

# INTRODUCTORY SECTION





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

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements, presented in conformity with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for Charleston County, South Carolina for the fiscal year ending June 30, 2005.

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

Charleston County's financial statements have been audited by 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, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Charleston County's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **PROFILE OF THE GOVERNMENT**

The County of Charleston was established by the state of South Carolina on April 9, 1948, under the provisions of Act 681 of 1942. The County operates under a Council-Administrator form of government. Policy-making and legislative authority is vested in a governing council consisting of nine council members. The council is elected on a partisan basis. Council members serve four-year staggered terms, with either four or five members elected every two years. Council is currently converting from all members being elected at large to single member district elections. Six seats were converted in the November, 2004 election and the final three seats will be converted in the November, 2005 election.

Charleston County Council is responsible for, among other duties, passing ordinances and policies, approving the budget, appointing committee members, and hiring the County's administrator, internal auditor and attorney. The administrator is responsible for carrying out the policies and ordinances of the governing council, overseeing the day-to-day operations of the government services and its approximately 2,300 employees, and for appointing the heads of the various County departments.

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

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

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

service and capital project governmental funds, and in the parking garage and other enterprise funds. Charleston Development Corporation has been shown in the government-wide statements in the governmental activities, and in the fund financial statements in other governmental funds.

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

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

- (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)
- (9) Charleston County Volunteer Rescue Squad (CCVRS)

Additional information on these nine legally separate entities can be found in Note I.B. in the notes to the financial statements starting on page 63.

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 47-49 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which begins on page 131.

## LOCAL ECONOMIC CONDITIONS AND OUTLOOK

**Charleston's Economy at a Glance.** As South Carolina's largest and third most populous county, Charleston County's economic base is diversified and growing, anchored by four traditional engines:

- The military, with significant Air Force, Navy, Army and Coast Guard facilities in Charleston.
- The medical industry, focused around the Medical University of South Carolina (MUSC), the state's teaching hospital.
- The Port of Charleston, which fuels the manufacturing and supply chain sectors in Charleston, statewide, and even beyond.
- The tourism industry, which has experienced tremendous growth in recent years, expanding the tourist season to virtually year-round.

The area's newly emerging technology companies are of growing size and importance. They are primarily clustered around research at MUSC; marine-related research at the Holling's Marine Lab, the National Oceanic and Atmospheric Administration (NOAA) Coastal Services Center, and the South Carolina Department of Natural Resources' Marine Resources and Research Institute; and the advanced electronic engineering work occurring at the Naval Space and Air Warfare Systems (SPAWAR) command.

**Recent Economic Indicators.** General economic indicators for 2004 were reported by the Charleston Metro Chamber Center for Economic Forecasting in the fall of 2005. The Charleston area surpassed its previous records on many of the indicators, with highlights as follows:

### *Population-*

The Charleston area population increased 28%, from 430,436 to 549,033 persons, in the decade from 1990 to 2000. According to the U.S. Census Bureau, the population most recently grew by 5% in the 2000-2004 period to the current estimation of 578,716 persons. While the average rate of population growth during this time was less than 1% annually, the region's population grew by 23,000 new residents between the years 2000 and 2003. This represents a 4% growth rate, which outpaced the nation (3%) and state (2%) during the same 2000-2003 period. It is currently estimated that the area will reach a population of 625,080 by 2015.

### *Labor force-*

Since the U.S. Naval Base closure news was announced by the Base Closure and Realignment Commission (BRAC) in 1993, the civilian labor force has grown by 28%, from 239,208 to 306,186 persons in 2004. The labor force and job base have grown by 13% and 15% respectively during the past five years (1999-2004). These rates are triple those of the State of South Carolina and the United States during the same period. Forecasts are for the labor force to further expand by 5% during 2005, and by an additional 4% during 2006. The year 2004 marked the first time that the average wage in Charleston, approximately \$32,000, exceeded that of the state overall (\$31,370). However, Charleston's average wage is about 12% behind the national average (\$36,250). All economic sectors have added jobs over the past ten years, with the exception of government. Sectoral composition is led by Trade, Transportation and Utilities, which employs 20% of the area's workforce, Professional and Business Services with 13% of the workforce, Leisure and Hospitality with 12% of the workforce, and Educational and Health Services with 11% of the workforce. The unemployment rate was 4.4% at the close of 2004. Current projections are for the unemployment rate to decrease to 4.3% in 2005 and 4.2% in 2006.

### *Housing starts-*

Almost 9,600 building permits were issued in Charleston County during 2004, which is a 13% increase from 2003. Residential permit activity (8,366 permits in 2004) continues to dominate the area, and the region topped the \$1 billion mark for residential permit value for the first time during 2004. Forecasts are for residential permits to further increase by 5% during 2005 and by 8% during 2006. A sizzling single-family home market continues to lead all other construction activities, and since 1999 the level of home-building permits have increased drastically, at 61%. In 2004, 6,949 new single-family permits were issued, outpacing the previous year of 2003 by 29%. The average value of a new single-family permit rose to \$137,000 in 2004, exceeding the 2003 average by 12%. The region's level of home sales broke

records again in 2004 (topping 13,000 sales), for an increase of nearly 20% over the 2003 level (ADD # HERE). The average sales price of area homes rose by 12% from 2003 to 2004, and has doubled during the past decade, according to Trident Association of Realtors. The average price of residential property in the Charleston region was \$242,000 during 2004, and this average is projected to grow to \$245,000 during 2005 and to \$248,000 during 2006.

