



**Roland H. Windham**  
Administrator

COUNTY ADMINISTRATOR

Lonnie Hamilton, III Public Services Building  
4045 Bridge View Drive  
North Charleston, SC 29405-7464  
(843) 958-4000  
Fax: (843) 958-4004

November 15, 2003

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

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Charleston County, South Carolina for the fiscal year ended June 30, 2003.

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

Charleston County's financial statements have been audited by Gamble, Givens & Moody, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Charleston County's financial statements for the year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter

of transmittal is designed to complement MD&A and should be read in conjunction with it. The Charleston County's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

Charleston County, South Carolina, was established by the State of South Carolina on April 9, 1948, under the provisions of Act 681 of 1942. The County operates under a Council-Administrator form of government. Policy-making and legislative authority are vested in a governing council consisting of nine council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the County's administrator, internal auditor, and attorney. The administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a partisan basis. Council members serve four-year staggered terms, with either four or five members elected every two years. All nine council members are elected at large but must meet defined district residency requirements.

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

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

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

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

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

Additional information on all eight of these legally separate entities can be found in Note I.B. in the notes to the financial statements starting on page 57.

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 41 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on page 127.

## **LOCAL ECONOMIC CONDITIONS AND OUTLOOK**

**Charleston's Economy At A Glance.** As the State of South Carolina's largest and third most populous county, the Charleston region's economic base is diversified and growing, anchored by four traditional engines. With significant Air Force, Navy, and Coast Guard facilities in Charleston, the United States military retains a sizeable presence, despite the closure of the Charleston Naval Shipyard in 1995. The medical industry is substantial, focused around the Medical University of South Carolina (MUSC), the State's teaching hospital. Charleston has effectively exploited its natural harbor for port operations for over three hundred years, and the Port of Charleston now is the second busiest container port on the Atlantic and Gulf Coasts, driving manufacturing and supply chain logistics in Charleston, statewide, and even beyond. The tourism industry has experienced quantum growth in recent years, expanding the

tourist season to virtually year-round.

Of growing size and importance is the area's newly emerging technology companies, primarily clustered around biotech research at MUSC, marine research at the National Oceanic and Atmospheric Administration Southeast Center and the State's Fort Johnson complex, and the advanced electronic engineering work occurring at the Naval Space and Air Warfare Systems (SPAWAR) command.

**Recent Economic Indicators.** General economic indicators for 2002 were reported by the Charleston Metro Chamber Economic Outlook Board in Spring, 2003. Despite the third year of a flat national economy, the Charleston area eclipsed its previous records on many of the indicators. Highlights were as follows:

*Labor force-*

The "rumors of Charleston's death were greatly exaggerated" following the decision to close the Charleston Naval Complex in 1993. Since the Naval Base gates closed in 1995, the civilian labor force has grown by 13 percent, from 245,940 to 282,029 persons in 2002. The labor force grew most recently by 3.6 percent, from 2001 to 2002. The unemployment rate was 3.8 percent at the close of 2002, although an independent study by a leading labor analysis group hinted that as many as 60,000 Charlestonians can be considered underemployed.

*Housing starts-*

A record 5,982 residential building permits were issued during 2002, including 4,985 for new single family homes, a level of activity 28 percent ahead of 2001.

*Retail Sales-*

Gross retail sales for the region finished at a record \$13 billion for 2002, 3 percent ahead of 2001.

*Visitor Industry-*

The visitor industry continued its explosive decade-long expansion, with the largest number of visitors and room nights, and the largest per day expenditures and overall industry economic impact on record.

*Port Activity-*

Port tonnage rebounded by 3 percent over the 2001 level, with a 2002 mark of 1.592 million TEUs (twenty foot equivalent cargo containers). The flat 2001 figure had interrupted eight consecutive years of cargo volume growth, peaking with the 2000 record year of 1.6 million TEUs.

*Airport Activity-*

Still feeling the effects of the 9/11 tragedy, combined enplanements and deplanements in 2002 kept pace with 2001, still lagging behind the record 1.68 million mark set in 2000.

