



**CITY OF NORTH CHARLESTON  
SOUTH CAROLINA**

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2012**

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**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**Year Ended June 30, 2012**

**INTRODUCTORY SECTION**

	<u>Page(s)</u>
Letter of Transmittal.....	i-xii
Certificate of Achievement for Excellence in Financial Reporting.....	xiii
List of Principal Officials.....	xiv
Organizational Chart .....	xv

**FINANCIAL SECTION**

Independent Auditors' Report .....		1-2
Management's Discussion and Analysis .....		3-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets.....	1	13
Statement of Activities .....	2	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet.....	3	15
Reconciliation of Fund Balances to Net Assets.....	4	16
Statement of Revenues, Expenditures and Changes in Fund Balances .....	5	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities.....	6	18
Proprietary Funds:		
Statement of Net Assets .....	7	19
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	8	20
Statement of Cash Flows.....	9	21
Notes to Financial Statements.....		22-49
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund .....	10	50-51
Budgetary Comparison Schedule – Coliseum Operating Fund.....	11	52
Budgetary Comparison Schedule – Tax Infrastructure Fund .....	12	53
Supplementary Information:		
Combining Fund Statements and Schedules:.....	<u>Statement/ Schedule</u>	
Nonmajor Governmental Funds:		
Fund Descriptions.....		54-56
Combining Balance Sheet.....	A-1	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	A-2	58
Nonmajor Special Revenue Funds:		
Combining Balance Sheet.....	B-1	59-62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	B-2	63-66
Nonmajor Capital Project Funds:		
Combining Balance Sheet.....	C-1	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	C-2	68
Individual Fund Schedules:		
Nonmajor Special Revenue Funds Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
Accommodations Tax Fund.....	D-1	69
City Accommodations Tax Fund .....	D-2	70
Community Development Block Grant Fund .....	D-3	71

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**Year Ended June 30, 2012**

**FINANCIAL SECTION (continued)**

Individual Fund Schedules (continued):

HOME Fund .....	D-4	72
Justice Assistance Grant Fund .....	D-5	73
Victims Advocate Fund .....	D-6	74
Maritime Fire Response Vessel Grant Fund .....	D-7	75
Weed and Seed Grant Fund .....	D-8	76
Parking Fund .....	D-9	77
State Ports Authority Mitigation Grant Fund .....	D-10	78
BJA Recovery Act Edward Byrne Memorial Competitive Grant Fund .....	D-11	79
Community Oriented Policing Services Hiring Grant Fund .....	D-12	80
SCDPS Hispanic Victim Advocate Grant Fund .....	D-13	81
SCDPS Court System Efficiency Grant Fund .....	D-14	82
EPA Brownsfield Grant Fund .....	D-15	83
Justice Assistance Recovery Act Grant Fund .....	D-16	84
FEMA Firefighter Assistance Grant Fund .....	D-17	85
Energy Efficiency Conservation Block Grant Fund .....	D-18	86
CDBG Recovery Act Grant Fund .....	D-19	87
SLED Lowcountry Regional Analyst Grant Fund .....	D-20	88
School Resource Officer Grant Fund .....	D-21	89
SLED Port Security Grant Fund .....	D-22	90

Debt Service Funds Schedules of Revenues, Expenditures  
and Changes in Fund Balances – Budget and Actual

General Obligation Bonds .....	E-1	91
Certificates of Participation .....	E-2	92
Installment Purchase Revenue Bonds .....	E-3	93

Capital Assets Used in Operations of Governmental Funds:

Comparative Schedule by Source .....	F-1	94
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**STATISTICAL SECTION**

**Table**

Net Assets by Component .....	1	95
Changes in Net Assets .....	2	96-98
Governmental Funds – Fund Balances – Last Ten Fiscal Years .....	3	99
Governmental Funds – Changes in Fund Balances – Last Ten Fiscal Years .....	4	100
Governmental Funds – Tax Revenues by Source – Last Ten Fiscal Years .....	5	101
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years .....	6	102
Direct and Overlapping Governments Property Tax Rates (Per \$1000 of Assessed Value) – Last Ten Fiscal Years .....	7	103
Principal Property Taxpayers – Current Year and Nine Years Ago .....	8	104
Property Tax Levies and Collections – Last Ten Fiscal Years .....	9	105
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years .....	10	106
Direct and Overlapping Governmental Activities Debt – As of June 30, 2012 .....	11	107
Legal Debt Margin Information – Last Ten Fiscal Years .....	12	108
Pledged Revenue Coverage – Last Ten Fiscal Years .....	13	109
Demographic and Economic Statistics – Last Ten Fiscal Years .....	14	110
Principal Employers – Current Year and Nine Years Ago .....	15	111
Full-Time Equivalent City of North Charleston Employees by Function/Program ...	16	112
Operating Indicators by Function/Program .....	17	113
Capital Asset Statistics by Function/Program .....	18	114

## **INTRODUCTORY SECTION**

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November 5, 2012

To the Council and Citizens of the City of North Charleston  
North Charleston, South Carolina

The Comprehensive Annual Financial Report (CAFR) of the City of North Charleston (the "City") for the fiscal year ended June 30, 2012 is hereby submitted for your review. This report was prepared by the City's Finance Department and it reflects the financial position and results of operations for the fiscal year ended June 30, 2012 in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City'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, the enclosed data is complete and accurate in all material respects and is reported in a manner designated to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required by state law to have an annual independent financial audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting 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 the financial statements of the City of North Charleston present fairly in conformity with GAAP, in all material aspects, the financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining funds at June 30, 2012, and respective changes in financial position and cash flows, where applicable, for the year then ended.

To the Council and Citizens of the  
City of North Charleston

The City is also required to undergo an annual Single Audit in conformity with provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, **Audits of State and Local Governments**. Information related to this Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, has been issued in a separate bound document.

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

## **CITY PROFILE**

The City of North Charleston is located in Charleston, Dorchester and Berkeley Counties, in the southeastern part of South Carolina. Incorporated in 1972, it is one of the State's youngest cities of significant size and has experienced consistent significant growth throughout its life. The City encompasses approximately 77 square miles and, through aggressive annexation, it has become the third most populous municipality in the State of South Carolina with an estimated population of 97,471, according to the 2010 Census. Census statistics as of June 30, 2012 reflect an estimated North Charleston population of over 100,000.

The City operates under the Mayor-Council form of government. The governing body is composed of a Mayor elected at large and ten Council members elected from ten individual, single-member districts. The Mayor is the chief executive and administrative officer of the City and the presiding officer of the City Council. The Council is the legislative body establishing policies for the City through the enactment of ordinances and resolutions governing all City affairs. The Mayor appoints department heads and staff members to assist in the administration of the daily operations and programs of the City.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. Such taxes are levied and collected by Charleston, Dorchester and Berkeley Counties and remitted to the City. The City is also empowered by state statutes to extend its corporate limits by voluntary annexation, which occurs periodically when deemed appropriate by Council.

The City provides services to its citizens in the following areas: police, fire, public works (sanitation), building inspections, parks and recreation, cultural arts, housing and community development, planning, zoning and code enforcement and general administration. The City also operates a coliseum, convention center, performing arts center, parking facilities, and a municipal golf course.

The annual budget serves as the foundation for the City's financial planning and control. The South Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year for all funds for which an annual budget is required. Activities for the General Fund, Debt Service Funds and Special Revenue Funds are budgeted annually with the exception of the Firemen's Insurance and Inspection Fund and the Anti-Drug Fund, both of which had no activity or, due to the specialized nature of the funds, had expenditures approved on a case by case basis. The annual budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department within an individual fund.

To the Council and Citizens of the  
City of North Charleston

The Mayor presents the proposed budget to Council for review, and after Council approval, a public hearing is then held on the proposed budget to hear suggestions. The Mayor may make transfers of appropriations within departments of individual funds, however, transfers between departments and/or funds require approval of the Council. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated budget has been adopted. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse but are brought forward to the new year and added to the budget adopted by City Council for that year. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## **FACTORS AFFECTING FINANCIAL CONDITION**

**Local Economy.** North Charleston's diverse economy is attributed to its unique blend of trade, manufacturing and service businesses and government. Local industry is characterized by the production of a wide range of products, including: paper, automobile components, health care, housewares, tools, machinery and electronics equipment and airplane components. Major non-manufacturing employers include those providing aerospace, defense, education, financial, transportation, marine, health care, food distribution and retail sales services. Area businesses have experienced continuing growth and development in the past year. This continued growth is indicative of the excellent market location of this area, which is served by major highways including Interstate 26, the Mark Clark Expressway (I-526), and U.S. Highways 17, 52 and 78. The City is also served by The Port of Charleston, an international container cargo port terminal, that ranks in the top eight busiest in the nation with cargo valued at more than \$58 billion in 2011. International trade through the South Carolina ports facilitates over 280,000 jobs across the State of South Carolina in the maritime, transportation, distribution and manufacturing industries while providing an overall economic impact of \$50 billion each year. The Port of Charleston also received financial commitment from both the Federal and State governments for its deepening of the harbor project with a hopeful completion by the year 2020.