#### *Retail Sales-*

Gross retail sales for the region finished at a record \$14.1 billion for 2004, 3.6% ahead of 2003. Projections show this figure increasing to \$14.5 billion during 2005 and to \$14.95 billion by 2006. As of the second quarter of 2005, the region was on pace to realize these projections, with \$7.7 billion already recorded. The year 2004 saw significant expansion by retailers in Charleston, fueled by the region's growing population, burgeoning tourism industry, and robust residential real estate growth. Several major new shopping complexes broke ground, including several new grocers, three Super Wal-Mart centers, and the Tanger Outlet Mall at Centre Pointe.

#### *Visitor Industry-*

The visitor industry continued its explosive decade-long expansion, with 2004-2005 having 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 in 2004 was up 10% over the 2003 level, with a record 1.86 million TEUs (twenty-foot equivalent cargo containers). Projections for tonnage in 2005 and 2006 are for increases of 6% and 7% respectively, boosting volumes to 2 million TEUs in 2005 and to 2.15 million TEUs by 2006. As of the second quarter of 2005, the South Carolina State Ports Authority was on pace to fulfill this 2005 projection, recording 1.02 million TEUs through mid year.

#### *Airport Activity-*

Airport activity continued its growth in 2004, setting a new record with combined enplanements and deplanements of 1.8 million passengers. This figure was 13% ahead of the 2003 passenger level of 1.38 million passengers. The forecast is for this trend to continue, projecting an 11% growth rate (over 2 million passengers) in 2005, and an additional growth rate of 6.5% (2.13 Million passengers) in 2006.

## **BRIEF SECTORIAL PROFILES**

**Visitor Industry.** Tourism has long been an economic mainstay in Charleston, which is one of America's most photogenic and historic cities. In the 1990s, this sector soared, recording visitation and earnings once thought impossible. Charleston recorded 4.7 million visitors in the year 2004, up an incredible 54% since 1997. The sector's annual economic impact followed, as it has more than doubled since 1997 (3.05 billion) to its current \$5.7 billion. Tourism now accounts directly and indirectly for some 105,000 jobs, a level that has also doubled over the past five years.



**Tourists take a carriage tour through historic downtown Charleston. Charleston welcomed 4.7 million visitors in 2004.**

Charleston hoteliers have widely expanded the regional room inventory and range of choices since 1995. As building continued into 2005, the overall regional inventory stood at a total of more than 15,000 hotel rooms. Perhaps the most telling statistic has been the occupancy rate, which dropped only slightly during 2004 to 67.3% from the 68.7% level of 2003. These figures are only slightly lower than the 70% rate of 1997, which was prior to the addition of over 3,100 new rooms. Despite the added inventory and competition, the average daily room rate has

increased to \$111.80, which is about 31% over the prevailing rate of five years ago.

Opening to rave reviews in 2005, the most significant addition to the area inventory is the ultra-luxury hotel called The Sanctuary, located on Kiawah Island. The brainchild of investor Bill Goodwin, this \$125 million, 255 room five-star hotel features lodging prices from \$275 to \$4,500 per night, and is a corporate companion to the Jefferson Hotel in Richmond, Virginia and the Hermitage in Nashville, Tennessee. Complementing this lodging growth, Charleston County partnered with the City of North Charleston in 1998 on the \$37 million North Charleston Convention Center, a 160,000 square foot facility, and the adjacent Performing Arts Center. *Successful Meetings*, a trade magazine that reaches 75,000 travel planners, predicts the Convention Center and Performing Arts Center will capture a large share of Southeast events involving groups of up to 2,000 people.

The Charleston tourism sector is constantly evolving, and amidst great prosperity, surprisingly its area attractions have actually experienced a downward trend in recent years. A study by regional tourism planners revealed that this seemingly unhealthy trend was the result of a healthy trend---repeat visitors.

Approximately 60% of Charleston's visitors are "repeat visitors," and are not likely to return to the same attractions visited on previous trips. The historic sites, area beaches and downtown shopping and dining are the most powerful draws, and area attractions have learned to craft new marketing strategies that target both first-time and repeat visitors. These efforts are beginning to bear fruit, as projections for 2005 were for attraction attendance to remain level.

The year 2004 saw the emergence of an exciting new facet of Charleston tourism---the cruise ship industry. These ships have used Charleston sporadically for some time. However the industry trend is now toward marketing to passengers within driving distance of a smaller terminal, and this has allowed Charleston and other southeast ports to capture some of the cruise ship business typically staged in Miami. In 2003, the Charleston area garnered \$7.5 million from passengers beginning their cruises, port-of-call visitors, and local purchasing by the cruise lines while in port. By July of 2004, Charleston had hosted 13 cruise ships with about 20,000 passengers, according to the Federal Maritime Administration. Local port officials predicted that at this pace, the area would host 55 ships during 2004.



The new Culinary and Hospitality Training Center opened on the Trident Technical College North Charleston Campus in November 2005.

Restaurants in Charleston multiply and flourish, nourished by a constant flow of aspiring chefs and increasingly affluent visitors. The *New York Times*, *Southern Living*, *Bon Appetit* and *Wine Spectator* have sung the praises of area restaurants, where seafood, nouvelle, and Southern cooking dominate the over 100 restaurants in downtown Charleston alone. At the front of most restaurant lines is the Charleston visitor, spending an

