422,857)</u>
Total Accumulated depreciation	<u>(97,858,002)</u>	<u>(9,574,948)</u>	<u>19,200,453</u>	<u>(88,232,497)</u>
Total Capital assets being depreciated, net	<u>152,562,506</u>	<u>10,561,672</u>	<u>(13,608,421)</u>	<u>149,515,757</u>
Governmental activities, Total capital assets, net	<u>\$ 217,620,319</u>	<u>\$ 30,507,467</u>	<u>\$ (25,276,240)</u>	<u>\$ 222,851,546</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Business-type Activities	<u>Balance as Restated July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Capital assets not being depreciated:				
Land	\$ 4,012,913	\$ -	\$ -	\$ 4,012,913
Construction in Progress	<u>9,511,884</u>	<u>577,994</u>	<u>(9,884,824)</u>	<u>205,054</u>
Total capital assets not being depreciated	<u>13,524,797</u>	<u>577,994</u>	<u>(9,884,824)</u>	<u>4,217,967</u>
Capital assets being depreciated:				
Buildings	27,451,579	9,890,813	-	37,342,392
Improvements other than buildings	1,878,579	267,606	-	2,146,185
Machinery and equipment	<u>13,715,314</u>	<u>1,396,567</u>	<u>(1,075,246)</u>	<u>14,036,635</u>
Total capital assets being depreciated	<u>43,045,472</u>	<u>11,554,986</u>	<u>(1,075,246)</u>	<u>53,525,212</u>
Less Accumulated depreciation:				
Buildings	(4,943,571)	(785,150)	-	(5,728,721)
Improvements other than buildings	(1,332,163)	(66,657)	-	(1,398,820)
Machinery and equipment	<u>(7,198,638)</u>	<u>(1,440,452)</u>	<u>959,745</u>	<u>(7,679,345)</u>
Total Accumulated depreciation	<u>(13,474,372)</u>	<u>(2,292,259)</u>	<u>959,745</u>	<u>(14,806,886)</u>
Total capital assets being depreciated, net	<u>29,571,100</u>	<u>9,262,727</u>	<u>(115,501)</u>	<u>* 38,718,326</u>
Business-type activities				
Total Capital assets, net	<u>\$ 43,095,897</u>	<u>\$ 9,840,721</u>	<u>\$ (10,000,325)</u>	<u>\$ 42,936,293</u>

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

Governmental Activities:	
General government	\$ 5,993,120
Public Safety	647,561
Judicial	138,425
Public Works	2,354,458
Health and Welfare	97,675
Culture and recreation	<u>343,709</u>
Total	<u>\$ 9,574,948</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

Business-type Activities:

Solid Waste	\$ 1,345,498
Parking Garages	574,972
DAODAS	269,442
E-911 Communications	<u>102,347</u>
Total	<u>\$ 2,292,259</u>

Component Units:	<u>Balance as Restated July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Capital assets not being depreciated:				
Land	\$ 22,548,573	\$ 3,956,524	\$ (151,541)	\$ 26,353,556
Artwork	11,000	-	-	11,000
Infrastructure	327,057	-	-	327,057
Construction in Progress	<u>128,075</u>	<u>994,411</u>	<u>(706,147)</u>	<u>416,339</u>
Total capital assets not being depreciated:	<u>23,014,705</u>	<u>4,950,935</u>	<u>(857,688)</u>	<u>27,107,952</u>
Capital assets being depreciated:				
Buildings	40,239,687	1,025,161	-	41,264,848
Improvements other than buildings	25,351,526	6,065	-	25,357,591
Machinery and equipment	18,425,308	2,211,309	(1,003,322)	19,633,295
Infrastructure	26,945,824	1,052,295	(16,718)	27,981,401
Library materials	<u>17,592,710</u>	<u>2,151,352</u>	<u>(840,467)</u>	<u>18,903,595</u>
Total capital assets being depreciated:	<u>128,555,055</u>	<u>6,446,182</u>	<u>(1,860,507)</u>	<u>133,140,730</u>
Less Accumulated depreciation:				
Accumulated depreciation:	<u>(37,858,582)</u>	<u>(5,905,397)</u>	<u>1,391,649</u>	<u>(42,372,330)</u>
Total capital assets being depreciated, net	<u>90,696,473</u>	<u>540,785</u>	<u>(468,858)</u>	<u>90,768,400</u>
Component Units				
Total Capital assets, net	<u>\$ 113,711,178</u>	<u>\$ 5,491,720</u>	<u>\$ (1,326,546)</u>	<u>\$ 117,876,352</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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

General government	\$ 930,647
Public Safety	661,706
Culture and recreation	2,680,553
Health and Welfare	99,234
Public Works	7,596
Family Recreation Center	89,518
Park operations	821,668
Waste water	614,475
	614,475
Total	\$ 5,905,397

Construction in progress in the Governmental activities as of June 30, 2002 is composed of the following:

Primary government:	<u>Project Authorization</u>	<u>Expended to June 30, 2002</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
County Office Building Renovation	\$ 16,555,790	\$ 7,515,827	\$ 6,706,890	None
Judicial/Administrative Center	50,185,463	47,435,517	703,206	None
Juvenile Detention Center	8,096,000	394,321	113,717	None
99 Broad Street	744,000	528,961	-	None
John's Island Library	4,350,000	191,303	73,240	None
Step Ahead	233,000	189,658	1,056	None
Medic 4	640,000	5,265	-	None
Medic 6	1,548,500	8,540	-	None
	1,548,500	8,540	-	
Total primary government	\$ 82,352,753	\$ 56,269,392	\$ 7,598,109	

As of June 30, 2002, the County has assets under capital lease with a total cost of \$679,887 and a net book value of \$566,573. The assets are computer equipment depreciated over a three year period and included in the County's machinery and equipment capital asset category.