## **BRIEF SECTORIAL PROFILES**

**Visitor Industry.** Tourism has long been an economic mainstay in one of America's most photogenic and historic cities. In the 1990's this sector soared, recording visitation and earnings once thought impossible. Charleston recorded 4.3 million visitors in the year 2002; up an incredible 34 percent since 1996. Economic impact has followed suit, doubling since 1997 to its current \$4.7 billion annual impact. The sector now accounts directly and indirectly for some 86,074 jobs, a level that has also doubled over the past five years.

Charleston hoteliers have widely expanded the regional room inventory and range of choices since 1995. As the building continues into 2004, the overall regional inventory stands at a total of more than 13,000 rooms. Perhaps the most telling statistic is the occupancy rate still holding steady at 67 percent, down only slightly from the 70 percent rate which prevailed in 1997, prior to the addition of 3,100 new rooms. Better yet, the average daily room rate has gone to \$109.75, up 24 percent over five years ago despite the added inventory and competition.

Complementing this lodging growth, Charleston County partnered with the City of North Charleston on the \$37 million North Charleston Convention Center, a 160,000 square foot facility, and a Performing Arts Center. *Successful Meetings*, a trade magazine that reaches 75,000 travel planners, predicts the beautiful new facility will capture a large share of Southeast events involving groups of up to 2,000.

Restaurants multiply and flourish, nourished by a constant flow of aspiring chefs and an increasingly affluent Charleston visitor. The *New York Times*, *Southern Living*, *Bon Appetit*, and *Wine Spectator* have all sung the praises of area restaurants, where seafood, nouvelle, and Southern cooking predominate in the over 100 restaurants in downtown Charleston alone. The Charleston visitor is obviously at the front of most restaurant lines, spending an average of \$225 per day in 2000 on food, accommodations, event tickets, sightseeing, shopping, and other entertainment; up 42 percent since 1998.

**The Port.** The Port of Charleston is the second busiest port on the Atlantic and Gulf coasts, with only the combined New York / New Jersey ports handling more containerized cargo. Some 40 steamship lines have ports of call in 150 countries, with 67 percent of traffic accounted for on the Northern Europe and Asian routes. Over 2,300 ships slipped in and out of Charleston harbor during 2003. The economic sphere of influence for the Port of Charleston extends well beyond Charleston and even the State of South Carolina, according to a 2003 economic impact study. Charleston Southern University economists, in fact, asserted that international trade through Charleston accounts for a staggering \$23 billion in overall economic impact, including \$9.4 billion in annual wages for South Carolinians employed in some 281,660 jobs, and for some \$2.5 billion in state and local taxes. In fiscal year 2003, the Port of Charleston's container cargo had a value of \$33 billion.

From its four area facilities in Charleston, the South Carolina State Ports Authority is well positioned to handle both container and break bulk cargo. Its *Orion* computerized cargo handling system is an industry standard, a cooperative public/private approach which pre-clears cargo by Customs and USDA prior to a ship's docking. The system has earned the Port designation by *Port Development International* as the most efficient in the world.

These advances were largely due to increasing capacities enabled by expansion. The Ports Authority spent \$150 million in 2003 on a harbor deepening which, by 2004, will accommodate ships with a 45 ft. draft at mean low water—a requirement in keeping with the huge post-Panamax ships beginning to dominate the industry. These ships will eventually be berthed at a 250-acre portion of the former Naval Base on the Cooper River, at a future container facility that the SPA began permitting in 2003. The State of South Carolina is also replacing the aging Grace and Pearman bridges over the Cooper River with a single fixed bridge which is already beginning to tower over its counterparts during its ongoing construction. The SPA will also spend \$128 million during the next two years updating and adding to its inventory of new cranes, and container stacking and handling equipment.

**The Medical Industry.** Anchored by the state's teaching hospital, the Medical University of South Carolina, the region's medical industry accounts for over 16,000 jobs, and the health services sector led area job growth during the past decade (1990 to 2000). The lion's share of employment currently exists in five private regional hospitals, MUSC Hospital, and Charleston Memorial Hospital, along with the hundreds of general practitioners, dentists, and medical specialists in the region.

