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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, 2010.

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 and Company LLP, 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, 2010, 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, 2010, 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 hearing(s) 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. 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. County Council may effect changes in fund totals through amendment to the budget ordinance directive or the County Administrator has the authority to change fund totals, with the exception of the General Fund, if revenues differ from the budget.

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 2009 were reported by the Charleston Metro Chamber Economic Outlook Board in March of 2010. 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 2009 population in the metro area to be 659,191, meaning that the percentage growth from 2000 to 2009 has been 20 percent. The percentage growth is significant as it surpasses the State of South Carolina's growth (13.7 percent) and the United State's growth (9.1 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 31 percent, from 245,940 to 322,308 persons as of 2009. As of June 2010, the Charleston region is experiencing 8.6 percent unemployment, compared to the state of South Carolina at 11 percent.

*Housing*-A total of 8,702 homes were sold in the Charleston region in 2009, which was an increase of 10 percent from the previous year. The forecast, by the Charleston Metro Chamber of Commerce's Center for Business Research, is for sales to increase by 12.7 percent in 2010.

*Retail Sales*-Total retail sales for the Charleston area declined 13 percent in 2009 over the previous year, totaling \$16.28 billion with over \$11 billion of that total being spent in Charleston County.

*Visitor Industry*-The Charleston region attracted over 3.93 million visitors in 2009, generating an economic impact of \$2.8 billion. Hotel occupancy rates were 72.7 percent for the year, and the average daily rate for lodging was \$177.35 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*- The Port of Charleston is consistently recognized as one of the nation's most efficient and productive ports. In 2009, the Port of Charleston handled 1.28 million TEUs (twenty foot equivalent cargo containers) and breakbulk cargo totaled 585,013 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 6 percent in 2009. By comparison, passenger activity declined 17 percent in Savannah and 5 percent in Myrtle Beach. Passenger activity is expected to increase with the addition of low cost carrier Southwest Airlines in early 2011. The arrival of Southwest is expected to have an annual economic impact of \$139 million in Charleston and serve 200,000 annual passengers.

## BRIEF SECTOR PROFILES

**The Port.** The Port of Charleston is one of the busiest container ports of the U.S. East and Gulf Coasts and is also one of the nation's most productive and efficient ports. 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 State Ports Authority (SPA) fiscal year 2010 and 2011 capital improvement program calls for \$217.2 million in enhancements and equipment for new and existing facilities.

The Charleston customs district ranks as the nation's ninth largest in dollar value of international shipments, with the Port of Charleston's cargo valued at nearly \$45 billion in 2009. 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 470 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 280,600 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 437<sup>th</sup> 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 \$2.6 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 841<sup>st</sup> Transportation Battalion both transport equipment to support the war efforts. The U.S. 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 has been impacted by the nationwide recession, however. Charleston recorded 3.93 million visitors in 2009 (down from 4.12 million in 2008), providing an economic impact of \$2.8 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 14,754 at the end of 2009 with a 72.7 percent occupancy rate and an average daily rate of \$177.35 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 tourist 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. The cruise business has an estimated \$37 million annual impact on the Charleston market.

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 \$170 per day in 2009 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 10 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 2,514, with over 1,300 faculty members being employed. In 2009, MUSC received over \$200 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.

Several of the private hospitals are currently in a growth mode. Roper St. Francis Healthcare, a not-for-profit hospital group, broke ground on a new medical campus in the Mt. Pleasant area in May 2008. The 308,000 square-foot, \$164 million campus will include a medical office building (90,000 square feet, \$21 million) and a state-of-the-art hospital (218,000 square feet - \$143 million). The 85-bed full-service hospital is opening on November 1, 2010. The hospital will include 24-hour emergency care, women's services, inpatient and outpatient surgery, and intensive and critical care units. East Cooper Regional Medical Center also opened a new hospital on April 1, 2010, in Mt. Pleasant to replace its existing facility. The new 250,000 square-foot hospital cost \$160 million to build, and is 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.