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

Construction in progress as of June 30, 2002 in the Business-type activities is composed of the following:

Primary government:	<u>Project Authorization</u>	<u>Expended to June 30, 2002</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
Solid Waste Lined Landfill	\$ 1,561,800	\$ 205,054	\$ 1,362,736	None
Total primary government	<u>\$ 1,561,800</u>	<u>\$ 205,054</u>	<u>\$ 1,362,736</u>	
Component units:				
CCPRC	\$ 554,069	\$ 226,978	\$ 327,091	None
JIPSD Waste water upgrade	<u>Not available</u>	<u>\$ 189,361</u>	<u>\$ -</u>	None
Total component units	<u>\$ 554,069</u>	<u>\$ 416,339</u>	<u>\$ 327,091</u>	

D. Interfund Receivables and Payables

The composition of primary government interfund balances at June 30, 2002 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Major governmental funds:		
General Fund	\$ 6,804,426	\$ 428,985
Debt Service Fund	179,379	1,364,662
2001 G.O. Bond	-	4,987,018
Nonmajor governmental funds	-	632,126
Internal service funds	<u>428,986</u>	<u>-</u>
Total	<u>\$ 7,412,791</u>	<u>\$ 7,412,791</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.

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

E. Interfund Transfers

A summary of transfer is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major governmental funds:		
General Fund	\$ 934,368	\$ (6,330,058)
Debt Service Fund	1,000,000	(2,655,482)
2001 Capital Projects Funds	19,560	-
Nonmajor governmental funds	5,775,427	(5,079,527)
Major business-type activities	1,618,580	(650,000)
Nonmajor business-type activities	1,847,765	-
Internal Service Funds	3,692,517	(173,150)
	<u>\$ 14,888,217</u>	<u>\$(14,888,217)</u>
Total		

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 April 2002, the Charleston County Library renegotiated its lease agreement for copiers. The new lease agreement is for a thirty-one-month period commencing May 2002, with a minimum monthly charge of \$8,755, for a total minimum commitment of \$271,405 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, 2002, is \$106,625.

In December 1997, the St. Andrews Parks and Playground commission entered into a ten-year lease for lighting systems, equipment and maintenance service fees of \$1,789 per month.

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

Year Ending June 30	CCL	SAPPC
2003	\$ 105,060	\$ 21,478
2004	105,060	21,478
2005	43,775	21,478
2006	-	21,478
2007	-	21,478
2008	-	8,949
	<u>\$ 253,895</u>	<u>\$ 116,339</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

G. Landfill Closure

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 thirty 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 \$10,268,517 reported as the accrual for landfill closure at June 30, 2002 represents the cumulative amount reported less \$12,188,214 paid 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%	\$ 5,523,678	\$ 1,040,000	\$ 6,563,678	\$ -
Bees Ferry:					
Ash storage facility	100%	1,016,518	361,000	1,377,518	-
73 acres	100%	5,648,018	1,020,000	6,668,018	-
56 acres	79.37%	<u>8,348,000</u>	<u>1,539,000</u>	<u>9,887,000</u>	<u>2,039,483</u>
Totals		<u>\$20,536,214</u>	<u>\$ 3,960,000</u>	<u>\$24,496,214</u>	<u>\$ 2,039,483</u>

The County will recognize the remaining estimated costs of closure and postclosure care of \$2,039,483 as the available capacity is filled over the following four years. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2002. The County began to close the landfills in 1994 with final closure of the Bees Ferry site scheduled in 2006. 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 Chief Financial Officer 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 191 in the statistical section of this report.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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 to finance general operating expenditures during the fiscal year ended June 30, 2002. James Island PSD borrowed \$450,000 at 2.2% interest per annum from its enterprise fund. The activity in short-term debt for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
CCPRC	\$ -	\$ 2,750,000	\$ 2,750,000	\$ -
JIPSD	-	450,000	450,000	-
SJFD	-	1,500,000	1,500,000	-
	<u>\$ -</u>	<u>\$ 4,700,000</u>	<u>\$ 4,700,000</u>	<u>\$ -</u>

I. Long-term Debt

The following is a summary of debt transactions for the County for the year ended June 30, 2002.

