

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

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COUNTY OF CHARLESTON, SOUTH CAROLINA
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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of The County of Charleston (County) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds, governmental, and business-type activities, and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2003.

B. Financial Reporting Entity

The County of Charleston, South Carolina, was established by the State of South Carolina on April 9, 1948, under the provisions of Act 681 of 1942. The County operates under a Council-Administrator form of government and provides the following services: public safety (sheriff and fire), highways and streets, sanitation, health and social services, cultural and recreational programs, public improvements, planning and zoning, courts, and general administrative services. As required by GAAP, these financial statements present the County (the Primary Government), and its component units, entities for which the County is considered to be financially accountable or for which exclusion of a component unit would render the financial statements misleading.

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

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Component units are reported in the County's Comprehensive Annual Financial Report (CAFR) as shown in the following table:

<u>Blended Component Units Reported with the Primary Government</u>	<u>Brief Description of Activities and Relationship to the County</u>	<u>Reporting Funds</u>
<p>Charleston Public Facilities Corporation Administrative Office Address: 4045 Bridge View Drive Room 429 Charleston, SC 29401 Telephone: (843) 958-4600</p>	<p>Single purpose corporate entity established on July 31, 1990, which is prohibited from engaging in any business other than to construct, own and lease facilities to be used for essential County functions in connection with the issuance of tax-exempt Certificates of Participation to finance such facilities. The Corporation is governed by a Board of Directors who are appointed to staggered terms by County Council. The Corporation exists solely for the benefit of Charleston County.</p>	<p>Debt Service Fund - Certificates of Participation Capital Projects Fund - Public Services Building COP Judicial Center COP Enterprise Fund - Parking Garages DAODAS</p>

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
<p>Charleston County Library (CCL) Administrative Office Address: 68 Calhoun Street Charleston, SC 29401 Telephone: (843) 805-6801</p>	<p>The Charleston County Library System was created by South Carolina Legislation in 1979 as part of Charleston County Government. Its primary purpose is to provide library services to the citizens of Charleston County and bookmobile services in the rural areas of the County. The Library operates under an eleven member Board of Trustees which are appointed by County Council. County Council approves the budget and all general obligation debt for the Library.</p>
<p>Charleston County Park and Recreation Commission (CCPRC) Administrative Office Address: 861 Riverland Drive Charleston, SC 29412 Telephone: (843) 762-2172</p>	<p>The Commission was created under the provisions of Act 1595 of the South Carolina Legislature on August 3, 1972. The Commission is empowered to acquire land, establish recreational facilities, and provide recreational activities within Charleston County. The Commission is governed by an eight member board which is appointed by the Governor with the advice of the County's Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>

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<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
<p>Cooper River Park & Playground Commission (CRPPC) Administrative Office Address: 3841 Chestnut Street Charleston, SC 29405 Telephone: (843) 747-0776</p>	<p>The Commission was created on April 27, 1942, under Act 640 of the South Carolina Legislature to provide parks and recreation facilities for use by citizens residing within the geographic boundaries of the Commission. The Commission is governed by a six member Board of Trustees appointed by the North Charleston District and the Cooper River School District. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>North Charleston District (NCD) Administrative Office Address: P.O. Box 63009 Charleston, SC 29419 Telephone: (843) 764-3072</p>	<p>The District was created as a public service district in 1972 by Act 1768 of the South Carolina Legislature. The District provides fire, sanitation, street lighting, and cleaning services to the residents within its geographic boundaries. The District is governed by a nine member Commission appointed by the Governor through recommendations of the City of North Charleston and the Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the District.</p>
<p>James Island Public Service District (JIPSD) Administrative Office Address: P.O. Box 12140 Charleston, SC 29422 Telephone: (843) 795-9060</p>	<p>The District was created by Act 498 of the General Assembly of South Carolina in 1961. The District provides sanitation, fire protection, and sewer treatment services to the residents within its geographic boundaries. The District is governed by a seven member Commission elected by the residents of the service area. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the District.</p>
<p>St. Andrew's Parish Parks & Playground Commission (SAPPPC) Administrative Office Address: P.O. Box 31825 Charleston, SC 29407 Telephone: (843) 763-4360</p>	<p>The Commission was created by the General Assembly of the state of South Carolina in 1945. The Commission has the power to create, develop, maintain, and operate a system of parks and playgrounds for the use and benefit of the residents within its jurisdictional area. The Commission is governed by five members appointed by the Governor upon recommendation of the County's Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Commission.</p>
<p>St. John's Fire District (SJFD) Administrative Office Address: P.O. Box 56 Johns Island, SC 29457 Telephone: (843) 559-9194</p>	<p>The Fire District was created by Act 369 of the South Carolina General Assembly on April 9, 1959. The Fire District provides fire protection services to residents within its geographic boundaries. The Fire District is governed by a seven member commission appointed by the Governor upon recommendation of the County's Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Fire District.</p>

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<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the County</u>
St. Paul's Fire District (SPFD) Administrative Office Address: P.O. Box 65 Hollywood, SC 29449 Telephone: (843) 889-6450	The Fire District was formed under Act 440 of the South Carolina General Assembly in 1949. The Fire District provides fire protection services to the western portion of the County. The Fire District is governed by a seven member commission appointed by the Governor upon recommendation of the County's Legislative Delegation. County Council approves the operating budget, levies taxes, and authorizes the issuance of all general obligation debt for the Fire District.

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

C. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The accounts of the County and its component units are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. There are three categories of funds: governmental, proprietary, and fiduciary.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities for the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues and all taxes are presented as general revenues of the County, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

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Fund Financial Statements

The County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

The major fund types are:

Governmental funds are used to account for general governmental activities. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

General Fund - This is the primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

Proprietary funds reporting focus is on the determination of operating income, changes in net assets, financial position, and cash flow. Proprietary funds are classified as either enterprise or internal service. These funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business. In the enterprise funds, a fee is charged to external users. The County reports the following major proprietary funds:

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

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

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This fund is also used to account for the County's recycling operations, which consist of the following:

1. Curbside collection of recyclables in the urban areas of the county.
2. Drop-box collection in all areas of the county.
3. Operation of materials recovery facility.
4. Yard waste mulch facility.

These services are funded from collection of a countywide user fee, sales of steam and electricity from the incineration plant, tipping fees at the landfill, and sale of recyclables.

Parking Garages - This fund is used to account for the operation, financing and construction of parking facilities. The County has operated a 454 space parking garage adjacent to the County's administrative and court facilities, which also serves area hotels, restaurants and others since the 1970's. During 1992 the fund received \$12,375,000 of the proceeds from Charleston Public Facilities Corporation (a component unit of the County) Certificates of Participation to construct a 1,608 space-parking garage adjacent to the Charleston Memorial Hospital. During 1996 the fund received \$8,884,000 of the proceeds from the 1995 Certificates of Participation to construct an additional 438 space parking garage adjacent to the existing City of Charleston Cumberland Street garage to service the future Judicial Center. The County assumed the operation of the existing Cumberland Street garage in April 1998 from the City of Charleston.

Internal Service Funds account for the financing of services provided by one department to other departments of the County, or to other governments, on a cost reimbursement basis. For additional fund descriptions, see page 150.

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund accounts for assets held by the entity as an agent on behalf of others. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The County's only fiduciary funds are agency funds.

Component units are either legally separate organization for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

D. MEASUREMENT FOCUS

Government-wide Financial Statements -The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the County are included on the statement of net assets.

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Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

E. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis accounting. Governmental funds use the modified accrual basis of accounting.

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

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes collected within 60 days of fiscal year-end, sales tax, grants, interest, accommodations fees, intergovernmental revenue, and charges for services.

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Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2004 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. ASSETS, LIABILITIES, AND EQUITY

1. Cash and Investments

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

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

State statutes authorize the entities to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No load open and closed-end portfolios of certain investment companies with issues of the U.S. Government.

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

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

The County and its component units have certain funds invested with the South Carolina State Treasurer's Office which established the South Carolina Local Government Investment Pool (the Pool) pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs which are under the custody of any county treasurer or any governing body of a political subdivision of the State may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The allowance for trade accounts receivable is computed based upon an estimate of collections within each aging category. The allowance for property taxes receivable is based upon a composite average of each delinquent tax year's collections to the outstanding balance at the beginning of the fiscal year.

The County bills and collects property taxes for itself and all other taxing entities within the county. Property taxes are recognized in the period in which they are levied and available for financing current expenditures. Property taxes receivable represent current and delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - three percent, February 1 - an additional seven percent, March 16 - an additional five percent. On March 16, the property tax bills are turned over to the delinquent tax office and the properties are subject to sale. Taxes on licensed motor vehicles are

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levied during the month when the taxpayer's vehicle license registration is up for renewal. The County must provide proof of payment to the South Carolina Department of Transportation before that agency will renew the taxpayer's vehicle license.

The County charges a user fee to real property owners and certain commercial and governmental entities providing revenues for a portion of the County's solid waste collection and disposal effort (e.g., incineration, landfill and recycling). Tipping fees charged to certain commercial and governmental entities are also included. Annual charges to real property owners are billed in the fall for the subsequent calendar year, but are recognized in full in the year of billing. An allowance for uncollectible accounts is established based upon a historical estimate of the collections within each customer category: residential, commercial, governmental or housing agencies.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In the governmental fund statements, reported inventories and prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. Restricted Assets

Certain assets of the County's Debt Service, Capital Projects and Enterprise Funds and component units derived from proceeds of various General Obligation Bonds, Revenue Bonds and Certificates of Participation are set aside for their repayment or earmarked by the Trustee for specific purposes. These assets are classified as restricted assets on the balance sheet in both the government-wide and fund financial statements, because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized by governmental or business-type activities.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended June 30, 2003.