The center of energy in the region's medical arena is MUSC. The six schools and hospitals collectively employ some 8,000 health professionals with an annual \$700 million budget, and annually graduate some of the best and brightest future physicians and nurses in the nation. Top-flight international researchers continue to be recruited, and the recently opened Hollings Oncology Center and the Strom Thurmond Biomedical Research Center are further evidence of a university on the move. Over the past decade, MUSC researchers have increased their grants and research funding from an annual level of \$20 million in 1992 to \$150 million in 2002.

MUSC continues to be among hospitals listed in the *US News and World Report* annual rankings of hospitals, receiving distinctions for the treatment of digestive disorders, and in the areas of neurology, cardiology, and pulmonary disease, and its occupational therapy program was recognized as among the nation's top 20 graduate programs. MUSC had previously been ranked in separate listings of the Top 100 Medical Centers and the Top 100 Research Universities by the National Science Foundation, and was also included in the *Child* magazine list of the Top 10 children's hospitals in the U.S.

Beyond its basic and clinical research concentrations in cancer, neurobiology, and cardiovascular diseases, MUSC has significant expertise and research capabilities in the emerging areas of genomics, proteomics, lipidomics, structural biology, bioinformatics, and imaging. The State of South Carolina, through its newly created "Endowed Chairs" program, in 2003 granted MUSC, along with the University of South Carolina and Clemson University, \$6 million.

**The Military.** Despite the 1993 decision to close much of the Charleston Naval Complex, the military remains viable and significant in the Charleston region. More than 10,700 men and women in uniform remain in the Charleston area, along with nearly 4,800 civilians, and 2,800 reservists, primarily at U.S. Naval and Air Force facilities. Specifically the Charleston Air Force Base, the Navy Nuclear Power Training School, the Naval Hospital, the U.S. Coast Guard facilities, SPAWAR, and Naval Facilities Engineering Command, boast a staggering \$410 million annual payroll.

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

As the region commenced its efforts to offset naval closure setbacks, the federal government's location of new facilities and relocation of some existing operations provided immediate relief. Specifically, since the Naval Base closure, 4,165 jobs were gained in the region. Charleston gained the high tech naval electronic engineering jobs represented in the Space and Air Warfare Systems through the consolidation of two facilities from the Washington, D. C.-area and Norfolk, Virginia, gaining a \$70 million annual payroll and 1,100 employees to the area. SPAWAR awards over \$2 billion in electronic engineering work each year in Charleston, with beneficiaries including the 35 top-flight private contractors who have opened shop here.

**Industrial and Service Companies.** The Charleston region experienced record levels of success in economic recruitment from 1995, when it commenced a unique tri-county collaborative program, through the national economic slowdown in the year 2000. During that time, more industrial and service sector corporate growth occurred than in the previous 20 years, with over \$5.69 billion in capital investment and the creation of 27,558 new primary jobs. Of this regional total, 621 firms relocated or expanded in Charleston County, investing \$1.8 billion and creating 12,180 new primary jobs.

Although its manufacturing sector has never reached a double digit percentage share of the area's jobs, its salaries remain among the best in the area at facilities such as Robert Bosch, MeadWestvaco, Bayer, DuPont, Alcoa, Nucor Steel, and DaimlerChrysler. Manufacturing positions in the area are increasingly advanced and complex, typified by precision aerospace opportunities at Eaton Aerospace or SKF Aerobearing, the work on automotive steering columns at Mercedes Benz Lenkungen, at Corning's fused silica lens plant, or in the production of new pharmaceuticals at aaiPharma.

Beyond manufacturing are the emerging biotech jobs characterized by local start-up companies like Gen Phar, which pioneered a HIV detection kit for hospital use, or Organ Recovery Systems, which has created a kidney transportation device to preserve organ viability while extending transplant time frames.

Hill-Rom, Inc.'s use of lighter than air mattress technology for hospital beds to aid burn victims emerged from a MUSC scientist's discovery. Cure Source began this year in Charleston, begun by an entrepreneur as only the seventh stem cell harvesting operation in the U.S.