North Charleston is part of a Metropolitan Statistical Area (MSA) that includes the City of Charleston, Town of Mount Pleasant and other areas of Berkeley, Dorchester and Charleston counties that features a population estimate exceeding 682,000 and a gross taxable sales estimate exceeding \$20 billion. North Charleston remains the State's municipal leader in retail sales for the past twenty years. In calendar year 2011, retail sales exceeded \$5.87 billion and surpassed any other city in South Carolina by over \$900 million. The City has over 4.5 million square feet of retail space, the largest four areas being the Tanger Outlet Center, Northwoods Mall, Northwoods Market Place and Festival Center. Residential construction for the area, measured by new building permit activity, has increased over 40% since 2000. The region has an estimated civilian labor workforce exceeding 336,000, which has grown by over 21% for the last ten years. The local unemployment rate of 8.5% as of June 30, 2012 is below the State average but slightly above the National average for the same time period.

The collaborative effort of the City of North Charleston's economic development division, Charleston County's economic development department, the Charleston Regional Development Alliance and the Charleston Metro Chamber of Commerce continues to be successful in attracting new businesses to the area. The U.S. Navy remains the largest employer in the area with over 11,000 employees, however six of the top fifteen employers in the MSA have headquarters in the City of North Charleston. Building permits issued during calendar year 2011 decreased 6% from the previous year but still provided for an



To the Council and Citizens of the  
City of North Charleston

estimated capital investment of over \$241 million during that same time period. Revenue collections from building permits issued for the fiscal year ended June 30, 2012 increased 17% to \$1,860,647.

Tourism remains a vital segment of the local MSA economy. Overall hotel/motel occupancy rates held steady from calendar year 2010 to 2011. Hotel/motel room inventory exceeds 6,900 rooms in the City of North Charleston as of the calendar year ending 2011. This total represents over 40% of the total room inventory available in Charleston County and most of the growth is attributable to the City Center TIF District redevelopment area. In the last five years, hotel expansion in North Charleston has added over 1,000 rooms.

In September 2012, the Charleston Aviation Authority, which manages the Charleston International Airport located in North Charleston, announced it had secured incentive deals to lure JetBlue Airways to the airport. JetBlue announced plans to begin servicing the airport in February 2013 with nonstop service to New York and Boston. This follows a similar deal reached with Southwest Airlines in 2011 which began providing nonstop service to Nashville, Baltimore, Chicago and Houston. In March 2012, the Charleston Aviation Authority announced that the 27 year old terminal will get a makeover under a \$150 million renovation and expansion plan which includes the addition of six more gates allowing the airport to handle more airplane and passenger traffic. These announcements and new airport services will only lead to an increase in tourism in the area along with likely business development projects.

**Coliseum, Convention and Performing Arts Center.** In September 1997, the City issued certificates of participation (COPS) to finance the construction of a Convention and Performing Arts Center that connects with the existing North Charleston Coliseum. The Convention Center has over 202,000 square feet, including: 135,000 square feet of exhibit space, a 25,000 square foot ballroom (divisible into six separate rooms), 20 meeting rooms with seating capacities ranging from 50 to 200 people, a full service kitchen/concessions and ample on-site parking. The Performing Arts Center has over 2,300 cushioned seats, full production capabilities, an in-house sound and lighting system, a 110 foot by 40 foot stage, eight dressing rooms, and complete food and beverage services. The Coliseum hosts various events ranging from college basketball, NBA and NHL exhibition games, professional ice skating, Olympic gymnastics, concerts and Walt Disney productions. It has been the home facility for the South Carolina Stingrays hockey team (three-time Kelly Cup Champion) for the past nineteen years.

In October 2009, the Mayor and City Council approved a comprehensive renovation project to facilitate improvements to the North Charleston Coliseum at an estimated cost of over \$20,000,000. Plans include additions to the north and south entrances that will provide new food court and concession areas designed to accommodate more patrons. These concession area changes will help spur along the renovation of existing concession areas into new corporate suites. Other improvements include the replacement of the current sound system along with the addition of new catwalks with wider platforms capable of providing expanded rigging for spotlighting of larger events, and retrofitted box seats with kitchen areas. Construction of the new concession area in the southern end of the Coliseum was completed in September 2011. Renovations to the corporate suites were completed in early 2012. Improvements to the northern end of the concession area, estimated at a cost of over \$8.5 million, is projected to be complete by early 2014.

The City also expanded event space to the Coliseum during 2011. The project known as the Montague Terrace added over 7,400 square feet that will be used as an entertainment venue for small concerts, theater performances and comedy shows. It will also be used as event space for private receptions and as a food court for the other Coliseum events. Montague Terrace was built for LEED Silver Certification

To the Council and Citizens of the  
City of North Charleston

by the U.S. Green Building Council making it one of the largest eco-friendly event venues in the Charleston area.

The Charleston Area Convention Center Complex has been awarded the State of South Carolina Governor's Cup, which is presented annually by the South Carolina Department of Parks, Recreation and Tourism to an outstanding organization that has demonstrated a significant economic impact on the state and local community and has noticeably improved the quality of life for South Carolina. The Complex hosts over 300 events annually (concerts, athletic contests, conferences, graduations, tournaments, etc.), many of which were held over several days or weeks with attendance exceeding 500,000. During the last ten years, over 2,600 additional hotel rooms have been added due to construction near the Complex which assists in the City's efforts to attract quality events and conferences that will have a significant financial impact to the local economy. According to studies prepared by the Charleston Area Convention and Visitors Bureau, estimates are that the total economic impact to the Charleston area by events held at the Charleston Area Convention Center Complex amounts to over \$75 million annually. Direct tax revenue for the Complex is estimated at over \$6 million annually.

**Municipal Golf Course.** During 1999 through 2001, the City of North Charleston constructed a twenty-seven hole municipal golf course facility on land located in Dorchester County. The City issued mortgage revenue bonds in the amount of \$11,080,000 during 1998 to fund the construction of the golf course facility and \$4,625,000 in general obligation bonds in 1999 to fund the construction and development of roads and infrastructure improvements in this area. The first eighteen holes opened for play in October 2000 with the final nine holes opening in November 2001. In July 2003, the City took advantage of favorable interest rates by issuing mortgage revenue bonds in the amount of \$11,700,000 to refund the remaining \$10,960,000 outstanding in the Series 1998 bonds. Debt service savings over the remaining term of the bonds is estimated at \$1,586,091.

The golf course is situated in the center of a residential and commercial development project that has already generated over \$200 million in taxable property value. The City has experienced over a \$7.5 million increase in annual property tax collections from Dorchester County over the past twelve years primarily attributable to the residential growth surrounding the golf course. Plans have been discussed to create a commercial development district on a twenty-seven acre tract known as the Wescott Plantation Circle. Plans include the construction of a 120 room hotel, 140,000 square feet of commercial and office space and 125 housing units on four parcels surrounding the traffic circle.

**Tax Increment Financing Districts.** Over the past ten years, City Council has authorized the issuance and sale of over \$56,000,000 in tax increment bonds for the purpose of providing a portion of the cost of constructing certain public improvements to the City Center Redevelopment Plan. There are several projects identified by the administration in this tax increment financing district, including: streetscaping and landscaping projects, the former Charlestowne Mall area improvements, drainage improvements, upgrade of sewer lift stations, a new fire museum, a new City Hall and the purchase of property for expansion of parking and outlying office space for the Convention Center Complex. In September 2009, employees from all departments except for public works moved into the new 167,000 square foot city hall located in the City Center TIF completed at a cost of \$37.5 million.

In August 2006, the area's first outlet mall known as the Tanger Outlet Center hosted its grand opening celebration. This 365,000 square foot outlet center has attracted over 90 retail stores along with a food court and other shopping and dining opportunities and is over 96% occupied. The Center generates over \$1,200,000 in annual property tax revenues to the City of North Charleston. The outlet center, built at a

To the Council and Citizens of the  
City of North Charleston

cost of over \$60 million, and other business construction is generating over 2,000 full and part-time jobs and attracting over four million shoppers and visitors annually. Developers continue to plan other retail outlets and restaurants in this 300 plus acre Center Pointe area of the City Center Redevelopment Plan. Phase one of the development plan has over 35 retail stores and restaurants open. When phase two is completed, the area plans to be home to a total of more than 50 additional retail stores and more than a dozen restaurants. This area is already home to a Sam's Club, a Wal-Mart Supercenter and a 55,000-square-foot five-story office building leasing space to an engineering firm, medical practice and other professional firms. The area is also home to the North Charleston and American LaFrance Fire Museum and Educational Center, which was completed in April 2007, and contains many interactive exhibits and vintage fire equipment along with over 20 antique fire trucks.