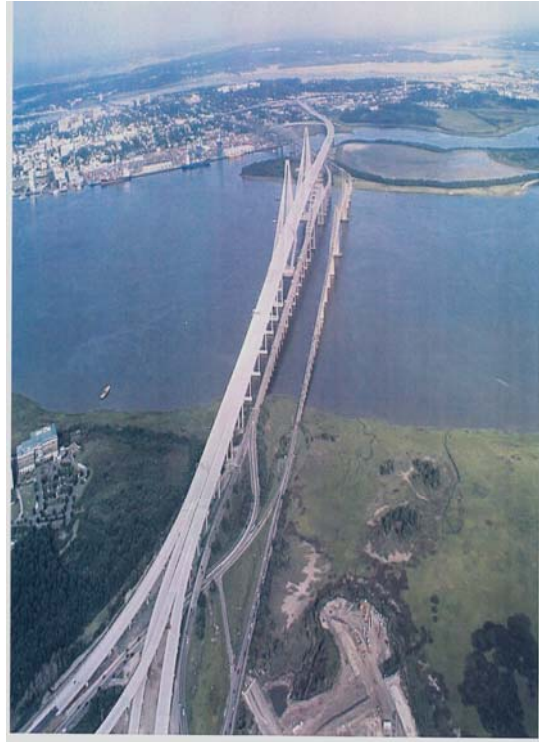
average of \$238 per day in 2003 on food, accommodations, event tickets, sightseeing, shopping and other entertainment. This figure is up 51% since 1998. The restaurant industry got another significant boost during November 2005, as the new Culinary and Hospitality Training Center opened on the Trident Technical College campus in North Charleston. This state-of-the-art facility is part of ongoing projects totaling \$45 million, which will boost programs at the college's Complex for Industrial and Economic Development.

**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. It currently ranks fourth in the United States for containerized cargo tonnage, and sixth in the nation for cargo value at \$46 billion.

There are about 40 steamship lines present in Charleston that have ports of call in 150 countries. Over 2,346 ships slipped in and out of Charleston harbor and ancillary state port facilities during 2004. In 2004, 54% of total cargo volume was accounted for by North Europe and Asia, with the remainder divided among Latin America, the Mediterranean, the Middle East, the Indian subcontinent, Africa and East Europe. The South Carolina State Ports Authority (SPA) announced its first direct service to Central America from Charleston in 2005, and additional service was added to South America and the Middle East. A historic milestone in 2005 was BMW's shipment of its one millionth South Carolina-made automobile through Charleston's port. The German-based auto-maker first began shipping through the Charleston port from its Spartanburg, SC facility in 1994.

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 assert that international trade through the Charleston port accounts for a staggering \$23 billion in overall

economic impact, including \$9.4 billion in annual wages for South Carolinians employed in 281,660 jobs, and for \$2.5 billion in state and local taxes.



An aerial view of the Charleston harbor. The Port of Charleston is the second busiest port on the Atlantic and Gulf Coasts.

From its four area facilities in Charleston, the SPA 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 that pre-clears cargo by Customs and USDA prior to a ship's docking. The system has earned the Port of Charleston designation by *Port Development International* as the most efficient port in the world. This same-day discharge of cargo has proven to be effective in luring more Asian trade through the port, avoiding grid-locked West Coast ports. The computerized Yard Management System (YMS) developed by the Port of Charleston during 2005 further boosted productivity and cut "turn times" for truck drivers who deliver or pick up cargo.

Advances at the Port of Charleston are possible largely due to increasing capacities enabled by expansion. The SPA spent \$150 million on a harbor deepening project that was completed in May of 2005, which now accommodates ships with a 45-foot draft at mean low water—a requirement in keeping with the huge post-Panamax ships that are beginning to dominate the industry.

In 2005 South Carolina completed the replacement of the two aging Grace and Pearman bridges that run over the Cooper River, connecting the City of Charleston to Mount Pleasant. The new 2.8 mile long, eight-lane, Arthur Ravenel, Jr. Bridge is the longest single-span bridge in North America (pictured above is the new bridge with the two bridges that were replaced). This awe-inspiring structure, with its popular walking and biking lanes, has a span of 1,546 feet, and its height of 186 feet will guarantee adequate clearance for the world's largest container ships well into the future.

These larger ships will eventually be accommodated at a future container facility offering 3,000 feet of additional berthing space. The new terminal will be located on a 250-acre portion of the former Naval Base on the Cooper River. Permitting is ongoing, and the U.S. Army Corps of Engineers released their draft EIS in November of 2005. Amongst the infrastructure improvements required will be a new multi-lane access road directly linking the terminal with I-26. The SPA began permitting in 2003 and it anticipates commencing use of the terminal in 2008. The SPA will also spend \$159 million during the

next two years updating and adding to its inventory of new cranes, container stacking equipment, and handling equipment at its four existing terminals.

**The Medical Industry.** Anchored by the state's teaching hospital, the Medical University of South Carolina (MUSC), the region's medical industry accounts for over 17,000 jobs. In fact, the health services sector led area job growth from 1990 to 2000. The lion's share of employment currently exists in five private regional hospitals, MUSC, the Ralph Johnson Veteran's Administration Hospital, and Charleston Memorial Hospital, along with the hundreds of general practitioners, dentists and medical specialists in the region. When combined with total healthcare providers, the medical sector in Charleston hosts around 1,000 businesses employing 32,000 people.

The center of energy in the region's medical arena is MUSC. The six schools and hospitals of MUSC collectively employ approximately 8,000 health professionals within 80 buildings on a 40-acre campus located in downtown Charleston. With an annual budget of \$700 million, MUSC annually graduates some of the best and brightest future physicians, nurses, dentists, physical therapists, etc., in the nation.

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 was previously 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.

Over the past decade, MUSC researchers have increased their grants and research funding from an annual level of \$20 million in 1992 to \$180.6 million in 2004. This 2004 research grant funding level was the highest ever recorded by a South Carolina higher education institution, and placed MUSC as 48<sup>th</sup> among the nation's 126 medical schools in receipt of National Institutes of Health funding. 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 year 2004 was highlighted by significant growth in the medical sector, as every Charleston area hospital system announced expansion plans or had an expansion plan already in progress. Roper St. Francis Healthcare announced plans to build an \$80 million full service hospital on Highway 17 in Mount Pleasant. Additionally, Tenet Health Systems announced expansion plans to enlarge its existing East Cooper Regional Medical Center in Mount Pleasant, and Trident Health Systems recently completed its \$60 million expansion of its North Charleston hospital facility.

