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To the Members of County Council and the Citizens of Charleston County, South Carolina:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Charleston County, South Carolina for the fiscal year ended June 30, 2002.

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

Charleston County's financial statements have been audited by Gamble Givens & Moody, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Charleston County's financial statements for the year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

Charleston County, 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. Policy-making and legislative authority are vested in a governing council consisting of nine council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the County's administrator, internal auditor and attorney. The administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a partisan basis. Council members serve four-year staggered terms, with either four or five members elected every two years. All nine council members are elected at large but must meet defined district residency requirements.

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

- (1) Public safety - county-wide law enforcement, emergency preparedness plans, detention facilities and fire protection in the Awendaw Fire District, Town of McClellanville, the East Cooper Fire District and the West St. Andrew's Fire District;
- (2) Veterans' assistance;
- (3) Health - emergency medical services, alcohol and other drug abuse services, indigent health care and social services;
- (4) Voter registration;
- (5) Street and drainage maintenance;
- (6) Waste disposal;
- (7) Planning and zoning administration;
- (8) Criminal, civil, probate and family court administration;
- (9) Public defender assistance; and
- (10) Tax collection and dispersal.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Charleston Public Facilities Corporation has been shown in the government-wide statements in both the government and business-type activities, as appropriate, and in the fund financial statements in the debt service and capital project governmental funds and in the parking garage and other enterprise funds. Discretely presented component units are reported in a separate column in the statement of net assets and statement of activities to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following entities are being reported as discretely presented component units:

- (1) Charleston County Library (CCL)
- (2) Charleston County Park and Recreation Commission (CCPRC)
- (3) Cooper River Park and Playground Commission (CRPPC)

- (4) James Island Public Service District (JIPSD)
- (5) North Charleston District (NCD)
- (6) St. Andrew's Parish Parks and Playground Commission (SAPPPC)
- (7) St. John's Fire District (SJFD)
- (8) St. Paul's Fire District (SPFD)

Additional information on all eight of these legally separate entities can be found in Note I.B. in the notes to the financial statements starting on page .

The annual budget serves as the foundation for Charleston County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the County's Administrator by March 15 each year. The budget office uses these requests as the starting point for developing a proposed budget. The County Administrator then presents this proposed budget to the Council for review prior to May 1. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of Charleston County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff).

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 Chief Deputy Administrator, Deputy Administrator, Chief Financial Officer, and Chief Information Officer the authority to transfer between departments under their respective control. The budget ordinance must be amended by Council to effect changes in fund totals.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on page .

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Charleston at a Glance. Charleston County is the largest county in land area in South Carolina. It encompasses 945 square miles spread along a 97-mile stretch of Atlantic Ocean coastline. Its coastal environment includes the Intra coastal Waterway, the Bulls Bay and Cape Romaine National Wildlife Refuges and the Francis Marion National Forest.

Charleston is the third most populous county in the state, with an estimated 310,000 residents. The Charleston Metropolitan Statistical Area – comprised of three counties, boasts nearly 550,000 residents, and is predicted to grow to 620,000 by 2015. The M.A. has an even wider economic sphere of influence, however, encompassing a twelve-county area comprising most of southern South Carolina and one million people. The county hosts 15 municipalities, ranging from heavily urbanized areas like the cities of Charleston and North Charleston, to suburban bedroom communities such as the Town of Mount Pleasant, the resort communities of Kiawah and Seabrook Islands, beach communities such as Isle of Palms and Folly Beach, and rural townships including Ravenel, Hollywood, and Awendaw.

The region's economic base is diversified and growing. With significant Air Force, Navy and Coast Guard facilities in Charleston, the United States military retains a sizeable presence, despite the closure of the Charleston Naval Shipyard in 1995. The medical industry is substantial, focused around the Medical University of South Carolina, the State's teaching hospital. Charleston has effectively used its natural harbor for port operations for two hundred years, and the aggressive, ever-expanding Port of Charleston drives industrial growth in Charleston, statewide, and even beyond. The tourism industry has experienced rapid growth in recent years, expanding the tourist season to virtually year-round, as national and international visitors explore the 332-year-old city and its colonial and antebellum era environs.

The area's port-related manufacturing sector boasts a corporate roster including an array of national and international companies such as Bosch, Bayer, DuPont, Alcoa, Nucor Steel, Cummins Engine, Mannesmann, SKF, MeadWestvaco, Freightliner, Corning, Gates Rubber, and BP Amoco. But the biggest story in Charleston since the commencement of the new millennium, without a doubt, is the rocketing growth of its 'services' sector and its newfound success as a 'technology town.' A growing number of homegrown biotech, medical device, software and e-commerce firms have been successfully launched in recent years, and recent recruitment success in the biotech realm has also enhanced the region's high-tech credentials.

The Past Decade. Charleston, S.C. experienced more growth from 1995-2000 than it had in the previous twenty years. The economic indicators, at least in part, help tell the story. For instance:

The Charleston labor force grew by nearly 18% between 1995 (the year the Naval Base closed) and 2000—an addition of 41,440 persons;

Charleston building officials issued 30,250 construction permits in the 1995-2000 period valued at \$5.9 billion;

Construction has proceeded at a high level, beginning in 1995 with nearly 2,800 permits valued at \$970 million and growing to the year 2000 level of 6,500 permits worth \$1.2 billion;

Nearly 25,000 residential building permits were issued in that five-year period, growing annually from the 1995 level of 2,300 per year to the year 2000 level of 5,400 per year;

The annual value of residential permits has also grown substantially—nearly tripling from the 1995 level of \$255 million to the 2000 level of \$716 million;

Over 41,000 home sales occurred in Charleston between 1995-2000, increasing from a pace of 5,600 per year which was typical in 1995 to nearly 8,100 per year in 2000—with average sales price increasing 60 percent, from the 1995 average of \$121,446 to the 2000 average of \$194,765;

The Charleston area expanded its office space inventory by 1.1 million square feet — or by 25 percent — to its year 2000 level of 5.6 million square feet while vacancy rates improved from the 1995 level of 16 percent vacancy to the year 2000 rate of 12.6 percent;

The Charleston area also expanded available retail space by an additional 1.35 million square feet during the five-year period, to its year 2000 total inventory of 12.2 million square feet, again while improving the vacancy rate from 12.6 percent to 11.8 percent;

Some \$66 billion in gross retail sales were recorded in the Charleston area between 1995-2000, growing annually from the 1995 level of \$9.3 billion to the year 2000 level of \$13 billion;

The City of North Charleston routinely registers the largest retail sales in the State of South Carolina, with neighboring City of Charleston ranking third;

Combined emplanements and deplanements through Charleston International Airport grew by 20 percent, from 1.4 million in 1995 to 1.68 million in 2000;

Containerized cargo tonnage through the Port of Charleston grew by 62 percent, from 1.02 million twenty-foot equivalents (TEUs) in 1995 to 1.65 million in 2000.

Current Indicators. After the rapid pace of the last decade, the Charleston economy slowed somewhat as it entered the new millennium (2001-2002), but maintains a resiliency many cities have not realized. For example: although falling off 2.5 percent from 2000-2001, the Charleston workforce is predicted to regain this ground and reach its highest level to date by the end of 2002;

After nearly a decade of constant growth, containerized cargo tonnage through the Port of Charleston decreased 6.5 percent in the 2000-2001 period, but appears on pace to exceed the 2001 level of 1.5 million twenty foot equivalent units (TEUs) in 2002;

Retail trade fell 2.5 percent in the 2000-2001 period, but despite the shaky 2002 national economic forecast, trends suggest that it will bounce back to a very strong finish 3.4 percent ahead of last year;

Single-family housing slowed in 2000-2001, falling 1.5 percent off of its record pace, but has already nearly equaled the 2001 level at the end of the third quarter of 2002 and appears poised to have a new record year;

Activity at the Charleston International Airport was down 5 percent in 2000-2001, a trend expected to recur this year as air passengers remain skittish about flying over one year after 9/11/01, but Charleston has thus far avoided the double-digit losses of passengers many U.S. airports have experienced;

After falling off 6.5 percent in 2001 from year 2000 volumes, during debate over its expansion. With the issue now settled, the Port is predicting it will regain that ground and possibly set a new tonnage record.

The Charleston Portfolio. In a recent business recruitment study, Charleston was measured against its twelve most direct Southeast competitor cities. Charleston was found to offer relatively lower land, construction, and lease costs; a growing labor force with good availability and comparably lower rates; the top sea transportation services; and the lowest energy rates in the Southeast.

In the 21st century businesses agree that their labor force is their most essential ingredient to ever increasing productivity and profit margins. The work force in Charleston has long been known for its skills and work ethic, whether faced with refitting nuclear submarines or writing software. Charleston labor continues to be abundant and up to the task, and each month sees the in-migration of new residents, including many younger workers lured to town by the lifestyle and the possibilities.

Charleston has an educational infrastructure spanning kindergarten through master's level degrees, with a variety of public and private alternatives, along with several specialty schools. Approximately 87,000 students are enrolled K-12 in the region's four public school districts, which encompass 136 schools. The State of South Carolina is in its third year with the recently enacted Palmetto Achievement test (PACT), a statewide school accountability measure enacted under Governor Jim Hodges. The second round of testing brought another year of progress, with PACT scores up as a whole in Charleston and statewide. South Carolina and local high schools also made overall strides in SAT scores in 2002, although they continue to compare poorly statistically with states around the nation, many of which restrict the number of students allowed to take the test. The voters of Charleston County recently approved a \$175 million bond referendum for renovation, new construction and facility needs for the County's public schools, and the County School District has created magnet schools for the

arts, math and science. Area public schools average 16 students per teacher, spend an average of \$6,000 per student per annum, and pay teachers an average of \$35,867 annually.

According to the 2000 Census, the Charleston area offers a workforce with a higher than average (27 percent) number of four-year degree holders among its 25 and over population: well above the State of South Carolina (22.9 percent) and national (25.1 percent) levels. Charleston boasts diverse offerings and enrollment of over 30,000 students among its universities, liberal arts colleges, and technical college. The College of Charleston, the oldest municipal college in the United States, has an undergraduate enrollment of 10,000. It also offers 15 graduate level programs, as well as professional and continuing education services. The Medical University of South Carolina is the oldest medical college in the South and has earned a solid national reputation in several specialties within six colleges of medicine, nursing, health-related professions, pharmacy, dentistry, and graduate studies. The Citadel offers 26 undergraduate degrees to its Corps of Cadets within a military environment, as well as 16 graduate degrees to the general public in its night school.

