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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, 2009.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of all of 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 to ensure compliance with applicable laws, regulations and County policies, and safeguards the County's assets. It is designed to compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the 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 accurate in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

Charleston County's financial statements have been audited by Scott McElveen, L.L.P, 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, 2009, 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, 2009, 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 to single member districts on a partisan basis.

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 enforcing 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 provides a broad range of services that include:

- 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 Consolidated Fire District, the East Cooper Fire District, the West St. Andrew's Fire District, and the Northern Charleston County Fire District
- Veterans' assistance
- Health-related assistance - Emergency Medical Services (EMS), alcohol and other drug abuse services, indigent health care, and social services
- Voter registration
- Street and drainage maintenance
- Waste disposal and recycling
- Planning and zoning administration
- Criminal, civil, probate, and family court administration
- Public defender assistance
- Property assessments, tax billing, collection, and dispersal to appropriate entities/municipalities
- 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 governmental 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 garages 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:

- Charleston County Library (CCL)
- Charleston County Park and Recreation Commission (CCPRC)
- Cooper River Park and Playground Commission (CRPPC)
- James Island Public Service District (JIPSD)
- North Charleston District (NCD)
- St. Andrew's Parish Parks and Playground Commission (SAPPPC)
- St. John's Fire District (SJFD)
- St. Paul's Fire District (SPFD)
- 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 Financial Statements starting on page 64.

The annual budget serves as the foundation for Charleston County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the County's Budget Office by February 1 each year. The County Administrator presents the proposed budget to County Council for review during May. 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 (public safety), and department (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 (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 four Assistant Administrators the authority to transfer between departments under their authority. The budget ordinance must be amended by County 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 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 141.

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Charleston's Economy at a Glance. Charleston County's economic base is diversified and growing. The economy has gone through a significant shift in the past two decades from a military dependent economy to a more diversified economy that is stimulated by six engines of growth:

- The Port of Charleston, fueling the manufacturing and supply chain sectors in Charleston, statewide, and around the nation.
- The military, with significant Air Force, Navy, Army, and Coast Guard facilities in Charleston.
- The tourism industry, with a year round tourist season.

- The medical industry, focused around the Medical University of South Carolina (MUSC), the State's teaching hospital.
- Manufacturing and service Companies, where recruitment activity has grown with the focus on a tri-county collaborative industry recruitment program
- Higher education, with 26 colleges and universities offering a range of two-year, bachelor's, master's and doctoral degree programs.

Recent Economic Indicators. General economic indicators for 2008 were reported by the Charleston Metro Chamber Economic Outlook Board in March of 2009. Highlights are as follows:

Population-The Charleston metro area population increased by over 8 percent, 506,875 to 549,033 persons, from 1990 to 2000. The U.S. Census Bureau estimates the 2008 population in the metro area to be 644,506, meaning that the percentage growth from 2000 to 2008 has been 17.4 percent. The percentage growth is significant as it surpasses the State of South Carolina's growth (11.7 percent) and the United State's growth (8.0 percent) during the same period.

Labor Force & Employment-Since the Naval Base closed in 1995, the civilian labor force in the Charleston region has grown by 28.8 percent, from 245,940 to 316,707 persons as of 2008. The Metro Chamber of Commerce's Economic Outlook Board reported that total employment grew by 789 jobs in 2008, for an increase of 0.3 percent, while national total employment declined by 7.5 percent. As of May 2009, the Charleston region is experiencing 9.4 percent unemployment, compared to the state of South Carolina at 12.1 percent.

Housing-A total of 4,830 new residential permits were issued in the Charleston region in 2008, which was a decline of 28.8 percent from the previous year. The average sales price of all homes sold decreased slightly from \$300,446 to \$299,721.

Retail Sales-Total retail sales for the Charleston area grew 0.8 percent in 2008, topping \$18.73 billion with almost \$13 billion of that total being spent in Charleston County.

Visitor Industry-The Charleston region attracted over 4.12 million visitors in 2008, generating an economic impact of \$3.05 billion. Hotel occupancy rates were 71.5 percent for the year, and the average daily rate for lodging increased almost 4 percent up to \$171.45 per night. Attendance rates at area attractions have remained flat over the past few years as the profile of visitors to the Charleston region has shifted. Many of the region's visitors are now largely repeat visitors coming to shop and dine in the area several times a year.