**The Military.** Despite the 1993 decision to close much of the Charleston Naval Complex, the military still has a large annual economic impact in the Charleston region. According to a 2003 study by the Charleston Metro Chamber of Commerce, more than 27,000 active duty, civilian employees, reservists and contract personnel are employed by the military in Charleston. This employment level boasts a direct payroll of \$1.4 billion, and the overall economic impact of the military presence tops \$3.28 billion annually.

In 2003, the U.S. Navy again became the area's single largest employer, with 16,586 uniformed, civilian and reservist employees located at the Navy Nuclear Power Training School, the Naval Hospital, the Space and Air Warfare Systems Center (SPAWAR), and Naval Facilities Engineering Command.

Charleston gained the high tech SPAWAR facility during the 1993 Base Realignment and Closure (BRAC) process. SPAWAR is an electronic engineering facility with 1,100 employees and a \$70 million annual payroll. SPAWAR also awards contracts of over \$2.5 billion in electronic engineering work each year in Charleston, with beneficiaries including the 35 top-flight private sector contractors who have started businesses here with approximately 2,000 of their employees. The region took a great step in 2004 toward securing the future of this high-tech industry "cluster" when it secured graduate level electronic

engineering degree studies through a collaboration between the University of South Carolina and the Lowcountry Graduate Center.



**Charleston Air Force Base is home to the 437<sup>th</sup> Airlift Wing. The C-17 transport planes are a vital supply line to troops in Iraq and Afghanistan.**

The Charleston Air Force Base hosts 8,428 uniformed, civilian and reservist employees. The base is home to the 437<sup>th</sup> Airlift Wing and its squadron of C-17 transport planes that are currently serving a vital supply role to military personnel in Afghanistan and Iraq. The expenditure of \$150 million in modernization at the base and the phasing in of 48 of the newer technology C-17s embodies a commitment by the U.S. Air Force toward the long-term strategic viability of the Charleston base.

In 2004, the Charleston region gained its newest federal establishment. The Federal Law Enforcement Training Facility will be located on the former Naval Base, and will train up to 2,000 students per year for the U.S. Coast Guard.

In addition to those employed by the military, the 2003 Chamber of Commerce study also highlighted the significant concentration of 19,000 military retirees and widows residing in the Charleston area. With military pensions averaging \$25,000 annually, this group of residents contributes at least \$450 million annually to the Charleston economy.

With its potential to affect the Charleston Air Force Base and the Naval presence, including SPAWAR, the 2005 BRAC was on the minds of Charlestonians. The BRAC list was released in May of 2005, and in August of 2005 the BRAC panel confirmed that Charleston would lose 1,121 jobs at four different area military facilities. Specifically, the BRAC decided that the Defense Financing and Accounting Center on the former Naval Base will be closed, affecting 360 area workers. The Naval facilities Engineering Command's Southern Division was ordered to close as well, affecting another 450 workers. The BRAC shifted 264 positions from the Naval Weapons Station to commands or facilities in other states, and to trim the SPAWAR staff in Charleston with the transfer of 47 positions to Virginia.

**Industrial and Service Companies.** The Charleston region has experienced record levels of success in economic recruitment since 1995, when it commenced a unique three-county collaborative program, between Charleston, Berkeley and Dorchester counties. From 1995 through the end of 2000, 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.

The year 2004 was a new high water mark in economic history in Charleston County. The County placed first among the state's 46 counties in capital investment and in new job creation, recording nearly \$593 million and 1,790 new jobs. Charleston County also recorded the single largest capital investment and the single largest private sector job creation announcements in Charleston area history. The County has now pushed its totals to \$2.5 billion in capital investment, and the creation of 15,000 new primary jobs, since the inception of its economic development program in 1993.

Verizon Wireless made history in 2004 as it opened its \$25 million customer call center in North Charleston, announcing employment of 1,100 workers. This is the largest initial private sector employment figure ever recorded in the area. Governor Mark Sanford and county officials also announced the largest single private-sector capital investment in Charleston history with the \$500 million investment announcement by Vought Aircraft and Alenia Aeronautica of an aviation manufacturing complex. The companies will fabricate and assemble the fuselage for the new Boeing 787 commercial

aircraft utilizing composite materials. These two joint venture partners anticipate employing approximately 900 high-wage workers in their state-of-the-art manufacturing facility. Since the ground-breaking in February of 2005, work has proceeded with the main plant building and a training building now substantially complete, the integration building under way, the third-party logistics building designed and bid, and the air cargo hangar now being planned.



A conceptual drawing of the new Boeing 787 commercial aircraft. In 2005, Vought Aircraft and Alenia Aeronautica announced their \$500 million investment in a state-of-the-art manufacturing facility in North Charleston that will produce Boeing 787 fuselages.

Charleston County also ended the year 2005 with an economic bang, announcing in conjunction with Gov. Mark Sanford in late November that Daimler-Chrysler will locate its Sprinter van assembly plant in North Charleston. Beginning with its initial phase in 2006, the area's first automotive assembly facility

could eventually grow to encompass over \$400 million in capital investment and could result in the creation of over 1,200 jobs. Other notable projects in 2005 include a \$15 million, 180-employee plant announced by Cummins Engine subsidiary Holset Turbochargers, which is geared to the manufacture of engines for Dodge trucks. Kinder-Morgan Bulk Terminals moved forward on a \$70 million expansion of its Charleston operation, enlarging coal distribution capacity. SKF Aerobearings made a \$9 million, 100-person expansion of its North Charleston aircraft transmission repair operation. Shimano Corporation, a Port of Charleston user, opened a distribution facility for its product lines of high-end fishing tackle and bicycle gears.