**Manufacturing and Service Companies.** Driven by The Boeing Company aircraft assembly facility announcement, fiscal year 2010 proved a historic new high watermark in economic development, as Charleston County businesses broke all previous single-year records, creating 5,057 new jobs and investing \$985.5 million. This performance earned the #1 ranking in both job creation and capital investment among South Carolina's 46 counties, according to the S.C. Department of Commerce. This marked the 13<sup>th</sup> time, since the inception of the economic development program in 1993, that the County placed in the top ten in one or both of these categories, and the second time the County placed first in both categories. This record-breaking year pushed Charleston County over two previous high watermarks, as its cumulative capital investment reached \$3.8 billion and the creation of over 21,500 new jobs

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 Mount 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



*Aerospace and Aviation*-The date of October 28, 2009, is now forever etched in Charleston County and South Carolina history books as the day that The Boeing Company announced that it had chosen North Charleston as the location for a second final assembly site for the 787 Dreamliner program. Boeing's selection of Charleston was the largest economic development announcement in South Carolina history, featuring a commitment to create 3,800 direct jobs and make a minimum \$750 million capital investment. Even as the complex goes vertical, a recent economic impact study valued Boeing's future economic impact to South Carolina's economy at \$6.1 billion each year, with an additional \$3 billion to state tax revenues over the next 30 years. The impact on just the Charleston region accounts for \$5.9 billion of the total, including more than 15,000 direct, indirect, and

induced jobs that will be created as a result of Boeing's presence.

Beyond the numbers, the Boeing announcement is a "game-changer" for Charleston, which joins the elite ranks of Everett, WA and Toulouse, France as cities where wide-bodied commercial aircraft are manufactured. The announcement was one of the largest in the United States during 2009, and garnered several accolades from industry publications. *Area Development* magazine awarded the state of South Carolina with one of its prestigious Silver Shovel awards, and *Site Selection* magazine named it among the Top Ten deals of 2009.

Construction of the 787 Final Assembly Facility campus has progressed in earnest since the November 2009 ground-breaking. The ribbon-cutting is slated to occur in July 2011, with aircraft production slated during the first quarter of 2012. The nearly one million square-foot assembly building will be accompanied by a visitor's center, a tail fin and rudder facility, an enlarged employee training center, and a state-of-the-art delivery center where aircraft customers will be entertained, delivery ceremonies held, and where the finished airliners will be presented.

This latter function deserves further mention, because the 787 Delivery Center will present unprecedented cultural and economic opportunities for the Charleston area. Heads of state, aircraft executives, and many guests comprising the international delegations will journey to Charleston to be entertained and to take part in week-long ceremonies marking the delivery of their aircraft fleets. Extensive hospitality industry impacts are anticipated, along with vast opportunities for local service providers and very significant consumerism by the international visitors.

*Automotive Manufacturing*-In 2010 the automotive sector continued to struggle amidst the recession and the overall slump in consumer auto purchases. Numerous layoffs occurred among the automotive supplier firms in Charleston during 2009, but in 2010 these layoffs tapered off and some firms began recalling employees. The Daimler Sprinter re-assembly facility in Ladson was among those recovering, with Sprinter sales recovering along with the improving financing climate. Cummins Turbo Technologies announced layoffs during late 2008 and spring 2009, but retained a sizeable workforce producing the Dodge Ram turbocharger engine at their Palmetto Commerce Park facility in Ladson. The world leader in cooling systems for the large truck market, Behr Heat Transfer Systems announced an expansion at their North Charleston facility in 2010, adding 75 new employees.

*Biotech, Medical & Pharmaceutical Activities*-In December 2009, The Innovation Center, a bio-tech incubator

collaboration between the S.C. Research Authority, the Medical University of South Carolina, and the City of Charleston celebrated its grand opening. The Innovation Center is equipped with 11 high-tech labs for use by its entrepreneurial tenants. This facility is being hailed as a critical piece of infrastructure in the commercialization of pharmaceutical discoveries emanating from the Medical University of South Carolina.