Port Activity-In 2008, the Port of Charleston was ranked fourth on the list of busiest U.S. East Coast container ports. It is consistently recognized as one of the nation's most efficient and productive ports. In 2008, the Port of Charleston handled 1.64 million TEUs (twenty foot equivalent cargo containers). The Charleston break-bulk cargo totaled 587,000 tons. Port activity is expected to rise over the next decade, largely due to the new container terminal currently under construction on the former Navy base. The new 280-acre terminal is expected to open in 2014 and, at build out, will increase Charleston's total container capacity by 50 percent. In addition, a new 25-acre yard opened in late 2008 at the Wando Welch Terminal, representing a 10 percent capacity increase for the terminal.

Airport Activity-Total passenger activity at the Charleston International Airport increased by 2.6 percent in 2008. By comparison, passenger activity declined 2.3 percent in Savannah and 7.6 percent in Myrtle Beach. Passenger activity is expected to remain relatively flat in 2009 and 2010.

BRIEF SECTOR PROFILES

The Port. The Port of Charleston is currently ranked fourth busiest port of the U.S. East and Gulf Coasts. Port volume is expected to increase in the coming years due to the new three-berth, 280-acre marine terminal under construction at the former Charleston Naval Base, with Phase 1 scheduled to open in 2014. The SPA's fiscal year

2009 capital improvement program calls for \$160 million in enhancements and equipment for new and existing facilities.

The Charleston customs district ranks as the nation's eighth largest in dollar value of international shipments, with the Port of Charleston's cargo valued at more than \$62 billion annually. Top commodities that pass through Charleston docks include consumer goods, agricultural products, and metals. Charleston's five port facilities, located close to the open ocean for fast turnarounds, consist of two container ports, two break-bulk ports, and one container and break-bulk port.



The Port of Charleston

The SPA, which operates the Port of Charleston, employs approximately 600 people. Locally, the Port of Charleston is directly and indirectly responsible for 26,000 jobs, which provides \$1.2 billion in labor income, and \$4.3 billion in total output. Statewide, international trade through the SPA's facilities provides 260,800 jobs paying \$11.8 billion in wages to South Carolinians. In all, trade pumps nearly \$45 billion into the state economy and generates \$1.5 billion in state and local taxes.

The Military. Despite the 1993 decision to close most of the Charleston Naval Complex, the military still makes a large annual economic impact in the Charleston region. There are 22,000 active-duty, reserve personnel, civilians, and civilian contractors employed in the region by the area's defense facilities. In total, the military provides an annual economic impact on the Charleston region estimated at \$3.3 billion.

The Charleston Air Force Base is home to the 437th Airlift along with 6,150 (airbase) employees and over 50 C-17 aircraft. The C-17s are currently serving a vital supply role to the military in both Afghanistan and Iraq. The Charleston Naval Weapons Station is another of the larger military facilities in the area, employing 11,000 people in over 40 separate commands.

The Space and Naval Warfare Systems Center Charleston (SPAWAR) is a high technology, engineering facility that designs, builds, tests, fields, and supports the Navy as well as other federal customers. SPAWAR Charleston is responsible for integrating the Mine Resistant Ambush Protected (MRAP) vehicles that are used to protect the war fighters on the ground in Iraq and Afghanistan. The facility employs over 1,500 Civil Service employees with an average salary of \$75,678 and supports an estimated 80 local defense contractors operating in the region, which employ 12,000 contractor employees. SPAWAR's economic impact on Charleston's economy is estimated at \$1.5 billion.

Other facilities include the Nuclear Power Training Command and Nuclear Power Training Unit, which are both state-of-the-art nuclear power schools that graduate over 3,000 students each year. The Army's Combat Equipment Group Afloat and Surface Deployment Distribution Command 841st Transportation Battalion both transport equipment to support the war efforts. The US Coast Guard and Federal Law Enforcement Training Center also operate facilities in the region, and trains more than 12,000 students annually.

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. The region's visitor industry held steady through most of 2008 before experiencing declines in the fourth quarter due to the nationwide recession. Charleston recorded 4.12 million visitors in 2008, providing an economic impact of \$3.05 billion to the local economy. The hospitality industry directly employs 35,875 people in Charleston County, accounting for 12 percent of the workforce. When direct and indirect employment from the hospitality industry is combined, the total number employed balloons to over 50,000.

Charleston hoteliers have widely expanded the regional room inventory and range of choices in the past decade. Charleston County's inventory of hotel rooms stood at 15,530 at the end of 2008 with a 71.5 percent occupancy rate in and an average daily rate of \$171.45 per night. A study done in April 2009 by the Charleston Area Convention & Visitors Bureau and the College of Charleston determined that the nationwide recession has had a lesser impact on occupancy and average daily rates in Charleston than in neighboring tourists destinations Savannah, GA, Myrtle Beach, SC, and Hilton Head, SC.