Primary Government:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002	Amounts Due in One year
Governmental activities					
General obligation bonds	\$ 110,400,000	\$ -	\$ 3,550,000	\$ 106,850,000	\$ 5,105,000
Certificates of participation	78,048,825	-	3,232,392	74,816,433	3,399,753
Capital lease payable	-	679,887	-	679,887	225,519
Compensated absences	6,071,435	297,679	-	6,369,114	376,927
Arbitrage payable	246,578	-	28,891	217,687	-
Total	<u>\$ 194,766,838</u>	<u>\$ 977,566</u>	<u>\$ 6,811,283</u>	<u>\$ 188,933,121</u>	<u>\$ 9,107,199</u>

Business-type activities

Certificates of participation	\$ 21,541,951	\$ -	\$ 977,507	\$ 20,564,444	\$ 1,044,530
Revenue bonds	17,675,780	-	931,680	16,744,100	991,816
Accrual for landfill closure	10,753,955	-	485,438	10,268,517	355,843
Compensated absences	672,713	57,193	-	729,906	51,596
Total	<u>\$ 50,644,399</u>	<u>\$ 57,193</u>	<u>\$ 2,394,625</u>	<u>\$ 48,306,967</u>	<u>\$ 2,443,785</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

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 Bonds payable at June 30, 2002 are comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
February 15, 1994	General Obligation Refunding Bonds, Series 1994, 4.20% to 6.10% interest, semi-annual principal and interest payments beginning in 1994, matures 2009	\$ 44,960,000	\$ 27,490,000
September 30, 1999	General Obligation Improvement and Refunding Bonds, Series 1999, 5.00% to 6.125% interest, semi-annual principal and interest payments beginning in 2000, matures 2019, the first principal payment is due in fiscal year 2003.	49,360,000	49,360,000
May 1, 2001	General Obligation Refunding and Capital Improvement Bonds, Series 2001, 4.10% to 5.25% interest, semi-annual principal and interest payments beginning in 2001, matures 2021, the first principal payment is due in fiscal year 2004.	30,000,000	30,000,000
General Obligation Debt per Statement of net Assets		<u>\$124,320,000</u>	\$106,850,000
Less current portion			(5,105,000)
Long-term portion outstanding			<u>\$101,745,000</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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 of Participation are treated as capital lease obligations for financial reporting purposes. 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, 2002 are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
April 1, 1994	Refunding Certificates of Participation, Series 1994, Charleston Public Facilities Corporation, 3.00% to 6.10% interest, semi-annual principal and interest payments beginning in 1994, matures 2011	\$ 36,795,000	\$ 23,125,000
December 1, 1994	Certificates of Participation, Series 1994-B, Charleston Public Facilities Corporation, 4.30% to 7.00% interest, semi-annual principal and interest payments beginning in 1995, matures 2019	35,000,000	1,355,000
November 1, 1995	Certificates of Participation, Series 1995, Charleston Public Facilities Corporation, 3.80% to 6.00% interest, semi-annual principal and interest payments beginning in 1996, matures 2021	<u>85,000,000</u>	<u>71,920,000</u>
Total Debt per Statement of Net Assets		<u>\$ 156,795,000</u>	96,400,000
Less: discount applicable to Business-type activities			(67,587)
deferred refunding cost applicable to Business-type activities			<u>(951,536)</u>
Certificate of participation debt per Statement of Net assets			\$ 95,380,877
Less current portion			<u>(4,444,283)</u>
Long-term portion outstanding			<u>\$ 90,936,594</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2002

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 will be repaid from the countywide user fee assessment.

Primary government Revenue Bonds payable at June 30, 2002 are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
September 1, 1994	Charleston County Solid Waste User Fee Revenue Bonds, Series 1994, 4.20% to 6.50% interest, semi-annual principal and interest payments beginning in 1995, matures 2014	\$ 22,570,000	\$ 16,790,000
Less discount applicable to Business-type activities			<u>(45,900)</u>
Revenue Bond Debt per Statement of Net assets			\$ 16,744,100
Less current portion			<u>(991,816)</u>
Long-term portion outstanding			<u>\$ 15,752,284</u>

Notes Payable. The County's Fleet Management Internal Service Fund has issued a note payable to the Solid Waste Enterprise Fund for \$791,600 payable from Debt Service Fund transfers to the Fleet Management Internal Service Fund. This transaction is an exception to the County's policy on interfund loans which is defined in Note 1.F.13.

Primary government Notes Payable at June 30, 2002 are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
April 1, 1999	Solid Waste Revenue Bond Fund Promissory Note, semi-annual payments of \$40,000 including interest at 6.08%, matures in 2014.	\$ 791,600	\$ 674,447
Debt per Statement of Net assets			<u>\$ 674,447</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Annual requirements to amortize primary government notes payable outstanding at June 30, 2002 are as follows:

Year Ending June 30	Internal Service Fund
2003	\$ 80,001
2004	80,001
2005	80,001
2006	80,001
2007	80,001
Later Years	560,006
Total	960,011
Less interest included above	(285,564)
Debt per Statement of Net assets	\$ 674,447

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.

During May 2002, the County signed a three-year lease-purchase agreement for the purchase of new computers. This note is payable in six equal payments of \$114,286 through May 2005 and includes principal and interest at 0.57% per annum.