*Information Technology and Advanced Security* - Information technology companies continued to expand in Charleston during 2010, anchored by nationally known companies servicing research and development contracts from the U.S. Navy's Space and Air Warfare Systems (SPAWAR) Center – Atlantic. SPAWAR employs 3,100 at present, and has a \$2.6 billion annual impact in Charleston, according to a 2009 study by the Darla Moore Business School of the University of South Carolina. It affects an additional 24,631 employees in Charleston and across the remainder of the state, and accounts for some 40 percent of all electrical engineers statewide. In May 2010 ground was broken on a new 20,220 square-foot Consolidated Engineering Laboratory. The past year was marked by further growth in the sector, typified by Scientific Research Corporation, which announced that it would add another 150 new employees at its Remount Road facility.

*Creative Cluster* - Charleston has been a magnet for a growing list of small internet-related companies and movie-making expertise. Lifetime series "Army Wives" has recently completed filming its fourth season in Charleston, and has announced that they will continue to film in Charleston for season five. A study of the creative cluster was recently completed by Regional Technology Strategies to determine its impact on Charleston. The study found that there are 18,698 people working in the creative industries in Charleston. Another 8,617 people are creative workers who are employed in non-creative industries. The hourly wage associated with creative industries in Charleston is \$18.35 per hour, surpassing the region average hourly wage for all jobs of \$17.17. The creative industries contributed \$1.4 billion in gross sales to Charleston's economy in 2009, which was equal to 3 percent of all sales in the region.

**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 14,834 students; College of Charleston, with 11,772 students; Charleston Southern University, with 3,236 students; The Citadel, with 3,339 students; and Medical University of South Carolina with 2,514 students.

## **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's history spans over 300 years 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. Familiar scenes in historic downtown Charleston are sightseeing pedestrians and 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 hosts 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 employ 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 2010 tournament was attended by 95,767 people with a \$25 million economic impact. The Cooper River Bridge Run 10K hosted over 38,000 runners in April 2010. Kiawah Island's world-class Ocean Course has been selected to host the 94<sup>th</sup> Annual PGA Championship in 2012.

**Competitive Posture.** Charleston has won numerous accolades in recent years from esteemed business and travel publications. Charleston was named one of the Top Ten Places to visit before you die by Andrew Harper. *Inc.* magazine placed Charleston 6<sup>th</sup> among mid-sized metros on its list of "Top U.S. Cities for Doing Business." Charleston was among the nation's top ten 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 United States Conference of Mayors ranked Charleston first on its list of Most Livable Cities in June 2009.



Caroline Wozniacki  
Family Circle Cup

The Charleston region offers a sizeable real estate portfolio for a mid-sized market, with over 9.3 million square feet in upscale executive buildings and offices. The 19.3 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 17.4 percent. The average lease rate for Class A office space is \$23.13 per square-foot in the region.

Over 20 industrial parks are strategically located throughout the Charleston region. As of the end of 2009, the Charleston region had over 40.1 million square feet of warehouse and flex space. Vacancy stands at 13.8 percent and average lease rates are \$4.18 per square-foot for warehouse space, and \$6.27 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 U.S. including Atlanta, New York, Charlotte, Philadelphia, and Washington D.C.

## MAJOR COUNTY INITIATIVES

Charleston County's initiatives in fiscal year 2010 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.

**Lawrimore Park Dedicated:** Bordered by Meeting Street, the Historic Charleston County Courthouse, the O.T. Wallace Office Building and the Blake Tenement house, Lawrimore Park was named in honor of the late Charleston County Council Chairman, Barrett S. Lawrimore. The park is open to the public. Barrett S. Lawrimore served on Charleston County Council from 1992 to 2004, and as Council Chairman from 1996 to 2001 and again in 2004.