The past few years have seen the emergence of a new facet to Charleston's tourism market – the cruise ship industry. Both Carnival Cruise Lines and Celebrity Cruise Lines have chosen to make Charleston a new departure and arrival point. In addition, many other cruise lines (including Holland America Cruises, Princess Cruises, Costa Cruises and Crystal Cruises) bring their ships to Charleston as a port of call. The SPA is in the process of upgrading its Passenger Terminal to more effectively meet new security requirements, as well as to better serve the growing number of cruise customers.

Restaurants in Charleston multiply and flourish, nourished by a constant flow of aspiring and accomplished chefs coupled with an increasingly affluent Charleston visitor. *The New York Times*, *Southern Living*, *Bon Appetit*, and *Wine Spectator* have all praised area restaurants where seafood, nouvelle, and southern cooking predominate in the over 100 restaurants in downtown Charleston alone. The average Charleston visitor is well acquainted with these wonderful restaurants, as they spent an average of \$212 per day in 2008 on food, accommodations, local attractions, shopping, and other entertainment.

The Medical Industry. The region's medical industry is anchored by the State's teaching hospital, the Medical University of South Carolina (MUSC), and accounts for over ten percent of the area's total employment. The majority of the employment currently exists in five private regional hospitals, MUSC, and the Ralph H. Johnson VA Medical Center, 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. It is made up of six colleges which give students a variety of options for their focus of study. Enrollment in the six colleges collectively stands at 2,537, with over 1,300 faculty members being employed. In 2008, MUSC received \$202 million in research funding.

MUSC established one of the first infirmaries specifically for teaching purposes in 1834, which is now known as the MUSC Medical Center. Among the programs that have earned distinguished reputations at the MUSC are: neuroscience, substance abuse, cardiovascular medicine, drug sciences, prenatal medicine, ophthalmology, hearing loss, genetics, rheumatology, and cancer care.

In February 2008, the MUSC Medical Center completed a 156 bed, 641,000 square foot expansion of its medical center. The new facility is now home to the hospital's Heart & Vascular center as well as its Digestive Disease Center. The new James B. Edwards College of Dental Medicine Clinical Education Building is scheduled to be completed in the fall of 2009. The site prep for the new 114,000 sq. ft. Drug Discovery Building began in the summer of 2009, and the building is expected to be completed in late 2011. MUSC is also building a Bioengineering Building in collaboration with Clemson and the University of South Carolina. Site prep began in the summer of 2009, and it is expected to be completed in late 2011.

Several of the private hospitals are also currently in a growth mode. Roper St. Francis Healthcare, a non-profit hospital group, broke ground on a new medical campus in the Mt. Pleasant area in May 2008. The 308,000 sq. ft., \$164 million campus will include a medical office building (90,000 sq. ft., \$21 million) and a state-of-the-art hospital (218,000 sq. ft. - \$143 million). The 85-bed full-service hospital expects to receive its first patients in November 2010. The hospital will include 24-hour Emergency Care, Women's Services, inpatient and outpatient surgery, Intensive and Critical Care Units. East Cooper Regional Medical Center is also building a new hospital in Mt. Pleasant to replace its existing facility. The new 250,000 sq. ft. hospital will cost \$160 million to build, and will be equipped with 140 beds. Along with the additional bed space, the new hospital brings 200 more jobs in addition to the over 600 that East Cooper currently provides. It is expected to accept its first patients in April 2010.

Manufacturing and Service Companies. The Charleston region has experienced record levels of success in economic recruitment since 1995, when it commenced a unique tri-county collaborative industry recruitment program. Through the end of 2008, over \$2.78 billion in corporate and industrial capital investment was recorded and some 16,320 new primary jobs were created in Charleston County. In 2008 the Charleston region was ranked 10th on the Milken Institute's "Best Performing Cities" list. The Best Performing Cities index ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The components include job, wage and salary and technology growth.

Pro-business government attitudes permeate through the State of South Carolina and the Charleston region, where state commerce department officials work hand-in-hand with economic developers from the Charleston

Regional Development Alliance, Charleston County and its three largest municipalities: City of Charleston, City of North Charleston, and Town of Mt. Pleasant. This team searches out national and international business prospects, facilitating their relocations and expansions. State and local financial incentives are strategically utilized to leverage private sector relocation and expansion decisions.