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All reported capital assets except land and certain infrastructure assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Buildings	45
Buildings Improvements	10 - 45
Improvements other than buildings	10 - 45
Public Domain Infrastructure	20 - 50
Vehicles	5
Office Equipment	5 - 10
Computer Equipment	3 - 5
Other Equipment	5 - 12
Landfill Land	10 - 20
Sewer Systems	25 - 50

Not all of the County's infrastructure has been recorded at June 30, 2003. The County has recorded easements, bridges, paved roads, sidewalks and unpaved roads. The public works department is still gathering information as to the cost for drainage-type infrastructure.

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred refunding costs represent the difference between the reacquisition price and the net carrying value of the refunded debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is recorded when accrued by the employee in the government-wide statements.

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

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8. Fund Equity

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

9. Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the County's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

11. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for solid waste disposal, recycling, parking garages, E-911 communication system, the activity of the programs administered by the Department of Alcohol and Other Drug Abuse Services (DAODAS), vehicle maintenance, office support services, and insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

12. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and certain Special Revenue Funds including Accommodations, Child Support Enforcement, Economic Development, Education, Emergency Medical Services, Emergency Preparedness, Fire Districts, Geographic Information Systems, Hazardous Materials Enforcement, Mosquito Abatement, Sheriff, Solicitor, Transportation, and Victim Notification Funds. The balance of the Special Revenue Funds and Capital Projects Funds are budgeted over the life of the grant or project. Formal budgetary policies are not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through General Obligation Bond indenture provisions and the base lease agreements governing the Certificates of Participation.

All agencies of the County and its component units must submit requests for appropriations to the Council Administrator by March 15 along with revenue estimates so that a budget may be prepared. By May 1, the proposed budgets are presented to County Council for review. The Council holds public hearings and adopts the final budgets by July 1 through passage of an ordinance.

The legal level of budgetary control is determined by County Council at the individual fund level. Expenditures by department, suborganizational level, and major category (i.e. personnel, non-personnel, and capital outlay) are further defined in the budget document and are subject to County Administrator approval. The County Administrator is authorized to make transfers between major expenditure categories within departments and between departments within the same fund. The Administrator has further delegated to the Deputy Administrators the authority to transfer between departments. The budget ordinance must be amended by Council to effect changes in fund totals.

Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations were necessary. The results were increases and decreases within the individual departments within the funds. All annual appropriations lapse at year-end.

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

B. Restatement of Prior Year Fund Equities

The County has corrected several errors from the prior year due to the overstatement/understatement of various inventories, receivables, and cash amounts in the General, Special Revenue, Debt Service, and Enterprise Funds.

Also, in July 2001, the County entered into an intergovernmental loan agreement with the South Carolina Transportation Infrastructure Bank. The loan agreement was used to fund a portion of the Arthur Ravenel, Jr. Bridge (which will replace the existing Silas L. Pearman and Grace Memorial Bridge). This liability should have been recorded on the statement of net assets at June 30, 2002.

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

	Primary Government			
	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Debt Service	Enterprise
Equity July 1, 2002	\$22,783,038	\$18,004,009	\$10,226,831	\$53,907,044
Restatements:				
Cash		43,764		556,297
Intergovernmental receivable	(42,749)	42,749		
Taxes receivable	(328,492)		(131,668)	
Inventory		419,664		
Equity July 1, 2002 (as restated)	<u>\$22,411,797</u>	<u>\$18,510,186</u>	<u>\$10,095,163</u>	<u>\$54,463,341</u>
	Governmental Activities			
Net Assets July 1, 2002	\$155,794,861			
Restatement:				
Fund restatements as noted above	3,270			
Intergovernmental note payable	(39,354,001)			
Net Assets July 1, 2002 (as restated)	<u>\$116,444,130</u>			

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits are categorized into these three categories of credit risk:

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

Investments are categorized into these three categories of credit risk:

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

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

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

The following reflects the allocation of deposits by risk category for the primary government and its component units as of June 30, 2003:

	Carrying Amount	Bank Balance	Category		
			1	2	3
Primary government:	<u>\$ 30,802,549</u>	<u>\$ 42,825,015</u>	<u>\$ 3,140,418</u>	<u>\$ 31,572,726</u>	<u>\$ 8,111,871</u>
Component units:					
CCL	72,032	145,500	100,000	45,500	-
CCPRC	7,538,004	7,754,348	462,457	-	7,291,891
CRPPC	6,136	6,136	6,136	-	-
JIPSD	4,169,236	3,392,088	1,207,780	2,184,308	-
NCD	38,970	38,970	38,970	-	-
SAPPPC	128,369	172,220	172,220	-	-
SJFD	1,127,297	1,158,498	200,000	958,498	-
SPFD	108,788	108,788	100,000	-	8,788
Total component units	<u>13,188,832</u>	<u>12,776,548</u>	<u>2,287,563</u>	<u>3,188,306</u>	<u>7,300,679</u>
Total reporting entity	<u>\$ 43,991,381</u>	<u>\$ 55,601,563</u>	<u>\$ 5,427,981</u>	<u>\$ 34,761,032</u>	<u>\$ 15,412,550</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government securities	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	-	<u>91,979,224</u>	-	<u>91,979,224</u>	<u>91,979,224</u>
Subtotal	<u>\$ -</u>	<u>\$ 91,979,224</u>	<u>\$ -</u>	<u>91,979,224</u>	<u>91,979,224</u>
Investments not subject to categorization:					
State local government investment pool				<u>69,865,051</u>	<u>69,865,051</u>
Total primary government investments				<u>\$161,844,275</u>	<u>\$161,844,275</u>

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

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
CCL					
Repurchase agreements	\$ -	\$ 1,853,000	\$ -	\$ 1,853,000	\$ 1,853,000
JIPSD					
Repurchase agreements	-	2,901,730	-	2,901,730	2,901,730
NCD					
Obligations of other federal agencies	-	-	322,652	322,652	322,652
SJFD					
Repurchase agreements	-	93,000	-	93,000	93,000
SPFD					
Repurchase agreements	-	-	<u>946,977</u>	<u>946,977</u>	<u>946,977</u>
Subtotal	<u>\$ -</u>	<u>\$ 4,847,730</u>	<u>\$ 1,269,629</u>	6,117,359	6,117,359
Investments not subject to categorization:					
SPFD					
State local government investment pool				<u>216,558</u>	<u>216,558</u>
Total component units investments				<u>\$ 6,333,917</u>	<u>\$ 6,333,917</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

Cash on hand – primary government	\$ 84,591
Cash on hand – component units	43,494
Carrying amount of deposits - primary government	30,802,549
Carrying amount of deposits - component units	13,188,832
Carrying amount of investments - primary government	161,844,275
Carrying amount of investments - component units	<u>6,333,917</u>
 Total carrying amount of cash and investments	 <u>\$ 212,297,658</u>
 Non-pooled cash and cash equivalents	 \$ 38,640,763
Pooled cash and cash equivalents	102,191,812
Restricted cash and cash equivalents	67,727,562
Investments	2,805,125
Restricted investments	<u>932,396</u>
 Total carrying amount of cash and investments	 <u>\$ 212,297,658</u>

B. Receivables

Receivables as of June 30, 2003, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Nonmajor Governmental Funds
	General	Debt Service	1999 Capital Projects	2001 Capital Projects	
Primary government:					
Receivables:					
Current property taxes	\$79,068,443	\$16,187,240	\$ -	\$ -	\$ 4,375,729
Delinquent property taxes	4,182,180	1,263,535	-	-	328,482
Accounts	24,251,861	-	-	-	37,026
Intergovernmental	13,975,707	83,551	366,733	-	5,742,045
Notes	-	-	-	-	48,986
Interest	<u>-</u>	<u>44</u>	<u>125</u>	<u>72,208</u>	<u>136</u>
 Gross receivables	 <u>121,478,191</u>	 <u>17,534,370</u>	 <u>366,858</u>	 <u>72,208</u>	 <u>10,532,404</u>
Less allowance for uncollectibles:					
Current property taxes	3,779,472	736,519	-	-	254,986
Delinquent property taxes	2,373,038	713,473	-	-	179,682
Accounts	<u>21,179,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Gross allowance	 <u>27,332,482</u>	 <u>1,449,992</u>	 <u>-</u>	 <u>-</u>	 <u>434,668</u>
 Net total receivable	 <u>\$94,145,709</u>	 <u>\$16,084,378</u>	 <u>\$ 366,858</u>	 <u>\$ 72,208</u>	 <u>\$ 10,097,736</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

	Proprietary		Totals
	Business-type Activities	Governmental Activities - Internal Service Funds	Primary Government
Receivables:			
Current property taxes	\$ -	\$ -	\$ 99,631,412
Delinquent property taxes	20,628	-	5,794,825
Accounts	7,768,419	83,054	32,140,360
Intergovernmental	826,858	26,066	21,020,960
Notes	-	-	48,986
Interest	19,306	-	91,819
Gross receivables	8,635,211	109,120	158,728,362
Less allowance for uncollectibles:			
Current property taxes	-	-	4,770,977
Delinquent property taxes	12,476	-	3,278,669
Accounts	4,123,488	-	25,303,460
Gross allowance	4,135,964	-	33,353,106
Net total receivable	\$ 4,499,247	\$ 109,120	\$125,375,256

Component Units:	CCL	CCPRC	CRPPC	JIPSC	NCD
Receivables:					
Current property taxes	\$ -	\$11,268,239	\$ 129,219	\$ 3,813,443	\$ 1,015,138
Delinquent property taxes	-	800,848	24,563	235,440	164,845
Accounts	-	104,110	1,023	72,960	-
Intergovernmental	66,242	91,032	5,035	-	-
Notes	-	-	-	-	-
Gross receivables	66,242	12,264,229	159,840	4,121,843	1,179,983
Less allowance for uncollectibles:					
Current property taxes	-	-	13,219	65,692	103,849
Delinquent property taxes	-	446,587	14,388	223,700	82,281
Accounts	-	-	-	19,500	-
Gross allowance	-	446,587	27,607	308,892	186,130
Net total receivable	\$ 66,242	\$11,817,642	\$ 132,233	\$ 3,812,951	\$ 993,853