**Detention Center Expansion:** The Charleston County Detention Center expansion was completed in March 2010. The approximately 332,000 square-foot building increased the total size of the Detention Center to 512,251 square feet. It also increased the inmate capacity by 1,334, which increased the total inmate capacity of the Detention Center to 2,112 (does not include the Work Camp or Juvenile Detention Center). The expansion consists of a four-story jail housing and support building. The first floor contains a new kitchen, laundry, medical clinic and infirmary, a space for processing inmates in and out of the building, administrative space, and one housing unit. The upper three stories contain 20 housing units and administrative office space. All new housing units are dormitory-style, with each unit housing 64 inmates supervised by



one officer. An additional 55 detention officers and staff positions were created to staff the expanded areas, which brings the total number of Detention Center employees to 466. The total cost of the project was \$100 million, which is approximately 40 percent less expensive than a traditional detention facility.

**9-1-1 Center Takes Major Steps toward Full Consolidation:** This year, after extensive cross-training of former Sheriff's Office and Emergency Medical Services (EMS) dispatchers and technology changes, a pool of call takers began receiving law, fire and medical calls. Prior to the change, calls for the Sheriff's Office would go to one set of dispatchers and calls for EMS and fire would go to another. These dispatchers often juggled gathering information from the caller while providing that information over the radio to responders, which created some confusion and inefficiency. Now, a pool call taker receives a call, determines if it is a law, fire or medical event (or any combination of the three) and asks questions using a computer program designed specifically to address each type of incident. While the call taker gathers information, a computer generated incident report is sent to a dispatcher who is assigned to talk to law, fire or medical responders via radio. This efficiency allows the call taker to remain on the line with the caller to gather more information and to provide additional scene safety and/or medical instructions while responders are being sent by the dispatcher. This change also eliminates some of the delay and potential for lost calls caused by transferring. The Charleston County Consolidated 9-1-1 Center currently dispatches for 11 municipalities and/or special purpose districts.

**National Flood Insurance Program Community Rating System:** Charleston County Government has received an enhanced flood insurance rating of Class 4 under the National Flood Insurance Program Community Rating System. The new rating translates into significant annual flood insurance cost savings to citizens who live in the unincorporated areas of Charleston County. Under the federal Community Rating System (CRS), a Class 4 rating means that residents who live in the unincorporated areas of Charleston County will receive a 30 percent discount on their flood insurance bill. As of May 2010, an average household saved approximately \$202 per year on flood insurance premiums. Charleston County is one of only four communities in the U.S. that has obtained the elite Class 4 rating, and only four communities in the nation have a better rating than Class 4. Charleston County is the only community east of the Mississippi River that has achieved this level of flood insurance premium discounts, and is the only community with a Class 4 rating or better in the coastal Atlantic hurricane region and the Federal Emergency Management Agency's (FEMA's) Southeast Region (Region IV). The CRS is an insurance rating program that recognizes local governments for activities they perform to reduce the potential for flood losses within the community, and rewards residents and business owners within those communities with flood insurance premium discounts based on the rating of the local government's program.



*Two young patrons greet a traveling Lincoln impersonator after a one-act play about the life of our 16<sup>th</sup> president.*

**Library Services:** Charleston County residents received library services worth more than \$119 million last fiscal year, all part of Charleston County Public Library's (CCPL) continuing effort to ensure residents receive the best possible service and the biggest return on their investment. Many residents sought help at the library for the first time and were part of the nearly 40,000 new library card registrations last year.

Nearly 4 million items were checked out at CCPL last year, and user visits reached approximately 2.3 million. During the summer, more than 16,000 children, young adults and adults took part in Summer Reading, an 85 percent jump in just five years. To meet the demand with a smaller budget, the library implemented multiple actions to save money, streamline services and help patrons become more self sufficient. Other major changes include the addition of downloadable audio books to the library's Web site, [www.ccpl.org](http://www.ccpl.org), the expansion of Wi-Fi capability at ten of the library's 16 locations and the ability for patrons to get reference help through text messages in addition to telephone, e-mail, instant message, and live online chat.