Beginning in 2004, Charleston County embraced a recruitment strategy that centers on five key economic clusters:

- Aerospace and Aviation
- Automotive Manufacturing and Suppliers
- Biotech, Medical and Pharmaceutical Activities
- Information Technology and Advanced Security
- The Creative Cluster of Internet, Movie-Making, Architecture and Urban Design-Related Activities



Vought Aircraft Industries Dreamlifters

Aerospace and Aviation-In 2006 the Boeing 787 fuselage complex opened for business at the Charleston International Airport. This international collaboration on a cutting edge commercial aircraft is making history, as the Boeing 787 will be the first commercial aircraft ever constructed from carbon graphite composite materials: super-strength, light-weight material with many fuel efficiency and maintenance advantages over conventional metals traditionally used in aviation.

During May 2007, Vought Aircraft Industries (Dallas, TX) fabricated its first aft fuselage for the 787, and Global Aeronautica (a joint venture of Vought and Alenia Aeronautica of Milan, Italy) integrated the flooring systems and various other interior components. The finished fuselage sections are being shipped via air on Dreamlifters (large, converted 747s) to the Boeing facility in Everett, WA, for final assembly. There they are united with the wings, tail, front fuselage and nose cone sections made in Italy, Japan, and Wichita, KS. Boeing held a roll-out ceremony for the first completed 787 on July 7, 2007, in Everett, WA.

The year 2008 was one fraught with setbacks for the 787 program, with design flaws revealed, and a temporary halt to work at the North Charleston facility that was spawned by an interruption of the supply chain caused by the International Machinists (IAM) strike in Seattle. During 2008, Boeing entered the Global Aeronautica integration business, buying out the Vought share and becoming the new joint venture partner with Alenia.

The year 2009 has been one of forward progress for the 787 program. In July Boeing announced that it was acquiring the fabrication business from Vought for \$1 billion. Boeing has scheduled the first test flight by year's end. Employment at the complex during 2009 has vastly exceeded expectations, with some 2,200 persons on staff. An international buzz began back in July, following the 2009 Paris Air Show, when Boeing announced that it had begun due diligence on a site for a second Boeing 787 assembly line. Press speculation has run rampant that Charleston is a leading site under consideration. Despite previous setbacks, the future still appears to be bright for the 787 program and its local Charleston presence. The 787 is the fastest selling airplane in commercial aviation history with around 900 firm orders currently on the books.

Charleston's aerospace cluster made further strides in 2009 when Venture Aerobearings completed up fit, testing and certification of its \$28 million advanced technology air bearings facility. The 100 employees of this unique joint venture between GE Aviation and SKF Aerobearings will be responsible for manufacturing and repairing bearings for the industry-leading GENx jet engines.

Automotive Manufacturing-In 2009 the automotive sector has been challenged by the severe recession, the near failure of two of the Big Three automakers, and an overall pronounced slump in consumer auto purchases. Numerous layoffs have occurred among the automotive supplier firms in Charleston, with seemingly no operation being untouched. Cummins Turbo Technologies announced three rounds of layoffs during late 2008 and spring 2009, but retain a sizeable workforce producing the Dodge Ram turbocharger engine at their Palmetto Commerce Park facility in Ladson. Following the grand opening in 2007, the \$50 million Sprinter re-assembly facility has fallen

on hard times. Like many other viable vehicle-makers, the effects of the credit crisis and the downturn in international trade have prevented many fleet and individual consumers from purchasing this versatile vehicle. Entering 2010-2011, the company hopes to see activity return to the 2007 level, when the Sprinter achieved six percent market share.

Biotech, Medical & Pharmaceutical Activities-Emerging biotech jobs in Charleston are characterized by firms like Charles River Labs, a Boston-based industry leader in laboratory testing diagnostics. Emerging from the pioneering research of an MUSC scientist in the 1980s, Charles River Labs utilizes the blood of a horseshoe crab to produce its endotoxin screen for injectable drugs. In December 2008 the company announced a \$29 million expansion involving the creation of 60 new jobs. GenPhar, another MUSC spin-off, first pioneered an HIV detection kit for hospital use. It most recently created a vaccine geared at immunizing U.S. troops from the deadly Marburg and Ebola viruses. During 2009 it pursued construction of its \$33 million vaccine manufacturing facility in suburban Mt. Pleasant where it will employ 133 new biotech researchers over the next five years.