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

	<u>SAPPPC</u>	<u>SJFD</u>	<u>SPFD</u>	<u>Total Component Units</u>
Receivables:				
Current property taxes	\$ 954,279	\$6,442,376	\$2,341,638	\$25,964,332
Delinquent property taxes	82,404	223,821	304,027	1,835,948
Accounts	19,680	-	-	197,773
Intergovernmental	-	-	-	162,309
Notes	-	-	-	-
Gross receivables	<u>1,056,363</u>	<u>6,666,197</u>	<u>2,645,665</u>	<u>28,160,362</u>
Less allowance for uncollectables:				
Current property taxes	52,104	212,599	-	447,463
Delinquent property taxes	34,237	105,024	191,119	1,097,336
Accounts	-	-	-	19,500
Gross allowance	<u>86,341</u>	<u>317,623</u>	<u>191,119</u>	<u>1,564,299</u>
Net total receivable	<u>\$ 970,022</u>	<u>\$6,348,574</u>	<u>\$2,454,546</u>	<u>\$26,596,063</u>

Notes receivable results from the sale of certain assets by the County and its component units. The County's Fleet Management Internal Service Fund has financed \$791,600 of its share of the new heavy equipment repair facility through a loan from the Solid Waste Enterprise Fund. The loan is payable in semi-annual installments of \$40,000 with interest at 6.08 percent per annum. The note matures on January 1, 2014.

The County's Capital Projects Fund received a note from the Charleston County Housing Authority (CCHA) representing a \$70,000 non-interest bearing loan in fiscal year 1998. There is no maturity date on this note. Because of collectibility questions, the loan was expended on the County's books when made with a corresponding entry to deferred revenue.

County Council sold the Charleston Memorial Hospital to the Medical University Hospital Authority, an affiliate of the Medical University of South Carolina on July 1, 2001, in exchange for a long-term note receivable in the amount of \$12,881,827 payable over 20 years with an effective interest rate of 5.171 percent per annum.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

The following reflects the future minimum payments receivable at June 30, 2003, under these notes receivable:

Year Ending June 30,	Primary Government	
	Governmental Activities	Business-type Activities
2004	\$ 1,188,839	\$ 80,001
2005	1,133,476	80,001
2006	1,126,086	80,001
2007	1,117,680	80,001
2008	1,118,850	80,001
Later years	14,316,869	480,006
Total minimum note payments	20,001,800	880,011
Less amount representing interest	(7,070,987)	(245,138)
Present value of minimum note payments	12,930,813	634,873
Less current portion	(538,495)	-
Long-term portion	\$ 12,392,318	\$ 634,873

The County has also recorded a due from component units in the amount of \$1,556,000. This represents a tax anticipation note to Charleston County PRC dated September 2001, principal due in a single payment on or before January 15, 2004. Interest is due annually on June 30 and the rate is based on a floating rate equal to the Local Government Investment Pool rate as computed by the State of South Carolina. The rate at June 30, 2003, was one point five (1.50) percent. Interest in the amount of \$24,483 was paid to the County by PRC at fiscal year-end.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

C. Capital Assets

Primary government capital asset activity for the year ended June 30, 2003, was as follows:

Governmental Activities:	<u>Balance as Restated July 1, 2002</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2003</u>
Capital assets not being depreciated:				
Land	\$ 6,312,979	\$ -	\$ -	\$ 6,312,979
Construction in progress	56,269,392	6,684,237	(47,388,140)	15,565,489
Infrastructure	<u>10,753,418</u>	<u>443,878</u>	<u>(1,900,772)</u>	<u>9,296,524</u>
Total capital assets not being depreciated:	<u>73,335,789</u>	<u>7,128,115</u>	<u>(49,288,912)</u>	<u>31,174,992</u>
Capital assets being depreciated:				
Buildings	129,447,824	48,876,473	(112,639)	178,211,658
Improvements other than buildings	3,406,981	-	(41,090)	3,365,891
Machinery and equipment	56,174,975	5,969,784	(7,593,747)	54,551,012
Infrastructure	48,718,474	136,524	(11,140,372)	37,714,626
Total capital assets being depreciated:	<u>237,748,254</u>	<u>54,982,781</u>	<u>(18,887,848)</u>	<u>273,843,187</u>
Less accumulated depreciation:				
Buildings	(27,954,977)	(3,528,594)	64,057	(31,419,514)
Improvements other than buildings	(1,057,276)	(229,996)	30,418	(1,256,854)
Machinery and equipment	(34,797,386)	(6,716,280)	6,711,359	(34,802,307)
Infrastructure	<u>(24,422,857)</u>	<u>(1,674,561)</u>	<u>5,467,618</u>	<u>(20,629,800)</u>
Total accumulated depreciation	<u>(88,232,496)</u>	<u>(12,149,431)</u>	<u>12,273,452</u>	<u>(88,108,475)</u>
Total capital assets being depreciated, net	<u>149,515,758</u>	<u>42,833,350</u>	<u>(6,614,396)</u>	<u>185,734,712</u>
Governmental activities,				
Total capital assets, net	<u>\$ 222,851,547</u>	<u>\$ 49,961,465</u>	<u>\$ (55,903,308)</u>	<u>\$ 216,909,704</u>

During the fiscal year, the incorporation of the Town of James Island resulted in the County transferring infrastructure capital assets to the Town. This conveyance created a loss of \$7,573,526, which is reported as a special item on the statement of activities.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Business-type Activities:	Balance as Restated July 1, 2002	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 4,012,913	\$ -	\$ (3,861)	\$ 4,009,052
Construction in progress	205,054	473,607	-	678,661
Total capital assets not being depreciated	<u>4,217,967</u>	<u>473,607</u>	<u>(3,861)</u>	<u>4,687,713</u>
Capital assets being depreciated:				
Buildings	37,342,392	-	(15,241)	37,327,151
Improvements other than buildings	2,146,185	-	(29,851)	2,116,334
Machinery and equipment	14,036,635	1,291,247	(2,471,966)	12,855,916
Total capital assets being depreciated	<u>53,525,212</u>	<u>1,291,247</u>	<u>(2,517,058)</u>	<u>52,299,401</u>
Less accumulated depreciation:				
Buildings	(5,728,721)	(828,960)	12,283	(6,545,398)
Improvements other than buildings	(1,292,530)	(189,825)	8,080	(1,474,275)
Machinery and equipment	(7,785,635)	(1,610,686)	2,071,078	(7,325,243)
Total accumulated depreciation	<u>(14,806,886)</u>	<u>(2,629,471)</u>	<u>2,091,441</u>	<u>(15,344,916)</u>
Total capital assets being depreciated, net	<u>38,718,326</u>	<u>(1,338,224)</u>	<u>(425,617)</u>	<u>36,954,485</u>
Business-type activities				
Total capital assets, net	<u>\$ 42,936,293</u>	<u>\$ (864,617)</u>	<u>\$ (429,478)</u>	<u>\$ 41,642,198</u>

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

Governmental Activities:	
General government	\$ 6,531,064
Public safety	1,404,641
Judicial	1,359,708
Public works	1,826,275
Health and welfare	151,492
Culture and recreation	678,473
Total	<u>\$11,951,653</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Business-type Activities:

Solid Waste	\$ 1,663,626
Parking Garages	603,419
DAODAS	256,207
E-911 Communications	<u>106,219</u>
Total	<u>\$ 2,629,471</u>

Component Units:	<u>Balance as Restated July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Capital assets not being depreciated:				
Land	\$ 26,561,478	\$ 17,600	\$ -	\$ 26,579,078
Artwork	11,000	-	-	11,000
Construction in progress	<u>416,339</u>	<u>321,409</u>	<u>(489,872)</u>	<u>247,876</u>
Total capital assets not being depreciated:	<u>26,988,817</u>	<u>339,009</u>	<u>(489,872)</u>	<u>26,837,954</u>
Capital assets being depreciated:				
Buildings	44,976,010	273,362	(30,000)	45,219,372
Improvements other than buildings	22,811,513	-	-	22,811,513
Machinery and equipment	19,923,528	1,125,748	(552,259)	20,497,017
Infrastructure	27,981,401	287,195	-	28,268,596
Library materials	<u>18,903,595</u>	<u>1,925,955</u>	<u>(1,396,251)</u>	<u>19,433,299</u>
Total capital assets being depreciated:	<u>134,596,047</u>	<u>3,612,260</u>	<u>(1,978,510)</u>	<u>136,229,797</u>
Less accumulated depreciation:				
accumulated depreciation:	<u>(43,518,884)</u>	<u>(5,661,569)</u>	<u>1,928,177</u>	<u>(47,252,276)</u>
Total capital assets being depreciated, net	<u>91,077,163</u>	<u>(2,049,309)</u>	<u>(50,333)</u>	<u>88,977,521</u>
Component units				
Total capital assets, net	<u>\$118,065,980</u>	<u>\$ (1,710,300)</u>	<u>\$ (540,205)</u>	<u>\$ 115,815,475</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

General government	\$ 1,216,454
Public safety	739,378
Culture and recreation	2,052,711
Health and welfare	103,192
Public works	15,155
Family recreation center	90,448
Park operations	834,836
Waste water	609,395
	<u>609,395</u>
Total	<u>\$ 5,661,569</u>

Construction in progress in the governmental activities as of June 30, 2003, is composed of the following:

Primary government:	<u>Project Authorization</u>	<u>Expended to June 30, 2003</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
County Office Building Renovation	\$ 18,521,278	\$ 12,280,815	\$ 3,398,713	None
Juvenile Detention Center	8,096,000	410,191	97,847	None
99 Broad Street	649,936	573,139	-	None
John's Island Library	4,350,000	854,583	2,009,755	None
Step Ahead	233,000	196,044	-	None
Medic 4	640,000	5,565	539,800	None
Medic 6	1,775,202	22,390	1,093,674	None
Medic 7	1,160,000	6,110	12,510	None
Cumberland Garage	749,044	53,720	-	None
Public Works E. Cooper Field Ops	900,715	249,849	351,650	None
GIS Aerial Mapping	<u>1,589,418</u>	<u>913,042</u>	<u>654,708</u>	None
Total primary government	<u>\$ 38,664,593</u>	<u>\$ 15,565,448</u>	<u>\$ 8,158,657</u>	

As of June 30, 2003, the County has assets under capital lease with a total cost of \$1,613,693 and a net book value of \$1,241,111. The assets are computer equipment, reader printers, and other office equipment depreciated over a three and five-year period and included in the County's machinery and equipment capital asset category.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Construction in progress as of June 30, 2003, in the business-type activities is composed of the following:

Primary government:	<u>Project Authorization</u>	<u>Expended to June 30, 2003</u>	<u>Commitments Outstanding</u>	<u>Required Future Financing</u>
Solid Waste Lined Landfill	\$ 2,009,741	\$ 521,089	\$ 1,576,556	None
Total primary government	<u>\$ 2,009,741</u>	<u>\$ 521,089</u>	<u>\$ 1,576,556</u>	
 Component units:				
JIPSD				
Waste water upgrade	\$ 3,432,300	\$ 290,450	\$ -	\$ 2,191,800
Total component units	<u>\$ 3,432,300</u>	<u>\$ 290,450</u>	<u>\$ -</u>	

D. Inter-fund Receivables and Payables

The composition of primary government interfund balances at June 30, 2003, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Major governmental funds:		
General Fund	\$ 2,228,241	\$ 481,932
Debt Service Fund	179,379	-
2001 G.O. Bond	-	1,465,852
Non-major governmental funds	-	941,768
Internal service funds	<u>481,932</u>	<u>-</u>
Total	<u>\$ 2,889,552</u>	<u>\$ 2,889,552</u>

Inter-fund activity relates to funding from the County's General Fund related to County policies for cash flow and operating cash levels of governmental funds.

COUNTY OF CHARLESTON, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

E. Inter-fund Transfers

A summary of transfer is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major governmental funds:		
General Fund	\$ 965,188	\$ (5,973,735)
Debt Service Fund	1,048,482	(2,084,130)
Non-major governmental funds	4,159,807	(2,924,346)
Major business-type activities	1,319,658	(653,850)
Non-major business-type activities	1,843,954	-
Internal Service Funds	2,305,372	(6,400)
	<u>\$ 11,642,461</u>	<u>\$(11,642,461)</u>
Total	<u>\$ 11,642,461</u>	<u>\$(11,642,461)</u>

Transfers are used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Leases

Operating Leases

In December 2002, the Charleston County Library renegotiated its lease agreement for copiers. The new lease agreement is for a sixty-month period commencing December 30, 2002, with a minimum monthly charge of \$10,419, for a total minimum commitment of \$625,115 over the term of the lease. In addition to this lease, the Library holds other verbal agreements with various parties for the rental of library branches. These leases run on a month-to-month basis and are cancelable by either party. Rental expense associated with the copier and facilities leases for the year ended June 30, 2003, is \$111,810.

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

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

Year Ending June 30,	CCL	SAPPC
2004	\$ 125,023	\$ 21,478
2005	125,023	21,478
2006	125,023	21,478
2007	125,023	21,478
2008	62,512	8,949
	<u>\$ 562,604</u>	<u>\$ 94,861</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

G. Landfill Closure

State and federal laws and regulations require the County to place a final cover on its Romney Street and Bees Ferry landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10,129,798 reported as the accrual for landfill closure at June 30, 2003, represents the cumulative amount reported less \$12,451,005 paid to date based on the following information:

Landfill Site	Percentage Of Capacity Used	Estimated Costs Recognized			Balance To Be Recognized
		Closure	Postclosure	Total	
Romney Street	100%	\$ 5,568,678	\$ 995,000	\$ 6,563,678	\$ -
Bees Ferry:					
Ash storage facility	100%	1,031,518	346,000	1,377,518	-
73 acres	100%	5,850,809	-	5,850,809	-
56 acres	78.88%	<u>8,583,000</u>	<u>2,559,000</u>	<u>11,142,000</u>	<u>2,353,202</u>
Totals		<u>\$21,034,005</u>	<u>\$ 3,900,000</u>	<u>\$24,934,005</u>	<u>\$2,353,202</u>

The County will recognize the remaining estimated costs of closure and postclosure care of \$2,353,202 as the available capacity is filled over the following three years. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2003. The County began to close the landfills in 1994 with final closure of the Bees Ferry site scheduled in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The County anticipates that available resources will be the primary source of funds to pay the cost of closure.

The County has issued under separate cover, a certification signed by its Chief Financial Officer stating compliance with final Environmental Protection Agency regulations regarding financial assurance for operators of Municipal Solid Waste Landfill Facilities, including a required statement from our independent auditors. The computations required under these regulations are included on page 179 in the statistical section of this report.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

H. Short-term Debt

The County had no short-term borrowings during the fiscal year. Some of the County's component units use short-term tax anticipation notes to finance general operating expenditures during the fiscal year ended June 30, 2003. The activity in short-term debt for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
CCPRC	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
JIPSD	-	450,000	450,000	-
SJFD	-	2,000,000	2,000,000	-
	<u>\$ -</u>	<u>\$ 3,450,000</u>	<u>\$ 3,450,000</u>	<u>\$ -</u>

I. Long-term Debt

The following is a summary of debt transactions for the County for the year ended June 30, 2003.

Primary Government:	Balance July 1, 2002 (as restated)	Increases	Decreases	Balance June 30, 2003	Amounts Due in One year
<u>Governmental activities</u>					
General obligation bonds	\$ 106,850,000	\$ -	\$ 5,105,000	\$ 101,745,000	\$ 6,350,000
Certificates of participation	74,816,433	-	3,399,753	71,416,680	3,581,059
Intergovernmental note payable	39,354,001	-	-	39,354,001	745,016
Capital lease payable	679,887	1,006,346	270,609	1,415,624	547,033
Compensated absences	6,369,114	-	100,586	6,268,528	432,779
Arbitrage payable	217,687	-	217,687	-	-
Total	<u>\$ 228,287,122</u>	<u>\$ 1,006,346</u>	<u>\$ 9,093,635</u>	<u>\$ 220,199,833</u>	<u>\$11,655,887</u>
<u>Business-type activities</u>					
Certificates of participation	\$ 20,564,444	\$ -	\$ 1,044,531	\$ 19,519,913	\$ 1,118,020
Revenue bonds	16,744,100	-	991,816	15,752,284	1,051,574
Accrual for landfill closure	10,268,517	-	138,719	10,129,798	124,072
Compensated absences	729,906	49,429	-	779,335	17,442
Total	<u>\$ 48,306,967</u>	<u>\$ 49,429</u>	<u>\$ 2,175,066</u>	<u>\$ 46,181,330</u>	<u>\$ 2,311,108</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

General Obligation Bonds. The County and its component units issue General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. All other obligations are reported in the governmental activities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the County.

Primary government General Obligation Bonds payable at June 30, 2003, are comprised of the following:

Issue Date	Title of Issues	Principal Amount	
		Original	Outstanding
February 15, 1994	General Obligation Refunding Bonds, Series 1994, 4.20% to 6.10% interest, semi-annual principal and interest payments beginning in 1994, matures 2009.	\$ 44,960,000	\$ 23,865,000
September 30, 1999	General Obligation Improvement and Refunding Bonds, Series 1999, 5.00% to 6.125% interest, semi-annual principal and interest payments beginning in 2000, matures 2019, the first principal payment is due in fiscal year 2003.	49,360,000	47,880,000
May 1, 2001	General Obligation Refunding and Capital Improvement Bonds, Series 2001, 4.10% to 5.25% interest, semi-annual principal and interest payments beginning in 2001, matures 2021, the first principal payment is due in fiscal year 2004.	30,000,000	30,000,000
General obligation debt per statement of net assets		<u>\$124,320,000</u>	101,745,000
Less current portion			<u>(6,350,000)</u>
Long-term portion outstanding			<u>\$ 95,395,000</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Certificates of Participation: The County issues Certificates of Participation through the Charleston Public Facilities Corporation, a blended component unit, to finance the acquisition of essential government facilities. The Certificates of Participation are treated as capital lease obligations for financial reporting purposes. The Certificates have been issued for both governmental and proprietary fund activities and are reported in the proprietary fund if they are expected to be repaid from proprietary fund revenues. All other obligations are reported in the governmental activities.

Primary government Certificates of Participation payable at June 30, 2003, are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
April 1, 1994	Refunding Certificates of Participation, Series 1994, Charleston Public Facilities Corporation, 3.00% to 6.10% interest, semi-annual principal and interest payments beginning in 1994, matures 2011.	\$ 36,795,000	\$ 21,095,000
December 1, 1994	Certificates of Participation, Series 1994-B, Charleston Public Facilities Corporation, 4.30% to 7.00% interest, semi-annual principal and interest payments beginning in 1995, matures 2019.	35,000,000	1,310,000
November 1, 1995	Certificates of Participation, Series 1995, Charleston Public Facilities Corporation, 3.80% to 6.00% interest, semi-annual principal and interest payments beginning in 1996, matures 2021.	<u>85,000,000</u>	<u>69,430,000</u>
Total debt per statement of net assets		<u>\$156,795,000</u>	91,835,000
Less: Discount applicable to business-type activities			(55,293)
Deferred refunding cost applicable to business-type activities			<u>(843,114)</u>
Certificate of participation debt per statement of net assets			90,936,593
Less current portion			<u>(4,699,079)</u>
Long-term portion outstanding			<u>\$ 86,237,514</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Revenue Bonds. The County issued \$22,570,000 of Solid Waste User Fee Revenue Bonds on October 12, 1994. Proceeds of this issue were to be used to reimburse the County for the acquisition of equipment previously financed through a \$9.5 million bond anticipation note; finance construction costs related to closure of the Romney Street and Bees Ferry landfills; fund the design and approval process for permitting a new landfill site; and partially fund a heavy equipment repair facility. These bonds will be repaid from the countywide user fee assessment.