Labor training programs are one of South Carolina's major incentives in economic recruitment, and they span the entire continuum of a company's life—from ramp up to maturity. The Center for Accelerated Technology Training provides relocating companies a cost-free, turn-key customized labor-training program prior to the commencement of their operations. Recognized as a national model, Charleston County's Trident One-Stop Career Center combines a variety of employer-oriented job profiling, transportation brokering, learning labs, training programs, and labor market information all under one roof. Trident Technical College, one of 16 around the state, offers the full range of two-year associate degrees as well as a wide curriculum of retraining and continuing education programs.

Charleston International Airport, no more than a thirty-minute ride from any regional front door, has experienced great growth over the past five years. The mix of passengers has begun to shift away from its tourist base toward one increasingly characterized by business fliers. Delta, USAir, United Express, and Continental have recently been joined by Air Canada and Northwest, providing daily non-stop service to a growing list of key business destinations, including Atlanta, Raleigh-Durham, New York (LaGuardia), Washington, D.C. (Dulles and Reagan), Charlotte, Cincinnati, Dallas, Pittsburgh, Philadelphia, Newark, Houston, Detroit, and Chicago (O'Hare). A new Toronto route offered by Air Canada is Charleston's first nonstop international service. Charleston International Airport is co-located with a fixed base operator, Mercury Air, which offers convenient central location and superb services to corporate aircraft.

Telecommunications infrastructure in the Charleston region is above average for a mid-sized market. BellSouth offers DSL and IFITL broadband with digital switching capability over its "self-healing" network, diversely engineered for virtually uninterruptible service, and providing access to tariffed ISDN services plus a vast array of other voice, video and data services. One positive aspect to come from the devastation brought by Hurricane Hugo in 1989 is an unusually large amount of buried fiber which replaced the more vulnerable overhead lines after the storm. Joining BellSouth as a provider of business telecommunications services in recent years have been KMC Telecom and Knology, the latter of which also competes with Comcast and Time-Warner to provide residential cable and Internet services.

The Charleston region offers an abundance and variety of business sites, from luxury executive suites to heavy industrial sites, and everything in between. The July 2002 edition of the Charleston Metro Chamber of Commerce's quarterly magazine Commerce surveyed office, commercial, and industrial properties as follows:

Office and flex space: Some 172 properties consisted of 8.6 million square feet (s.f.), with a vacancy rate of 15.7 percent, and a median monthly lease cost of \$16.50/s.f. Properties ranged from high end executive offices in Daniel Island or downtown Charleston at \$18.50 - \$18.88/s.f., to suburban space in Mt. Pleasant (\$18.00/s.f.) and the southern portion of North Charleston (\$16.13/s.f.), to more economical space in West Ashley (\$15.50/s.f.), northern North Charleston (\$13.00/s.f.), and more remote small town Summerville (\$10.00/s.f.).

The inventory of Charleston office space has increased by an incredible 70 percent over the past four years, as an additional 3.5 million s.f. was constructed. During that time, the vacancy rate rose from 12 percent to its current

rate of about 16 percent. Judging from non-residential permitting activity in 2002 year-to-date, however, it is apparent that this particular office building cycle has finally run its course.

Nonetheless, despite apparent saturation, the inventory will get another 6 percent boost to over 9.2 million square feet when another 10 office projects now under construction supply an additional 534,515 s.f. Another six projects accounting for a total of 241,600 s.f. remain on the drawing board until economics bear them out.

A new emerging challenge for Charleston lies in its recent success with biotechnology firms. Despite a strong medical presence, with several major hospital complexes and the Medical University of South Carolina (MUSC), the real estate market here has been risk adverse with regard to construction of the very expensive wet lab space fledgling biotech firms require. To the extent such space exists amongst local research and development operations, there is very little vacancy and few incentives to lease it out to newcomers.

Industrial buildings and parks: Some 77 industrial buildings are currently available in the three-county Charleston area, ranging from 5,000 s.f. to 300,000 s.f. Rents typically range from \$2.50 - \$4.50/s.f., depending upon location, age and features. Warehousing is plentiful, owing largely to the presence of four Port facilities along the Cooper and Wando Rivers. Freestanding manufacturing buildings and those in an industrial park setting are generally located north of downtown Charleston and into its outlying area where much heavy industry has historically gravitated.

An abundance of sites for new industrial construction are available, typically in business parks, but also some isolated industrially zoned tracts. New business parks have been launched all over the area since 1995, in response to the tremendous industrial demand Charleston experienced through 1999. Once at a premium, four large acreage Class A parks have also opened, including Palmetto Commerce Park in Ladson, Mount Holly in Goose Creek, Eastport in Summerville, and the Charleston Regional Business Park at Cainhoy. Active speculative building programs at all four parks offer 50-250,000 square foot shells which can be quickly finished to a prospective tenant's flooring, electrical and other specifications.

Retail space and centers: Some 109 retail centers were surveyed, boasting 13 million square feet of gross leasable area (GLA), of which about 1.5 million is currently available. Of the total GLA, the vast majority of space is taken up in shopping centers and storefronts in North Charleston (33 percent), West Ashley (26 percent), and East Cooper (16 percent) and the remaining fourth spread among downtown Charleston and the outlying communities.

Vacancy is currently at an average of 11.3 percent across the three-county area, but with wide ranging disparity. The West Ashley and North Charleston areas, where the preponderance of space exists are at 5.7 percent and 13.2 percent respectively, while Mt. Pleasant boasts the lowest vacancy at only 5.3 percent and retail centers in the James and John's Islands register a region-high 24.7 percent vacancy. The market is almost as soft in Berkeley County, with 21.7 percent vacancy. While hosting only 2 percent of all the area's retail area, downtown Charleston certainly hosts the most high-dollar space, which is currently at 11.3 percent vacancy.

Lease rates vary widely, from as low as \$8.50/s.f. in the Charleston suburbs to \$50/s.f. in the upscale King St. corridor in the downtown Charleston central business district. Reflecting some of the healthiest demographics in the area, rents in the Mt. Pleasant / East Cooper area average \$15.44/s.f., with a median rate of \$14.50. West Ashley follows, with an average rate of \$10.83/s.f. and a median of \$10.50/s.f. James and John's Islands lie just beyond West Ashley, the former a middle-class suburban bedroom community south of Charleston, and the latter a still largely rural community. There average rents are at \$9.59/s.f., while the median rate is at \$10.50/s.f. The area's most plentiful space in North Charleston goes for an average of \$9.10/s.f., with a median of \$8.50/s.f. Rents in small-town Summerville and the more remote, rural Berkeley County are understandably the lowest, at an average of \$8.57-8.70/s.f., and a median of \$9.00/s.f.

It is difficult to major average and median retail rates for downtown Charleston, owing to the diversity in its retail inventory. However, an unscientific, unweighted sampling of the data shows about 60 percent of downtown retail listings in July 2002 in the \$16-25.00/s.f. range, with 18 percent below that in the \$10-15.00/s.f. range, and 13

percent in the more expensive \$26-35.00/s.f. range. The very high-end space, averaging \$36-50.00/s.f., accounted for the final eight percent.

The Charleston region underscores its pro-business climate with the use of economic incentives and other tools to spur start-ups, retain and expand existing companies, and recruit new ones to the community. Manufacturers, distribution facilities, corporate headquarters and offices, and research and development facilities are eligible for a variety of local property tax and state corporate income tax incentives. Important hallmarks of the Charleston effort are regionalism and public-private teamwork.

Several key players drive start-up, retention and expansion efforts, including Charleston County, its cities, the Charleston Metro Chamber of Commerce, the S.C. World Trade Center, the ThinkTec technology advocacy group, small business services providers, labor trainers, and the utilities. The public-private funded non-profit Charleston Regional Development Alliance provides regional business recruitment for three counties, five major cities, three Chambers of Commerce, and a variety of private funding partners. This award winning and highly successful group offers soup-to-nuts marketing, prospect attraction and relocation facilitation services in a seamless regional context.

The Port of Charleston is widely considered the State of South Carolina's crown jewel of economic development, with shipping lines in Charleston including ports of call in over 150 countries. The Port has been used as a major calling card in the attraction of industrial investment, most notably the BMW automotive manufacturing near Spartanburg, S.C. Some 700 South Carolina companies regularly ship through the Port of Charleston, accounting for 45 percent of SPA export tonnage and one-third of all outgoing containers. Stated in financial terms, Charleston handles the sixth largest dollar value in international cargo shipments in the U.S. — valued currently at \$34 billion annually across its docks.

Careful planning, capital investment, aggressive marketing and efficient operations have helped Charleston consolidate its leadership position among its East and Gulf Coast competitors, being second in container cargo volume only to the combined Port of New York and New Jersey. The Charleston Port is second only to Kobe, Japan in terms of efficiency. In fact, a 2002 reader survey of 5,000 of the nation's top manufacturing executives conducted by World Trade magazine ranked Charleston as the "Best Port Provider" on the Southeast and Gulf coasts.

Waterfront logistics are aided by an excellent highway and rail system to inland destinations. Norfolk Southern and CSX provide rail service links in all directions. Charleston's key highway artery Interstate 26 links the region to Interstate 85, and the Atlanta, Spartanburg, Charlotte, and Raleigh markets. Interstate 95, which intersects Interstate 26 less than 50 miles west of Charleston, connects to the mega-markets of Florida and the Northeast corridor.

Quality of Life. Key among the region's advantages are geographic location, natural beauty, moderate climate, and a quality of life which has been deliberately and carefully protected. Alongside its rich historical legacy, the incredible variety of residential living options, recreational opportunities, school choices, arts and cultural activities, and pleasurable diversions are many of the reasons residents cite as what lures and keeps them here.