As 2005 ends, Charleston County has another strong finish, with some \$136 million in new capital investments recorded, and some 600 new jobs resulting from projects publicly announced and/or receiving approval of their County financial incentives.



Charleston County Economic Development Director Steve Dykes, Charleston County Council Chairman Leon Stavrinakis, Charleston County Council Vice Chairman Timothy Scott, and Charleston County Administrator Roland Windham, Jr. pictured in front of the Daimler-Chrysler Sprinter van that will begin to be assembled in North Charleston in 2006.

Although the Charleston 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, Vought Aircraft, Alenia Aeronautica, Boeing and Daimler Chrysler. Manufacturing positions in the area are increasingly demanding a highly skilled workforce, as typified by the precision aerospace work being performed at Boeing, Vought/Alenia, Eaton Aerospace or SKF Aerobearing; the engineering work in assembling Sprinter vans at Daimler-Chrysler; the complex science involved in the contract production of new pharmaceuticals at

aaipharma; and the "rocket science" involved in the cutting edge electronic engineering at Scientific Research Corporation, Inc. as it fulfills its SPAWAR contract work and meets the needs of the modern U.S. military.

Beyond manufacturing are the emerging biotech jobs characterized by local start-up firms such as Charles River Endosafe, which utilizes the bluish, copper-based blood of horseshoe crabs to create a

diagnostic agent for toxins in injectible drugs. The largest horseshoe crabs in the world are found off the coast of South Carolina and Georgia, and therefore more blood can be taken per crab. Once the crabs are collected, their blood is drawn and they are released back into the ocean. Gen Phar, which pioneered a HIV detection kit for hospital use, has ties to MUSC, where its founder conducted research. Organ Recovery Systems has been another unique success story, creating a kidney transportation device to preserve organ viability while extending transplant time.

Hill-Rom, Inc.'s use of lighter than air mattress technology for burn victim's beds emerged from a MUSC scientist's discovery. In 1994, another MUSC researcher, Dr. Mark Kindy, founded Neurological Testing Services, which investigates pharmaceutical compounds in models associated with neurodegenerative diseases. In 2003 another local entrepreneur founded CureSource, which is 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 such as Scientific Applications International Corporation, BAE Systems, and many others who are servicing their SPAWAR accounts. But there are also the Charleston "home-grown." A company named Blackbaud grew in Charleston from less than 30 workers to over 700 employees as their private sector non-profit fund-raising software became the "gold standard." Automated Trading Desk, Inc., also started in Charleston, now trades 5% of the NASDAQ volume on a daily basis on lightning fast computer terminals from its \$30 million state-of-the-art complex in suburban Mount Pleasant.

## WHY CHARLESTON?

Companies relocating to Charleston, as well as entrepreneurs, typically give two primary reasons for choosing to do business in Charleston: the renowned quality of life, and the enviable competitive posture.

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

Charleston has a 330-year history and is acknowledged as among the world's leaders in the area of historic preservation. The stunning, well-preserved 18th and 19th century homes and commercial buildings in downtown Charleston are a testament to this passion. Sight-seeing in historic downtown is a favorite pastime for pedestrians and tourists in horse-drawn carriages. But far from being a staid museum-like experience, the visitor to Charleston is awed by the busy streets of a vibrant city that are packed with tourists and locals day and night.



Rainbow Row is located in Charleston's downtown historic district. Charleston is a world leader in historic preservation.

Charleston is a medium-size city with big city offerings of art. 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 the first-class Charleston Symphony Orchestra, museums, art galleries, local stage and theater groups, dance troupes, a community band and chorus, and a variety of dance and music recitals at area colleges.

Charleston offers diverse education options, from kindergarten to high school, through the technical college, bachelor's degree, and post-secondary study levels. Four public school districts in the tri-county Charleston region operate 132 schools with a total of 87,500 students. A variety of learning styles are accommodated and a variety of subject matter offered through excellent magnet and charter schools

geared to advanced academic studies, the creative arts, technology and other key pursuits. The Charleston area also hosts 75 private and parochial schools that enroll a total of 11,000 students.

There are 17 colleges and universities offering a range of two-year, bachelor's and master's degree programs in Charleston. The larger among these are Trident Technical College (11,791 students), The College of Charleston (11,536 students), The Citadel (3,695 students), Charleston Southern University (2,990 students) and the Medical University of South Carolina (2,298 students).

In 2004 the area's post-secondary educational offerings were bolstered by the creation of the Charleston School of Law, the second law school to be established in South Carolina. This private institution has been greeted with much enthusiasm, which extended to 200 full and part-time students enrolled during its inaugural semester in the fall of 2004.

Sports are an important part of the Charleston social landscape in a town where the median age is 34. Sports are big business, contributing \$66.4 million annually to the regional economy and employing nearly 1,200 people. Charleston has popular professional baseball, soccer and hockey teams, and in 2004 its South Atlantic League Charleston River Dogs baseball program signed a new deal as a New York Yankees' single-A farm club. Southern Conference and Big South Conference collegiate sports round out the mix, with the teams at The Citadel, the College of Charleston and Charleston Southern University taking center stage.

Charleston boasts a 10,000 seat state-of-the-art tennis stadium that is home to the prestigious Family Circle Cup. This annual women's professional tennis tournament event celebrated its fourth year in Charleston by crowning Justin Hemin-Hardenne its 2005 champion. In 2004, Charleston was also proud to host captain Patrick McEnroe and the U.S. Davis Cup team during its victorious competition with the Belarus team.