Primary government Revenue Bonds payable at June 30, 2003, are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
September 1, 1994	Charleston County Solid Waste User Fee Revenue Bonds, Series 1994, 4.20% to 6.50% interest, semi-annual principal and interest payments beginning in 1995, matures 2014.	<u>\$ 22,570,000</u>	\$ 15,785,000
Less discount applicable to business-type activities			<u>(32,716)</u>
Revenue bond debt per statement of net assets			<u>15,752,284</u>
Less current portion			<u>(1,051,574)</u>
Long-term portion outstanding			<u>\$ 14,700,710</u>

Notes Payable. The County's Fleet Management Internal Service Fund has issued a note payable to the Solid Waste Enterprise Fund for \$791,600 payable from Debt Service Fund transfers to the Fleet Management Internal Service Fund. This transaction is an exception to the County's policy on interfund loans, which is defined in Note I.F.12.

Primary government notes payable at June 30, 2003, are comprised of the following:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
April 1, 1999	Solid Waste Revenue Bond Fund Promissory Note, semi-annual payments of \$40,000 including interest at 6.08%, matures in 2014.	<u>\$ 791,600</u>	\$ 634,873
Less current portion			<u>(42,017)</u>
Debt per statement of net assets			<u>\$ 592,856</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Annual requirements to amortize primary government notes payable outstanding at June 30, 2003, are as follows:

Year Ending June 30,	Internal Service Fund
2004	\$ 80,001
2005	80,001
2006	80,001
2007	80,001
2008	80,001
Later Years	480,005
Total	880,010
Less interest included above	(245,137)
Debt per statement of net assets	\$ 634,873

Intergovernmental Note Payable. In July 2001, the County entered into an intergovernmental loan agreement with the South Carolina Transportation Infrastructure Bank to fund a portion of the cost of the new Arthur Ravenel, Jr. Bridge over the Cooper River. The County has agreed to pay \$3,000,000 per year for the next twenty-five years. The interest rate is 5.73% per annum.

Annual requirements to amortize the intergovernmental note payable outstanding at June 30, 2003, are as follows:

Year Ended June 30,	Intergovernmental Note Payable
2004	\$ 3,000,000
2005	3,000,000
2006	3,000,000
2007	3,000,000
2008	3,000,000
2009 – 2013	15,000,000
2014 – 2018	15,000,000
2019 – 2023	15,000,000
2024 – 2028	15,000,000
Total	75,000,000
Less interest Included above	(35,645,999)
Debt per statement of net assets	\$39,354,001

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

Capital Lease Obligations. Several component units have utilized capital leases to finance the acquisition of various types of equipment. The details of each entity's capital leasing activities are summarized later in this note.

The County uses capital lease funding to finance the purchase of various equipment. Capital leases outstanding at June 30, 2003, include the following:

<u>Governmental Activities</u>	<u>Original</u>	<u>Outstanding</u>
Lease dated May 2002, payable to Hewlett Packard for the purchase of new computers. Payable in six equal payments of \$114,286 through May 2005, and includes principal and interest at 0.57% per annum.	\$ 679,887	\$ 459,144
Lease dated May 2003, payable to Hewlett Packard for the purchase of new computers. Payable in six equal payments of \$100,619 through May 2006, and includes principal and interest at 0.25% per annum.	598,779	598,779
Lease dated March 2003, payable to IBM Credit Corp. for the purchase of mainframe computers. Payable in thirty-six equal payments of \$6,431.55 through March 2006 and includes principal and interest at 6.15% per annum.	210,940	194,806
Lease dated August 2002, payable to Eastman Kodak Company for the purchase of ten ABR Reader Printers. Payable in thirty-six equal payments of \$2,718 through August 2005 and includes principal and interest at 6.5% per annum.	88,695	65,762

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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Lease dated May 2003, payable to Xerox for the purchase of a digital document system. Payable in sixty equal payments of \$353 through May 2008 and includes principal and interest at 8% per annum.

\$ 17,392 \$ 17,156

Lease dated October 2002 payable to IKON for the purchase of a color copier. Payable in sixty equal payments of \$1,509 through October 2007 and includes principal and no interest.

90,540 79,977
\$ 1,686,233 1,415,624

Less current portion (547,033)

Long-term portion outstanding \$ 868,591

A summary of the annual requirements are as follows:

Year Ending June 30,	Principal	Interest	Totals
2004	\$ 547,033	\$ 18,864	\$ 565,897
2005	551,478	10,457	561,935
2006	283,958	2,861	286,819
2007	21,878	439	22,317
2008	11,277	152	11,429
	<u>\$ 1,415,624</u>	<u>\$ 32,773</u>	<u>\$ 1,448,397</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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Amortization of Long-term Debt. Annual requirements to amortize primary government long-term debt outstanding at June 30, 2003, excluding notes payable and accrued compensated absences, are as follows:

Year Ending June 30,	General Obligation Bonds		Certificates Of Participation		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2004	\$6,350,000	\$ 5,211,201	\$4,810,000	\$5,100,514	\$1,060,000	\$ 947,305	\$23,479,020
2005	6,730,000	4,909,500	5,055,000	4,849,801	1,115,000	887,945	23,547,246
2006	6,865,000	4,586,298	5,310,000	4,581,219	1,180,000	824,390	23,346,907
2007	6,995,000	4,252,437	5,620,000	4,290,230	1,250,000	755,950	23,163,617
2008	6,680,000	3,921,362	5,940,000	3,957,850	1,325,000	677,825	22,502,037
2009	7,145,000	3,594,880	6,310,000	3,596,201	1,405,000	598,325	22,649,406
2010	3,480,000	3,231,787	6,695,000	3,211,530	1,500,000	507,000	18,625,317
2011	3,790,000	3,048,663	7,100,000	2,800,892	1,590,000	417,000	18,746,555
2012	4,095,000	2,846,485	4,120,000	2,430,400	1,685,000	321,600	15,498,485
2013	4,450,000	2,600,675	4,350,000	2,199,503	1,785,000	220,500	15,605,678
2014	4,830,000	2,333,122	4,600,000	1,955,440	1,890,000	113,400	15,721,962
2015	5,235,000	2,042,339	4,850,000	1,697,563	-	-	13,824,902
2016	5,610,000	1,744,838	5,120,000	1,425,875	-	-	13,900,713
2017	6,045,000	1,441,256	5,415,000	1,138,536	-	-	14,039,792
2018	6,515,000	1,114,312	5,710,000	834,899	-	-	14,174,211
2019	7,000,000	762,168	6,035,000	514,750	-	-	14,311,918
2020	7,525,000	383,775	3,155,000	220,963	-	-	11,284,738
2021	<u>2,405,000</u>	<u>126,262</u>	<u>1,640,000</u>	<u>45,100</u>	-	-	<u>4,216,362</u>
Totals	101,745,000	48,151,360	91,835,000	44,851,266	15,785,000	6,271,240	308,638,866
Less amount in business-type activities before discounts and deferred costs	-	-	(20,418,320)	(9,247,273)	(15,785,000)	(6,271,240)	(51,721,833)
Total debt - governmental activities	<u>\$101,745,000</u>	<u>\$48,151,360</u>	<u>\$71,416,680</u>	<u>\$35,603,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$256,917,033</u>

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

Year Ending <u>June 30,</u>	Certificates Of Participation		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	
2004	\$ 1,228,941	\$ 1,137,145	\$ 1,060,000	\$ 947,305	\$ 4,373,391
2005	1,292,096	1,071,790	1,115,000	887,945	4,366,831
2006	1,360,891	1,001,739	1,180,000	824,390	4,367,020
2007	1,439,016	925,922	1,250,000	755,950	4,370,888
2008	1,521,703	840,717	1,325,000	677,825	4,365,245
2009	1,615,752	748,230	1,405,000	598,325	4,367,307
2010	1,714,570	649,868	1,500,000	507,000	4,371,438
2011	1,818,488	544,632	1,590,000	417,000	4,370,120
2012	770,759	452,984	1,685,000	321,600	3,230,343
2013	812,732	410,014	1,785,000	220,500	3,228,246
2014	860,427	364,633	1,890,000	113,400	3,228,460
2015	906,214	316,653	-	-	1,222,867
2016	956,772	266,155	-	-	1,222,927
2017	1,012,099	212,771	-	-	1,224,870
2018	1,066,472	156,345	-	-	1,222,817
2019	1,126,569	96,903	-	-	1,223,472
2020	601,918	42,156	-	-	644,074
2021	<u>312,901</u>	<u>8,616</u>	-	-	<u>321,517</u>
Subtotal	20,418,320	9,247,273	15,785,000	6,271,240	51,721,833
Less discounts and deferred refunding costs	<u>(898,407)</u>	-	<u>(32,716)</u>	-	<u>(931,123)</u>
Total business-type activities debt	<u>\$ 19,519,913</u>	<u>\$ 9,247,273</u>	<u>\$ 15,752,284</u>	<u>\$ 6,271,240</u>	<u>\$ 50,790,710</u>

The 1990, 1994, and 1995 Certificates of Participation and related trust agreements require the establishment of 1) a debt service reserve fund or surety bond, to maintain amounts equal to the next semi-annual principal and interest payment, and 2) a payment fund for use in disbursing the semi-annual payments.