Charleston residential living offers something for every taste and pocketbook. Beach lovers can choose from resort style living at Kiawah Island to the quainter feel of Sullivan's Island. City dwellers may prefer the allure of Peninsula Charleston, amidst the well preserved 18th and 19th century urban fabric. Suburbanites may veer for the "bedroom communities" of Mt. Pleasant, James Island, North Charleston or West Ashley. Village living is available in historic century-old Summerville or McClellanville, or in the "new town" of Daniel Island. Apartments and condominiums are mixed throughout the area, from downtown lofts to suburban complexes, from the affordable to the exclusive. Some choose the rural setting on Wadmalaw or Edisto Island.

Charleston's climate makes almost year round outdoor activities possible. The area boasts 164 parks and recreational facilities encompassing 11,509 acres, or nearly 27 acres per 1,000 people. A network of parks and recreational boat ramps, maintained by the County Parks and Recreation Commission, offer opportunities for

picnicking, jogging, skating, boating, canoeing, kayaking, swimming in the water parks, or surfing at three oceanfront parks. The most recent additions include the passive Caw Caw Interpretive Center in Ravenel, and the regional Wannamaker Park in North Charleston, featuring a huge water park.

Runners, cyclists, swimmers, and tri-athletes thrive year-round in Charleston's temperate climate. The Cooper River 10-K Bridge Run has been a Charleston institution for over 20 years, growing from its strictly local origins to national preeminence, with over 30,000 annual participants. In fact, a 2002 economic impact study performed at Clemson University showed a \$6 million impact on Charleston from this weekend event. Hunters and fishermen can enjoy, with a year round line-up of offshore fishing, shrimping, and oystering, freshwater fishing in the areas numerous lakes and rivers, and deer, duck and bird hunting in the vast natural areas in and around Charleston.

Owing to its three hundred and thirty year history, Charleston has a well-developed cultural fabric. Charlestonians, in fact, take pride in their architecture, history, and family genealogy. Opportunities to exercise this pride abound with well-preserved eighteenth and nineteenth century homes and commercial buildings, all functioning as a vibrant city rather than a museum.

During 2002 Charlestonians continued their legacy of preservation, as Charleston City Council cut a ribbon on the newly renovated Market Hall in downtown Charleston following completion of its \$3.6 million facelift. Across town, Charleston County Council celebrated completion of the new Charleston County Judicial Center at the historic "four corners of law" at Meeting and Broad Streets. This ambitious state-of-the-art \$40.7 million facility was hailed by preservationists for its historical sensitivity to its historical surroundings, and became an architectural complement to the adjacent Historic Courthouse restoration completed by the County in 2001.

According to a 2002 study by the Moore School of Business at the University of South Carolina, the arts and cultural activities have a \$1.9 billion impact in South Carolina each year, supporting \$700 million in wages and 30,000 jobs. Widely recognized as the cultural center of the state, Charleston is a medium-sized city with big-city arts offerings. The world-renowned Spoleto Festival USA is an annual two-week celebration of opera, jazz, dance and visual arts which attracts legendary performers to the City. In 2000, the Festival accounted for \$29 million in local wages and the existence of 1,628 full-time jobs, according to the USC study. Charleston has an active arts community with over 70 arts and cultural organizations, including a first-class symphony, museums, a proliferation of art galleries, local stage and theater groups, dance troupes, a community band and chorus, and a variety of dance and music recitals at area colleges.

Underlying and complementing quality living in Charleston are high-quality public services. Charleston County provides countywide services in the emergency areas of Law Enforcement, Emergency Medical Services, E-911 communications, Emergency Preparedness, and Hazardous Materials response. Rounding out emergency service response, municipalities and the County Sheriff provide law enforcement, while cities and public service districts bring citizens fire protection. These already strong emergency services were expanded further still in June 2002, as Charleston became only the second South Carolina city to launch an "Amber Alert" system.

The County extends basic services such as building permits and tax collections to the public through its award-winning satellite government service centers located in the suburban areas and through the newly added online taxpaying system. In addition, the County provides 16 public library branches and a comprehensive solid waste program which includes curbside recycling and a waste-to-energy incineration program. Recreation programs are provided through area municipalities, public service districts, and the countywide Parks and Recreation Commission.

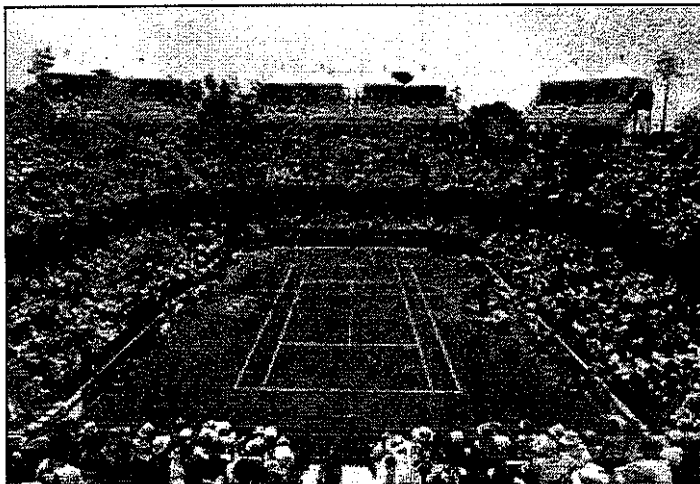
Project Impact is an ongoing federal grant-funded program for which Charleston County was competitively selected by the Federal Emergency Management Agency in 2000. This unique public-private initiative is geared toward making communities disaster resistant through dissemination of disaster prevention and mitigation information and a series of public collaborations with civic and other private groups and corporations.

Sports, whether you're playing or watching, are an important part of the Charleston social landscape in a town where the median age is 34. Sports is big business, contributing \$66.4 million annually to the regional economy and employing nearly 1,200 people. *The Sporting News* in 1997 ranked Charleston among its Top 25 best sports

and employing nearly 1,200 people. *The Sporting News* in 1997 ranked Charleston among its Top 25 best sports cities, the only city chosen without a major professional franchise. Charleston hosts the Class A baseball *River Dogs* of the South Atlantic League, the South Carolina *Stingrays* of the East Coast Hockey League, the Charleston *Battery* soccer franchise of the North American A League, Arena Football II's *Swamp Foxes*, and the National Basketball Development Association's *North Charleston Lowgators* who are commencing their second season. Collegiate sports are lively as well, highlighted by the College of Charleston's basketball and sailing teams, the Citadel's baseball program, and the Citadel's and Charleston Southern University's fall gridiron action.

Golf-rich Charleston boasts over 30 courses, ranging from exclusive members-only locales such as the Country Club of Charleston and Yeaman's Hall to excellent public courses such as the recently opened Plantation at Wescott, constructed by the City of North Charleston. The courses at Kiawah Island and Wild Dunes resorts are among the finest in the Southeast, as ranked by *Golfing Digest*.

Charleston established a niche as an international golf destination when it hosted the 1991 Ryder Cup at the world-class Pete Dye designed Ocean Course at Kiawah Island. The course has since hosted the 1997 World Cup of Golf, and the 2001 UBS Warbug Cup. Kiawah Island officials announced this year that they will again host the World Cup in 2003. An ongoing \$2 million renovation to the Ocean Course is slated for completion for the event.



Family Circle Tennis Arena

The Family Tennis Tournament celebrated its second year at Daniel Island, with resounding success following its move to Charleston from Hilton Head, South Carolina. During its inaugural year in Charleston, the tournament had an impact of \$39.5 million. The 2002 edition was a huge success as well, with Serena Williams making her Charleston debut alongside 2001 champ Jennifer Capriati. The state-of-the-art tennis stadium in 2002 was also the site of numerous popular music concerts ranging from the Neville Brothers to Don Henley. Most of the artists appear courtesy of the tournament's parent company, the German media conglomerate Kertelsmann.

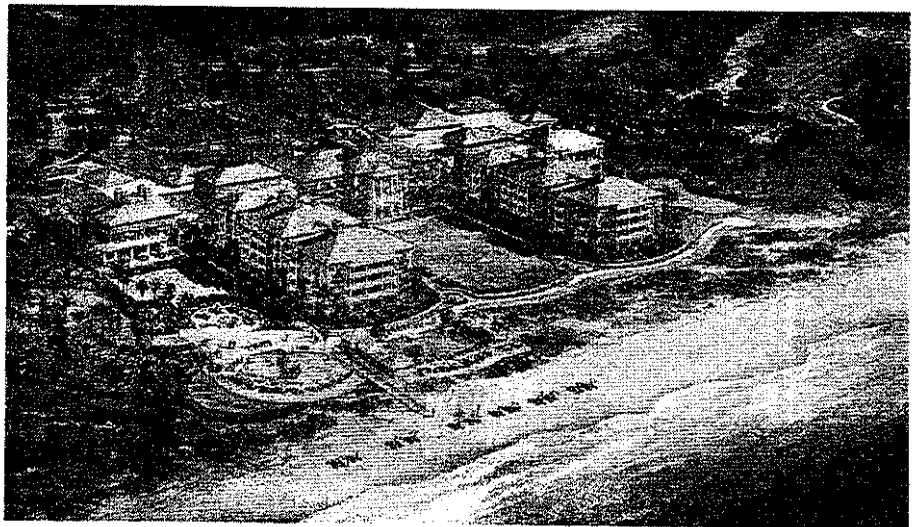
THE FOUR ENGINES OF GROWTH

Tourism. Tourism has long been an economic mainstay in one of America's most photogenic and historic cities. One of the highlights of 2002 for local tourism officials was *Conde Nast Traveler's* ranking of the area as the third best among U.S. cities. Only the position on the list was novel, because Charleston had been named by the prestigious travel magazine on seven prior occasions.

Charleston recorded 4.1 million visitors in the year 2001; up 28 percent since 1997. Economic impact has followed suit, up 87 percent since 1997 to its current \$4.48 billion annual impact. The sector now accounts directly and indirectly for some 82,055 jobs, a level that has increased 91 percent over the past five years.

Charleston hoteliers have widely expanded the regional room inventory and range of choices. As the building continues into 2002, some 700 new rooms will boost the overall regional inventory to a total of 14,300. Perhaps the most telling statistic has been an occupancy rate which held steady for much of the past six years in the 68-71 percent range, even as the regional inventory absorbed 2,100 new rooms. It was not until 2001 that occupancy rates dipped slightly to about 65 percent, and even then demand remained around the previous level of 2.9 million room nights, with an only slightly lower average daily room rate of \$107.80 (down from \$113.09 in 2000). The wide range of choices for visitors includes deluxe hotel accommodations or quaint bed and breakfast inns within the historic district, or any national hotel or motel chain property within downtown or the nearby suburbs.