Information Technology and Advanced Security-Information technology companies are also an expanding sector in Charleston, anchored by nationally known companies servicing their Space and Air Warfare Systems (SPAWAR) research and development contracts. During 2008 and 2009, several of these national firms increased their Charleston presence. SAIC consolidated several local offices over to the Faber Place Executive Park. Scientific Research Corporation did likewise, merging three local offices into a new building at Remount Road Business Park. BAE Systems announced in 2009 that it was expanding its presence with a \$6.2 million expansion and the addition of another 100 employees. Beyond the SPAWAR vendors, there are also the Charleston home-grown IT firms. Automated Trading Desk, Inc., which was acquired by Citigroup in 2007, now trades four percent of the NASDAQ volume on a daily basis from its \$30 million complex in Mt. Pleasant.

Creative Cluster-Charleston has been a magnet for a growing list of small internet-related companies and movie-making expertise. South Carolina improved its financial incentives offerings for movie-makers recently, hoping to attract yet more television and motion picture productions to Charleston and other statewide locales. Among the first to respond were the producers of the television series "Army Wives", which since 2006 has operated from filming facilities in the neck area of Charleston. "Army Wives" has recently completed filming its third season in Charleston.

Higher Education. There are 26 colleges and universities offering a range of two-year, bachelor's, master's, and doctoral degree programs in Charleston. The five largest are : Trident Technical College, with 12,076 students; The College of Charleston, with 11,316 students; Charleston Southern University, with 3,286 students; The Citadel, with 3,300 students; and the Medical University of South Carolina with 2,537 students. One of Charleston's most recent points of pride is the new Charleston School of Law. This private institution was opened in 2004 and is one of only two law schools in the state. Enrollment is currently over 600. In May 2009, the Charleston School of Law graduated its third class of 136 students. The Center for the Building Arts provides a training school for craftsmen involved in structural restoration. This school had its first class of graduates in 2009.

WHY CHARLESTON?

Companies relocating to Charleston, as well as entrepreneurs, who start businesses in the area, typically give two primary reasons for why they chose to do business here: 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 quality of life which has been deliberately and carefully protected.

Charleston has a 330 year history and is widely acknowledged as among the world's leaders in the area of historic preservation. The stunning, well-preserved eighteenth and nineteenth century homes and commercial buildings in downtown Charleston are a testament to this passion. Sightseeing in historic downtown is a favorite pastime for pedestrians and also tourists in horse-drawn carriages. Far from receiving a staid museum-like experience, the visitor to Charleston is struck by the busy streets of a vibrant city which are packed with tourists and locals well into the night.

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 that 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, and local stage and theater groups.

Sports are an important part of the Charleston social landscape in a town where the median age is 36. Sporting events contribute over \$50 million annually to the regional economy and employing nearly 1,200 people. Charleston hosts several professional teams. The Charleston RiverDogs Baseball team is a Class A affiliate of the New York Yankees, the Charleston Battery Soccer team is part of the USL First Division, and the South Carolina Stingrays Hockey team is a member of the ECHL Southern Division and an affiliate of the NHL Washington Capitals. Southern Conference and Big South Conference collegiate sports round out the mix, with the teams of The Citadel, College of Charleston, and Charleston Southern University taking center stage.

Charleston also plays host to many high-profile sporting events throughout the year. The annual Family Circle Cup Tennis Tournament, a WTA Tier 1 event, is played at the Family Circle Tennis Center (capacity 10,200) on Daniel Island. The 2008 tournament was attended by 90,473 people with a \$25 million economic impact. Kiawah Island's world-class Ocean Course has been selected to host the 94th Annual PGA Championship in 2012. Finally, the annual Cooper River Bridge Run 10K hosted 40,000 runners in April 2009.



Serena Williams at the Family Circle Tennis Tournament

Competitive Posture. Charleston has won numerous accolades in recent years from esteemed business and travel publications. *The Milken Institute* ranked Charleston 10th among largest U.S. metros on its “2008 Best Performing Cities” list in September 2008. *Inc.* magazine placed Charleston 6th among mid-sized metros on its list of “Top US Cities for Doing Business.” Charleston was among the nation’s top 10 on the list of Best Cities for Technology Jobs in *Forbes* June 2009 edition. *Forbes* also listed Charleston in the top 25 on the list of America’s Strongest Housing Markets in their January 2009 edition. The *US Conference of Mayors* ranked Charleston first on its list of Most Livable Cities in June 2009. Charleston was honored in the October 2008 edition of *Conde Nast Traveler* magazine as the #2 destination on its list of the Top 10 US Travel Destinations, second only behind San Francisco.