A summary of the annual requirements are as follows:

Year Ending June 30	Principal	Interest	Totals
2003	\$ 225,519	\$ 3,052	\$ 228,571
2004	226,629	1,942	228,571
2005	227,739	832	228,571
	\$ 679,887	\$ 5,826	\$ 685,713

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Amortization of Long-term Debt. Annual requirements to amortize primary government general long-term debt outstanding at June 30, 2002, 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	
2003	\$ 5,105,000	\$ 5,444,701	\$ 4,565,000	\$ 5,334,033	\$ 1,005,000	\$ 1,002,580	\$ 22,456,314
2004	6,350,000	5,211,201	4,810,000	5,100,514	1,060,000	947,305	23,479,020
2005	6,730,000	4,909,500	5,055,000	4,849,801	1,115,000	887,945	23,547,246
2006	6,865,000	4,586,298	5,310,000	4,581,219	1,180,000	824,390	23,346,907
2007	6,995,000	4,252,437	5,620,000	4,290,230	1,250,000	755,950	23,163,617
2008	6,680,000	3,921,362	5,940,000	3,957,850	1,325,000	677,825	22,502,037
2009	7,145,000	3,594,880	6,310,000	3,596,201	1,405,000	598,325	22,649,406
2010	3,480,000	3,231,787	6,695,000	3,211,530	1,500,000	507,000	18,625,317
2011	3,790,000	3,048,663	7,100,000	2,800,892	1,590,000	417,000	18,746,555
2012	4,095,000	2,846,485	4,120,000	2,430,400	1,685,000	321,600	15,498,485
2013	4,450,000	2,600,675	4,350,000	2,199,503	1,785,000	220,500	15,605,678
2014	4,830,000	2,333,122	4,600,000	1,955,440	1,890,000	113,400	15,721,962
2015	5,235,000	2,042,339	4,850,000	1,697,563	-	-	13,824,902
2016	5,610,000	1,744,838	5,120,000	1,425,875	-	-	13,900,713
2017	6,045,000	1,441,256	5,415,000	1,138,536	-	-	14,039,792
2018	6,515,000	1,114,312	5,710,000	834,899	-	-	14,174,211
2019	7,000,000	762,168	6,035,000	514,750	-	-	14,311,918
2020	7,525,000	383,775	3,155,000	220,963	-	-	11,284,738
2021	<u>2,405,000</u>	<u>126,262</u>	<u>1,640,000</u>	<u>45,100</u>	-	-	<u>4,216,362</u>
Totals	106,850,000	53,596,061	96,400,000	50,185,299	16,790,000	7,273,820	331,095,180
Less amount in Business-type Activities before discounts and deferred costs	-	-	(21,583,567)	(10,445,248)	(16,790,000)	(7,273,820)	(56,092,635)
Total debt - Governmental activities	<u>\$106,850,000</u>	<u>\$53,596,061</u>	<u>\$ 74,816,433</u>	<u>\$ 39,740,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$275,002,545</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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

Year Ending	Certificates Of Participation		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	
June 30					
2003	\$ 1,165,247	\$ 1,197,975	\$ 1,005,000	\$ 1,002,580	\$ 4,370,802
2004	1,228,941	1,137,145	1,060,000	947,305	4,373,391
2005	1,292,096	1,071,790	1,115,000	887,945	4,366,831
2006	1,360,891	1,001,739	1,180,000	824,390	4,367,020
2007	1,439,016	925,922	1,250,000	755,950	4,370,888
2008	1,521,703	840,717	1,325,000	677,825	4,365,245
2009	1,615,752	748,230	1,405,000	598,325	4,367,307
2010	1,714,570	649,868	1,500,000	507,000	4,371,438
2011	1,818,488	544,632	1,590,000	417,000	4,370,120
2012	770,759	452,984	1,685,000	321,600	3,230,343
2013	812,732	410,014	1,785,000	220,500	3,228,246
2014	860,427	364,633	1,890,000	113,400	3,228,460
2015	906,214	316,653	-	-	1,222,867
2016	956,772	266,155	-	-	1,222,927
2017	1,012,099	212,771	-	-	1,224,870
2018	1,066,472	156,345	-	-	1,222,817
2019	1,126,569	96,903	-	-	1,223,472
2020	601,918	42,156	-	-	644,074
2021	312,901	8,616	-	-	321,517
Subtotal	21,583,567	10,445,248	16,790,000	7,273,820	56,092,635
Less discounts and deferred refunding costs	(1,019,123)	-	(45,900)	-	(1,065,023)
Total Business-type activities debt	<u>\$20,564,444</u>	<u>\$10,445,248</u>	<u>\$16,744,100</u>	<u>\$7,273,820</u>	<u>\$55,027,612</u>

The 1990, 1994 and 1995 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, 2002.