The most recent additions include the North Charleston Convention Center anchor hotel Embassy Suites, the Renaissance Charleston Hotel, Market Pavilion, and French Quarter Inn in historic downtown Charleston, and a new Hampton Inn on Daniel Island. The \$20 million, 66 room Market Pavilion opened in 2002 to great fanfare, joining an elite group of local hotels catering to business and high-end leisure travelers. In a region where such developments are no longer surprising, the news this year of the commencement of

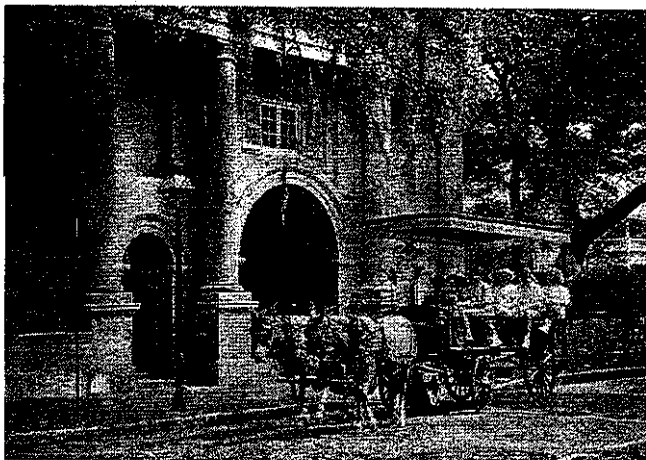


'The Sanctuary' at Kiawah Island

construction of "The Sanctuary" on Kiawah Island nonetheless turned heads. This \$110 million 300-room inn will be a five-diamond elite travel destination unique on the East Coast. Guests will enjoy a full-service day spa, two fine restaurants, and its 3,000 sq. ft. 'presidential suite' will be available for a \$3,000 per night.

Restaurants multiply and flourish, nourished by a constant flow of aspiring chefs and an increasingly affluent Charleston visitor. Seafood, nouvelle and Southern cooking predominate, and choice abounds in the over 100 restaurants in downtown Charleston alone. The *New York Times*, *Southern Living*, *Bon Appetit*, and *Wine Spectator* have all sung the praises of area restaurants. Fabulous first rate dining at Peninsula Grill, Magnolias, Charleston Grill, Cypress, Robert's, Carolina's, Slightly North of Broad, and Hank's Seafood in particular has kept the critics buzzing. The Charleston visitor is obviously at the front of most restaurant lines, spending an average of \$225 per day in 2000 on food, accommodations, event tickets, sightseeing, shopping, and other entertainment, up 42 percent since 1998.

A gratifying announcement greeted local tourism officials and the visitor industry in late 2002 as AAA Carolina's bestowed its highest award, the Four Diamond Rating, on seven Charleston hotels and inns and four restaurants. While that alone was not surprising, Charleston garnered an astonishing 11 of 16 such awards given in South Carolina.



Sightseeing by horse-drawn carriage

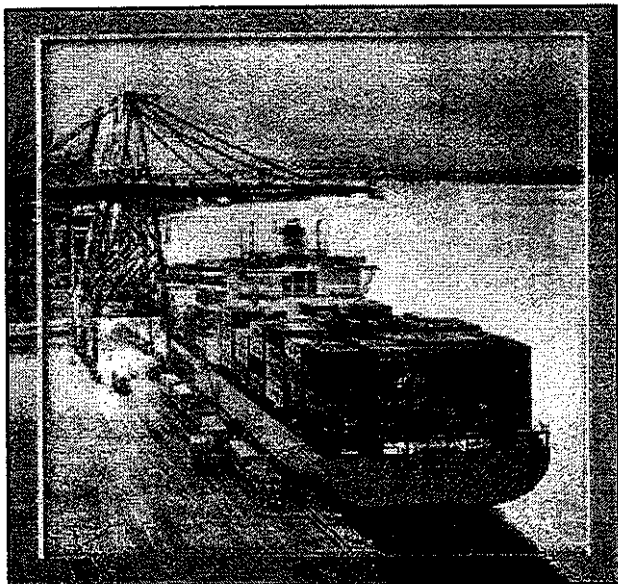
Sightseeing in Charleston revolves around the downtown Charleston historic district, as well as nearby plantations and gardens, forts and monuments, the area beaches, resorts, golf courses, and tourism attractions such as the South Carolina Aquarium, historic Fort Sumter, and the Patriots Point Naval Museum. Visitors to the historic district are often amazed by the living, bustling city life which occurs amidst this marvelously well-preserved eighteenth and nineteenth century architectural backdrop. In 2002, visitation records were broken at area attractions, including 300,000 at Fort Sumter and nearly that at Patriot's Point. Officials attribute much of the increase to auto-oriented vacationers sticking closer to home in the wake of the 9/11 terrorist attacks of 2001.

A pleasant offshoot of Charleston's monumental tourism success has been the growth of the film industry. The 1990's have seen the Lowcountry catch on as a favorite Hollywood destination for the filming of productions. The sight of huge tractor trailer rigs, camera and lighting towers, and extras in period dress along a cordoned off city

street has become a downright common experience. The 2000-2001 period saw Mel Gibson filming 'The Patriot' here, Jodie Foster in the 'Private Lives of Altar Boys,' and Robert Redford directed Will Smith, Matt Damon, and Charlize Theron in 'The Legend of Bagger Vance' at Kiawah Island's Ocean Course.

The year 2002 was another active one for Hollywood in the 'Lowcountry' of South Carolina. The 19th century College of Charleston campus, a popular filming locale, saw a reprise in 2002 during filming of the Civil War era story 'Cold Mountain,' with Jude Law, Nicole Kidman, and Renee Zellweger. The year 2002 also found Ed Harris, Debra Winger, and Cuba Gooding, Jr. in nearby Walterboro, S.C. filming 'Radio.' Actor Ossie Davis announced plans to visit Summerville, S.C. in March 2003, when the local theater group Flowertown Players will present his play 'Purlie Victorious.' In 2002 novelist John Jakes also mined the considerable local lore when he released the fictional saga 'Charleston.'

The Port and Port-related Manufacturing From its four area facilities, the South Carolina State Ports Authority is well positioned to handle both container and break bulk cargo. Its *Orion* computerized cargo handling system is an industry standard, a cooperative public-private approach which pre-clears cargo by Customs and USDA prior to a ship's docking. The system has earned the Port designation by *Port Development International* as the second most efficient in the world. In fact, the Port has set a new efficiency record of over 50 container moves per hour—an achievement of which the Port and its longshoremen partners are justifiably proud.



Charleston Port

The accolades continued in 2002, as the Port was only one of two in the western hemisphere to be honored with an "information Technology Award" from the American Association of Port Authorities for its Automated Vessel Scheduling Application (ASVA).

Rebounding from a slump in 2001, SPA had shipped over 1.1 million TEUs across its docks through the third quarter of 2002 and appeared on pace to eclipse 2001 tonnage and return to its 2000 level near 1.65 million TEUs. Local economists are attributing much of this rebound to renewed

confidence by many of the 40 steamship lines following the apparent resolution of the Port expansion debate in 2002. The bulk of activity continues to center around the dominant Northern Europe route, as well as Asian trade. Top commodities exported through the Port are foodstuffs, forest products, consumer goods, machinery, metals, vehicles, chemicals, and clay products.

The Ports Authority has consistently worked to increase its on-site capacities at the four Charleston terminals. It spent \$89 million in fiscal 2000 and 2001 on new container stacking and handling equipment, and will spend another \$300 in its near-term capital expansion program to further improve productivity and utilization of its four existing Charleston terminals. These are all considered precursors to expansion, however.

In 2002, the S.C. General Assembly instructed the SPA to "study sites on the west bank of the Cooper River" and helped SPA secure the southern half of the 1,500 acre former Naval Base for potential expansion of Ports Authority container operations. SPA is currently evaluating this property, and if feasible, some \$200 million in transportation infrastructure will occur on the complex and in surrounding North Charleston beginning in 2003, including upgrades to nearby interstate interchanges and rail links.

The \$150 million harbor deepening project which commenced in 1999 will result in a 45 foot depth at low tide by 2004, sufficient draft for the huge 'post-Panamax' container ships now beginning to define industry economies-of-scale. The Port also gained a valuable boost when construction began in 2002 on the significantly higher Arthur Ravenel Bridge across the Cooper River, which will accommodate the 65-foot vertical clearance requirements for

the biggest container ships in the world. This visually impressive 8-lane, two and one-half mile long cantilevered bridge will tower 570 feet over the Cooper River shipping channels, linking downtown Charleston and Mt. Pleasant. This facility, which will replace both the aging Grace and Pearlman bridges, is slated for completion by 2006. Charleston County Council has committed \$75 million to the bridge's \$631 million total cost. At the peak of construction, over 500 workers will be involved in the bridge construction and the overall economic impact for the Charleston economy is projected by Charleston Southern University to be \$1.6 billion.

Manufacturing investment was again flat in 2001, the continuation of what is now a three year trend. Across the three-county region, the S.C. Commerce Department reported only \$228 in new capital investment and 2,084 new jobs being created in the industrial sectors. Nonetheless, significant new employers were added to the Charleston community. American LaFrance, a subsidiary of Freightliner and of the Daimler-Chrysler family, consolidated its corporate headquarters and assembly operations for firetrucks and ambulances to North Charleston, creating 800 new jobs in its \$62 million facility. Corning Cable Systems, makers of coaxial cable, established a \$23 million plant in Summerville, and Giant Cement undertook a \$100 million expansion to its Harleyville plant.