In December 2003, the City issued \$9,975,000 in tax increment financing bonds for the purpose of acquiring and developing certain land improvements in another tax increment finance district known as the Noisette Community Redevelopment Project Area. The proposed development has already experienced the demolition of all structures in a 57 acre area known as the Oak Terrace Preserve and proposes replacing them with new construction consisting of residential and commercial units. The Oak Terrace Preserve area was originally built by the federal government in the early 1940s for shipyard workers and other military personnel but over time the homes have deteriorated. The City has contracted with a real estate management firm to manage the development of the project and to market the property for resale. Demolition and phase one infrastructure improvements were completed in calendar year 2006. Subsequently, the City has received deposits on over 125 parcels and closed on the sale of over 100 parcels to developers. The entire project includes plans for over 375 homes and 17 parks. The development is designed to meet residential green sustainable standards for energy efficiency, recycling, location and the types of building materials used.

In July 2008, the Cottage Living magazine recognized the 3,000 acre area surrounding the old Navy Base that includes Oak Terrace Preserve, Horizon Village, Garco Park, Clemson's Restoration Institute and the Mixson Neighborhood development as one of the top ten cottage communities in the nation for its adaptive reuse of existing buildings and in-fill development. Cottage Living's criteria include styles of homes with unifying design elements and walkable streets that result in a model new city where sustainability and quality of life are the top priorities. The June 2009 edition of the Men's Journal named this same historical Park Circle neighborhood as one of the nation's top 30 "Coolest Neighborhoods". The selection was largely based on the influx of artists and entrepreneurs relocating to Park Circle and on the Noisette Community's cutting edge approach to sustainable urban renewal. Other awards and honors include Bloomberg's Businessweek naming North Charleston to its list of America's Most Fun, Affordable Cities, the National League of Cities citing North Charleston for Municipal Excellence, the Home Depot Foundation extending the City of North Charleston its award of excellence for sustainable community development and Forbes naming the Charleston MSA the highest ranking S.C. metropolitan area for best places for business and careers.

In February 2012, the Park Circle neighborhood in North Charleston was named among the best old house neighborhoods in the country by the editors of *This Old House*. Reasons to buy in Park Circle, according to *This Old House*, include its affordable housing and plenty of restaurants and shops on Montague Avenue, its main commercial thoroughfare, its popularity among first-time homebuyers and new public schools that draw families with school age children. *This Old House* scoured the United States to find neighborhoods that fit its criteria; architectural diversity, craftsmanship of the homes and the preservation of the area as well as neighborhood amenities including walkability, safety and community.

To the Council and Citizens of the  
City of North Charleston

**North Charleston's Palmetto Commerce Park.** Charleston County's transportation improvements funded by the half-cent sales tax included a major project that is designed to alleviate traffic congestion along a busy thoroughfare known as Ashley Phosphate Road in North Charleston while attracting more business to the Palmetto Commerce Park. The six mile Palmetto Commerce Parkway construction project, completed in 2011, links the Palmetto Commerce Park to Ashley Phosphate Road and later will network with other North Charleston road projects. The construction effort consists of several phases that are scheduled to be complete by 2013 with the main goal of attracting more companies to and near the industrial park. The Palmetto Commerce Parkway expansion has already created significant interest in future business construction and improvements. Roper Saint Francis Healthcare is constructing a new 100,000 square foot data center on a 24 acre tract that will employ over 200 workers over the next two years. Charleston County government owns a 15 acre parcel where it is constructing a 38,000 square foot consolidated dispatch center that is scheduled to open in 2013 and employ over 150 employees. In addition, Immedion LLC, a Greenville-based information technology company, opened its 15,000 square foot data center on Palmetto Commerce Parkway in May 2012. Crosspoint Industrial Park is aggressively marketing over 300 acres between the Roper and Charleston County tracts for new suppliers of Boeing and other industries.

Various business relocations have occurred at the Palmetto Commerce Industrial Park. In November 2005, Daimler Vans Manufacturing relocated its North American Sprinter Van assembly plant to a 460,000 square foot facility in the industrial park. Employment at the plant has ranged from 100 to 200 while van production has ranged from 30 to 100 during peak times. In 2009, Daimler announced plans to replace the Chrysler unit's Ram logo on the vans to the Mercedes Benz three point star, a decision management stated would not result in any major immediate changes in production or vehicle design.

Morgan Olson LLC, a Michigan manufacturer of walk-in van cargo bodies, announced plans in August 2012 to invest \$11 million to open a new plant in Palmetto Commerce Park that will employ 120 workers. Morgan Olson's factory will be housed in a nearby existing industrial building to the Daimler AG plant and be used to strip and retrofit the Mercedes Benz truck chassis from Daimler by upfitting the cargo vans with modular interiors. The 100,000 square foot plant is expected to be completed by the end of 2012.

In October 2010, Cummins Turbo Technologies celebrated the culmination of the consolidation of its North American operations into its expanded Palmetto Commerce Park location, a location that began with the opening of an 112,000 square foot \$13 million manufacturing facility in the industrial park. As part of the consolidation, the Palmetto facility expanded by more than 83,000 square feet and included a new Turbo assembly line at a cost of \$3 million, with plans to add a minimum of 165 new jobs. In November 2011, Cummins announced plans to invest over \$24 million to its Leeds Avenue technical center in North Charleston. In June 2012, Cummins announced it would be expanding its footprint in Palmetto Commerce Park by adding a 125,000 square foot warehouse and 10,000 square foot of office space resulting in a \$19.5 million investment expected to result in an additional 75 jobs.

In 2009, Venture Aerobearings, a joint venture between GE Aviation and SKF Group of Sweden, completed construction of a \$38 million 125,000 square foot plant that will supply parts for jet engines and employ over 100 people. TWL Precision Limited, a world-wide supplier of precision automotive components, opened its North American corporate office in Palmetto Commerce Park in 2008. They are a key supplier for Toyota with the new Charleston area facility supplying their growing North American customer base which includes Cummins Turbo Technologies. TWL invested over \$4 million in capital

To the Council and Citizens of the  
City of North Charleston

improvements and has hired over 75 employees with plans for future growth. Cintas Corporation, an industrial dry cleaning manufacturer, invested \$8.4 million in a new facility in the park which created over 75 new jobs at this location.

In September 2011, locally based InterTech Group Inc. announced its aerospace subsidiary, TIGHitco, will open a manufacturing facility in the Palmetto Commerce Park. TIGHitco plans to invest, in several phases, over \$40 million on a facility that is expected to create over 350 jobs. The first phase is expected to be complete by the spring of 2013, which consists of the completion of a 120,000 square foot facility. TIGHitco, which specializes in aerospace parts made from composite, is a supplier to Boeing for the manufacture of its 787 Dreamliner.

In June 2012, JAS Forwarding USA, an international logistics company, signed on as the anchor tenant for a new distribution facility in Palmetto Commerce Park. JAS will lease 78,000 square feet in Crosspoint, part of a 300 acre mixed use industrial development site within Palmetto Commerce Park. In September 2012, Streit USA Armoring opened its 75,000 square foot facility in Palmetto Commerce Park. The facility is a new body-armor factory which fortifies factory vehicles with bullet resistant safeguards and employees 30 with plans to grow to 70 within a couple of years.

**Further Economic Development.** An area adjacent to the Palmetto Commerce Park, known as the Ingleside Plantation, has the potential of becoming another prominent commercial and residential hub. Announced in 2008, this approximate 2,000 acre tract, with a build-out expected over a twenty year period, should attract hotels, light industry, offices, and retail stores along with apartments and single-family homes. The first construction project included a 300-unit apartment complex.

In February 2005, ground was broken on a manufacturing complex costing more than \$560 million and totaling more than 700,000 square feet being built by the joint venture of Vought Aircraft Industries Inc. and Global Aeronautica on land near the Charleston International Airport, which is located in the City of North Charleston. The plant manufactures most of the rear aft fuselage of the new Boeing 787 Dreamliner, which will carry up to 300 passengers with a range of as far as 8,500 nautical miles. The plant completed its first component sections of the 787 Dreamliner in May 2007. In 2008 and 2009, the Boeing Company completed the purchase of the joint venture between Vought and Global Aeronautica for purposes of strengthening the 787 Dreamliner program by integrating this facility and its employees into the Boeing family. The Boeing operations employ over 6,000 workers and contractors at its North Charleston facilities.

With perhaps the largest economic impact announcement in South Carolina history, in late October 2009 Boeing announced it plans to expand its facilities in North Charleston to accommodate a new final assembly facility for its new 787 Dreamliner. Boeing completed construction of its 584,000 square foot manufacturing facility in 2011 and announced in September 2012 plans to improve production efficiencies by expanding its paint facility and its aft-body facility with over 100,000 square feet of capacity. In April 2012, the first manufactured 787 Dreamliner rolled out of Boeing's North Charleston final assembly facility. Boeing plans for the North Charleston final assembly facility to produce three planes a month by late 2013 or early 2014. The State of South Carolina, along with various local governments, helped lure Boeing to North Charleston by offering an incentives package worth \$450 million that calls for Boeing to create at least 3,800 jobs and invest more than \$750 million within seven years to take advantage of the incentives package. With the potential influx of additional jobs and business created by suppliers to Boeing locating to the Lowcountry, which is supported by various announcements previously discussed in Palmetto Commerce Park, the North Charleston area hopes to

To the Council and Citizens of the  
City of North Charleston

benefit from the enormous economic impact this announcement has fueled. In July 2010, Boeing announced plans for another subsidiary plant to fabricate and assemble interiors for the 787 Dreamliner aircraft. Construction was completed in the fall of 2011 on the 300,000 square foot, 150 employee facility in Palmetto Commerce Park.