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.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

The County is presently undertaking the task of establishing the status of all currently outstanding conduit debt. The following is the County's best estimate of the status of conduit debt at June 30, 2002:

Number of Issues	Current Amount Outstanding (in millions)	Original Issue Amount (in millions)
28	\$325 - 335	\$350 - 360
25 - 30	No estimate	275 - 300

The following is a summary of the changes in long-term obligations of the component units for the year ended June 30, 2002:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002	Amounts Due in One year
Accrued compensated absences	\$ 1,596,570	\$ 211,042	\$ (77,435)	\$ 1,730,177	\$ 1,037,094
General Obligation Bonds	33,338,702	-	(4,856,528)	28,482,174	6,142,511
Capital Lease Obligations	3,114,787	1,898,531	(1,239,686)	3,773,632	666,192
Revenue Bonds	8,940,813	-	(312,142)	8,628,671	330,381
Total	\$ 46,990,872	\$ 2,109,573	\$(6,485,791)	\$ 42,614,654	\$ 8,176,178

	Range of Maturity Dates	Range of Interest Rates	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Accrued compensated absences:						
CCL			\$ 559,146	\$ -	\$ (299)	\$ 558,847
CCPRC			429,512	69,558	(38,298)	460,772
JIPSD			215,292	28,577	-	243,869
SAPPPC			15,292	7,974	-	23,266
SJFD			338,490	65,202	-	403,692
SPFD			38,838	39,731	(38,838)	39,731
Total accrued compensated absences			1,596,570	211,042	(77,435)	1,730,177

General Obligation Bonds:

CCPRC	2003 - 2015	4.30%-6.75%	31,892,112	-	(4,606,802)	27,285,310
JIPSD	2003 - 2036	4.30% -7.625%	1,043,450	-	(129,792)	913,658
SAPPPC	2002 - 2004	7.50% -7.70%	325,000	-	(100,000)	225,000
SPFD	2008	4.875%	78,140	-	(19,934)	58,206
Total General Obligation Bonds			33,338,702	-	(4,856,528)	28,482,174

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Capital lease obligations:

CCPRC	2006	4.19% - 4.96%	734,274	-	(244,083)	490,191
JIPSD	2003 - 2012	4.39% - 6.88%	185,841	444,276	(89,897)	540,220
NCD	2002	5.93%	31,418	-	(31,418)	-
SAPPPC	2004 - 2006	4.6%-7.90%	327,856	154,442	(90,374)	391,924
SJFD	2005 - 2012	4.96% - 5.25%	1,519,432	1,299,813	(693,629)	2,125,616
SPFD	2002 - 2006	5.35%-5.75%	<u>315,966</u>	<u>-</u>	<u>(90,285)</u>	<u>225,681</u>
Total capital lease obligations			<u>3,114,787</u>	<u>1,898,531</u>	<u>(1,239,686)</u>	<u>3,773,632</u>
Revenue Bonds:						
JIPSD	2018-2037	3.60% - 5.75%	9,883,351	-	(362,410)	9,520,941
Less deferred refunding costs			<u>(942,538)</u>	<u>-</u>	<u>50,268</u>	<u>(892,270)</u>
Total revenue bonds			<u>8,940,813</u>	<u>-</u>	<u>(312,142)</u>	<u>8,628,671</u>
Total component units long-term obligations			<u>\$ 46,990,872</u>	<u>\$2,109,573</u>	<u>\$ (6,485,791)</u>	<u>\$ 42,614,654</u>

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

General Obligation Bonds:

Year Ending June 30	CCPRC	JIPSD	SAPPPC	SPFD	Totals Component Units
2003	\$ 7,293,028	\$ 181,153	\$ 113,425	\$ 13,516	\$ 7,601,122
2004	3,392,778	160,413	129,812	13,516	3,696,519
2005	4,602,125	157,170	-	13,516	4,772,811
2006	2,127,750	96,762	-	13,516	2,238,028
2007	2,460,300	62,970	-	12,960	2,536,230
2008-2012	8,487,450	190,611	-	-	8,678,061
2013-2017	7,037,500	154,510	-	-	7,192,010
2018-2022	-	144,476	-	-	144,476
2023-2027	-	113,130	-	-	113,130
2028-2032	-	113,130	-	-	113,130
2033-2037	-	106,067	-	-	106,067
Total	35,400,931	1,480,392	243,237	67,024	37,191,584
Less interest and plus unamortized premium included above	<u>(8,115,621)</u>	<u>(566,734)</u>	<u>(18,237)</u>	<u>(8,818)</u>	<u>(8,709,410)</u>
Debt per Statement of net assets	<u>\$ 27,285,310</u>	<u>\$ 913,658</u>	<u>\$ 225,000</u>	<u>\$58,206</u>	<u>\$ 28,482,174</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Future minimum capital lease payments:

<u>Year Ending June 30</u>	<u>CCPRC</u>	<u>JIPSD</u>	<u>SAPPPC</u>
2003	\$ 193,028	\$ 102,376	\$ 121,462
2004	175,016	87,550	109,564
2005	89,097	84,575	86,527
2006	69,997	84,621	68,745
2007	-	84,575	29,955
2008-2012	-	214,780	19,970
Future minimum capital lease payments	527,138	658,477	436,223
Less amount representing interest	<u>(36,947)</u>	<u>(118,257)</u>	<u>(44,299)</u>
Debt per Statement of Net Assets	<u>\$ 490,191</u>	<u>\$ 540,220</u>	<u>\$ 391,924</u>