Several major manufacturing operations along the Cooper River in Charleston were dealt a competitive setback in 2002, as implementation of more stringent state water quality standards were implemented. Citing declining levels of dissolved oxygen measured over the past ten years, the S.C. Department of Health and Environmental Control ordered a 71 percent cut in the volume of discharge into the river by industry and wastewater utilities, as well as expensive upgrades to their operations. Specifically, Bayer Corporation was projecting that it would require \$10 million to upgrade, while MeadWestvaco projected \$5 million on top of its recently completed \$45 million in upgrades. Three public wastewater utilities with outfall into the river projected a cumulative \$136 million in upgrades which they predicted would increase bills by anywhere from 20 percent to 100 percent.

The Military. Despite the 1993 decision to close much of the Charleston Naval Complex, the military remains viable and significant in the Charleston region. In fact, a 2001 impact study conducted by the Metro Chamber of Commerce revealed that the U.S. Navy, with its 9,514 employees, had indeed regained its mantle as the area's top employer.

More than 10,700 men and women in uniform remain in the Charleston area, along with nearly 4,800 civilians, and 2,800 reservists, primarily at US Naval and Air Force facilities. Specifically Charleston Air Force Base, the Navy Nuclear Power Training School, the Naval Hospital, the US Coast Guard facilities, the Space and Air War (SPAWAR) Center and Naval Facilities Engineering Command, boast a staggering \$410 million annual payroll.

The Charleston Air Force Base is undergoing constant expansion, having been designated as home to the 437th Airlift Wing, the first operational squadron of the C-17 transport plane. The expenditure of \$150 million in modernization at the base and the phasing in of 48 of the newer technology C-17s represent significant gestures by the US Air Force toward the long-term strategic viability of Charleston. Co-located with the Charleston International Airport, the Air Force shares runway maintenance costs with its civilian neighbor.

Through the dedicated efforts of its federal, state and local leaders, the region has also gained significant new Army and Navy facilities. As the region commenced its efforts to offset naval closure setbacks, the federal government's location of new facilities and relocation of some existing operations provided immediate relief. Since the 1995 Navy base closure, 4,165 jobs were gained in the region through six major facilities. Most noteworthy is the high tech naval electronic engineering jobs represented in the SPAWAR Center, which brought a \$70 million annual payroll, 1,100 employees, and twenty-five private contractor companies to the area.

The Medical Industry. Anchored by the state's teaching hospital, the Medical University of South Carolina (MUSC), the region's medical industry accounts for over 16,000 jobs. In fact the health sector, which pays 27 percent higher than the statewide wage, grew by 5,000 jobs in Charleston in the past decade. Reflecting national trends, this dynamic industry locally has undergone mergers and right sizing designed to position it for the changing health care terrain. The lion's share of employment currently exists in five private regional hospitals, MUSC Hospital, and Charleston Memorial Hospital, along with the hundreds of general practitioners, dentists and medical specialists in the region.

In the 2001-2002 period, Trident Health Systems broke ground on a \$60 million expansion at Trident Medical Center in North Charleston. CareAlliance Health Services, the other of the two predominant privately-owned health care players, announced a \$18 million expansion to accommodate 60 acute care beds at Bon Secours St. Francis Xavier Hospital in West Ashley, and has a \$76 million expansion of Roper Hospital in downtown Charleston on the drawing board.

The center of energy in the region's medical arena is MUSC. The six schools and hospitals collectively employ some 8,000 health professionals with an annual \$700 million budget, and graduate some of the best and brightest future physicians and nurses in the nation. Top-flight international researchers continue to be recruited, and the recently-opened Hollings Oncology Center and the Strom Thurmond Biomedical Research Center are further evidence of a university on the move. During 2001, MUSC increased its funding from the National Institutes of Health by 32 percent and improved its overall funding to a total of \$131 million. MUSC maintained its momentum this year—including a memorable \$43 million in awards in a two-week period in October alone.

MUSC continues to be among "America's Best Hospitals" annual rankings in *US News and World Report*, this year receiving distinctions for the treatment of digestive disorders. The magazine also cited excellence in the areas of gastroenterology, neurology, cardiology and pulmonary disease and recognized the occupational therapy program as among the top 20 graduate programs. MUSC was also included in the *Child* magazine list of the Top 10 children's hospitals in the US.

Spotlight on Innovative Technology. *Money* magazine recently ranked Charleston tenth in the nation on its list of top spots for entrepreneurs. Since the mid-90's Charleston has recognized its raw potential to become more of a technology town, and has taken steps to posture itself for success. Tightly focused efforts are under way in 2002 to grow start-ups, retain and expand existing companies, and recruit new ones to the Charleston area, concentrating on several key Charleston "clusters."

Thinktec, the Charleston technological business climate initiative, utilizes the know-how of high-technology executives already operating in Charleston to offer fledgling entrepreneurs needed services, including facilitating access to venture capital sources. Thinktec in 2002 published its strategic plan 'Future Focus 2012,' an ambitious vision for a technological Charleston which includes improvements to higher education offerings, venture capital availability, incubator-style services to start-up ventures, and changes to state financial incentives codes to promote technological companies. As long-range goals during the next ten years, the group aspires to the creation of several world-class "centers of excellence" and the formation of a S.C. Institute of Technology in Charleston.

Charleston's counties, cities, chambers of commerce, as well as their labor training, international trade and business extension partners are mounting an outreach effort geared to provide value-added assistance to area manufacturers and technology companies. Specific services range from an awareness campaign regarding financial incentives, to assistance with development of international markets, sourcing of raw materials or services, ombudsmanship, analysis of process operations, and incumbent worker training.

The Charleston Regional Development Alliance in 1999 shifted its recruitment targets to include higher wage technology-intensive companies alongside its traditional targets of Port-related manufacturers. Specifically, the region focused on medical device firms, makers of electrical instruments, computer-related firms, pharmaceutical makers, biotech companies, and research and development activities

Although the Charleston technology business climate is still in its formative stages, there is much to build on, as evidenced by a spate of recent start-up, relocation and expansion announcements by automotive and aerospace manufacturers, makers of medical and surgical devices, biotechnology or pharmaceutical start-ups, electronic or chemical-related research and development facilities, software developers, and e-commerce companies.

There are numerous business advantages driving Charleston area start-ups, relocation, and expansion decisions, including the applied research efforts by MUSC and the medical community, the SC Research Authority (SCRA), the National Oceanic and Atmospheric Administration (NOAA), as well as the presence of the Port of Charleston, several Fortune 500 and international chemical companies, and numerous world-class manufacturing operations.

Applied research efforts at SCRA and NOAA Southeast Coastal Center bolster recruitment of high-tech manufacturing and environmental science companies. SCRA promotes public, private, and academic partnerships in applied technology, and the Charleston campus has partnered with Grumman, Battelle, A.D. Little, SEACOR, and the US Navy, just to name a few. The NOAA Southeast Coastal Center, consolidated at the former US naval base, is at the forefront of cutting edge coastal and environmental analysis utilizing the latest geographic information and global position systems, remote sensing, and advanced satellite technology.

Auto suppliers and aerospace firms in Charleston are one "cluster" with a substantial and long-time presence, employing over 2,600 persons. They include major players such as Cummins Engine, whose subsidiaries supply the turbocharger engine found in Dodge trucks, and Robert Bosch with its industry-dominant anti-lock braking systems. Charleston in recent years attracted the aerospace firms of Eaton and Sweden-based SKF Aeroengine, which assemble hydraulic components and operate a bearing inspection and re-manufacturing facility, respectively.

Makers and distributors of medical and surgical devices account for over 1,600 jobs. Among their product mix are air monitoring and industrial hygiene devices, medical power supply systems, operating room tables and lighting, high-tech hospital beds, advanced surgical instruments, and x-ray film. Hill-Rom, Inc. is a company born in the 1980's of a MUSC discovery – a silica-based technology for hospital beds for burn victims, the medically obese, and others susceptible to bed sores. Swiss-based Getinge-Castle utilizes the Port of Charleston to import and distribute its high-tech operating tables and surgical instruments.

Biotechnology start-up ventures have gained steam at MUSC, with Dr. Kenneth Roozen and the Research Foundation pushing research funding to an all-time high of \$200 million and spinning off eight new companies commercializing inventions. Dr. Roozen, who helped transform Birmingham, Alabama into a biotech center during his years operating the University of Alabama-Birmingham business incubator, recently forged ahead with aggressive plans for a similar MUSC facility which will begin to solve the critical need for cost-effective wet lab space for early stage biotech entrepreneurs.

Gen-Phar is a new company born of the MUSC initiative, which has helped its founder Dr. Jian-yun Dong develop hospital testing kits for use in diagnosing AIDS. Dr. Dong describes Charleston as being priced right for start-ups, offering a manageable tax structure plus competitive labor costs, utility fees, and property costs. Investors looking for promising breakthroughs get to choose from the cream of the crop, because there are fewer investors competing for the best ideas.

Enjoying the fruits of aggressive recruitment efforts by the S.C. Commerce Department, Charleston in 2002 registered two key recruitment coups when it attracted biotech companies CropTech and Pilot Therapeutics. Both companies are currently embarking on their quest to take products to market, even as they break ground here. CropTech, which spun out of Virginia Tech, will process tobacco into unique, patient-specific cancer-fighting enzymes in its \$40 million, 110 employee facility near Moncks Corner. Pilot Therapeutics, a Wake Forest University spin-out, will process borage crops into its unique medical food product which combats respiratory allergies.

Pilot announced in 2002 that its production facility will be in Orangeburg, S.C., while its 132 corporate headquarters and research & development employees will reside in a Charleston facility.

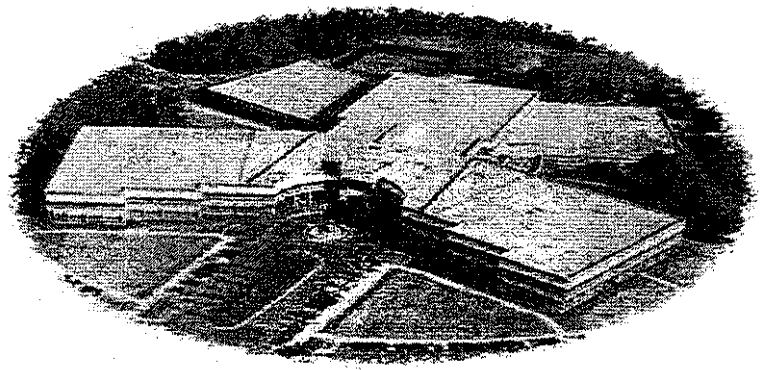
The pharmaceutical industry is noticing Charleston as well, largely due to Wilmington, NC-based aaiPharma, which in 2001 acquired the new state-of-the-art Pharmaceutical Development Center facility begun by MUSC. aaiPharma offers pharmaceutical and biotechnology companies a wide range of capabilities which include: formulation and process development, analytical development and validation, stability services, microbiological services, clinical and commercial cGMP manufacturing, and product and regulatory consulting.