2AM Group, LLC, has become the region's first bundled technical service supplier for automotive, aerospace and marine vehicle product manufacturers. The company, headquartered in Spartanburg, South Carolina, recently launched its second U.S. operation in North Charleston and has more than 50 employees at the facility in Pepperdam Industrial Park. Delfin USA, a division of Moscow based Delfin Russia, invested \$20 million for a 42 acre site on Virginia Avenue to purchase the former Shell lubricants plant. In November 2008, the Delfin Group announced a \$55 million capital investment in the facility to retrofit the existing infrastructure to support manufacturing its automotive and industrial lubricants to serve both domestic and global markets. This expansion has added over 160 new jobs in the last three years.

In July 2009, BAE Systems announced it was expanding its local operations by consolidating its three area facilities into a 74,000 square foot building in North Charleston's Aviation Business Park, a move the company says is necessary to accommodate its growing electronics engineering programs. This project represents an investment of \$4.5 million and created approximately 75 new jobs in 2009 and up to 100 additional jobs in 2010. Since the announcement, BAE has secured multiple contracts, including one from the U.S. Army worth up to \$95 million to develop automated security systems to control access to Army bases and other installations. In October 2009, Scientific Research Corporation (SRC), an advanced engineering company that provides innovation solutions to its government, private domestic and international markets, announced plans to expand its North Charleston operations. SRC plans to invest \$4 million and add 300 new jobs over the next five years.

In July 2010, Behr Heat Transfer Systems, a manufacturer of automotive air conditioning and engine cooling systems, announced plans to invest over \$3 million at its North Charleston manufacturing plant. The move is expected to create over 70 new jobs during the next several years as the company expands its production line with two new products that are key to improving automotive fuel efficiency.

Coastal Corrugated Inc. announced plans in 2011 to invest over \$2 million and add over 40,000 square feet to its existing 55,000 square foot facility in North Charleston after landing a contract with automotive parts maker Robert Bosch. Coastal expects to expand its work force by 70 as it supplies Bosch packaging with specialized components.

In May 2012, the City of North Charleston announced it had entered into an agreement to lease office space in its old city hall facility to CreateSpace, a part of the Amazon group of companies, with plans to conduct its demand publishing operations. Terms of the lease are for an initial five year period with two options for renewal of the lease in five year increments. Plans are to invest over \$4 million in upgrades while employing over 300 in the next several years.

**Redevelopment of the Former Charleston Navy Base.** In another major project, the State Ports Authority (SPA) has sought to acquire additional port facilities in the vicinity of Charleston Harbor. The City of North Charleston also worked with the Charleston Naval Base Redevelopment Authority (RDA) for several years to acquire or otherwise assume control of property on the former Navy Base for purposes of economic development and community enrichment. Recognizing that land held by the RDA at the Navy Base could provide a solution to both entities needs, the South Carolina State Legislature



To the Council and Citizens of the  
City of North Charleston

passed a bill, effective July 1, 2002, ordering the RDA to transfer property to the City of North Charleston and SPA upon the City and SPA negotiating a mutually acceptable land division. A memorandum of understanding reflecting terms of an agreement was reached between the City, SPA and RDA that provided for the SPA to acquire land primarily on the southern end of the base for port expansion while the City acquire land on the northern end of the base. This transfer would be without purchase cost. The State of South Carolina has agreed to provide for certain infrastructure improvements to protect area neighborhoods from SPA operations and truck and rail traffic. The agreement between the City and SPA was approved by the City Council and signed in October 2002.

In early 2007, the South Carolina State Ports Authority received its permit to begin construction on a three-berth 280 acre marine terminal at the former Charleston Area Naval Base. Upon build out, which is estimated to take over twenty years, the Navy Base terminal is expected to increase capacity by over 50%. In anticipation of this increased activity, an additional 16 million square feet of speculative industrial space is slated for development with over one million square feet already under construction.

In June 2001, the City established a tax increment financing district designed to provide over \$75 million in funds necessary to blend both public and private investment in the Navy Base area. In February 2003, the City entered into a contract to acquire land and improvements from the RDA that had been earlier conveyed to the RDA by the Federal government. It accepted deeds transferring approximately 250 acres of land in the northern section of the former Navy Base. The City of North Charleston had previously entered into a memorandum of understanding with the Noisette Company, LLC in an effort to revitalize property acquired in the former Navy Base area into a model for sustainable living through economic development and community enrichment. Various public development activities included street improvements, landscaping and beautification, utility system and drainage improvements, public park and amenity improvements as well as improved facilities for police, fire and other public services. By the end of calendar year 2006, the City completed the development of the Riverfront Park near the northern tip of the old Charleston Naval Base. Grand opening of the Greater Charleston Naval Base Memorial on the former Navy Base occurred in 2008. The North Charleston Housing Authority, through a \$31 million seed grant from the U.S. Department of Housing and Urban Development, complemented this revitalization effort by rehabilitating and developing mixed-income, mixed-use neighborhoods.

The Noisette master plan and future development of the former Navy base, along with the City's initiative to redevelop the Century Oaks TIF District, has had a positive effect on the change in public housing throughout the City of North Charleston. In particular, the North Charleston Housing Authority completed demolition of the North Park Village, a 524 unit public housing community near the base and has constructed on that site the Horizon Village, a \$73 million 484 unit residential development that is a mix of affordable apartments, dwellings for the elderly and homes for ownership. Horizon Village is a public-private development designed to place the property on the City's tax rolls where it had been previously exempt.

However, the viability of the Noisette redevelopment project has come into question due to the financial support of the project and the ongoing debate surrounding how best to serve the cargo expected from the \$600 million S.C. State Ports Authority terminal under construction on the former Navy base. In December 2010, the S.C. Department of Commerce gained control of property, during foreclosure proceedings, previously owned by Noisette. The Department of Commerce immediately unveiled a plan to develop a rail yard site, on property that the Clemson University Restoration Institute owns, designed to provide rail line access through the northern end of the base. In September 2005, the City Council passed a resolution authorizing the Mayor to enter into an agreement to transfer approximately 80 acres

To the Council and Citizens of the  
City of North Charleston

the City owns in the former Navy base area to the Clemson University Restoration Institute for the purpose of the establishment of a research campus and restorative sciences program. In early 2007, Clemson University received permission from the State of South Carolina's Budget and Control Board to take over the restoration of the Confederate submarine H.L. Hunley. The Department of Commerce has offered to relocate the Clemson University Restoration Institute to other property on the Naval Base that it gained control of during the foreclosure proceedings.

The City has filed a lawsuit attempting to enforce the previously mentioned 2002 memorandum of understanding entered into between the SPA and the City which prohibits rail access through the north end of the base and would greatly alter commercial and residential development plans for the northern end of the base. The City and the State of South Carolina are still attempting to work out a compromise, but as of the date of this report, no such compromise has been reached.

In December 2009, Clemson University announced it had landed a \$45 million grant, set aside from the American Recovery and Reinvestment Act, to build a drivetrain and wind turbine testing facility on the former Navy Base. The grant is part of a \$98 million proposal organized by Clemson University Restorative Institute and other State of South Carolina agencies described as the largest research effort in the university's history. The facility will be equipped to test 7.5 and 15 megawatt drivetrains, which will make the institute the largest wind turbine testing facility in the world. Currently, the world's largest testing rig is equipped for 6 megawatt trials. Clemson estimates that the project will create over 100 construction jobs and over 20 full-time jobs. Clemson broke ground in October 2010 on the facility that is housed in a former warehouse on deep waterfront property along the Cooper River adjacent to existing rail and ship-handling infrastructure. Construction is expected to be complete in 2013.

In July 2012, the Zucker family foundation announced plans, in collaboration with Clemson University, to build the Zucker Family Graduate Education Center. The education center will offer advanced degrees in energy systems engineering and will be financed in part by a \$5 million gift from the Zucker family. The education center will be next to the Clemson University Restoration Institute at the former Navy Base and is expected to cost roughly \$20 million. Construction is expected to be complete by the end of 2014.

**Long-Term Financial Planning.** Unassigned fund balance in the General Fund (20.1% of the fiscal year 2012/2013 General Fund budgeted expenditures) falls above the fund balance policy guidelines set by the Council for budgetary and planning purposes, which is at least 10% of the budgeted General Fund expenditures. The fiscal year 2012/2013 General Fund budget as approved is a balanced budget that recommends no use of the unassigned fund balance as a source of revenue. Revenue forecasts for the next several years suggests that new residential and commercial construction will remain relatively flat but continued economic growth from various sectors throughout the City and region will keep pace with the operational needs of the various departments.

The City issued \$22.5 million in general obligation bonds in November 2010 for the purpose of developing various properties within different areas of the City. One such project involves the demolition of an area in the southern end of the City known as Shipwatch Square. The demolition is part of the first steps in the City's master plan to develop infrastructure suited for future construction of retail and commercial establishments. Other projects include the completion of fire stations and the development of property in the Dorchester County corridor for recreational parks.