Golf-rich Charleston is home to over 30 courses, and the world-class Ocean Course at Kiawah Island was the site of the 1991 Ryder Cup, the 1997 and 2003 World Cup of Golf events, and the 2002 inaugural UBS Warburg Cup. In June of 2005, local golf enthusiasts experienced another historic moment when Professional Golf Association (PGA) officials announced that the 2012 PGA Championship will be played at the Ocean Course. Although it's a few years away, the community is buzzing with anticipation and already planning for this large tournament that will bring numerous spectators to the area.

There are 164 parks and recreational facilities in the area, and they encompass 11,509 acres, which translates to nearly 21 acres per 1,000 people. A network of parks and recreational boat ramps are maintained by the Charleston County Park and Recreation Commission. These serve the tri-county region with opportunities for picnicking, jogging, skating, boating, canoeing, kayaking, climbing a rock wall, swimming in the water parks, or surfing at any of the three oceanfront parks. 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 Johns Island. When it comes to recreation in Charleston, there's something for everyone.

**Competitive Posture.** Charleston has won numerous accolades in recent years from revered business publications such as *The Kiplinger Letter*. The area has been named among the "top spots for entrepreneurs" by *Inc.* magazine, "best place to start a business" by *Entrepreneur* magazine, "top logistics area" by *Expansion Management* magazine, and as a "hot spot for medical technology" by *MX* magazine.

The Charleston region offers a sizeable real estate portfolio for a mid-sized market, with over 7.6 million square feet in upscale executive buildings and office parks. The 15.4 million square feet of retail space in

the region is distributed between regional malls, strip centers, and the downtown Charleston central business district. A variety of vacant industrial and warehouse buildings and 22 industrial parks are

available for industrial opportunities.

The 1990s saw a 78% increase in the inventory of available office space, from the 1991 level of 3.9 million square feet to the current 2004 level of 7.6 million square feet. The year 2004 was marked more by a growth in occupancy than by growth in inventory. Proposed office projects now promise to add another 1.98 million square feet, increasing the regional inventory by 26%. During 2004 approximately 866,223 square feet of office space was absorbed, helping fill a significant amount of newly developed property, create financial stability among existing properties, and enhance values of properties sold during the year, according to a year-end report by Colliers – Keenan. The overall office vacancy rate was at almost 13% by year's end, with Class A space more scarce, at 9% vacancy. A mid-year snapshot report by local realtors barkleyfraser.com showed 2005's overall office vacancy at 12.4%.

Warehouse space, plentiful during the industrial slowdown that began in 2001, has begun to be absorbed again in 2005. Industrial vacancy fell from 23% to 19% in the past year. Over the next two years, as revealed at the recent 2004 Greater Charleston Commercial Forecast Meeting, the projection is that some two million square feet in new industrial/warehouse space will be added to the local inventory. The resolution of the Port of Charleston expansion issue and the surge in container tonnage are given as causes of this new activity. The lion's share of available space is in the 75,000 square feet or smaller category, with just ten facilities currently offering space larger.

Development "hot-spots" flourished in 2004, characterizing the pace of growth in several portions of the Charleston County. After years of anticipation, the Center Pointe development sprouted out of the ground at Interstate-26/Interstate-526 in North Charleston. This development is offering a Sam's Wholesale Club, Wal-Mart Supercenter, Tanger Outlet Mall, other retail space, professional offices and several restaurants. Center Pointe becomes part of the critical mass now forming around the North Charleston Coliseum, the Convention Center, and Performing Arts Center complex and its four hotels. The Bridgeport Center in Mount Pleasant features 60,000 square feet of Class A office space, and its residential condominium tower is rising with clear views of the new Arthur Ravenel, Jr. bridge that crosses the Cooper River. The impoverished "Neck" area in the City of Charleston also made news in 2004, with the unveiling of an ambitious mixed use plan for its renewal to be funded with the use of a tax increment financing district.

The Charleston International Airport is no more than a 30-minute drive from almost anyone's front door in the region. The airport has experienced significant growth over the past five years. The mix of passengers has begun to shift away from its tourist base toward one that is increasingly characterized by business fliers. Delta, US Airways, United Express, Continental and Northwest have provided daily non-stop service to a growing list of key business destinations including New York (LaGuardia and JFK), Chicago, Washington (Dulles and National), Atlanta, Charlotte, Raleigh-Durham, Detroit, Cincinnati, Dallas, Houston, Philadelphia, Newark, Detroit, Orlando and Tampa.

The year 2004 was one of great change at the Charleston International Airport. The Charleston County Aviation Authority approved two facility improvements designed to address the growth in air travel through Charleston. The Authority completed and opened a large parking garage during 2005 to accommodate increased volumes of fliers. The Authority also began equipping the Passenger Terminal for "wi-fi" access, allowing wireless Internet use within the terminal for passengers who are waiting for flights. During 2005 the airport relocated and modernized its rental car facilities, making room for the abutting Vought Aircraft complex. The local air carrier profile took on a new look during 2005, as Independence Air finished its first year in Charleston, and helped drive down airfare rates.

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. This team searches for national and international business prospects, facilitating their relocations and expansions. In 2005 the Alliance updated its Five Year Strategic Plan, shifting direction to further refine the economic targets it recruits to the area. Following

the advice of a 2004 study by Angelou Economics, its Texas-based consultant, Charleston recruiters will focus on five business targets: aircraft makers, information technology/advanced security, automotive suppliers, biotechnology and medical firms, and the “creative” companies engaged in architectural design, Internet work and movie/film-making.