The Charleston region offers a sizeable real estate portfolio for a mid-sized market, with over 9 million square feet in upscale executive buildings and offices. The 13.3 million square feet of retail space in the region is distributed between regional malls, strip centers, and the downtown Charleston central business district. Since 2000, over 3.5 million square feet of office space has been added to the Charleston region’s inventory. Vacancy rates are currently at 20 percent. The average lease rate for Class A office space is \$24.13 per square foot in the region, with an overall average of \$19.72 per square foot for all office space.

Over 20 industrial parks are strategically located throughout the Charleston region. As of the end of 2008, the Charleston region had over 29.6 million square feet of warehouse and flex space. Vacancy stands at 10.82 percent and average lease rates are \$4.18 per square foot for warehouse space, and \$5.39 per square foot for flex space.

The Charleston International Airport, no more than a thirty-minute ride from anywhere in the region, has experienced great growth in recent years. The mix of passengers has shifted away from its tourist base toward one increasingly characterized by business travelers. Daily non-stop service is available to 14 cities in the US including Atlanta, New York, Charlotte, Philadelphia, and Washington DC.

MAJOR COUNTY INITIATIVES

Charleston County’s initiatives in fiscal year 2009 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.

Economic Decline Sparks Record Demand for Library Services: Charleston County Public Library's (CCPL) 16 locations experienced record growth and service demand in FY09, partially fueled by the economic decline that drove residents to seek cost-effective alternatives and job assistance.

Job seekers turned to the library's resources, including public access computers, databases, educational and computer training classes, employer research, and skill assessments, to find employment opportunities, get resume help and learn skills required by prospective or current employers. This influx played a role in the library's 10 percent jump in circulation to 3.8 million items and 5 percent rise in user visits to 2.2 million compared with the previous year.

Charleston County Public Library is one of the best library systems in the nation, according to a new rating system measuring library services of 7,115 systems across the country.

Library Journal, the oldest and most respected publication in the field, named CCPL a "star" library in April 2009, putting it in the top 3 percent of library systems throughout the country. This first-ever service comparison clusters libraries with similar operating budgets then rates the libraries in four main categories: number of visitors, circulation, program attendance and public Internet computer use.



Charleston County Posts Monthly Transactions Online: In an effort to be even more transparent in its expenditures, the County posted its monthly accounts payable transactions on the County's Web page.

The report includes payments over \$100, and is updated monthly. It includes the vendor name; invoice date; description of the transaction; the department/office responsible for the transaction; the budgetary account used to pay for the transaction; the check amount; and the date the check was issued.

The report excludes information protected by the S.C. Freedom of Information Act (FOIA) and the federal Health Insurance Portability and Accountability Act (HIPAA).

Online Services Make Building Permitting Easier: To improve services, the County implemented a new online permitting and inspection system that allows the public to: pay for, apply for and check the status of permits; schedule and check the status of inspections; pay for, renew and inquire about Charleston County contractor licenses; and search properties for permits, inspections and plan status.

The online records are limited to the areas that the County's permitting and inspection departments serve, which include the towns and municipalities of Awendaw, Kiawah, Meggett, Ravenel, Rockville, Seabrook and unincorporated areas within Charleston County.

Citizens can also search and renew business licenses online for the municipalities of North Charleston, Awendaw, McClellanville, Rockville, Lincolnville, Folly Beach and unincorporated areas within Charleston County.

The saving of gas, time and mileage by being able to access services online results in a better bottom line for businesses and the public. In the future, the flexibility of the system will allow the County to accept plans for submission and review online.

Charleston County Fleet Equipment Repair Facility: Charleston County opened the doors of the new Charleston County Fleet Equipment Repair Facility. The repair garage staff maintains and repairs vehicles belonging to Charleston County Government. Charleston County's Radio Operations and the Parts Warehouse are also housed in the facility.

The facility highlights Charleston County Government's commitment to quality service to our citizens by assuring that our County equipment is in good working order.



Consolidated 911 Center Moves Forward: The plan to consolidate county-wide 911 dispatch operations met several major milestones during fiscal year 2009. Following an extensive search, a Consolidated 911 Center director was hired, and the administrative joining of the County's Sheriff's Office and EMS 911 dispatch operations took place, officially forming the County's Consolidated 911 Center.

The city of North Charleston dispatch staff then relocated into the County's current 911 center to begin cross-training. An architecture and design firm was also selected to begin planning the future Consolidated 911 Center facility.

The Charleston County Consolidated 911 Center currently dispatches for: the Charleston County Sheriff's Office; Charleston County Emergency Medical Services; the Charleston County Volunteer Rescue Squad; Awendaw Fire Department; St. Pauls Fire Department; Lincolnville police and fire departments; and the city of North Charleston police and fire departments.