Electronics has been a successful niche "cluster" for suppliers to area industry and start-up entrepreneurs alike. The US Navy and Air Force continue to be major customers of customized electronics products and services, even in the wake of the Naval Complex closure, and the consolidation of SPAWAR here has created many more such opportunities.

SPAWAR itself created 1,800 federal positions, many in high-tech electronic engineering and support positions. This high-tech military command awards a staggering \$2 billion per

year in research contracts for clients as diverse as the Navy, the intelligence agencies, and the State Department. Equally exciting

have been the twenty five private contractors to SPAWAR, such as Atlanta-based Scientific Research, which employs 200 high-paid engineers in Charleston to provide communications and monitoring systems and equipment and research and development services for the US Navy, federal security agencies, and private sector clients.



SPAWAR facility

When the SC Department of Commerce formulated its strategic plan, it recognized Charleston for its "cluster" of chemical companies, perhaps the area's largest "cluster". Accounting for over 2,900 employees in 22 companies, its roster is an international "who's who" of Fortune 500 companies like MeadWestvaco, BPAmoco, Georgia Pacific, and Engelhard/Mearl, as well as German firms Bayer, Haarman & Reimer, and AGFA, and the French company Rhodia. The presence of this chemical cluster made Charleston a natural to many of these firms for research and development centers, either freestanding or in conjunction with their manufacturing operations.

Software companies are taking root in Charleston, perhaps best typified by Blackbaud. Englishman Tony Bakker relocated to the Charleston area in the early 1990's, with his fledgling company domiciled in a small Mount Pleasant retail storefront. As writers of customized fund-raising software dubbed *The Raiser's Edge*, the company has experienced phenomenal growth serving its primarily institutional clients, including MUSC. The firm grew to over 80,000 square foot of Class A leased space and around 500 employees in the mid 90's, and in 1997 pursued bold plans to construct its own campus. The firm chose a high profile tract on Daniel Island surrounded by picturesque marshscapes and Interstate 526, and built a \$15 million signature headquarters to house its current 700 person workforce. Blackbaud also built an adjacent soccer stadium for the Charleston Battery, which Bakker founded and co-owns.

E-commerce-related firms are flourishing in Charleston of late. With fewer siting constraints than most companies, these firms have found a variety of homes in suburban office parks and the downtown Charleston business district. Automated Trading Desk has a uniquely Charleston story, founded by a College of Charleston business professor, his academic mentor, and two of his student graduates. Combining their understanding of historic stock market trends and variables with high-speed internet technology, they have pioneered an innovative method for instantaneous on-line trading. In 2002 this unique homegrown company moved into its new \$20 million state-of-the-art technology campus in Mt. Pleasant, an architectural showplace destined for *Architectural Digest*.

Other Charleston innovators include Benefitfocus.com, a survivor of the 2000-2001 e-commerce meltdowns, a solid homegrown business that has created standardized software allowing the average employee to perform many of the time-consuming employee health care and benefit-related and annual updates on-line. Some Charleston e-commerce firms are imports, as in the case of SailNet, a Michigan company that came South. Its husband and wife team were lured by the Charleston quality of life, as well as better access to the lion's share of their East Coast and Florida-based sailing accessories clientele.

BALANCING GROWTH WITH 'PLACE'

Growing Pains. "Summertime...and the living is easy." Charleston is a community obsessed with its remarkable quality of life, but with new hotels, retail and offices springing up everywhere, the sight of construction cranes on the skyline is as common today as the historic church steeples which give Charleston its 'Holy City' moniker. Tourist visitation is also at record levels, and many are beginning to believe that Charleston is becoming a victim of its own success. The setting that inspired the Gershwin brothers and Charlestonian Dubose Heyward to collaborate on the classic *Porgy and Bess* is now ground zero for a growing debate over balance—how a priceless old world city can accommodate prosperity and change without losing its unique identity.

According to the 2000 Census, the Charleston regional population (Berkeley, Charleston, and Dorchester counties) of 549,033 reflected eight percent growth since the 1990 Census. Area demographers working on the recent Community Benchmarking Collaborative estimated that the region's population grew by 30,000 in the past four years. With the Southeast's growth trend, the national relocation trend toward the coast, and Charleston's economic success, the area can certainly expect more of the same. The U.S. Census Bureau projects that the three-county SMSA may host 619,500 persons by the year 2015. A recent study by the Strom Thurmond Institute of Clemson University, in keeping with those findings, projects that Charleston could attract 250,000 people during the next 30 years.

The flat topography, accented by numerous rivers, tidal creeks, vast expanses of salt marshes, and its hallmark live oaks, provides a lush, picturesque backdrop for the priceless eighteenth-century architecture of downtown Charleston. This idyllic setting is deceiving, however, because beyond the old city lie vibrant, growing urban and suburban communities, hosting business, industry, and residences alike. As a seaport, a tourism center, a college town, and a military town, the urban area of Charleston grew by 250 percent between 1973 and 1994—from 45,000 acres to 160,000 acres.

The accelerated growth Charleston experienced has been brought on by population in-migration, the brisk pace of current residents trading up in the housing market, and the explosive appreciation of downtown Charleston, sea island and beach properties. With the growth has come change, some gradual, but some of a much more rapid nature.

Charleston has seen its populace grow more diverse since 1990, when whites represented 68 percent, blacks 30 percent and other races only 2 percent of the total population. The year 2000 saw the white population, despite positive growth, decline to only 65 percent of total population. Blacks, who also grew in numbers, now represent an only modestly larger 31 percent of the Charleston population. Other races, including Hispanics, Asians, and American Indians, since 1990 have doubled in numbers to represent 4 percent of the year 2000 population. The Asian community grew by 24 percent, but Hispanics led the growth, their 5,600 newcomers expanding their presence by 74 percent as compared to 1990. A vibrant sign of the times, the area's first Spanish-speaking television station WJEA ("Tu Canal 12") went on the air in May 2002.

Housing affordability is a much-discussed topic in Charleston in the wake of the recent growth. Charleston was pinching itself after a 2002 Business Week article revealed that its astronomical rate of real estate appreciation had put it in the company of the notoriously expensive "bubble cities" of Boston, Miami, and San Jose. Over the past five years for example, the median price of a home in Charleston has increased 58 percent—from \$104,100 in 1997 to \$164,000 in 2002. The trend continues unabated, according to the National Association of Realtors, which announced that Charleston prices increased by 7 percent from 2001 levels.

The construction has been spread across the spectrum, from starter home communities in the \$70-100,000 range to multi-million dollar executive housing, with Mount Pleasant, Summerville, the Highway 61 corridor West of the Ashley, Daniel Island, and the resort island of Kiawah as hot spots.

A sign of growing affluence in the Charleston housing market in recent years has been the luxury apartment. In locales such as Mount Pleasant and James Island, young professionals have been snatching up units commanding upwards of \$1,000 per month, for the convenience of location near downtown Charleston employment and amenities such as fast internet links.

The appreciation trend is most evident in the 'over \$1 million' housing range—a range Charleston didn't enter until 1987. The Charleston Trident Association of Realtors reported in 2002 that 312 homes in the Charleston area listed for more than \$1 million. In the historic downtown area alone there were 104 such homes, including a record \$4.1 million sale. On Kiawah Island, asking price for one 8,300 sq. ft. home was \$8.4 million, which seemed downright affordable next to the \$28 million—yes \$28 million—on the McNair Mansion nearby.

Charleston finds itself in ironic circumstances in 2002, having experienced the fastest growth in average per capita income of any county in South Carolina since 1994, but with its rate of growth in wages trailing the state average. Average per capita income in the Charleston region rose 42 percent from its 1994 level of \$20,184 to the most recent available 2001 figure of \$28,460.

The rate of wage growth in Charleston lags behind the State of South Carolina, as well as the Columbia and Greenville MSAs, despite growing 42 percent in the 1990-2000 period. As the recent Community Benchmarking Collaborative pointed out, much of this sluggish increase had to do with the inordinately high share of new jobs created in the lower-paying parts of the services sector. Wage growth in the 1990's has also unfortunately lagged behind housing prices. Whatever the causes, the upshot has been that the Charleston area has slipped from its 1991 ranking of 63 to its 2001 affordability index ranking of 155 among 192 metropolitan regions ranked throughout the US by the National Home Builders Association.

'Gentrification' also has its commercial corollary in escalating downtown rents. More often than not, with progress come problems. While this cloud has a silver lining, downtown Charleston retail districts in the Market, along King Street, and East Bay Street have been so wildly successful in their attraction of major national chains that many locals now wince about the loss of the more modest "mom and pops" who have been forced off these corridors by astronomical rents.

The Public Sector Catalyst. Public works projects such as sidewalks, parks, road improvements, streetscapes, parking facilities, and other developments have been the key to leveraging vast private investment in hotels, retail, office space and a variety of housing all over the community. Redevelopment efforts began in the late 1970's with the establishment of the Charleston Place hotel complex on the southern end of King Street, the traditional central business district, on the site of a derelict warehouse. Other successes would eventually be leveraged nearby, with private development of the Majestic Square retail and office complex and Saks Fifth Avenue and the attraction of a who's who of national retailers dotting King Street southward to the antiques district.

The renaissance then spread northward, as private developers soon converted the fortress-like old Citadel, original home of the military college, to an architecturally unique Embassy Suites hotel. These projects, along with conversion of the century-old railroad depot for the Charleston Visitor's Center began the reinvestment trend now proceeding northward along upper King Street, an area which a recent *Post & Courier* article characterized as resembling SoHo with its trendy new bars and restaurants. In the lofts above street level reside numerous young high-tech entrepreneurs in an area the City of Charleston has dubbed its "Digital Corridor."