There are a number of limitations and restrictions contained in the various bond and certificate indentures, such as types of investments, promise to levy tax sufficient to cover debt service, and establishment of a sinking fund. The County is in compliance with all significant limitations and restrictions as of June 30, 2003.

Conduit (No Commitment) Debt. The County is authorized and empowered under and pursuant to the Code of Laws of South Carolina to acquire or cause to be acquired and in connection therewith to enlarge, improve, expand, equip, furnish, own, lease and dispose of properties to promote the public health and welfare of the people of the State of South Carolina and/or to promote the commercial development of the State. To accomplish these objectives the County has issued Revenue Bonds to provide financial assistance to private sector entities. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the County nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The County has issued these conduit debt obligations for Hospital and Health Care, Industrial, Solid Waste, and Pollution Control

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

facilities.

The County is presently undertaking the task of establishing the status of all currently outstanding conduit debt. The following is the County's best estimate of the status of conduit debt at June 30, 2003:

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

The following is a summary of the changes in long-term obligations of the component units for the year ended June 30, 2003:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003	Amounts due in one year
Accrued compensated absences	\$ 1,730,177	\$ 537,268	\$ (423,248)	\$ 1,844,197	\$ 701,047
General obligation bonds	28,482,176	-	(6,140,099)	22,342,077	2,553,586
Capital lease obligations	3,773,631	1,264,563	(1,505,648)	3,532,546	739,163
Revenue bonds	8,628,669	-	(329,276)	8,299,393	345,499
Total	\$ 42,614,653	\$ 1,801,831	\$(8,398,271)	\$ 36,018,213	\$ 4,339,295

	Range of Maturity Dates	Range of Interest Rates	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Accrued compensated absences:						
CCL			\$ 558,847	\$ 414,557	\$ (376,364)	\$ 597,040
CCPRC			460,772	33,223	(7,153)	486,842
JIPSD			243,869	25,323	-	269,192
SAPPPC			23,266	867	-	24,133
SJFD			403,692	1,939	-	405,631
SPFD			39,731	61,359	(39,731)	61,359
Total accrued compensated absences			1,730,177	537,268	(423,248)	1,844,197

General obligation bonds:						
CCPRC	2003 - 2015	4.30%-6.75%	27,285,310	-	(5,906,802)	21,378,508
JIPSD	2003 - 2036	4.30% -7.625%	913,660	-	(133,297)	780,363
SAPPPC	2002 - 2004	7.70%	225,000	-	(100,000)	125,000
SPFD	2008	4.875%	58,206	-	-	58,206
Total general obligation bonds			28,482,176	-	(6,140,099)	22,342,077

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Capital lease obligations:						
CCPRC	2006	4.19% - 4.96%	\$ 490,191	\$ 270,000	\$ (230,683)	\$ 529,508
JIPSD	2003 - 2012	4.07% - 6.88%	540,220	187,000	(67,080)	660,140
SAPPPC	2004 - 2006	4.67%-7.90%	391,924	-	(98,836)	293,088
SJFD	2005 - 2013	3.695% - 4.96%	2,125,615	807,563	(1,021,532)	1,911,646
SPFD	2002 - 2006	5.35%-5.75%	<u>225,681</u>	<u>-</u>	<u>(87,517)</u>	<u>138,164</u>
Total capital lease obligations			<u>3,773,631</u>	<u>1,264,563</u>	<u>(1,505,648)</u>	<u>3,532,546</u>
Revenue bonds:						
JIPSD	2018-2037	3.60% - 5.75%	9,520,941	-	(381,749)	9,139,192
Less deferred refunding costs			<u>(892,272)</u>	<u>-</u>	<u>52,473</u>	<u>(839,799)</u>
Total revenue bonds			<u>8,628,669</u>	<u>-</u>	<u>(329,276)</u>	<u>8,299,393</u>
Total component units long-term obligations			<u>\$ 42,614,653</u>	<u>\$ 1,801,831</u>	<u>\$ (8,398,271)</u>	<u>\$ 36,018,213</u>

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

General Obligation Bonds:

Year Ending June 30,	CCPRC	JIPSD	SAPPPC	SPFD	Totals Component Units
2004	\$ 3,378,914	\$ 160,412	\$ 129,813	\$ 13,516	\$ 3,682,655
2005	4,602,125	156,749	-	13,516	4,772,390
2006	2,127,750	96,820	-	13,516	2,238,086
2007	2,460,300	62,999	-	13,516	2,536,815
2008	1,421,550	52,995	-	12,960	1,487,505
2009-2013	9,240,900	168,660	-	-	9,409,560
2014-2018	4,862,500	154,510	-	-	5,017,010
2019-2023	-	135,872	-	-	135,872
2024-2028	-	113,130	-	-	113,130
2029-2033	-	113,130	-	-	113,130
2034-2037	-	<u>76,982</u>	-	-	<u>76,982</u>
Total	28,094,039	1,292,259	129,813	67,024	29,583,135
Less interest and plus unamortized premium included above	<u>(6,715,530)</u>	<u>(511,896)</u>	<u>(4,813)</u>	<u>(8,818)</u>	<u>(7,241,058)</u>
Debt per statement of net assets	<u>\$21,378,509</u>	<u>\$ 780,363</u>	<u>\$125,000</u>	<u>\$ 58,206</u>	<u>\$ 22,342,077</u>

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Future minimum capital lease payments:

<u>Year Ending June 30,</u>	<u>CCPRC</u>	<u>JIPSD</u>	<u>SAPPPC</u>
2004	\$ 270,522	\$ 119,047	\$ 111,289
2005	194,133	107,203	86,527
2006	94,162	107,203	73,119
2007	-	107,203	29,955
2008	-	76,323	18,244
2009-2013	<u>-</u>	<u>274,226</u>	<u>-</u>
Future minimum capital lease payments	558,817	791,205	319,134
Less amount representing interest	<u>(29,309)</u>	<u>(131,065)</u>	<u>(26,046)</u>
Debt per statement of net assets	<u>\$ 529,508</u>	<u>\$ 660,140</u>	<u>\$ 293,088</u>

<u>Year Ending June 30,</u>	<u>SJFD</u>	<u>SPFD</u>	<u>Totals Component Units</u>
2004	\$ 334,355	\$ 50,960	\$ 886,173
2005	334,355	50,957	773,175
2006	297,959	51,251	623,694
2007	251,205	-	388,363
2008	251,205	-	345,772
2009-2013	<u>823,121</u>	<u>-</u>	<u>1,097,347</u>
Future minimum capital lease payments	2,292,200	153,168	4,114,524
Less amount representing interest	<u>(380,554)</u>	<u>(15,004)</u>	<u>(581,978)</u>
Debt per statement of net assets	<u>\$ 1,911,646</u>	<u>\$ 138,164</u>	<u>\$3,532,546</u>

Revenue Bonds:

<u>Year ending June 30,</u>	<u>JIPSD</u>
2004	\$ 881,245
2005	887,036
2006	881,536
2007	879,736
2008	881,646
2009-2013	4,428,175
2014-2018	4,215,537
2019-2023	298,320
2024-2028	298,320
2029-2033	234,120
2034-2037	92,757
Total	<u>13,978,428</u>
Less interest and deferred refunding costs included above	<u>(5,679,035)</u>
Debt per statement of net assets	<u>\$ 8,299,393</u>

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Prior Year Defeasance of Debt. In prior years, the primary government defeased various outstanding debt issues by placing proceeds of new debt or other funds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust accounts and the defeased debt are not included in these financial statements. At June 30, 2003, the following debt issues outstanding are considered defeased:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Primary Government:		
General Obligation Bonds:		
Series 1994	<u>\$ 22,610,000</u>	
Total General Obligation Bonds	<u>22,610,000</u>	
Certificates of Participation:		
Series 1994-B	<u>21,925,562</u>	<u>\$ 5,029,438</u>
Total Certificates of Participation	<u>21,925,562</u>	<u>5,029,438</u>
 Total Primary Government	 <u>\$ 44,535,562</u>	 <u>\$ 5,029,438</u>

Legal Debt Limit. The County's borrowing power is restricted by amended Article X, Section 14 of the State Constitution effective December 1, 1977. This section provides that a local unit cannot at any time have total general obligation debt outstanding in an amount that exceeds eight percent of its assessed property value. Excluded from the limitation are: bonded indebtedness approved by the voters and issued within five years of the date of such referendum; special bonded indebtedness; levies assessed on properties located in an area receiving special benefits from the taxes collected; and bonded indebtedness existing on December 1, 1977, the effective date of the constitutional amendment.

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Beginning January 1, 1996, the South Carolina Legislature changed the definition of debt subject to the eight percent limit to include all Certificates of Participation at the time of issue subsequent to December 31, 1995. The following computation reflects the County's compliance with this limitation:

Assessed value of real and personal property		\$ 1,726,421,713
Value of merchants inventory and manufacturers depreciation		<u>29,538,002</u>
Total assessed value		<u>\$ 1,755,959,715</u>
Debt limitation - eight percent of total assessed value		\$ 140,476,777
Total bonded debt:		
General Obligation Bonds	\$ 101,745,000	
Less:		
Bonds issued pursuant to referendum:		
Series 1994 Refunding G.O. Bond:		
Series 1988 G.O. Bond - Library	\$ (3,750,000)	
Series 1989 G.O. Bond - Library	(5,000,000)	
Series 1991 G.O. Bond - Library	(750,000)	
Series 1991 G.O. Bond - Coliseum	(5,000,000)	
Series 1991 G.O. Bond - Aquarium	(2,000,000)	
Series 1994 G.O. Bond - Aquarium	<u>(5,000,000)</u>	<u>(21,500,000)</u>
Total debt subject to debt limit		<u>80,245,000</u>
Legal debt margin		<u>\$ 60,231,777</u>

J. Reserved and Designated Fund Equity

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

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

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

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

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Designated for rainy day. An amount of \$7,500,000 has been established through the budget ordinance by County Council as a rainy day fund. The intent of this fund is to provide a cushion for unexpected emergencies in the event of a major catastrophe such as an earthquake, hurricane, nuclear accident or chemical spill. The rainy day fund can only be appropriated through the passage of another ordinance by County Council.