## Transportation Solutions:

The Charleston County RoadWise Program has been extremely busy since voters approved 13 transportation improvement projects through Transportation Sales Tax bond referendums in 2004 and 2006. Since then, every project has gone through at least the public meeting and design phase, with several major projects rolling out for construction in 2010.

The first major bonded project, **Folly Road/Maybank Highway Intersection Improvements**, was completed on James Island. The project, which was completed on schedule, came in under budget at \$4.5 million. The project was requested by the City of Charleston and was approved by voters in the first Transportation Sales Tax bond referendum.



During the past year, construction began on two additional bonded projects.

The **Bee Street and Courtenay Drive** project which is expected to be completed in less than a year, will improve traffic flow into and around the medical campus of MUSC and surrounding areas during peak hours, and provide drainage relief along the Bee Street area. The Bee Street and Courtenay Drive Improvement Project was requested by the City of Charleston and approved by voters in the second Transportation Sales Tax bond referendum. The County is closely coordinating its efforts with MUSC (university and hospital), the Ralph H. Johnson V.A. Medical Center and Roper St. Francis. A major feature of the \$4.8 million project is the conversion of Courtenay Drive from Spring Street to Cannon Street from two-way traffic to one-way southbound traffic that will increase the flow of traffic entering the medical area from U.S. 17.

The **Glenn McConnel Parkway/I-526 Interchange** is expected to be completed by April 2011, at a cost of 6.8 million, consists of improvements to Glenn McConnel Parkway at its interchange with I-526 and intersection with Magwood Road in West Ashley. The project extends along Glenn McConnel Parkway from Orleans Road west to Essex Farm Drive (just beyond Charlie Hall Boulevard) and includes adding an additional lane in each direction and intersection improvements. The County is working to minimize effects on Bon Secours St. Francis Hospital and other business impacted by the project. Pedestrian and bicycle access is an important component of the project, with a five-foot-wide concrete sidewalk added along Magwood Drive to connect to the existing sidewalk and crossing signals installed on both sides of Glenn McConnel Parkway to allow for safe crossing.

**Other Projects Improving Transportation:** Many additional road improvements are being implemented by Charleston County Government through annual funding allocated by Charleston County Council to smaller projects throughout the community. Including roads and streets which have been resurfaced, 193 projects have been completed by the program so far. Projects are funded in the following categories: bicycle and pedestrian paths; drainage improvement projects; intersection improvement projects; and local paving projects. The projects include the completion of the I-526 East and International Boulevard turn lane, the U.S. 17 and Davidson Road intersection, and improvements to SC61 and Tobias Gadson Boulevard intersection.

## Protecting Our Resources:

**Urban Parkland and Greenspace:** During fiscal year 2010, County Council approved rural applications that were submitted to the Greenbelt Bank Board during four funding cycles. Overall, the Greenbelt Bank Board made recommendations to Charleston County Council to fund 18 projects that resulted in: 4,262 acres protected (rural greenbelt land, Francis Marion Forest land, and rural wetlands) and \$7.3 million in rural funding. Of the rural funds awarded, \$3 million will be used to purchase 650 acres for public use. Rural projects include areas such as the Ashley River Historic District, Awendaw, Edisto Island, McClellanville, and Ravenel.

Also during fiscal year 2010, the City of North Charleston and the Community Action Group for Encouragement (CAGE) 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. Council approved \$374,000 for three urban greenbelt projects, which resulted in six acres preserved for urban parks and greenspace.