Information technology companies are also a burgeoning sector in Charleston, anchored by nationally known companies servicing their SPAWAR accounts. But there are also the "home-grown", such as Blackbaud, which grew in Charleston from less than 30 employees to well over 700, as their private sector non-profit fund-raising software became the gold standard. Automated Trading Desk, Inc., born here of humble beginnings, now trades 5% of the NASDAQ volume on a daily basis on lightening fast computer terminals from its \$30 million state-of-the-art complex in Charleston.

## **WHY CHARLESTON?**

Companies relocating to Charleston, as well as those started by entrepreneurs who have personally relocated here, typically give two primary reasons for why they chose to do business in Charleston. One is its renowned quality of life, and the other is its enviable competitive posture.

**Quality of Life.** A number of factors influence quality of life, including an area's physical setting, its weather, and its civic, cultural, and social life. Key among the region's advantages are its geographic location, its natural beauty, moderate climate, and a coveted quality of life which has been deliberately and carefully protected.

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

Owing to its three hundred and thirty year history, Charleston has a well-developed cultural fabric. Charlestonians are obsessed with architecture, history, and family genealogy. Opportunities to exercise their obsessions abound amidst the well-preserved eighteenth and nineteenth century homes and commercial buildings in this vibrant functioning city.

Sports are an important part of the Charleston social landscape in a town where the median age is 34. Sports is big business, contributing \$66.4 million annually to the regional economy and employing nearly 1,200 people. Charleston hosts professional baseball, basketball, soccer, hockey, and arena football, as well as being host to the Family Circle Cup, a leading annual women's professional tennis tournament event. Southern Conference and Big South Conference collegiate sports round out the mix, with the teams of The Citadel, the College of Charleston, and Charleston Southern University taking center stage. Golf-rich Charleston boasts over 30 courses, and the world-class Ocean Course at Kiawah Island was the site of the international 1991 Ryder Cup, the 1997 and 2003 World Cup of Golf events, and the 2002 inaugural UBS Warburg Cup.

Charleston boasts 164 parks and recreational facilities encompassing 11,509 acres, or nearly 21 acres per 1,000 people. A network of parks and recreational boat ramps maintained by the County Park and Recreation Commission serve all corners of the tri-county region, offering opportunities for picnicking, jogging, skating, boating, canoeing, kayaking, swimming in the water parks, or surfing at three oceanfront park. The most recent additions include the passive Caw Caw Interpretive Center in Ravenel, the regional Wannamaker Park in North Charleston, and plans for an equestrian-oriented park on John's Island. In short, there's something for everyone.

**Competitive Posture.** The businessperson considering relocation targets a community which meets a host of industry-driven criteria. In a recent industrial recruitment study commissioned by the region's central economic development agency, when judged against its twelve most direct Southeast competitor cities, Charleston was found to offer relatively lower land, construction, lease costs, labor rates, and the lowest energy rates in the Southeast. Charleston has also been named among the top spots for entrepreneurs by *Inc.* magazine, and is attracting scores of young tech workers who will fuel its future economy.

The Charleston region offers a sizeable real estate portfolio for a mid-sized market, with over 7 million square feet in upscale executive buildings and office parks. The 12.7 million square feet of retail space in the region is distributed between regional malls, strip centers, and the downtown Charleston central business district. A variety of vacant industrial and warehouse buildings, 22 industrial parks, and more than 68 listed land sites are available for green field industrial opportunities. Once at a premium, three large Class A parks have opened shop, and another will break ground in 2004.

The 1990's saw a 78 percent increase in the inventory of available office space, from the 1991 level of 3.9 million square feet to the current level of 7 million. In the more recent period of January 2000 through January 2003, the Charleston region increased its inventory by 33 percent, as it added 1.69 million square feet. With 1.17 million square feet of the total available, the vacancy rate is currently at 17 percent. The median rental rate is currently \$16.50 per square foot, with properties ranging from \$9.50 on the low end to \$27,00 for Class A space.

Even though the economic slowdown has created an increasingly prohibitive lending climate, the Charleston inventory expanded by 7 percent in 2003, as 9 projects currently under construction add another 497,000 square feet in space. Another 10 projects totaling 467,000 square are currently on the drawing board, in the pre-leasing and financing stage.