Designated for subsequent years' appropriation. The fiscal year 2004 budget ordinance designates \$8,500,000 of the ending fiscal year 2003 General Fund Balance for fiscal year 2004 appropriations. All Special Revenue Fund Balances, after the reserve for encumbrances, have been designated in accordance with the various use restrictions placed on their assets under the applicable grant agreements and legislation.

IV. OTHER INFORMATION

A. Risk Management

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For all of these risks, the County and its component units are members of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County and its component units pay an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The County and its component units are also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The County has enrolled substantially all of its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The County records contributions from employer funds, employees, and retirees in the Employee Benefits Trust Internal Service Fund, which remits the premiums to the State. The State reinsures through commercial companies for these risks. The various component units of the County insure the health, life, accident, dental, and other medical benefits to their employees and their dependents through commercial insurance companies.

Effective July 1, 1995, the County established a self-insured plan to fund risks associated with workers' compensation claims. Claims administration is handled by a third party with reinsurance through commercial insurance companies for all individual claims in excess of \$100,000. All funds of the County participate in the program and make payments to the Workers' Compensation Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability of \$2,076,000 reported in the fund at June 30, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County purchases insurance contracts from commercial insurers to satisfy certain liabilities under workers' compensation claims and accordingly, no liability is reported for those claims.

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Changes in the fund's claims liability amount in fiscal year 2003 and 2002 were:

Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2003	\$ 1,420,000	\$ 3,306,230	\$ (2,650,230)	\$ 2,076,000
2002	970,000	2,347,675	(1,897,675)	1,420,000

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

For all of the above risk management programs, except workers' compensation, the County and its component units have not significantly reduced insurance coverages from the previous year; and settled claims in excess of insurance coverage for the last three years was immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County and its component units have effectively transferred all risk with no liability for unfunded claims.

B. Segment Information

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

	DAODAS	JIPSD
Condensed Statement of Net Assets		
Assets:		
Current assets	\$ 4,929,332	\$ 6,186,139
Deferred issuance costs	75,845	123,073
Capital assets	8,570,808	21,414,579
Total assets	13,575,985	27,723,791
Liabilities:		
Current liabilities	626,276	564,993
Revenue bonds	-	7,953,894
Certificates of participation	5,188,673	-
Other long-term obligations	333,074	21,727
Total liabilities	6,148,023	8,540,614
Net Assets:		
Invested in capital assets, net of related debt	3,208,518	13,115,186
Restricted for debt service	-	1,044,256
Unrestricted	4,219,444	5,023,735
Total net assets	\$ 7,427,962	\$ 19,183,177

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

	<u>DAODAS</u>	<u>JIPSD</u>
Operating revenues	\$ 6,960,969	\$ 4,661,355
Depreciation and amortization	(260,562)	(609,395)
Other operating expenses	<u>(7,467,800)</u>	<u>(2,979,736)</u>
Operating income (loss)	<u>(767,393)</u>	<u>1,072,224</u>
Nonoperating revenues (expenses):		
Investment income	-	76,844
Interest expense	(389,971)	(560,578)
Intergovernmental revenue	525,189	-
Gain (loss) on disposal of assets	<u>(76,684)</u>	<u>339</u>
Total nonoperating revenues (expenses)	<u>58,534</u>	<u>(483,395)</u>
Transfers in	1,843,954	-
Change in net assets	1,135,095	588,829
Beginning net assets	6,292,867	18,594,348
Ending net assets	<u>\$ 7,427,962</u>	<u>\$ 19,183,177</u>

Condensed Statement of Cash Flows:

	<u>DAODAS</u>	<u>JIPSD</u>
Net cash provided (used) by:		
Operating activities	\$ (301,415)	\$ 2,049,421
Non-capital financing activities	2,854,533	-
Capital and related financing activities	(583,670)	(1,148,198)
Investing activities	-	(235,641)
Net increase	<u>1,969,448</u>	<u>665,582</u>
Beginning cash and cash equivalents	1,806,813	3,747,734
Ending cash and cash equivalents	<u>\$ 3,776,261</u>	<u>\$ 4,413,316</u>

C. Changes in Presentation

Pending GASB Statement No. 39 Implementation

During May 2002 the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units - An amendment of GASB Statement No. 14*, which will be effective for the County's year ending June 30, 2004. GASB Statement No. 39 provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The County did not elect early implementation of GASB Statement No. 39. The effects of implementation of GASB Statement No. 39 on fund balances and net assets, if any have not been determined.

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D. Subsequent Events

On November 5, 2002, the voters of Charleston County approved a referendum authorizing the imposition of a one-half percent local option sales tax for a period not to exceed 25 years and or \$1.3 billion to fund road projects, mass transit system and green belts. The tax was scheduled for implementation on May 1, 2003. The outcome of the election has been challenged, and the South Carolina Supreme Court heard the case in the spring of 2003. In August 2003, the South Carolina Supreme Court ruled that the election was flawed and ruled the results were invalid. The County petitioned the Supreme Court for a rehearing in September 2003, and the County has not received an answer on the petition to date. The County has identified alternate funding to pay the \$3,000,000 installment to the South Carolina Infrastructure Bank due on January 1, 2004, for the County's portion of the Arthur Ravenel, Jr. Bridge over the Cooper River. Decision on future funding of the annual \$3,000,000 installment will be made during the budget process for the next fiscal year if the County receives an unfavorable decision on the sales tax petition.

On May 6, 2002, the South Carolina Supreme Court ruled that the reassessment cap on owner occupied residences enacted by County Council in fiscal year 2002 was illegal. Council removed the cap for fiscal year 2003 and voted to replace it with an ordinance placing a fifteen percent (15%) cap on all real property meeting certain time restrictions in fiscal year 2004. The City of North Charleston agreed to bring a friendly lawsuit in the spring of 2003 to test the legality of the new ordinance. The lawsuit was not filed in a timely manner. Therefore, the County postponed implementing the 15% cap until fiscal year 2005.

The County is a defendant in two lawsuits requesting refunds of 2001 property taxes based upon the May 6, 2002, South Carolina Supreme Court ruling against the legality of the 15% reassessment cap on owner occupied residents enacted by County Council in fiscal year 2002. Oral arguments on one of the above cases will be heard in January 2004. In the second case, the County has petitioned the South Carolina Court of Appeals to supersede the Circuit Court order to make refunds. At this time, the County's attorneys feel the likelihood of an unfavorable outcome is too speculative to comment on.

On October 6, 2003, the James Island Public Service District borrowed \$450,000 from its proprietary fund on a promissory note that matures January 30, 2004. Interest will be paid at .9% during the period the note is outstanding.

During the fiscal year, Charleston County Council approved the future issuance of a tax anticipation note (TAN) in the amount of \$2,000,000 for St. John's Fire District. Subsequent to June 30, 2003, the District borrowed \$500,000 on this TAN. The remaining \$1,500,000 is available to the District. This note, which bears interest at a rate equal to the interest rate paid by the South Carolina Investment Pool during the period the note is outstanding, is due and payable in March 2004.

On July 18, 2003, the Charleston County Park and Recreation Commission entered into a three-year capital lease financing agreement with a financial institution in the amount of \$750,000 for the purchase of vehicles and other equipment.

On October 16, 2003, the Charleston County Park and Recreation Commission issued \$2.13 million in General Obligation Bonds. The bonds have a seven-year maturity and an interest rate of 2.5% per annum. The sale of the bonds closed on October 31, 2003.

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E. Contingent Liabilities

Federal Grants. Amounts received or receivable from grants are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management has not been informed of any significant matters of non-compliance with grant provisions or planned grantor audits. The amount of grant expenditures which may be disallowed cannot be determined at this time, but the County believes that any amount will be immaterial.

Litigation. The County and its component units are party to various legal proceedings that normally occur in governmental operations. These lawsuits involve disputes arising from certain delinquent tax sales, various tort actions, claims under contractual agreements and alleged civil rights violations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of legal counsel that resolution of these matters, individually or in the aggregate in excess of insurance coverage will not have a material adverse effect on the financial condition of the County and its component units.

Annexation. Several of the component units serve geographic regions which are subject to annexation by the surrounding municipalities. Should these annexations continue, there could be a significant impact on the operations of the various component units. The South Carolina General Assembly is currently considering legislation which would require the municipality which annexes properties of another political subdivision to assume responsibility for payment of the pro-rata bonded debt outstanding on the date of annexation.

In May 2000, the South Carolina General Assembly passed legislation to address the loss of revenues by public service districts due to annexations by municipalities. The legislation calls for an agreed-upon plan between the annexing municipality and the public service district. This plan would protect the remaining unannexed area in the public service district from economic loss of revenue brought about by annexation. This new legislation should lessen but not eliminate the impact on the operations of various component units due to annexations.

F. Commitments

The County and its various component units have various commitments to provide facilities or services under numerous agreements signed with third parties in addition to its construction commitments and recorded encumbrances.