<u>Year Ending June 30</u>	<u>SJFD</u>	<u>SPFD</u>	<u>Totals Component Units</u>
2003	\$ 339,837	\$ 100,073	\$ 856,776
2004	339,837	50,957	762,924
2005	339,837	50,957	650,993
2006	302,952	50,956	577,271
2007	255,074	-	369,604
2008-2012	1,088,206	-	1,322,956
Future minimum capital lease payments	2,665,743	252,943	4,540,524
Less amount representing interest	<u>(540,127)</u>	<u>(27,262)</u>	<u>(766,892)</u>
Debt per Statement of Net assets	<u>\$ 2,125,616</u>	<u>\$ 225,681</u>	<u>\$3,773,632</u>

Revenue Bonds:

<u>Year ending June 30</u>	<u>JIPSD</u>
2003	\$ 884,786
2004	881,245
2005	887,056
2006	881,536
2007	852,518
2008-2012	5,479,898
2013-2017	3,622,068
2018-2022	880,374
2023-2027	200,278
2028-2032	168,905
2033-2038	124,455
Total	<u>14,863,119</u>
Less interest and deferred refunding costs included above	<u>(6,234,448)</u>
Debt per Statement of net assets	<u>\$ 8,628,671</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
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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, 2002, the following debt issues outstanding are considered defeased:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Primary government:		
General Obligation Bonds:		
Series 1994	<u>\$ 24,065,000</u>	
Total General Obligation Bonds	<u>24,065,000</u>	
Certificates of Participation:		
Series 1994-B	<u>22,681,884</u>	<u>\$ 5,203,116</u>
Total Certificates of Participation	<u>22,681,884</u>	<u>5,203,116</u>
 Total primary government	 <u>\$ 46,746,884</u>	 <u>\$ 5,203,116</u>

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.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Beginning January 1, 1996, the South Carolina Legislature changed the definition of debt subject to the eight 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	\$ 1,671,349,926
Value of merchants inventory and manufacturers depreciation	<u>26,402,453</u>
Total assessed value	<u>\$ 1,697,752,379</u>
Debt limitation - eight percent of total assessed value	\$135,820,190
Total bonded debt:	
General Obligation Bonds	\$ 106,850,000
Less:	
Bonds issued pursuant to referendum:	
Series 1994 Refunding G.O. Bond:	
Series 1988 G.O. Bond - Library	\$ (4,500,000)
Series 1989 G.O. Bond - Library	(5,000,000)
Series 1991 G.O. Bond - Library	(750,000)
Series 1991 G.O. Bond - Coliseum	(5,000,000)
Series 1991 G.O. Bond - Aquarium	(2,000,000)
Series 1994 G.O. Bond - Aquarium	<u>(5,000,000)</u>
	<u>(22,250,000)</u>
Total debt subject to debt limit	<u>84,600,000</u>
Legal debt margin	<u>\$ 51,220,190</u>

J. Reserved and Designated Fund Equity

Reserved for inventories and prepaid items. Fund balance has been reserved for inventories and prepaid items to indicate that these amounts do not represent available spendable resources even though they are components of net current assets.

Reserved for encumbrances. Encumbrances representing commitments to vendors which had not been received or completed at year-end have been reserved since they are not legally available for appropriation.

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

Reserved for capital projects. All capital project fund balances, other than those reserved for outstanding encumbrances, are reserved for the acquisition of fixed assets, for the completion of existing projects and for future projects.

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Designated for rainy day. An amount of \$7,000,000 has been established through the budget ordinance by County Council as a rainy day fund. The intent of this fund is to provide a cushion for unexpected emergencies in the event of a major catastrophe such as an earthquake, hurricane, nuclear accident or chemical spill. The rainy day fund can only be appropriated through the passage of another ordinance by County Council.

Designated for subsequent years' appropriation. The fiscal year 2003 budget ordinance designates \$8,200,000 of the ending fiscal year 2002 General Fund Balance for fiscal year 2003 appropriations. All Special Revenue Fund Balances, after the reserve for encumbrances, have been designated in accordance with the various use restrictions placed on their assets under the 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 \$1,420,000 reported in the Fund at June 30, 2002 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.

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Changes in the Fund's claims liability amount in fiscal year 2002 and 2001 were:

Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2002	\$ 970,000	\$ 2,347,675	\$ (1,897,675)	\$ 1,420,000
2001	961,466	1,285,274	(1,276,740)	970,000

The above liability is included in the County's accounts payable as reported in the statement of net assets.

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, and settled claims in excess of insurance coverage for the last three years was 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.

B. Segment Information

The County maintains an enterprise fund which provides drug and alcohol abuse treatment. The James Island Public Service District operates a sewer treatment utility systems as an enterprise fund. These funds are supported by a revenue-backed COP and a revenue bond. The County also has an enterprise fund for Solid Waste disposal. It is presented as a major business-type fund.