To the Council and Citizens of the  
City of North Charleston

In June 2012, the City of North Charleston issued \$52 million in installment purchase revenue bonds to facilitate the financing of numerous public capital projects. The largest project will be a new Public Works facility housing all of its maintenance, sanitation, garage and administrative office needs projected at a cost of \$42 million. Other projects include the completion of recreational parks, new community centers, senior citizens facilities and new fire stations.

The City plans to continue the development of the Riverfront Park and other properties it owns in the old Navy Base area. Further plans are being discussed to create municipal improvement districts for both the Navy Base TIF area and the area known as the Magnolia Development for purposes of assisting with infrastructure improvements. Other capital improvement programs, such as future growth expectations in the Palmetto Commerce Park, include assisting Charleston County and Dorchester County with transportation and recreational needs that will significantly benefit the City of North Charleston.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Charleston for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

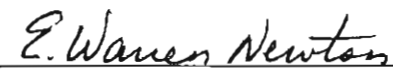
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of North Charleston has received a Certificate of Achievement for the last twenty-four fiscal years ended, from June 30, 1988 through 2011. We believe our current report continues to conform with the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

**Acknowledgments.** The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the staff of Greene Finney & Horton, Certified Public Accountants and Consultants.

Sincerely,

  
R. Keith Summey  
Mayor

  
E. Warren Newton  
Director of Administration and Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Charleston  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sandson*

President

*Jeffrey R. Enen*

Executive Director

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**LIST OF PRINCIPAL OFFICIALS**  
**JUNE 30, 2012**

Mayor and Chief Executive Officer.....R. Keith Summey

Council Member.....Ed Astle

Council Member.....Rhonda Jerome

Council Member.....Robert Jameson

Council Member.....Ron Brinson

Council Member.....Todd Olds

Council Member.....Dorothy K. Williams

Council Member.....Samuel L. Hart

Council Member.....Robert N. King

Council Member.....Dwight Stigler

Council Member.....Michael Brown

Special Assistant to Mayor.....Raymond H. Anderson, Jr.

Special Assistant to Mayor.....Julie Elmore

Director of Administration & Finance.....E. Warren Newton

Staff Attorney.....Frances Austin

Municipal Clerk of Council.....Ellen Clark

Fire Chief.....Greg Bulanow

Facilities Management Director.....Danny McJunkin

Public Works Director.....Jim Hutto

Human Resources Director.....Chris Ruth

Code Enforcement Director .....Angela McJunkin

Director of Information Systems.....David Dixon

Director of Recreation.....Joseph E. Barfield

Purchasing Director.....Denise Badillo

Building Official.....Darbis Briggman

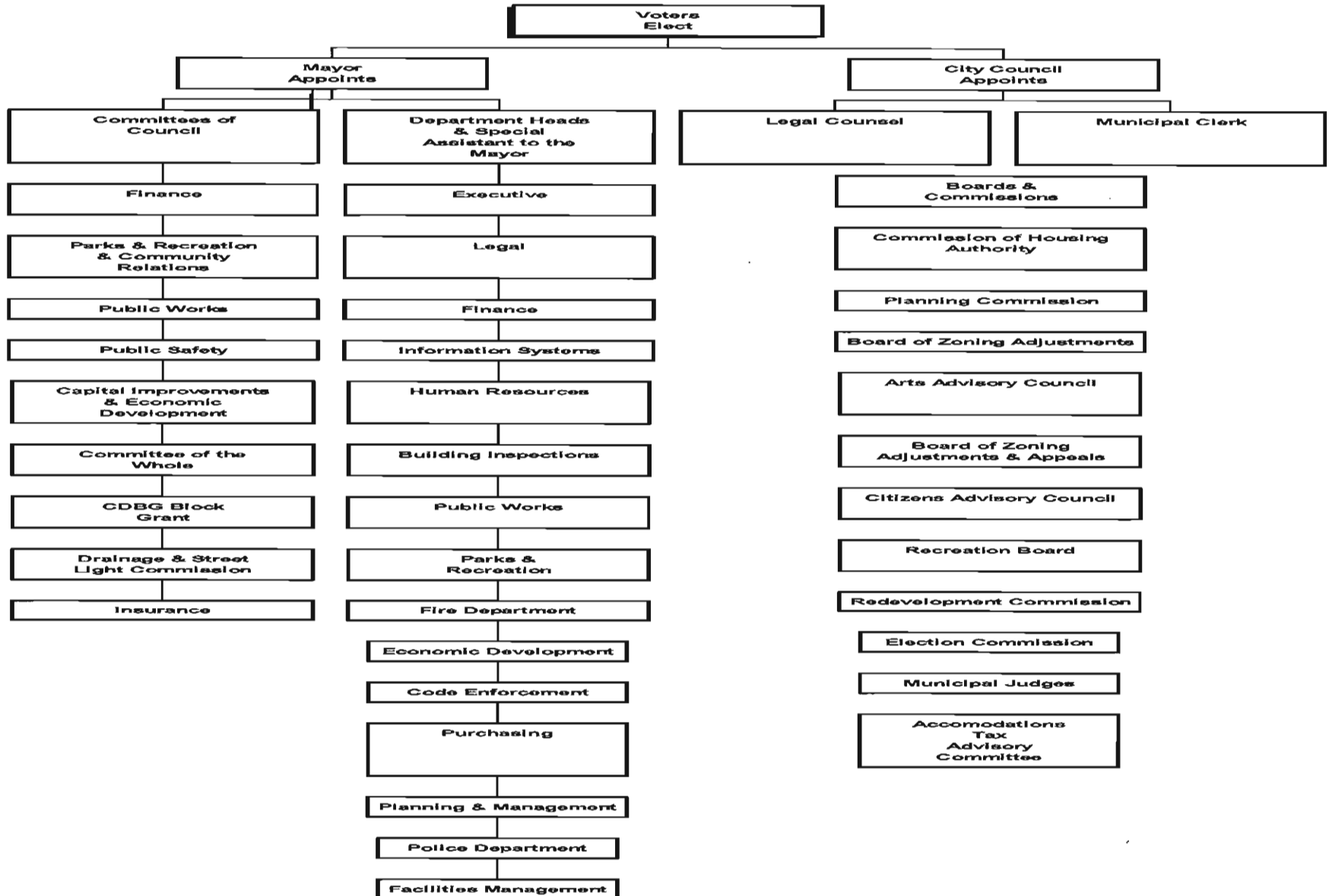
Director of Zoning and Planning.....Gwen Moultrie

Cultural Arts Director.....Marty Besancon

Police Chief.....Jon Zumalt

Chief Administrative Judge.....Samuel Coleman

# City of North Charleston



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## **FINANCIAL SECTION**

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# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council  
City of North Charleston  
North Charleston, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the City's financial statements for the year ended June 30, 2011, and in our report dated October 28, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules for the General Fund, Coliseum Operating Fund and Tax Infrastructure Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 31, 2012

## Management's Discussion and Analysis

As management of the City of North Charleston, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City of North Charleston for the fiscal year ended June 30, 2012. The Management Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the City's financial activity and identifying changes in the City's financial condition, material deviations from the financial budget and individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages *i-xi* of this report, and the City's financial statements, which follow this section.

### *Financial Highlights*

- ❖ Total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$204,204,481 (net assets). Net assets increased \$22,893,782, or 12.6%, for the fiscal year ending June 30, 2012.
  - Governmental activities net assets were \$195,868,589, an increase of \$21,759,281, or 12.5%. Of this amount, \$26,553,409 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
  - Business-type net assets amounted to \$8,335,892, an increase of \$1,134,501 or 15.8%. Unrestricted net assets increased \$920,998 to \$5,982,041 at June 30, 2012.
- ❖ At June 30, 2012, the total fund balance of the City's governmental funds was \$127,319,629, an increase of \$45,845,340, or 56.3%.
  - The fund balance of the General Fund increased \$2,227,867, or 10.0%, to \$24,536,841. \$20,009,645 of this fund balance was unassigned at year-end, an increase of \$1,970,024, or 10.9%, over the \$18,039,621 balance at June 30, 2011.
  - General Fund revenues exceeded expenditures by \$4,892,991 before other financing sources or uses, an increase of \$539,126 from the prior year and a \$3,747,143 favorable variance to the final budget.
- ❖ Total capital assets (net of accumulated depreciation) for the City amounted to \$266,896,016 at June 30, 2012, an increase of \$18,282,887, or 7.4%.
  - Governmental funds capital assets (net of accumulated depreciation) amounted to \$257,197,600, an increase of \$18,513,481, or 7.8%.
  - Business-type capital assets (net of accumulated depreciation) amounted to \$9,698,416, a decrease of \$230,594, or 2.3%.
- ❖ At June 30, 2012, the City's total debt, including capital lease obligations and compensated absences was \$200,572,784 (net of unamortized premiums, discounts and amounts on refunding), an increase of \$42,712,875 or 27.1%.
  - Governmental funds total debt amounted to \$193,144,361, an increase of \$43,155,175, or 28.8%.
  - Business-type funds total debt amounted to \$7,428,423, a decrease of \$442,300, or 5.6%.