Charleston International Airport, no more than a thirty-minute ride from any regional front door, has experienced great growth over the past five years. The mix of passengers has begun to shift away from its tourist base toward one increasingly characterized by business fliers. Delta, USAir, United Express, and Continental have recently been joined by Air Canada and Northwest, providing daily non-stop service to a growing list of key business destinations such as New York, Chicago, Washington, Atlanta, Charlotte, Raleigh-Durham, Detroit, Cincinnati, Dallas, Houston, Philadelphia, Pittsburgh, Newark, and Toronto. The new Toronto route is Charleston's first nonstop international service. In 2003, the Charleston Metro Chamber of Commerce mounted a successful campaign, raising nearly \$4 million in travel pledges in a travel bank designed to lure low-cost carrier AirTran to Charleston, hoping to improve upon the area's costs of flying.

Pro-business government attitudes permeate the State of South Carolina and the Charleston region, where state commerce department officials work hand-in-hand with the Charleston Regional Development Alliance, a non-profit recruitment organization, and economic developers from Charleston County and its three largest municipalities. Team SC searches out business prospects both nationally and internationally, facilitating relocations and expansions with appropriate business sites or buildings, expedited permitting, infrastructure grants, financial incentives, and the Center for Accelerated Technology Training (CATT), the national gold standard amongst state-sponsored labor training programs. The industrious Charleston labor force, now 282,000 strong, is acclaimed for its productivity by a who's who of manufacturing, distribution, corporate office, and research and development entities throughout the tri-county area.

## **MAJOR COUNTY INITIATIVES**

The County's initiatives in fiscal year 2003 centered around enhancing the value of the service provided to citizens, partnering with municipal governments, encouraging economic development, and continuing with an extensive facilities improvement and replacement program.

**Financial.** County Council approved a 15 percent reassessment cap ordinance in November 2000. This ordinance limited the growth in the assessed value of four percent property to 15 percent. The state-mandated reassessment was implemented in February 2001. The application of the 15 percent reassessment cap to only four percent property was challenged in court. In May 2002, the State Supreme Court ruled that the County's reassessment cap ordinance was invalid. Several cases are still outstanding related to refunds or recalculations of the bills for the tax year 2001. During July 2002, Council passed an ordinance that would have capped the growth in assessed value at 15 percent for all real properties effective for the 2003 tax bill. The City of North Charleston filed a lawsuit challenging the cap and the implementation has been delayed to the 2004 tax bills.

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

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

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

Road improvements and maintenance are an essential service the County provides to all its citizens, regardless of municipal boundaries. During fiscal year 2003, the Public Works department managed more than \$4.4 million of road and drainage improvement projects and road resurfacing, all funded by the Charleston County Transportation Committee.

The tri-county Trident One-Stop Career Center in North Charleston is celebrating its five-year anniversary in 2003. This award winning, grant-funded program provides the benefit of one-stop assistance to both applicants and employers. This program has assisted more than 165,000 local residents with employment matters since it opened. The center provides individuals with job search assistance, skill assessment, GED preparation, and job readiness training. The center provides business services such as career fairs, interviewing and testing facilities, and training for new and incumbent employees.

In December 2002, Council authorized the renovation of floor space in the Charleston Center for the relocation of the ten-bed Mental Health Crisis Stabilization Unit. This move is funded through a collaboration between the Charleston Center, the State Department of Mental Health, and public and private hospitals. The move will help address problems in the emergency rooms with patients who are intoxicated and possibly suicidal by providing a single facility that will give patients access to the expertise of the Charleston Center and the Department of Mental Health. The renovation work will be complete in fiscal year 2004.

Of great importance given recent world events, advanced training and equipment for all local emergency responders for the challenges of hazardous materials, marine firefighting, and terrorism response continues to be coordinated by Charleston County Government. In the area of disaster response, the County developed and implemented multi-jurisdictional debris management contracts meeting Federal Emergency Management Agency standards. These contracts will allow for a quicker response to debris removal due to either a natural or manmade disaster.

**Management Initiatives.** Upon Council policy guidance, staff began permitting and designing activities to support development of an improved, lined landfill at the Bees Ferry site in West Ashley. It is projected that this will provide for disposal through the middle of the next decade. Preliminary pre-permitting work was also directed to begin at the next generation landfill on the 17 South property.