The County has contracted with Montenay Power Corporation to provide waste disposal services at the company's incinerator in North Charleston. The contract requires the County to levy a user fee sufficient to pay this disposal fee that includes operational cost plus debt service on a \$75,000,000 Industrial Development Bond (IDB) used to construct the incinerator. This agreement expires on January 1, 2010, when the bonds mature. At that time, the County has the option to purchase the facility for its fair market value, extend the agreement, or terminate the service. The County has reviewed the substance of this commitment and has determined that because 1) the IDB is not the County's, 2) the debt service is part of the operational cost the County pays to the incinerator operator, and 3) if the operator ceases providing service at the incinerator the County is not liable for the operational cost to the operator the IDB is not debt of the County and therefore is not reflected on the entity-wide financial statements.

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

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Pleasant. A review of this commitment shows that the County has an irrevocable obligation to make these payments. A calculation using the rate of 5.73%, which is the rate being charged the Infrastructure Bank in its loan agreement with the Federal government, shows a net present value of \$39,354,001 and this figure is shown as a liability on the entity-wide financial statements.

On September 15, 1997, the County entered into an intergovernmental agreement with the City of North Charleston to help fund the construction of a convention center adjacent to the North Charleston Coliseum. The agreement requires the County to be responsible for the pro-rata debt service on \$18,095,000 of a total \$48,045,000 in Certificates of Participation issued by the City on September 15, 1997. The debt service is to be paid monthly to a trustee from the revenues of the County Accommodations Special Revenue Fund. The agreement allows for non-payment in the event of non-appropriation by the City of North Charleston and for reduced payments if accommodation fee revenues fall below the payment amount. Annual debt service on the County's \$18,095,000 obligation, maturing in 2020, under the agreement is approximately \$1.4 million.

The County partnered with the City of Charleston and Berkeley County to construct the Daniel Island Tennis Center. County Council committed to fund \$750,000 of the project with fifteen annual payments of \$50,000 from Accommodations Fee revenues. This agreement contains the same allowances for reduced or non-payment as the City of North Charleston agreement.

Both of these agreements are funded from a specific source of funds, the Accommodations Fee. The agreements also contain provisions for the non-payment of these obligations by the County if the revenues from the Accommodations Fee are not sufficient to make the payment or if the parties that issued the debt (the City of North Charleston and City of Charleston, respectively) do not make their pro-rata debt service. Therefore, the determination has been made that these commitments do not represent debt to the County and are not reflected in the entity-wide financial statements.

The Charleston County Park and Recreation Commission has entered into an agreement with the City of Folly Beach to restrict \$50,000 each year to provide for the renourishment of the erosion that occurs along Folly Beach. This annual amount will increase to \$60,000 per year in the fiscal year ending June 30, 2003. As of June 30, 2003, no funds had been expended for such renourishment. Fund balance of \$510,912 has been reserved for beach renourishment as of June 30, 2003.

As of June 30, 1997, the Charleston County Park and Recreation Commission had provided approximately \$2,065,171 to the City of Charleston for the construction of the Charleston Maritime Center that was to be leased to and operated by the Commission. On August 4, 1997, the Commission terminated its master lease of the facilities with the provision The City will give the Commission the right of first refusal for a period of fifty years should it desire to sell the facilities and credit \$1,500,000 towards the purchase price. If the facilities are sold to a third party, the City will repay \$1,500,000 to the Commission.

The Charleston County Park and Recreation Commission has entered into an agreement with the Charleston County School District to cooperate in the establishment and operation of a community education program. The agreement requires the Commission to provide facilities and personnel and to pay a portion of the program costs in excess of state and federal grant proceeds. The total payment to the School District for fiscal year 2003 expenditures was \$460,579.

In July 1995, the Commission entered into a lease agreement with Charleston County whereby the Commission assumed the responsibilities of operating and maintaining nineteen boat landings throughout Charleston County. The lease is for a term of ninety-nine years and commenced on July 1, 1995. The Commission pays a nominal fee of \$1 per year under the lease terms, but the agreement expresses the intent of Charleston County to transfer millage each year to help fund related expenses.

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Funding is contingent upon future County Council approval.

One June 29, 1988, Kiawah Island was sold to Kiawah Resort Associates. The Charleston County Park and Recreation Commission has been in contact with the new owners in order to obtain a new lease agreement for Beach Walker Park. A verbal agreement has been made to ensure that the Park can continue to operate. To date, however, no formal agreement has been signed.

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

The following is a schedule by years of the minimum future rentals on the non-cancelable operating lease as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 82,950
2005	84,750
2006	21,300
2007	<u> -</u>
Total minimum lease rentals	<u>\$ 189,000</u>

Total rent income of \$88,091 was recorded during the year, of which \$7,091 was contingent rentals.

The Charleston County Library has entered into an agreement for the purchase of a bibliographic control system. The total contract price is \$400,897. As of June 2003, the Library has paid \$186,110 of the purchase price to the vendor.

The Cooper River Park and Playground Commission entered into an agreement on June 8, 2000, with the City of North Charleston to provide recreational services to the citizens within its jurisdictional boundaries. The contract requires the payment of substantially all revenues generated by the Commission, except for the remaining unreserved fund balance at June 30, 1996, and turning over control, but not title to, all of the Commission's assets. The contract expired on June 30, 2003. On June 10, 2003, the Commission entered into another one-year contract with the City covering the period from July 1, 2003 to June 30, 2004, with essentially identical terms as the previous contracts.

The North Charleston District entered into an agreement on April 1, 1996, with the City of North Charleston for the City to provide fire, sanitation, and street lighting services to the constituents of the District. The contract requires the payment of substantially all of the District's revenues to the City and turning over control, but not title to, all of the District's assets. On an annual basis since June 30, 1997, the District has entered into additional one year contracts with the City with essentially the same terms as described above. This contract was extended for one year until June 30, 2004.

During 2002, the St. Paul's Fire District entered into an intergovernmental agreement with the County for the design and construction of a new fire station at Edisto. The County agreed to provide or contract for the necessary services in connection with the design and construction of the station. The District agreed to reimburse the County all construction costs and fees associated with the new station

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upon completion, or as the parties may agree. St. Paul's Fire District deposited \$200,000 with the County during the fiscal year ended June 30, 2002, towards the cost of the project. The County has recorded this deposit less amounts expended as deferred revenue. The estimated cost of the new station was \$450,000. In July 2003, the cost of the new station, including administrative fees and contingencies was revised to \$510,000. Construction on the new station had not begun as of June 30, 2003. The station is scheduled for completion during the fiscal year ending June 30, 2004.

G. Deferred Compensation Plan

The County and its component units offer their employees several deferred compensation plans under programs administered by the South Carolina Deferred Compensation Commission. The multiple-employer plans were created in accordance with Internal Revenue Code Sections 457 and 401(K). The plans, available to all full-time County and component unit employees, at their option, permit participants to defer a portion of their salary until future years. Only upon termination, retirement, disability, death, or an approved hardship is the deferred compensation available to an employee.

During the year ended June 30, 2000, the deferred compensation plans were amended to allow for employer matching contributions of up to \$300 per year for each covered participant. The County has elected to provide this benefit to all employees who meet the following criteria:

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

H. Other Post-employment Benefits

The County provides post-retirement health, life, and dental care benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. Substantially all employees who retire under the state retirement plans are eligible to continue their coverage with the County paying fifty percent of health insurance premiums and the retiree paying one hundred percent of life and dental insurance premiums and the remaining 50 percent of the health insurance premiums. The County's regular insurance providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The James Island Public Service District also provides a retiree benefit equal to one hundred percent of the health insurance premiums over age 65 and a portion if under age 65. The retiree must pay for all life and dental insurance premiums.

As of year-end, there were 341 employees who had retired with the County and are receiving the fifty percent health insurance premium coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended June 30, 2003, the County recognized expenses of \$901,196 for healthcare, which were net of retiree contributions of \$691,215. The James Island Public Service District had 17 employees who had retired and are receiving benefits under this plan. The District recognized expenses of \$62,763 for health care premium net of retiree contributions of \$29,751.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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I. Employee Retirement Systems and Plans

South Carolina Retirement and Police Officers' Retirement Systems

Plan Description. All permanent employees of the County and its component units, except for certain employees involved in law enforcement and fire fighting activities, participate in the South Carolina Retirement System (SCRS). The employees excluded above participate in the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost-sharing multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance, and survivor benefits to plan members and beneficiaries. Each plan's provisions are established under Title 9 of the S.C. Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both the SCRS and SCPORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy - SCRS. Plan members are required to contribute six percent (6.0%) of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is six point seven percent (6.7%) of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S. C. Code of Laws.

Funding Policy - SCPORS. Plan members are required to contribute six point seven percent (6.7%) of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The current rate is ten point three percent (10.3%) of annual covered payroll. The contribution requirements of plan members and employers is established under authority of Title 9 of the S. C. Code of Laws.

COUNTY OF CHARLESTON, SOUTH CAROLINA
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The following table presents the required contributions to the SCRS and SCPORS by the County and its component units for the years ended June 30, 2003, 2002 and 2001:

	<u>Fiscal Year Ended June 30,</u>		
<u>SCRS Contributions</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Primary government:	\$ 3,265,002	\$ 3,325,915	\$ 3,170,101
Component units:			
CCL	356,172	352,400	331,322
CCPRC	328,075	312,730	279,096
JIPSD	234,375	216,067	206,703
SAPPPC	63,580	68,966	66,549
SJFD	25,116	24,836	20,635
SPFD	<u>3,669</u>	<u>3,539</u>	<u>3,506</u>
Total SCRS	<u>\$ 4,275,989</u>	<u>\$ 4,304,453</u>	<u>\$ 4,077,912</u>
 <u>SCPORS Contributions</u>			
Primary government:	\$ 2,346,681	\$ 2,188,374	\$ 2,034,318
Component units:			
SJFD	332,735	315,741	283,441
SPFD	<u>152,776</u>	<u>135,838</u>	<u>120,894</u>
Total SCPORS	<u>\$ 2,832,192</u>	<u>\$ 2,639,953</u>	<u>\$ 2,438,653</u>

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