- ❖ The City of North Charleston maintained its AA and Aa2 general obligation bond ratings from Standard & Poor's and Moody's Investor Services, respectively, and the AA- rating from Standard & Poor's on its municipal golf course mortgage revenue bonds.

## ***Overview of the Financial Statements***

This MD&A is intended to serve as an introduction to the City of North Charleston's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements (Statement of Net Assets and Statement of Activities) present government-wide financial statements using the economic resources measurement focus and the *full accrual* basis of accounting. The proprietary funds use the same measurement focus and basis of accounting. The traditional fund financial statements (governmental funds) are reported using the current financial resources measurement focus and the *modified accrual* basis of accounting. Both sets of statements are essential and provide complementary components that will allow the user to broaden his/her basis for comparison and enhance the City's accountability. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term full accrual information about the City's financial condition as a whole, focusing on the government's operational accountability. The next statements (Exhibit 3 through 9) are **fund financial statements** with necessary reconciliation information. These statements focus on the activities of the major funds and provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements, reported on a modified accrual basis; and 2) the proprietary fund statements, reported on a full accrual basis. The next section of the basic financial statements is the **notes to the financial statements**. The notes explain in detail some of the data contained in those statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of North Charleston's finances, similar in format to a financial statement of a private-sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Net assets represent the equity of the City, presented on the full accrual basis of accounting. Net assets and other Statement of Net Assets information convey the financial position, primarily on a historical cost basis, of the City at a point in time.

The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of North Charleston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, street and drainage maintenance, sanitation, economic development, housing and community development, and culture and recreation. The business-type activities of the City include the golf course operations and the stormwater utility management program. The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements.** The fund financial statements provide a more detailed look at the City's most significant activities while focusing on fiscal accountability. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of North Charleston uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as those required by state law, bond covenants or City ordinances. All of the funds of the City of North Charleston can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds, which focus on how cash and other financial assets can readily be converted into cash flow as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements and, therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of North Charleston maintains thirty-six individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Coliseum Operating Fund, Tax Infrastructure Fund, General Obligations Debt Service Fund, Installment Purchase Revenue Bonds Capital Projects Fund and the Naval Base & Riverfront Park Capital Projects Fund, all considered to be major funds. Data from the other thirty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual funds statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 15-18 of this report.

*Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its golf course operations and the stormwater utility management program. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of budgetary comparison schedules relative to the City's General Fund and major special revenue funds. The required supplementary information is presented after the notes to the financial statements and can be found on pages 50-53 of this report. The combining and individual funds statements and schedules referred to earlier in connection with nonmajor governmental funds are presented after the notes to the financial statements and can be found on pages 54-94 of this report.

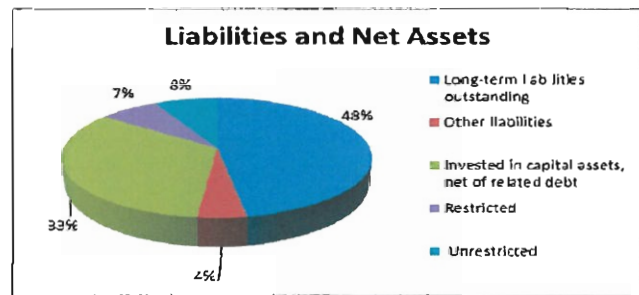
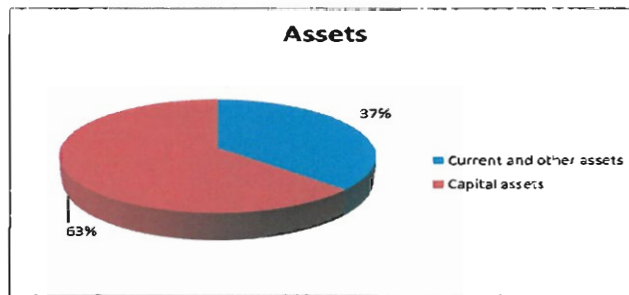
## ***Government-Wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of North Charleston, assets exceeded liabilities by \$204,204,481 at June 30, 2012. By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. It should be noted, however, that the resources needed to repay the debt must be provided from sources other than capital assets, since the capital assets themselves cannot be used to liquidate these liabilities. The largest portion of the City's increase in its investment in capital assets during the fiscal year ending June 30, 2012 was a result of the completion of renovations to the Coliseum, donation of land and infrastructure improvements.

### **City of North Charleston's Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$148,631,567	\$104,293,754	\$ 7,693,468	\$ 6,305,602	\$156,325,035	\$110,599,356
Capital assets	<u>257,197,600</u>	<u>238,684,119</u>	<u>9,698,416</u>	<u>9,929,010</u>	<u>266,896,016</u>	<u>248,613,129</u>
Total assets	<u>405,829,167</u>	<u>342,977,873</u>	<u>17,391,884</u>	<u>16,234,612</u>	<u>423,221,051</u>	<u>359,212,485</u>
Long-term liabilities outstanding	193,144,361	149,989,186	7,428,423	7,870,723	200,572,784	157,859,909
Other liabilities	<u>16,816,217</u>	<u>18,879,379</u>	<u>1,627,569</u>	<u>1,162,498</u>	<u>18,443,786</u>	<u>20,041,877</u>
Total liabilities	<u>209,960,578</u>	<u>168,868,565</u>	<u>9,055,992</u>	<u>9,033,221</u>	<u>219,016,570</u>	<u>177,901,786</u>
Net assets:						
Invested in capital assets, net of related debt	138,891,514	121,497,861	2,353,851	2,140,348	141,245,365	123,638,209
Restricted	30,423,666	30,744,978	-	-	30,423,666	30,744,978
Unrestricted	<u>26,553,409</u>	<u>21,866,469</u>	<u>5,982,041</u>	<u>5,061,043</u>	<u>32,535,450</u>	<u>26,927,512</u>
Total net assets	<u>\$195,868,589</u>	<u>\$174,109,308</u>	<u>\$8,335,892</u>	<u>\$7,201,391</u>	<u>\$204,204,481</u>	<u>\$181,310,699</u>

Restricted net assets of the governmental activities are represented by \$590,063 of seized and forfeited drug funds, \$404,628 held for victims advocate purposes, \$1,469,730 in grant funds, \$16,975,562 held for redevelopment activities, \$3,886,688 in tax increment financing property tax revenues held for future debt service payments and \$7,096,995 held for debt service requirements.



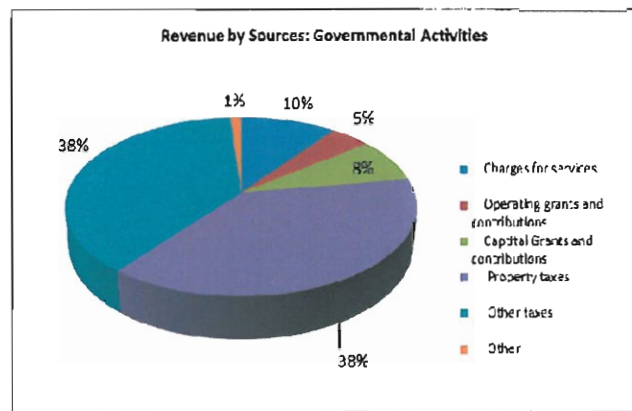
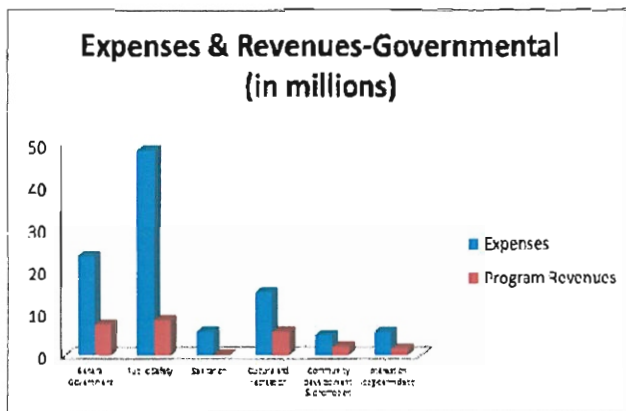
Unrestricted net assets of the governmental activities increased \$4,686,940, or 21.4%, largely due to the General Fund surplus and the improved current ratio as of June 30, 2012. The unrestricted net assets balance of \$26,553,409 may be used to meet the government's ongoing obligations to citizens and creditors. Business-type net assets increased \$1,134,501 primarily due to operating income of the Stormwater Utility Fund.

As of June 30, 2012, the City of North Charleston is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Net assets for the City as a whole increased 12.6%. Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets. Despite the reduction in state and federal funding this year, the City's taxes from other governmental sources generated sufficient revenues to cover basic service delivery without significant service reductions. Property taxes, business licenses, franchise fees, accommodations taxes, sales taxes and building permits experienced increases from prior year totals.