**Quality of Life.** The planning Commission completed its state-mandated review of the Comprehensive Plan, the guide for the County's zoning and land development regulations. The Plan addresses existing and future land uses, community facilities and services, intergovernmental coordination, economic development, natural, historic, and archeological resources, and population, housing, and community development. The Commission's work will be reviewed by County Council and will result in a revised development ordinance.

The County expanded its participation in a benchmarking study with the University of South Carolina's Center for Government Studies. The building inspection department will be compared with other peer counties, adding to the information already gathered measuring the performance of the County's public works, fleet maintenance, and emergency medical service departments.

Seventy percent of the heavy metals that end up in landfills come from computer and electronic equipment. To reduce this, the Solid Waste department has initiated "e-waste" collection day. Computers, audio-visual equipment, and office equipment were all accepted at the Bee's Ferry Landfill. Due to the success of the program, a separate e-waste collection site is being developed (another first for South Carolina). Public response has been so overwhelming the program has already doubled in size. After a brief pause due to funding reductions, the yard waste composting program resumed in 2003.

**Capital Projects.** The County's Capital Improvement Program includes new construction and renovations to existing buildings. The County currently has several capital facilities projects under various states of planning, design, and construction. Approximately \$8.8 million of construction was completed between July 2002 and June 30, 2003, on these projects. With an emphasis on providing better services, this multi-year, multi-million dollar effort focuses on cost-efficient and functionally effective facilities.

On August 30, 2002, almost 13 years after Hurricane Hugo rendered the Historic County Courthouse unusable, the dedication of the new Charleston County Judicial Center was ceremoniously held. A large and complex facility, this project returned the County's judicial system to the Four Corners of Law in the heart of peninsular Charleston. This magnificent \$48 million, 175,000 square foot downtown Judicial Center was the culmination of many years of teamwork and cooperation between the citizens and local officials of Charleston County and the City of Charleston and demonstrates the utmost respect that the community has for her justice system.

The downtown projects also include renovation of the county-owned Blake Tenement House, one of the oldest tenement buildings (circa 1772) in the United States. Located in the center of the Judicial Complex, the building will provide office spaces for the Guardian ad Litem, and an appellate court judge. Completion date was mid-October 2003.

Adjacent to the new Judicial Center, renovations to the O.T. Wallace County Office Building are continuing. The Phase I renovations of this project are complete and provide new, updated office space for the Solicitor and Public Defender on the 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> floors. Phase II renovations include the 3<sup>rd</sup>, 2<sup>nd</sup>, and 1<sup>st</sup> floors. The 3<sup>rd</sup> floor is complete and provides new, updated office space for the Solicitor and

the Assessor. The remaining two floors will provide new, updated spaces for the Solicitor, Auditor, Treasurer, Delinquent Tax, Register of Mesne Conveyance, and Geographic Information Systems when completed in late 2004. The entire Judicial Center Complex was designed with a commitment to public safety and security. Closed circuit television, screening stations, access and traffic control, duress systems, and identification systems were all included in the initial design stages.

As a commitment to the safety and longevity of our facilities, capital improvements for the King and Queen Parking Garage are in the design stage and construction of these improvements will begin in the early part of 2004. This garage is an integral part of the Judicial Complex and is anticipated to be complete in late 2004.

The crowning event of the Judicial Center Complex projects will be the development of the \$600 thousand Courtyard and Pavilion between the Historic Courthouse and the O.T. Wallace Building on Meeting Street. The masonry and stucco pavilion will complement the Courthouse and will provide an excellent location for an interpretive center for the Courthouse. Design work has started and construction is planned to begin upon completion of the O.T. Wallace facility in late 2004.

Design work is complete for the \$4.4 million regional library on John's Island. This 16,000 square foot regional library is under construction on land provided by the Charleston County School Board adjacent to the Haut Gap School. When complete in mid-summer of 2004, this regional library will provide much needed services to the Johns, Wadmalaw, Seabrook, and Kiawah Island communities.