Charleston County Equips 911 Call Center with Pictometry: Charleston County Government implemented software that will help County workers more effectively respond to emergencies. While software mapping is still the primary tool to show directions to an incident, the County is now using a new tool called Pictometry to do the job. Pictometry allows dispatchers to view an actual photo image of the buildings and surrounding area where an emergency responder is being sent.

For years, 911 dispatchers have used paper maps and mapping software to assist EMS, fire and law enforcement personnel get to a location in a timely manner. Now, the image of the building or area where a 911 call originates comes up automatically on the dispatcher's computer screen as soon as a call comes into the dispatch center.

At any point during a call, dispatchers viewing the Pictometry images can tell emergency responders about a building's size, the type of intersection to look for, or obstacles they may face. Pictometry allows the 911 dispatcher to view an incident scene from the north, south, east, west and directly above, to provide a 360-degree view of any area within Charleston County.

Promoting Emergency Preparedness: The pilot **Teen Community Emergency Response Team (CERT)** program took six West Ashley Middle School eighth grade students through 10 weeks of emergency response training. The goal of Teen CERT is to better prepare the community at an earlier age and offer positive extracurricular activities to the youth of Charleston County. The students in the pilot program learned how to identify the types of disasters and hazards most likely to affect their homes, schools and communities. Based on the success of the pilot program, County staff plans to continue the course for teen-agers. The local program is based on the FEMA CERT national curriculum, where young adults ages 13-18 are trained to assist in the event of an emergency or natural disaster, and to be prepared to assist their families and emergency services.



Transportation Solutions:

Construction Begins on Folly Road/Maybank Highway Intersection: In FY09, Charleston County began construction on one of the 13 major bonded projects: improvements to the intersection of Folly Road and Maybank Highway on James Island.

The intersection design addresses the dangerous left turns from Old Folly Road onto Maybank Highway and from Folly Road onto Old Folly Road. The new design includes mast-arm signals (stoplights) to be added to the intersections to allow traffic to turn safely from Old Folly Road onto Maybank Highway and from Folly Road onto Old Folly Road.

New, landscaped medians with lighting and irrigation will be added to Maybank Highway, Folly Road and Old Folly Road. Sidewalks with pedestrian lighting will be added along Maybank Highway, Folly Road and Old Folly Road.

The entire project area will be repaved and will have new pavement markings including crosswalks and signs. New stormwater drainage facilities will also be added, including a new 60-inch drainage pipe crossing underneath

Maybank Highway and continuing under Wappoo Creek Drive, and all new curbs and gutters along the project area.

The project is expected to be completed by the spring of 2010.

Road Work Improves Safety Along Highway 162: One of the many annual allocation projects Charleston County completed in FY09 was the addition of a new left-turn lane on Highway SC 162 at the entrance of the Stono Ferry subdivision. Previously, motorists traveling south on Highway SC 162 from US Highway 17 toward the town of Hollywood had to stop behind vehicles trying to turn left into the subdivision, creating an unsafe and inconvenient situation

The improvement project widened SC 162 from two to three lanes to allow for the creation of a left-turn lane into the Stono Ferry subdivision. By widening SC 162 and creating a left-turn lane, motorists can now safely continue straight on SC 162 past vehicles turning left into the subdivision.

The project, which was requested by the town of Hollywood, took five months to construct and cost approximately \$610,000 including design, right-of-way acquisition and construction. The 1,700 foot-long project also improved the road's drainage by replacing open ditches along the roadside with curbs and gutters leading to drainage pipes.

Protecting Our Resources:

16 Rural Greenbelt Projects Protect 3,516 Acres: During FY09, County Council approved rural applications that were submitted to the Greenbelt Bank Board during three funding cycles. Overall, the Greenbelt Bank Board received 18 project funding requests and made recommendations to Charleston County Council to fund 16 projects that resulted in: 3,516 acres protected (rural greenbelt land, Francis Marion Forest land, and rural wetlands) and \$14.1 million in rural funding. Of the rural funds awarded, \$9.5 million will be used to purchase 731 acres for public use.

15 Projects Provide 174 Acres of Urban Parkland and Greenspace: During FY09, three municipalities and three nonprofit organizations received funding from Charleston County's Urban Greenbelt Program. The Urban Grants Review Committee reviewed the urban greenbelt applications and made recommendations to the Charleston County Park and Recreation Commission (CCPRC). Based on the committee's recommendations, the CCPRC reviewed the projects and made funding recommendations to Charleston County Council.