### City of North Charleston's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
<u>Revenues:</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Charges for services	\$12,898,769	\$11,971,288	\$5,166,143	\$4,224,635	\$18,064,912	\$16,195,923
Operating grants and contributions	5,419,156	10,109,870	-	-	5,419,156	10,109,870
Capital grants and contributions	9,870,180	2,869,607	-	-	9,870,180	2,869,607
General revenues:						
Property taxes	48,057,360	47,021,601	-	-	48,057,360	47,021,601
Other taxes	47,880,056	46,396,385	-	-	47,880,056	46,396,385
Other	<u>1,474,095</u>	<u>983,107</u>	<u>45,670</u>	<u>37,319</u>	<u>1,519,765</u>	<u>1,020,426</u>
Total revenues	<u>125,599,616</u>	<u>119,351,858</u>	<u>5,211,813</u>	<u>4,261,954</u>	<u>130,811,429</u>	<u>123,613,812</u>
<u>Expenses:</u>						
General government	23,230,770	25,371,323	-	-	23,230,770	25,371,323
Public safety	48,393,769	46,170,085	-	-	48,393,769	46,170,085
Sanitation	5,595,353	5,455,504	-	-	5,595,353	5,455,504
Culture and recreation	14,883,727	13,738,220	-	-	14,883,727	13,738,220
Community development	4,754,853	5,860,846	-	-	4,754,853	5,860,846
Interest on long-term debt	5,518,173	5,460,165	-	-	5,518,173	5,460,165
Golf course expenses	-	-	2,594,030	2,582,577	2,594,030	2,582,577
Stormwater utility expenses	-	-	<u>2,946,972</u>	<u>2,822,335</u>	<u>2,946,972</u>	<u>2,822,335</u>
Total expenses	<u>102,376,645</u>	<u>102,056,143</u>	<u>5,541,002</u>	<u>5,404,912</u>	<u>107,917,647</u>	<u>107,461,055</u>
Increase in net assets before transfers	23,222,971	17,295,715	(329,189)	(1,142,958)	22,893,782	16,152,757
Transfers in (out)	<u>(1,463,690)</u>	<u>(1,561,549)</u>	<u>1,463,690</u>	<u>1,561,549</u>	-	-
Increase in net assets	21,759,281	15,734,166	1,134,501	418,591	22,893,782	16,152,757
Net assets at beginning of year	<u>174,109,308</u>	<u>158,375,142</u>	<u>7,201,391</u>	<u>6,782,800</u>	<u>181,310,699</u>	<u>165,157,942</u>
Net assets at end of year	<u>\$195,868,589</u>	<u>\$174,109,308</u>	<u>\$8,335,892</u>	<u>\$7,201,391</u>	<u>\$204,204,481</u>	<u>\$181,310,699</u>





**Governmental activities.** Governmental activities increased the City of North Charleston's net assets by \$21,759,281. Increases in property tax and other tax revenues, and the increase in investment in fixed assets, were the major reasons for the increase in governmental net assets.

**Business-type activities.** Business-type activities realized an increase in net assets in the amount of \$1,134,501. The Stormwater Utility Enterprise Fund realized an increase in net assets primarily as a result of operational income. The Golf Course Enterprise Fund realized a slight increase in net assets as a result of the increased number of rounds played, which translated into a lower operational loss.

### ***Financial Analysis of the City's Funds***

As noted earlier, the City of North Charleston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of North Charleston's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2012, the governmental funds of the City of North Charleston reported a combined fund balance of \$127,319,629, an increase of \$45,845,340 in comparison with the prior year. Nonspendable, restricted, committed and assigned governmental fund balances increased \$43,875,316 reflecting an increase in unspent bond proceeds held for capital improvements.

The General Fund is the chief operating fund of the City of North Charleston. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$20,009,645 or 21.0% of the operating budget for the fiscal year ending June 30, 2013, while total fund balance is \$24,536,841.

Unassigned fund balance at June 30, 2012 increased by \$1,970,024, or 10.9% from prior year totals. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.6% of total General Fund expenditures, while total fund balance represents 27.7% of that same amount.

Key governmental revenue and expenditure highlights are as follows:

- Property taxes increased by \$1,460,820 or 3.1% over fiscal year ending June 30, 2011. Incremental assessed property value growth resulted in an increase of \$672,935 in property tax revenues in the three TIF areas. General fund property tax revenues increased by \$762,885, which was the result of continued growth in the assessed property value and the reduction in the property tax credit factor.
- Intergovernmental revenues decreased by \$789,254 or 2.6% due largely to the \$1,673,615 decrease in grant related revenues. Sales tax, hospitality and accommodation tax collections increased by \$378,658.
- Business licenses, franchise fees and permits increased by \$2,070,445 due to a rebound in the local economy and commercial and industrial growth. Business license and permit collections increased by \$2,403,391 while franchise fees declined by \$332,946.
- Revenues from use of monies and property increased \$1,421,307 or 21.8% largely due to the increased revenues from operations at the Coliseum/Convention Center/Performing Arts Center.
- General government and capital outlay expenses decreased by \$2,552,181 primarily due to the reduction in amounts spent on the Coliseum renovations that were completed in the fiscal year ending June 30, 2012.
- Public safety expenses increased slightly by \$464,550 as a result of maintaining a consistent year to year plan for purchases of fleet equipment during the fiscal year ending June 30, 2012.
- Sanitation, culture and recreation, and community development expenses increased by \$256,956 largely due to a decrease in grant related expenses and an increase in operational costs of events held at the Coliseum/Convention Center/Performing Arts Center.
- Debt service expenditures increased by \$667,341 primarily due to the costs associated with the issuance of \$52,520,000 in installment purchase revenue bonds.

The General Obligation Debt Service Fund has a total fund balance of \$4,966,996. The net decrease in fund balance during the fiscal year ended June 30, 2012 was \$155,532. Interest expenditures increased during the current period by \$464,319 while principal reduction decreased by \$945,000. The Naval Base and Riverfront Park Capital Projects Fund has a total fund balance of \$9,721,612. The net decrease in fund balance during the fiscal year ended June 30, 2012 was \$698,136 and resulted primarily from infrastructure improvements on the Navy Base.

**Proprietary Funds.** As discussed in the business-type activities section earlier, the City has two enterprise funds, the Golf Course Fund and the Stormwater Utility Fund. The City of North Charleston's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the enterprise funds have already been addressed in the discussion of the City's business-type activities.

## ***General Fund Budgetary Highlights***

The General Fund budget for fiscal year ending June 30, 2012 was originally adopted at \$88,156,356, inclusive of transfers out to other funds, and represents an increase of 3.6% over the final fiscal year ending June 30, 2011 budget. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once adequate information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and



State grants; and 3) increases in appropriations that become necessary to maintain services. The final amended General Fund budget for June 30, 2012 totals \$90,932,766.

Differences between the original budget and the final amended budget are represented by an increase in appropriations of \$2,776,410. The sanitation budget received an additional allocation of \$457,550 largely due to an increase in emergency fleet related purchases as a result of vehicle failures. The general government budget received an additional allocation of \$1,522,730 as a result of purchases of real property and increased legal costs.

Activities, which contributed to significant differences between the General Fund final amended budget and final actual amounts, were as follows:

- Property taxes were \$198,861 under budget due to the effect of reassessments performed during the fiscal year ended June 30, 2012.
- Business license and permit collections were \$1,760,187 above budget primarily due to the economic growth reported by the commercial and industrial sectors.
- Intergovernmental revenues were \$972,374 above budget primarily due to the increase in hospitality and accommodation tax collections, although the City did experience a decline in state shared revenue distributions.
- General government expenditures were under budget by \$1,488,172 primarily due to certain economic development projects and related grants that did not materialize during the year as expected and a reduction in estimated retiree health care benefits.

## ***Capital Asset and Debt Administration***

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 was \$266,896,016 (net of accumulated depreciation). These assets include land, land improvements, buildings and improvements, park facilities, machinery and equipment, and vehicles. The total increase in the City's investment in capital assets for the current fiscal year was \$18,282,887 or 7.4%.

### **City of North Charleston's Capital Assets (net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Construction in progress	\$ 16,679,590	\$ 18,613,636	\$ -	\$ -	\$ 16,679,590	\$ 18,613,636
Land	41,285,068	34,519,632	1,397,188	1,397,188	42,682,256	35,916,820
Buildings	111,532,641	113,649,636	2,181,095	2,269,946	113,713,736	115,919,582
Infrastructure	31,270,382	30,936,070	-	-	31,270,382	30,936,070
Improvements	36,839,442	23,041,645	5,313,511	5,557,545	42,152,953	28,599,190
Machinery and equipment	<u>19,590,477</u>	<u>17,923,500</u>	<u>806,622</u>	<u>704,331</u>	<u>20,397,099</u>	<u>18,627,831</u>
Total Capital Assets	<u>\$257,197,600</u>	<u>\$238,684,119</u>	<u>\$ 9,698,416</u>	<u>\$ 9,929,010</u>	<u>\$266,896,016</u>	<u>\$248,613,129</u>

Major capital asset events during the fiscal year ending June 30, 2012 included the following:

- The City invested an additional \$4,275,020 during the fiscal year ending June 30, 2012 towards renovations to the Coliseum.
- The City expended \$3,984,316 towards infrastructure improvements relative to road construction in the northern area of the City and the City Center TIF area.
- The City received donation of land valued at \$5,480,000 at a location where the City plans to build its new Public Works facility.