There has also been a rebirth along the waterfront of the Cooper and Ashley rivers, as the goal of regaining the waterfront for the public is being slowly realized. Walkway projects now under way will allow citizens to traverse the river front from Waterfront Park to the Battery and onward to Brittlebank Park. The municipal marina has been upgraded and improved through privatization. Further up the river, the new home of the minor league baseball *River Dogs* is a picturesque state-of-the-art stadium reminiscent of Baltimore's Camden Yards, situated on the banks of the Ashley River. The Bristol, a new waterfront condominium complex with marina will soon be neighbors.

Redevelopment on the Cooper River has been stunningly successful. What began with the Charleston Waterfront Park has now come to include the Maritime Center complex and the nearby South Carolina Aquarium. The \$69 million Aquarium draws comparisons with the nation's finest and has quickly become one of the areas most visited attractions. After touring the facility, visitors can relax in the seating area overlooking the river, and if

they're lucky, view dolphins frolicking in Charleston Harbor. During its construction, private developers renovated an adjacent 80,000 square foot maritime warehouse into a 426-seat IMAX theater and retail complex known as Fountain Walk.

On the Aquarium's opposite side, the US Park Service in 2001 opened the Fort Sumter National Museum, an interpretive center explaining the role of the fort in the Civil War and acting as the point of departure for tour boats headed across the harbor to visit the fort. A luxury condominium development is now under way beside the Maritime Center. At adjacent Ansonborough Fields, a City soccer venue, privately funded efforts have recently commenced construction of an authentic tall-masted schooner from original materials.

Preserving "Place." Nowhere has the power of strategic public investment in infrastructure been more evident than downtown Charleston. Ironically, this 'added value' in many cases has helped spawn the success that business has enjoyed there, as well as the strains created. Public bodies are now busy addressing the delicate balance, as they have historically done.

The City of Charleston has recognized its downtown challenges and responded with a variety of measures to restrict tourism activities to a manageable level, provide more public and affordable housing, enhance living quality through stricter code enforcement, and help downtown college campuses grow sensibly and in tune with neighboring residential areas. In the Town of Mt. Pleasant, the area's fastest growing "bedroom community," Town Council placed an annual limit on residential building permits, and extended its impact fee program to assist public school expansions.

One remarkable response to unmanageable growth emerged in 2002 as the ambitious 'Noisette' redevelopment project commenced in North Charleston. Founder and CEO John Knott, along with North Charleston Mayor Keith Summey, announced this visionary redevelopment of a 3,000 acre urban area as the largest ever undertaken. Hallmarks of this 'new urbanism' sustainable community effort include construction of a waterfront park on the former Naval Base, restoration of the Noisette Creek watershed, and a variety of housing and commercial projects. Although barely under way, this impressive initiative is garnering attention around the nation.

In response to growth problems, Charleston County Council has successfully pursued three initiatives: funding the acquisition of green space, the expansion of public transportation, and the construction of key congestion-relieving road projects; a far-reaching overhaul of the county's zoning, subdivision and urban design requirements designed to combat sprawl; and an aggressive initiative to spawn, attract, retain, and expand high-paying manufacturers, corporate office operations, and technology companies. The Unified Development Ordinance (UDO) is now in its second year of implementation, and the 2002 passage of the 'half cent sales tax' referendum will result in \$1.3 billion in available revenue for roads, transit, and green space over the next twenty-five years. Both of these initiatives have been the object of sometimes vociferous debate among environmentalists, developers, property rights advocates, homeowners, transit riders, and the general citizenry.

Despite its challenges, or more accurately because of them, Charleston's livability is alive and well. After all, stagnant backwater places don't have problems with growth—or face decisions on managing the success. In Charleston, disagreements tend to get solved, accommodations made, compromises struck, and fences mended, before progress can occur. The buy-in inherent in this process fosters prosperity alongside preservation—the new fitted to the old.

Partners for Livable Communities, a Washington, D.C.-based non-profit foundation, has designated the County in its top ten most livable places in the United States. Etiquette expert Marjabelle Young Stewart has more than once dubbed Charleston as the "nation's most mannerly city." Conde Nast Traveler echoed this praise, selecting the city of Charleston among its top five recommended American cities and its top twenty cities worldwide for the past six years. The most telling evidence of the region's livability may lie in the fact that, despite its growth of the past two decades, Charleston County has retained the slow, friendly pace which visitors most often cite as their favorite impression.

The Future.

Following the news in 1993 that its century-old Naval Base would close, the Charleston mantra became 'diversification.' Oddly enough, the diversification and appeal that the area already had kept any "huge sucking sound" from ever taking place and to paraphrase the famous author "the rumours of our death were greatly exaggerated." In early November 2002, area director for the S.C. Employment Security Commission Gary Crossley referenced this mix of businesses as one of the main reasons for the area's unemployment rate hovering in the 3.5 to 4 percent, while the State of South Carolina average remained at 5.4 percent. This diverse economic base has weathered the e-commerce and telecom meltdowns, ailing industrial output, the angst which has followed the 9/11/01 tragedy, and fares well even now amidst the growing chance of a U.S. - led war with Iraq. During a recent 2002 speaking engagement in Charleston, noted economist and editor Knight Kiplinger dubbed Charleston "a real comeback city."

As the Charleston region enters the twenty-first century, the future appears bright. The region is aggressively pursuing economic development as never before, with a regional-based alliance that is well funded, strategically thinking, and future-oriented. Having replaced 22,000 jobs lost to Naval Base closure, the region has turned its attention to courting higher paying, technology-oriented firms.

The region is capitalizing on its many assets: its harbor and port, its industrial sites, its climate, environment and quality of life, its labor force and work ethic, its colleges and technical training programs, its many business incentives and cost advantages, and its can-do spirit. In an age of international linkages, entrepreneurial opportunity, and almost limitless technology, Charleston County, South Carolina is literally the pre-eminent southeastern Gateway to the World.

MAJOR COUNTY INITIATIVES

The County's initiatives in fiscal year 2002 centered around enhancing the value of the service provided to citizens, partnering with municipal governments, encouraging economic development, and continuing with an extensive facilities improvement and replacement program.

Financial. County Council approved a 15 percent reassessment cap ordinance in November 2000. This ordinance limited the growth in the assessed value of four percent property to 15 percent. The state-mandated reassessment was implemented in February 2001. The application of the 15 percent reassessment cap to only four percent property was challenged in court. In May 2002 the State Supreme Court ruled that the County's reassessment cap ordinance was invalid. Several cases are still outstanding related to refunds or recalculations of the bills for the tax year 2001. During July 2002, Council passed an ordinance that will cap the growth in assessed value at 15 percent for all properties effective for the 2003 tax bill. The County anticipates a lawsuit by a local municipality challenging this ordinance.

In November 2002, the voters of Charleston County approved an additional 1/2 cent sales tax to be levied starting May 2003 for no more than 25 years. It is estimated that this additional sales tax will generate \$1.3 billion over its life. The revenues from the additional sales tax will be used to fund the County's \$75 million commitment to the replacement of the Grace Memorial Bridge over the Cooper River. Connecting the City of Charleston and the Town of Mount Pleasant, the new \$631 million bridge will be completed by the South Carolina Department of Transportation by 2005. Additional funds from the tax will be used for roads and mass transit and for farm, forestland, and open space protection. The local and state Elections Commissions have heard a protest of the wording of the instruction to the voters for the referendum. Both commissions upheld the election results. An appeal to the State Supreme Court is the next action that could be taken.

Partnerships. The County has partnered with the City of Charleston and Berkeley County to construct the Daniel Island Tennis Center. County Council committed to fund \$750,000 of the project with 15 annual payments of \$50,000 from Accommodations Fee revenues. This \$9.3 million facility was completed in March 2001, and serves as the new home of the annual Family Circle Cup Women's Tennis Tournament, previously held on Hilton Head Island. To provide an estimate of the local impact, economic impact studies indicate that the event generated \$20.3 million of direct economic activity in the Hilton Head economy in 1999.

County Council also annually assists the City of North Charleston with debt service payments for the North Charleston Convention Center in the amount of \$1.4 million from the Accommodations Fee revenues, with a total commitment of \$18 million. Similar to the Daniel Island Tennis Center, the Convention Center provides considerable economic activity.

Road improvements and maintenance are an essential service the County provides to all its citizens, regardless of municipal boundaries. During fiscal year 2002, the Public Works department managed more than \$5.6 million of road and drainage improvement projects and road resurfacing, all funded by the Charleston County Transportation Committee.

The tri-county Trident One-Stop Career Center in North Charleston, operated with funds granted to the County, received a National Association of Counties (NACo) Achievement Award in 2002. In addition, the center won a Journey to Performance Excellence Award and garnered an honorable mention in the Teams Excellence Showcase. These awards were for a collaboration between the Trident One-Stop Career Center, Nucor Steel and Trident Technical College to successfully meet the workforce needs of Nucor Steel. The center provides individuals with job search assistance, skill assessment, GED preparation, and job readiness training. The center provides business services such as career fairs, interviewing and testing facilities, and training for new and incumbent employees.

Management Initiatives. Preparing for the time when the Bee's Ferry landfill and the waste-to-energy incinerator's useful life will come to a close and to evaluate the future direction of the cutting edge recycling program. Council authorized the commissioning of a consulting engineering firm to help develop a new long range solid waste plan. That study has been presented to Council and they are working with staff and the community to decide the best way to implement the proposal. During the year, the Solid Waste department continued to work toward the completion of Phase One closure of the Bees Ferry Landfill. Upon completion, the total construction cost of the closure will be approximately \$8.3 million.

Installation of an Automated Vehicle Locator system for use by the dispatch center began in fiscal year 2001. Using global positioning satellites to track ambulances on computer-generated maps, the new technology will help dispatch emergency units to call more quickly and support specialized rescue teams. Full implementation is expected in fiscal year 2003.

The County's e-government web site was redesigned, and the Treasurer introduced the first online tax payment service in South Carolina.

The Procurement Department rolled out new procurement cards that empower field employees to become more efficient. Programming was developed to integrate the card with the County's automated financial accounting system. Already, the number of blanket purchase orders has decreased by 65 percent and has enabled a reduction in the department's staffing.