Condensed Statement of Net Assets	<u>DAODAS</u>	<u>JIPSD</u>
Assets:		
Current assets	\$ 3,561,695	\$ 5,669,145
Deferred issuance costs	80,200	130,278
Capital assets	8,872,526	21,793,349
Total assets	\$ 12,514,421	\$ 27,622,772
Liabilities:		
Current liabilities	859,263	711,206
Revenue bonds	-	8,298,290
Certificates of participation	5,362,291	-
Other long-term obligations	-	18,928
Total liabilities	6,221,554	9,028,424
Net Assets:		
Invested in capital assets, net of related debt	3,348,546	13,162,423
Restricted for debt service	-	939,110
Unrestricted	2,944,321	4,492,815
Total net assets	\$ 6,292,867	\$ 18,594,348

COUNTY OF CHARLESTON, SOUTH CAROLINA
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Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	<u>DAODAS</u>	<u>JIPSD</u>
Operating revenues	\$ 8,313,788	\$ 4,687,096
Depreciation and amortization	(273,797)	(614,475)
Other operating expenses	(8,595,577)	(2,729,984)
Operating income (Loss)	<u>\$ (555,586)</u>	<u>\$ 1,342,637</u>
Nonoperating revenues (expenses):		
Investment income	-	143,389
Interest expense	(401,172)	(570,479)
Intergovernmental revenue	492,051	-
Gain (loss) on disposal of assets	(5,164)	1,894
Total nonoperating revenues (expenses)	<u>85,715</u>	<u>(425,196)</u>
Transfers in	1,847,765	-
Change in net assets	1,377,894	917,441
Beginning net assets	4,914,973	17,676,907
Ending net assets	<u>\$ 6,292,867</u>	<u>\$ 18,594,348</u>

Condensed Statement of Cash Flows:

	<u>DAODAS</u>	<u>JIPSD</u>
Net cash provided (used) by:		
Operating activities	\$ (98,461)	\$ 1,911,848
Noncapital financing activities	1,934,379	-
Capital and related financing activities	(603,614)	(2,062,483)
Investing activities	-	589,249
Net increase (decrease)	<u>1,232,304</u>	<u>438,614</u>
Beginning cash and cash equivalents	574,505	3,309,120
Ending cash and cash equivalents	<u>\$ 1,806,809</u>	<u>\$ 3,747,734</u>

C. Subsequent Events

On October 25, 2002, County Council approved the substitution of Monterey Power Corporation for Foster Wheeler Corporation as operator of the County's resource recovery facility Solid Waste Fund. Except for the substitution of operator, all other aspects of the original transaction remain the same.

On November 5, 2002, the voters of Charleston County approved a referendum authorizing the imposition of a one-half percent local option sales tax for a period not to exceed 25 years and or \$1.3 billion to fund road projects, mass transit system and green belts. This tax is scheduled to be implemented on May 1, 2003. The outcome of the election has been challenged, and the case should be heard by the South Carolina Supreme Court in the spring of 2003. If successful, this sales tax will be the funding source for the intergovernmental agreement with the South Carolina Infrastructure Bank discussed in the Commitments note.

On May 6, 2002 the South Carolina Supreme Court ruled that the reassessment cap on owner occupied residences enacted by County Council in fiscal year 2002 was illegal. Council has removed the cap for fiscal year 2003 and voted to replace it with an ordinance placing a 15 percent cap on all real property meeting certain time restrictions in fiscal year 2004. The City of North Charleston has agreed to bring a friendly lawsuit in the spring of 2003 to test the legality of the new ordinance.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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On August 15, 2002, the Charleston County Park and Recreation Commission entered into a three-year capital lease financing agreement with a financial institution in the amount of \$270,000 for the purchase of vehicles and other equipment.

On October 2, 2002, the James Island Public Service District borrowed \$450,000 from its proprietary fund on a promissory note that matures January 2, 2003. Interest will be paid at 0.9416% during the period the note is outstanding.

During the fiscal year, Charleston County Council approved the future issuance of a tax anticipation note (TAN) in the amount of \$2,000,000 for St. John's Fire District. Subsequent to June 30, 2002, the District borrowed \$500,000 on this TAN. The remaining \$1,500,000 is available to the District. 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 2003.

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 legal proceedings that normally occur in governmental operations. These lawsuits involve disputes arising from certain delinquent tax sales, various tort actions, claims under contractual agreements and alleged civil rights violations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of legal counsel that resolution of these matters, individually or in the aggregate in excess of insurance coverage will not 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.

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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.

The County has contracted with Foster Wheeler Corporation to provide waste disposal services at the company's incinerator in North Charleston. The contract requires the County to levy a user fee sufficient to pay this disposal fee which includes operational cost plus debt service on a \$75,000,000 Industrial Development Bond used to construct the incinerator. This agreement expires on January 1, 2010 when the bonds mature. At that time, the County has the option to purchase the facility for its fair market value, extend the agreement or terminate the service.

In September 2001, the County entered into an intergovernmental agreement with the South Carolina Infrastructure Bank to make 25 annual payments of \$3,000,000 beginning in January 2004 as a local match to help defray the cost of the new Cooper River Bridge being built by the State to replace the existing bridges connecting the City of Charleston and the Town of Mt. Pleasant.

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.

The Charleston County Park and Recreation Commission has entered into an agreement with the City of Folly Beach to restrict \$50,000 each year to provide for the renourishment of the erosion that occurs along Folly Beach. This annual amount will increase to \$60,000 per year in the fiscal year ending June 30, 2003. As of June 30, 2002, no funds had been expended for such renourishment.