Some of the services offered by the Charleston region to assist relocating and expanding businesses include expedited permitting, infrastructure grants, financial incentives and the Center for Accelerated Technology Training (CATT). CATT is considered to be the national gold standard amongst state-sponsored labor training programs. The industrious Charleston labor force is acclaimed for its productivity by a who’s who of national and international firms engaged in manufacturing, distribution, and research and development in the Charleston tri-county area.

## MAJOR COUNTY INITIATIVES

Charleston County's initiatives in fiscal year 2005 focused on enhancing the value of services provided to our citizens, partnering with municipal governments, encouraging economic development, and continuing with an extensive facilities improvement and replacement program.

**Financial.** In order to give some financial relief on property taxes, County Council approved a 15% reassessment cap ordinance in November of 2000. This ordinance limited the growth, in the assessed value of property taxed at a rate of 4%, to a 15% increase. The state-mandated reassessment was implemented in February of 2001. However, the application of the 15% reassessment cap to only 4% property was challenged in court. In May of 2002, the State Supreme Court ruled that the County's reassessment cap ordinance was invalid. Several cases are still outstanding related to refunds of bills for fiscal year 2002. The most significant of these cases was initially ruled against the County and appealed to the State Supreme Court. The State Supreme Court referred the cases back to the Circuit Court for dismissal. But the State Supreme Court ordered that administrative remedies should be pursued for the refunds. Refund applications were mailed to applicable taxpayers on October 6, 2004. Per the Supreme Court order, the deadline for filing an application was set at January 15, 2005. The refund process is now nearing an end. As of September 30 of 2005, Charleston County has processed 58,720 refunds totaling \$9,659,459 to local property owners.

In November of 2004, Charleston County voters approved an additional one-half percent (a half-cent on every dollar) sales tax to be levied. This “Transportation Sales Tax” was implemented in May of 2005, and will continue “for no more than 25 years or until \$1.3 billion is generated, whichever occurs first.” The County also received referendum approval to issue General Obligation Bonds totaling \$113 million for roads and greenspace projects. The revenues from the additional sales tax will be used to fund the County's \$75 million commitment to the replacement of the Grace Memorial Bridge over the Cooper River. Connecting the City of Charleston and the Town of Mount Pleasant, the new \$631 million Arthur Ravenel, Jr. bridge was completed by the South Carolina Department of Transportation, and opened to traffic in July of 2005. The weeklong community celebration of the bridge opening included public walking days, a \$200/ticket symphony concert on the bridge, and a ceremony with dignitary guest speakers, and culminated in a spectacular fireworks display that was the largest ever seen in South Carolina.



The Opening ceremonies were funded completely by donations. Additional funds from the Transportation Sales Tax will be used for roads and mass transit, and for greenspace such as farm, forestland, trails and

open space protection.

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

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

Road improvements and maintenance are an essential service that the County provides to all its citizens, regardless of municipal boundaries. During fiscal year 2005, the Charleston County's Public Works Department managed more than \$4.4 million in 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 celebrated its five-year anniversary in 2003. This award winning, grant-funded program brings together numerous state and local programs and 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 of 2002, Charleston County Council authorized the renovation of floor space in the Charleston Center (Department of Alcohol and Other Drug Abuse Services) for the relocation of the 10-bed Mental Health Crisis Stabilization Unit. This move was funded through collaboration between Charleston Center, the South Carolina Department of Mental Health, and public and private hospitals. The relocation helps address problems in the emergency rooms with patients who are intoxicated and may be 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 was completed and the unit was opened in fiscal year 2004.

**Capital Projects.** Consistent with the Charleston County's Capital Improvement Plan, which includes both new construction and renovation to provide better, more efficient service to residents, a number of projects were completed during the year.

The Johns Island Regional Branch Library was constructed on land that was donated by the Charleston County School District and adjacent to the Haut Gap Elementary School. This 16,000 square foot library is now open, and is providing much needed services to the Johns, Wadmalaw, Seabrook and Kiawah island communities. Given the demographics of Johns Island's large and growing Hispanic population, a significant portion of the library's collection is in Spanish, including numerous books and movies, and even two "Spanish computers."

Three new Charleston County Emergency Medical Services (EMS) stations were opened in fiscal year 2005, aimed at improving ambulance response times and providing more livable conditions for paramedics. The James Island station (Medic 4) was constructed at a more centrally located area than

the previous station. The new location enables enhanced service to adjacent Folly Beach. The Johns Island station (Medic 7) replaced a station that was housed in a trailer, and includes a magistrate's court.



2005.

The McClellanville station (Medic 6) is co-located with a magistrate's court and Awendaw Fire District's Station Number 4. Work continues on two more EMS stations in Ladson and North Charleston. Under a cost reimbursement agreement, the Charleston County also completed construction of a fire station for the St. Paul's Fire District on Edisto Island.

Final touches were completed on the O.T. Wallace County Office Building in fiscal year 2005, finishing the three-building downtown Judicial Center Complex. One of these buildings, called Blake

Tenement, was awarded a Caropolis Award from the Preservation Society of Charleston for the quality of the historic restoration work.

The Charleston Museum, the first and oldest museum in the U.S., is housed in a building that is jointly owned by Charleston County and the City of Charleston. Under a cost sharing agreement with the city, the county completed significant repairs to the building's roof and glass walls this year.