Quality of Life. Years of comprehensive planning efforts culminated in November in the adoption of new Zoning and Land Development Regulations. This landmark document implements the state-mandated Charleston County *Comprehensive Plan* and guides the development of the unincorporated areas of the county into the future. The *Plan* and the enabling regulations establish community driven goals regarding the pattern and intensity of land use, the provision of public facilities and services, economic development, intergovernmental cooperation, and preservation of natural and cultural resources.

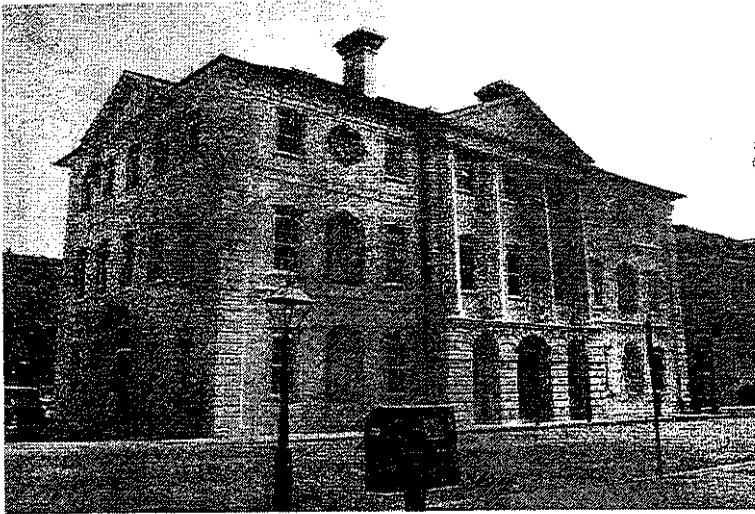
The County began participation in a benchmarking study with the University of South Carolina's Center for Government Studies. Data measuring the performance of the county's public works, fleet maintenance, and emergency medical services will be compared with three other large metropolitan counties in the state.

Seventy percent of the heavy metals that end up in landfills come from computer and electronic equipment. To reduce this, the Solid Waste department initiated its first "e-waste" collection day. Computers, audio-visual equipment, and office equipment were all accepted at the Bee's Ferry Landfill. Due to the success of the program, a separate e-waste collection site is being developed (another first for South Carolina). Other waste collection

initiatives include a pilot paper bag collection program for yard waste and upgrades to the rural convenience centers including paving and compactors to eliminate open cans for garbage.

Emergency Preparedness. Charleston County's Project Impact initiative, striving toward making our community more resistant to disasters, sponsored or participated in 46 outreach efforts with an estimated total audience of two million. Project Impact also received nearly \$148,000 third party in-kind contributions of goods and services, indicating a deep level of community interest and support in this hazard awareness and mitigation program. The program was recognized at the 2000 National Project Impact Summit in Washington, D.C. as the Star Community for the Federal Emergency Management Agency's Region IV. This selection was based on exhibiting the most solid, well-organized and rapid development of Project Impact of all the communities within the eight-state region.

Of greater importance given recent world events, advanced training and equipment for all local emergency responders for the challenges of hazardous materials, marine firefighting, and terrorism response continues to be coordinated by Charleston County Government.



Historic County Courthouse

In the area of disaster response, the County developed and implemented multi-jurisdictional debris management contracts meeting Federal Emergency Management Agency standards. These contracts will allow for a quicker response to debris removal due to either a natural or man-made disaster.

Capital Projects. Finishing touches were added to the restoration of the Historic County Courthouse (circa 1792). One of the oldest publicly owned buildings in the United States and the first provincial and state capital building for the state, only skilled craftsmen were employed in the painstaking \$8 million renovation.

The Historic Courthouse is part of the largest and most complex capital projects ever undertaken by Charleston County: the return of the county's

judicial system to peninsular Charleston from temporary county facilities located in North Charleston. The judicial function was relocated to a building in North Charleston when the Historic County Courthouse was rendered unusable by Hurricane Hugo in September 1989.

Since 1989, the county has assembled six parcels of property contiguous to the O.T. Wallace County Office Building and the Historic County Courthouse at a cost of \$7 million. These parcels were required to provide adequate space for a new 175,000 square foot downtown Judicial Center. Adjacent to the Historic Courthouse, work continued throughout the year on this new, 14-court room building. Construction of the \$48 million center commenced in July 1999, and was completed in August 2002.



Judicial Center Façade -Broad Street

Another part of the project, renovation of the county-owned Blake Tenement House, one of the oldest tenement buildings (circa 1772) in the United States continued. Located in the center of the Judicial Complex, the building

Another part of the project, renovation of the county-owned Blake Tenement House, one of the oldest tenement buildings (circa 1772) in the United States continued. Located in the center of the Judicial Complex, the building will provide office spaces for the Board of Assessment Appeals, Guardian ad Litem, and the Legislative Delegation. Estimated completion date is Spring, 2003.



Judicial Center Façade - King Street

Adjacent to the new Judicial Center, renovations to the O.T. Wallace County Office Building began in April 2001 after some of its occupants were relocated to the Lonnie Hamilton, III Public Services Building. When completed in early 2004, the project will provide new, updated office space for the Solicitor and Public Defender, Auditor, Assessor, Treasurer, Delinquent Tax, Register of Mesne Conveyance, and Geographic Information Systems. The entire Judicial Center Complex was designed with a commitment to public safety and security. Closed circuit television, screening stations, access and traffic control, duress systems, and identification systems were all included in the initial design stages.

Additional parking capacity was a prerequisite for the decision to return the Judicial Center to This required a renovation of the existing 432 parking space garage on Cumberland Street and

the construction of a 540 parking space extension. The newly constructed portion of the garage opened for business in July 2001 and the renovation of the existing garage was completed in 4 months. The project is jointly owned by the City of Charleston and the County, and is operated by the County of Charleston.

Design work on a \$4.4 million branch library on Johns Island was completed. The library will be built on land provided by the Charleston County School Board adjacent to the Haut Gap School. Completion is expected in mid-FY 2005.

Two more of the four Council-directed library improvement projects were completed. Following last year's completion of the West Ashley Library upgrade, the Facilities Management department substantially improved (heating and air conditioning, roof, windows, and bathrooms) the Cooper River and Dart Hall branches this year. All work was performed with in-house labor, saving an approximate \$250,000 in contract costs. Work on the final project, the McClellanville branch library, is expected to be complete in FY 2003.

FINANCIAL INFORMATION

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury, repurchase agreements, or interest bearing checking accounts. The average yield on investments was 2.23 percent for the year ending June 30, 2002.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County's bank balances were approximately \$91 million at June 30, 2002, which were collateralized or covered by insurance. More detail on the County's deposits and investments is found in Note III. A. of the notes to financial statements starting on page 84.

Risk Management. The County has a limited risk management program for vehicle comprehensive and collision. As part of this plan, the County has initiated a mandatory defensive driver training class for new employees operating County vehicles. This class has been extended to current employees as an upgrade program. The County insures all licensed vehicles for collision and comprehensive with a \$1,000 deductible per

vehicle provided by the State of South Carolina Insurance Reserve Fund. The County has also acquired commercial insurance on heavy equipment with a \$1,000 deductible for equipment with a value of \$100,000 or less and a \$2,500 deductible for equipment with a value over \$100,000. There is a \$2,500 per catastrophe limit on the deductible for heavy equipment. The County also has a \$1,000 deductible per location coverage for fire and extended coverage with the State of South Carolina Insurance Reserve Fund.

During the fiscal year 1995, the County insured the risk of job related injury or illness to its employees through South Carolina Association of Counties Workers' Compensation Trust. Effective July 1, 1995, the County established a self-insured plan to fund risks associated with workers' compensation claims. More information on the County's risk management plan can be found in Note IV. A. of the notes to financial statements starting on page 110.

Pension and other Post Employment Benefits. Charleston County participants in the State of South Carolina Retirement System. All permanent employees of the County are members of either the South Carolina Retirement System or the South Carolina Police Officer's Retirement System. More information on these pension plans are provided in Note IV. H. of the notes to financial statements starting on page 117 of this report.

The County also provides post-retirement health, life and dental care benefits as per the requirements of a local ordinance, for certain retirees and their dependents. More information on the post-retirement benefits are shown in Note IV. G. of the notes to financial statements starting on page 116.

Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to Charleston County for its comprehensive annual financial report for each of the fiscal years ended June 30, 1998 through 2001.

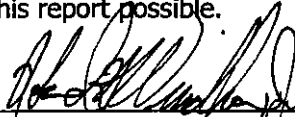
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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


In addition, the government has also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the twelve fiscal years starting July 1, 1989 through 2001. In order to qualify for the distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including as a policy document, a financial plan, an operations guide and a communications device.

The timely preparation of the Comprehensive Annual Financial Report (CAFR) was made possible by the dedicated service of the entire staff of the Controller's Office. Special thanks go to the team headed by Carla Creech, who with the assistance of Dolores Dong, Ann Hoff, Reshma Kutte, and Jack Kertterlinus of the Controller's office and Mack Gile of the Budget Office, produced the CAFR and coordinated the audit with the external auditors. Substantial contributions were also made by several financial staffs through-out the County: Andrew Smith and Julie Riley-Hollar from the Treasurer's Office; Lisa Murray from the Department of Alcohol and Other Drug Abuse Services; and Jean Sullivan, Catherine Ksenzak and Jeanette Williams from Grants Administration. Bill Turner, Jim Armstrong, Chuck Jarman and Steve Thigpen from the Public Works Department and Brenda Wheatley from Geographical Information Systems, were instrumental in establishing the road, bridge, and drainage infrastructure values. Thanks also to Michelle Sueck of the Controller's Office who prepared the financial notes, this letter, the management's discussion and analysis and provided clerical support to the external auditors. Substantial assistance also came from the staff members of the County Administrator and Chief Financial Officer, with special thanks to Steve Dykes of the Economic Development Office. Thank you's are also extended to the staff of Gamble Givens & Moody, LLC, the external auditors, for their efforts in producing this CAFR.


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



Roland H. Windham, Jr.
County Administrator



Corine Altenhein
Chief Financial Officer



Harold L. Bisbee
Controller