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 Commission terminated its master lease of the facilities with the following provisions:

1. The City will repay \$660,991 to the Commission with interest at 9% per annum over the next ten years under a predetermined formula. This is reflected as a note receivable on the accompanying financial statements, see note III B.
2. The City transferred its ownership interest in approximately 60 acres of land located within the boundaries of James Island Park to the Commission.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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3. The City will give the Commission the right of first refusal for a period of 50 years should it desire to sell the facilities and credit \$1,500,000 towards the purchase price. If the facilities are sold to a third party, the City will repay \$1,500,000 to the Commission.

The Charleston County Park and Recreation Commission has entered an agreement with the Charleston County School District to cooperate in the establishment and operation of a community education program. The agreement requires the Commission to provide facilities and personnel and to pay a portion of the program costs in excess of state and federal grant proceeds. The total payment to the School District for fiscal year 2002 expenditures was \$430,461.

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 pay 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.

One June 29, 1988, Kiawah Island was sold to Kiawah Resort Associates. The Charleston County Park and Recreation Commission has been in contact with the new 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.

On April 25, 1995, the Commission entered into an agreement with Gionis Restaurants, Inc. to allow this corporation to operate the Starfish Grille restaurant at the Folly Pier. The original lease term was for five years beginning October 1995, and was renewed through September 30, 2005. The building held for rent had an estimated cost of \$775,000 and an estimated net book value of \$664,000 and is included in the Business-Type capital assets. Rent started at \$6,500 per month for the year of the renewal period and increases annually to \$7,100 per month on October 1, 2004. The lease also provides for contingent rentals of 6 percent of annual sales greater than \$1,200,000.

The following is a schedule by years of the minimum future rentals on the non-cancelable operating lease as of June 30, 2002:

<u>Year Ending June 30,</u>	<u>Amount</u>
2003	\$ 81,150
2004	82,950
2005	84,750
2006	<u>21,300</u>
Total minimum lease rentals	<u>\$ 270,150</u>

Total rent income of \$91,357 was recorded during the year, of which \$12,157 was contingent rentals.

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The Cooper River Park and Playground Commission entered into an agreement on June 8, 2000 with the City of North Charleston to provide recreational services to the citizens within its jurisdictional boundaries. The contract requires the payment of substantially all revenues generated by the Commission, except for the remaining unreserved fund balance at June 30, 1996, and turning over control, but not title to, all of the Commission's assets. The contract expired on June 30, 2002. On May 23, 2002 the Commission entered into another one year contract with the City covering the period from July 1, 2002 to June 30, 2003, with essentially identical terms as the previous contracts.

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, but not title to, all of the District's assets. The District anticipates total annexation by the City in the near future. 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. This contract was extended for one year until June 30, 2003.

During 2002, the St. Paul's Fire District entered into an intergovernmental agreement with the County for the design and construction of a new fire station at Edisto. The County agreed to provide or contract for the necessary services in connection with the design and construction of the station. The District agreed to reimburse the County all construction costs and fees associated with the new station upon completion, or as the parties may agree. St. Paul's Fire District deposited \$200,000 with the County during the fiscal year ended June 30, 2002, towards the cost of the project. The estimated total cost of the new station is \$450,000. The County has recorded this deposit less amounts expended as deferred revenue.

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. The County has elected to provide this benefit to all employees who meet the following criteria:

1. Covered participants earning up to \$20,000 per year regardless of employee contributions, or
2. Covered participants earning more than \$20,000 subject to meeting minimum contribution levels

G. Other Post employment Benefits

The County provides post-retirement health, life and dental care benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. 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. 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.

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As of year-end, there were 292 employees who had retired with the County and are receiving the 50 percent health insurance premium coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended June 30, 2002, the County recognized expenses of \$723,525 for healthcare, which were net of retiree contributions of \$554,317. The James Island Public Service District had 17 employees who had retired and receiving benefits under this plan. The District recognized expenses of \$59,871 for health care premium net of retiree contributions of \$26,832.

H. 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 6.0 percent of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is 6.7 percent of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S. C. Code of Laws.

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 10.3 percent of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S. C. Code of Laws.

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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, 2002, 2001 and 2000:

	<u>Fiscal Year Ended June 30,</u>		
<u>SCRS Contributions</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Primary government:	\$ 3,325,915	\$ 3,170,101	\$ 3,000,820
Component units:			
CCL	352,400	331,322	296,909
CCPRC	312,730	279,096	238,034
JIPSD	216,067	206,703	206,466
SAPPPC	68,966	66,549	49,897
SJFD	24,836	20,635	16,395
SPFD	<u>3,539</u>	<u>3,506</u>	<u>3,285</u>
Total SCRS	<u>\$ 4,304,453</u>	<u>\$ 4,077,912</u>	<u>\$ 3,811,806</u>
 <u>SCPORS Contributions</u>			
Primary government:	\$ 2,188,374	\$ 2,034,318	\$ 1,929,179
Component units:			
SJFD	315,741	283,441	255,130
SPFD	<u>135,838</u>	<u>120,894</u>	<u>121,807</u>
Total SCPORS	<u>\$ 2,639,953</u>	<u>\$ 2,438,653</u>	<u>\$ 2,306,116</u>

100% of the required contributions have been made for the current and each of the previous two years.