**Medical Innovation.** Charleston County's Emergency Medical Services (EMS) was the first in the state to introduce Continuous Positive Airway Pressure (CPAP), a procedure and machine that gives patients suffering from congestive heart failure, asthma and emphysema relief from breathing difficulties. In cooperation with area hospitals and the two adjacent county EMS systems (Berkeley and Dorchester counties), Charleston County EMS implemented an electronic means to transmit 12-lead electrocardiogram (EKG) data to emergency rooms. This allows hospital staff to anticipate the arrival of heart catheter lab patients and expedite administration of life-saving medical techniques. As a result, chest pain patients who are confirmed to be having a heart attack are seeing the time between their arrival at the hospital emergency room and entering the catheterization lab reduced by 85 percent. The average "door-to-lab" time for the first 27 patients confirmed in this project was only six to nine minutes. The initiative was presented at an annual conference and won the South Carolina Association of Counties' Regional Cooperation Award as a stellar example of both intergovernmental cooperation and public-private partnering.

**Technology.** In a first for the county in April of 2005, the Magistrate's Courts began using videoconferencing in a remote location to accept guilty pleas for defendants housed at the Charleston County Detention Center. This technological advancement expedited releases from the jail, reduced staff handling of detainees, saved fuel and other transportation costs, and served as a positive demonstration for potential future use by courts of even larger jurisdiction.

Following last year's installation of "ruggedized" laptop computers in ambulances, this year Charleston County's EMS implemented new billing software and billing procedures to improve collections. The new system reduced billing from 15 to 30 days to five days, reduced Medicare rejections, and increased addressing accuracy. The net effect was a 41% increase in collections.

**Safety.** Following last year's successful campaign to reduce back injuries, Charleston County's Safety and Risk Management Department initiated an emphasis on reducing slips and falls. Through a combination of education and awareness, monitoring and feedback, specialized equipment, and improved maintenance procedures, a 21% reduction in slip and fall injuries and a 30% reduction in lost work days was realized within the County employee workforce.

**Recycling.** Between 1990 and 2000 the Hispanic population has more than tripled in South Carolina, and according to the latest U.S. Census Bureau population estimates, the total Hispanic population in Charleston County has risen seven percent from 2000 to 2003. Several departments, including Solid Waste and Recycling, and Charleston Center (Department of Alcohol and Other Drug Abuse Services),

have trained employees in conversational Spanish, reflecting the need to serve the county's growing Hispanic population. Most Latinos that have recently moved to the Lowcountry are not familiar with recycling programs, or did not have recycling programs in place at home. With this in mind, the Solid Waste and Recycling Department launched an innovative new commercial, spoken entirely in Spanish with English subtitles. The commercial is not only airing on the local Hispanic TV stations, but across all local affiliate stations.

To increase household recycling participation in established neighborhoods around the county, a subdivision-by-subdivision program was implemented. Staff worked with homeowners' associations, attended community meetings, designed and put up signs, and distributed new recycling bins. This proactive measure has resulted in four and five-fold increases in participation rates. Similarly, in new in-fill subdivisions, a concerted effort to raise recycling awareness has been successful.

## **FINANCIAL INFORMATION**

**Cash Management.** Cash that was temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury, repurchase agreements, or interest bearing checking accounts. The average yield on investments was 2.01% for the year ending June 30, 2005.

Charleston County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The County's bank balances were approximately \$165,436,251 million at June 30, 2005, all but one of which were collateralized or covered by insurance. More detail on the County's deposits and investments is found in Note III. A. of the notes to financial statements starting on page 77.

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

During fiscal year 1995, the County insured the risk of job related injury or illness to its employees through The South Carolina Association of Counties' (SCAC) Workers' Compensation Trust. Effective July 1, 1995, the County converted to a self-insured plan with SCAC to fund risks associated with Workers' Compensation claims. More information on the County's risk management plan can be found in Note IV.A. of the notes to financial statements starting on page 103.

**Pension and other Post Employment Benefits.** Charleston County participates in the State of South Carolina Retirement System. All permanent County employees are members of either the South Carolina Retirement System or the South Carolina Police Officer's Retirement System. More information on these pension plans are provided in Note IV.I. of the notes to financial statements starting on page 110 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 109.

**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 2004.

**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 2004.

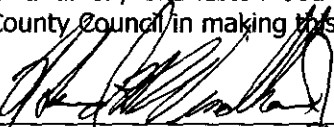
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, containing contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

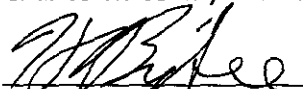
In addition, the government has also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the 15 fiscal years starting July 1, 1989 through 2004. In order to qualify for the distinguished Budget Presentation Award, the government's budget document was 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 was made possible by the dedicated service of the entire staff of the Charleston County's Controller's Office. Special thanks go to the team headed by Carla Creech, who with the assistance of Dolores Dong, Anthony Oglietti, Elizabeth Whitmer and Danielle Dixon of the Controller's Office produced the Comprehensive Annual Financial Report, and coordinated the audit with the external auditors. Substantial contributions were also made by several financial staffs throughout the County: Mack Gile from the Budget Office; Andrew Smith and Julie Riley-Hollar from the Treasurer's Office; Lisa Murray from the Department of Alcohol and Other Drug Abuse Services; Jean Sullivan, Catherine Ksenzak and Jeanette Williams from Grants Administration; and Bill Turner from the Public Works Department. Much appreciation also goes to Cynthia Smalls of the Controller's Office who prepared the financial notes, this letter, and the management's discussion and analysis, and provided clerical support to the external auditors. Substantial assistance also came from the staff members of the County Administrator and Chief Financial Officer, with special thanks to Steve Dykes of the Economic Development Office. Thank you's are also extended to the staff of Gamble Givens & Moody LLC, the external auditors, for their efforts in producing this Comprehensive Annual Financial Report.

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

  
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Roland H. Windham, Jr.  
Charleston County Administrator

  
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Corine Altenhein  
Charleston County Chief Financial Officer

  
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Harold L. Bisbee  
Charleston County Controller