**U.S. Forest Services Honors County for Greenbelt Conservation Partnership:**

The Southern Region of the U.S. Forest Service in Atlanta honored members of Charleston County Government's Greenbelt Program and staff of The Nature Conservancy of South Carolina with a Partnership Award for innovation and leadership in partnering to acquire critical landholdings. According to the Forest Service, the granting of funds from a county government to the federal government was unprecedented. The Forest Service applied for and received greenbelt grant funds of \$200,000 for the Murrell tract, a 96-acre tract between two wilderness areas. Closing on the property occurred on September 20, 2007. The Nature Conservancy

applied for and received grant funds of \$632,700 for the Bulls Bay tract, a 196-acre total in-holding threatened by development along the Highway 17 corridor.

Charleston County Greenbelt funds of over \$4.8 million have protected more than 1,100 acres for public access in the Francis Marion Forest. The partnership created between The Nature Conservancy, the County's Greenbelt Program, and the Forest Service will continue to achieve positive outcomes for residents of Charleston and nearby counties, as well as the visiting public.

**County Expands Curbside Recycling to Include Cardboard and All Plastics:** As part of County Council's Green Initiatives program aimed at increasing the County's recycling levels to 40 percent, the County expanded the type of materials it accepts. The County now accepts corrugated cardboard, under three by three feet in size, as part of its residential curbside recycling program. In addition to cardboard, all paper items to include envelopes with plastic windows, gift wrapping paper, etc. are now being accepted.

The County also announced that it now accepts all containers with the plastic designation #1-7. That means all plastics, except plastic wrap, plastic bags (called plastic film within the recycling industry) and styrofoam, will be collected and marketed. Previously, only #1 and #2 plastic bottles were collected, sorted and packaged at the Charleston County Recycling Center.

**Charleston County Recertified as "TsunamiReady" and "StormReady" by NOAA's National Weather Service:** Charleston County Government has successfully completed a set of rigorous warning and evacuation criteria necessary to renew the County's distinction of being certified as TsunamiReady and StormReady. The County has been certified as being StormReady since 2001 and TsunamiReady since 2006, when the certifications were first available.



Both the StormReady and TsunamiReady community preparedness programs use a grass-roots approach to help communities develop plans to handle tsunamis, local severe weather, wave impacts and flooding threats, and help communities inform citizens of threats associated with each of these dangers.

## 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 1.0 percent for the year ending June 30, 2010. 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 \$241,486,771 at June 30, 2010, and 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 Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting for the 22nd consecutive year to Charleston County for its fiscal year 2009 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.

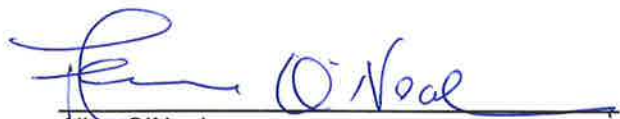
A Certificate of Achievement is valid for a period of one year only. We believe that Charleston County's current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Charleston County also received its 21st consecutive Distinguished Budget Presentation Award for its fiscal year 2010 budget from 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.

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, 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, Catherine Ksenzak and Scott Bartley 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 from Grants Administration; Jackie Proveaux from the Public Works Department; Danica Goff of the Public Information Office; and Ashley Keene of the Economic Development Office. Much appreciation also goes to Dawn Murray of the Finance Department who provided administrative support for the financial notes and the Management's Discussion and Analysis, as well as support to the external auditors. Substantial assistance also came from the staff members of the County Administrator and Assistant County Administrator for Finance. Thank yous are also extended to the staff of Scott and Company LLP, the external auditors, for their efforts in assisting the County produce 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.

A handwritten signature in blue ink, appearing to read "Allen O'Neal", written over a horizontal line.

Allen O'Neal  
County Administrator

A handwritten signature in blue ink, appearing to read "Keith Bustraan", written over a horizontal line.

Keith Bustraan  
Assistant County Administrator for Finance

A handwritten signature in blue ink, appearing to read "Corine Altenhein", written over a horizontal line.

Corine Altenhein  
Charleston County Finance Director