This property in Awendaw will be a Charleston County Regional Park with public access to the Intracoastal Waterway.

County Council approved \$4.3 million for 15 urban greenbelt projects, which resulted in 174 acres preserved for urban parks and greenspace.

County Adopts 10-Year Comprehensive Plan Update: Charleston County Council adopted the 10-year update of the County's Comprehensive Plan as a result of the state mandated 10-year update cycle, the need for the County to conform to new state statutes (*The Priority Investment Act*) that require additional elements in the Comprehensive Plan, and a response to changing economic and growth trends.

The Charleston County Planning Commission directed the update process and was assisted by a team of consultants who evaluated trends and aided in drafting the document. The update process included four key phases with a public participation element between each phase: (1) data collection and analysis; (2) policy development; (3) draft plan document; and (4) adoption.

Council Analyzes Future of Solid Waste Management: In FY08, County Council hired a consultant to work with

the Green Ribbon Committee (community residents and experts) to develop a comprehensive solid waste strategy for the County. After an initial analysis of how solid waste is managed by the County, as well as best practices, cost and solid waste disposal innovations, Council voted not to renew the Montenay Waste-to-Energy Facility (incinerator) contract in calendar year 2010. It also directed the County to proceed with development of programs aimed at achieving a 40 percent county-wide recycling goal; to aggressively develop public/private partnerships for recycling and disposal; and to continue to utilize Bees Ferry Landfill and explore public/private partnerships.

County Council, staff, the consultant and the Green Ribbon Committee continue to work toward developing concrete strategies to handle solid waste disposal in the County.

County Supports Lowcountry Local First 10% Shift Campaign: Charleston County Council passed a resolution this year supporting Lowcountry Local First's 10% Shift Campaign, which is a grassroots movement that encourages individuals, businesses, non-profit organizations and government agencies to spend at least 10 percent of their purchases with local, independent businesses.

In 2007, Charleston County Council approved a local preference option. The ordinance allows the lowest local bidder for goods or services that is within five percent, or \$10,000 of the lowest non-local bidder, to match the bid amount submitted by the non-local bidder and get the contract.

Based on a recent study of the Grand Rapids, Mich. area (similar in size to the Tri-county area) by Civic Economics, Lowcountry Local First estimates that a commitment to shift 10 percent of purchases to local, independent businesses in the Tri-county area could create 1,600 jobs, reducing unemployment by 0.5 percent; generate \$50 million in new wages; and create \$140 million in new economic activity for the region

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 1.64 percent for the year ending June 30, 2009. 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 \$170,644,242 at June 30, 2009, all 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 76.

Risk Management. The County has a limited risk management program for vehicle comprehensive and collision. As part of this plan, the County has a mandatory defensive driving training class for new employees operating County vehicles, and a refresher defensive driving training class for those county drivers who have experienced a chargeable accident. 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 on those items exceeding \$2,500. All heavy equipment claims have a 2 percent of value deductible. 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 1991, 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 large deductible plan with the 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 106.

Pension and Other Post Employment Benefits. Charleston County participates in the State of South Carolina Retirement System. All regular 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 119 of this report.

The County also provides post-employment 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-employment benefits is shown

in Note IV.G. of the Notes to Financial Statements starting on page 116.

Awards and Acknowledgements. The GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting for the 21st consecutive year to Charleston County for its fiscal year 2008 Comprehensive Annual Financial Report. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting given to governments that demonstrate a constructive "spirit of full disclosure" to communicate clearly the County's financial story.

Charleston County also received its 20th consecutive Distinguished Budget Presentation Award for its fiscal year 2009 budget from the Government Finance Officers Association of the United States and Canada (GFOA). According to the GFOA, the award reflects the commitment of Charleston County Government and its staff to meeting the highest principles of governmental budgeting. The award was given based not only on how well the County budgets its funds, but also on how well it communicates to the public how the money is spent.

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.

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 Finance Department. Special thanks go to the team headed by Carla Ritter, who with the assistance of Dolores Dong, Scott Bartley, Chrisanne Porter, and Summer Gillespie of the Finance Department 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 and Catherine Ksenzak 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 and Jeanette Williams from Grants Administration; Bill Turner and Jackie Proveaux from the Public Works Department, Danica Goff of the Public Information Office and, Ashley Keen of the Economic Development Office. Much appreciation also goes to Dawn Murray of the Finance Department who prepared the financial notes, 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 Assistant County Administrator for Finance. Thank you's are also extended to the staff of Scott McElveen, L.L.P, 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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