Plans for the replacement \$8.1 million, 144-bed Juvenile Detention Facility are complete. Funding is already in place and three contiguous parcels of land in the City of North Charleston have been purchased. A needs assessment study is underway to assess other options to this facility and to assure that the current approach is in the best interest of the County. Staff awaits County Council's final design approval.

Three Council authorized EMS replacement stations are in various stages of design and construction for James Island, Johns Island, and McClellanville. The James Island station will actually be relocated to a more central area to meet growing service demands on Folly Beach and James Island and will be complete in early spring of 2004. The Johns Island station will include a magistrate's court in addition to EMS services. Design for this facility is complete and construction will begin in early 2004. The McClellanville site, located on Highway 17, south of McClellanville, will include replacement of the McClellanville fire station and will also include a magistrate's court. Construction of this station is underway with completion anticipated in mid-summer 2004. The total projected cost estimate is \$3.5 million.

Bids were received for the \$1.5 million project to replace the window walls at the Charleston Museum. This work should begin in the early part of 2004 and will replace the existing leaking window walls, a portion of the roof and seal the exterior walls.

## **FINANCIAL INFORMATION**

**Cash Management.** Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury, repurchase agreements, or interest bearing checking accounts. The average yield on investments was 1.70 percent for the year ending June 30, 2003.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County's bank balances were approximately \$91 million at June 30, 2003, which were collateralized or covered by insurance. More detail on the County's deposits and investments is found in Note III. A. of the notes to financial statements starting on page 72.

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

During fiscal year 1995, the County insured the risk of job related injury or illness to its employees through South Carolina Association of Counties Workers' Compensation Trust. Effective July 1, 1995, the County established a self-insured plan to fund risks associated with workers' compensation claims. More information on the County's risk management plan can be found in Note IV. A. of the notes to financial statements starting on page 99.

**Pension and other Post Employment Benefits.** Charleston County participants in the State of South Carolina Retirement System. All permanent employees of the County are members of either the South Carolina Retirement System or the South Carolina Police Officer's Retirement System. More information on these pension plans are provided in Note IV. H. of the notes to financial statements starting on page 106 of this report.

The County also provides post-retirement health, life and dental care benefits as per the requirements of a local ordinance, for certain retirees and their dependents. More information on the post-retirement benefits are shown in Note IV. G. of the notes to financial statements starting on page 107.

**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to Charleston County for its comprehensive annual financial report for each of the fiscal years ended June 30, 1988, through 2002.

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

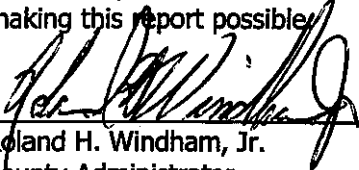
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.


In addition, the government has also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fourteen fiscal years starting July 1, 1989 through 2002. In order to qualify for the distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including a policy document, a financial plan, an operations guide, and a communications device.


The timely preparation of the Comprehensive Annual Financial Report (CAFR) was made possible by the dedicated service of the entire staff of the Controller's Office. Special thanks go to the team headed by Carla Creech, who with the assistance of Dolores Dong, James Absher, Reshma Kutte, and Jack Kertterlinus of the Controller's office produced the CAFR and coordinated the audit with the external auditors. Substantial contributions were also made by several financial staffs through-out the County: Mack Gile from the Budget Office, Andrew Smith and Julie Riley-Hollar from the Treasurer's Office; Lisa Murray from the Department of Alcohol and Other Drug Abuse Services; and Jean Sullivan, Catherine Ksenzak and Jeanette Williams from Grants Administration; and Bill Turner from the Public Works Department. Thanks also to Cynthia Smalls of the Controller's Office who prepared the financial notes,

this letter, the management's discussion and analysis and provided clerical support to the external auditors. Substantial assistance also came from the staff members of the County Administrator and Chief Financial Officer, with special thanks to Steve Dykes of the Economic Development Office. Thank you's are also extended to the staff of Gamble Givens & Moody, LLC, the external auditors, for their efforts in producing this CAFR.

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

  
\_\_\_\_\_  
Roland H. Windham, Jr.  
County Administrator

  
\_\_\_\_\_  
Corine Aitenhein  
Chief Financial Officer

  
\_\_\_\_\_  
Harold L. Bisbee  
Controller