Additional information on the City of North Charleston's capital assets can be found in note III.C on page 34 of this report.

**Long-term debt.** As of June 30, 2012, the City of North Charleston had total bonded debt outstanding of \$189,334,830, which is net of \$3,319,830 in deferred amounts consisting of unamortized premiums, discounts and amounts on refunding. Of this amount, \$29,215,000 is backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources.

### **City of North Charleston's Outstanding Debt** **General Obligation, COPS, Tax Increment Bonds and Revenue Bonds**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$29,215,000	\$32,395,000	\$ -	\$ -	\$ 29,215,000	\$ 32,395,000
Certificates of Participation	57,615,000	61,950,000	-	-	57,615,000	61,950,000
Installment Purchase Rev. Bonds	52,520,000	-	-	-	52,520,000	-
Tax Increment Bonds	38,455,000	43,835,000	-	-	38,455,000	43,835,000
Revenue Bonds	-	-	8,210,000	8,735,000	8,210,000	8,735,000
Subtotal	177,805,000	138,180,000	8,210,000	8,735,000	186,015,000	146,915,000
Add (Less): Unamortized discounts, premiums and amounts on refunding	4,407,995	590,425	(1,088,165)	(1,187,090)	3,319,830	(596,665)
Total	<u>\$182,212,995</u>	<u>\$138,770,425</u>	<u>\$7,121,835</u>	<u>\$7,547,910</u>	<u>\$189,334,830</u>	<u>\$146,318,335</u>

The City of North Charleston's long-term debt increased by \$43,016,495 during the fiscal year ended June 30, 2012. The key factor in this overall increase was the issuance of \$52,520,000 in installment purchase revenue bonds.

The City of North Charleston maintained its AA bond rating from Standard and Poor's and its Aa2 bond rating from Moody's Investors Services for its general obligation debt. The golf course revenue bonds have been rated AA- from Standard and Poor's. South Carolina statutes limit the amount of general obligation debt a government may issue to 8 percent of its total assessed valuation (in the absence of a referendum). The City's legal debt limit is \$38,610,809 and its legal debt margin or the amount available to issue under the legal debt limit is \$9,395,809.

Additional information on the City of North Charleston's long-term debt can be found in note III.F on pages 35-44 of this report.

### ***Economic Factors and Next Year's Budget and Rates***

- The unemployment rate for the Charleston-North Charleston MSA (separate data for the City of North Charleston is not available) at June 30, 2012 was 8.5%. The unemployment rate for the State of South Carolina was 10.0% and the National unemployment rate was 8.5% as of the same time period.
- Retail sales in the City increased from \$5.65 billion in calendar year 2010 to \$5.87 billion in calendar year 2011.
- Tourism remains a vital segment of the local economy. Overall occupancy rates increased from 69% in calendar year 2010 to 70% in calendar year 2011.

- Spending in construction dollars decreased 38.5% in fiscal year ending June 30, 2012 compared to fiscal year ending June 30, 2011.

The City's adopted budget for the General Fund for the fiscal year ending June 30, 2013 increased 7.8% to \$95 million. The City's property tax rate increased to 94.0 mills primarily to assist with debt service on capital projects, however new commercial and industrial construction growth in assessment value will help to bring in an additional estimated \$1.2 million in property taxes. Business license fees, franchise fees, permits, sales taxes and other taxes are projected to remain relatively flat or increase ever so slightly. Salaries are expected to remain stable with only a modest increase in certain areas. The City expects to continue to see higher employee benefits related costs but hopes to minimize the effect of those increases by making changes to overall benefits. The City plans to fund new fleet equipment through a \$2.8 million lease purchase contract.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of North Charleston's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of North Charleston Finance Department, Office of the Finance Director, P.O. Box 190016, North Charleston, S.C., 29419.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 56,374,583	\$ 5,148,529	\$ 61,523,112
Receivables (net of allowance for uncollectibles)	2,962,068	1,050,742	4,012,810
Due from other governments	8,210,757	-	8,210,757
Assets held for resale	5,405,219	-	5,405,219
Inventories, at cost	65,580	-	65,580
Other assets and prepaid items	1,933,586	1,530	1,935,116
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	69,844,406	-	69,844,406
Deferred charges	1,511,134	81,910	1,593,044
Deferred outflow of resources	2,324,234	1,410,757	3,734,991
Capital assets (not being depreciated):			
Construction in progress	16,679,590	-	16,679,590
Land	41,285,068	1,397,188	42,682,256
Capital assets (net of accumulated depreciation):			
Buildings	111,532,641	2,181,095	113,713,736
Infrastructure	31,270,382	-	31,270,382
Improvements	36,839,442	5,313,511	42,152,953
Equipment	19,590,477	806,622	20,397,099
<b>Total assets</b>	<b><u>405,829,167</u></b>	<b><u>17,391,884</u></b>	<b><u>423,221,051</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable	5,116,498	191,692	5,308,190
Other accrued liabilities	7,276,661	25,120	7,301,781
Escrow for seized funds	219,701	-	219,701
Unearned revenue	1,879,123	-	1,879,123
Derivative instrument	2,324,234	1,410,757	3,734,991
Long-term obligations:			
Due within one year:			
General obligation bonds	3,295,000	-	3,295,000
Certificates of participation	4,680,000	-	4,680,000
Tax increment financing bonds	5,590,000	-	5,590,000
Installment purchase revenue bonds	1,340,000	-	1,340,000
Revenue bonds	-	550,000	550,000
Capital lease obligations	1,944,316	93,303	2,037,619
Compensated absences	3,029,636	74,912	3,104,548
Due in more than one year (noncurrent):			
General obligation bonds	25,920,000	-	25,920,000
Certificates of participation	51,974,646	-	51,974,646
Tax increment financing bonds	34,231,266	-	34,231,266
Installment purchase revenue bonds	55,182,083	-	55,182,083
Revenue bonds	-	6,571,835	6,571,835
Capital lease obligations	5,891,365	129,427	6,020,792
Compensated absences	66,049	8,946	74,995
<b>Total liabilities</b>	<b><u>209,960,578</u></b>	<b><u>9,055,992</u></b>	<b><u>219,016,570</u></b>
<b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt	138,891,514	2,353,851	141,245,365
Restricted for:			
Redevelopment projects	16,975,562	-	16,975,562
Public safety and service	2,464,421	-	2,464,421
Debt service	10,983,683	-	10,983,683
Unrestricted	26,553,409	5,982,041	32,535,450
<b>Total net assets</b>	<b><u>\$ 195,868,589</u></b>	<b><u>\$ 8,335,892</u></b>	<b><u>\$ 204,204,481</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
<b>Functions/Programs</b>							
<b>Governmental activities:</b>							
General government	\$ 23,230,770	\$ 2,451,952	\$ 381,386	\$ 8,679,191	\$ (11,718,241)	\$ -	\$ (11,718,241)
Public safety	48,393,769	3,611,583	2,319,886	1,029,513	(41,432,787)	-	(41,432,787)
Sanitation	5,595,353	64,447	-	-	(5,530,906)	-	(5,530,906)
Culture and recreation	14,883,727	6,770,787	137,976	-	(7,974,964)	-	(7,974,964)
Community development & promotion	4,754,853	-	985,225	161,476	(3,608,152)	-	(3,608,152)
Interest on long-term debt	5,518,173	-	1,594,683	-	(3,923,490)	-	(3,923,490)
<b>Total governmental activities</b>	<b>102,376,645</b>	<b>12,898,769</b>	<b>5,419,156</b>	<b>9,870,180</b>	<b>(74,188,540)</b>	<b>-</b>	<b>(74,188,540)</b>
<b>Business-type activities:</b>							
Golf course enterprise fund	2,594,030	1,152,487	-	-	-	(1,441,543)	(1,441,543)
Stormwater utility enterprise fund	2,946,972	4,013,656	-	-	-	1,066,684	1,066,684
<b>Total business-type activities</b>	<b>5,541,002</b>	<b>5,166,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(374,859)</b>	<b>(374,859)</b>
<b>Totals</b>	<b>\$ 107,917,647</b>	<b>\$ 18,064,912</b>	<b>\$ 5,419,156</b>	<b>\$ 9,870,180</b>	<b>(74,188,540)</b>	<b>(374,859)</b>	<b>(74,563,399)</b>
General revenues:							
Property taxes					48,057,360	-	48,057,360
Business license taxes					19,994,477	-	19,994,477
Sales taxes					8,649,499	-	8,649,499
Franchise taxes					7,786,661	-	7,786,661
Alcoholic beverage taxes					239,877	-	239,877
Hospitality taxes					5,317,448	-	5,317,448
Accommodations taxes					3,700,989	-	3,700,989
State shared revenues, unrestricted					2,191,105	-	2,191,105
Investment earnings					584,740	22,752	607,492
Gain on sale of capital assets					3,656	-	3,656
Miscellaneous					885,699	22,918	908,617
Total general revenues before transfers					97,411,511	45,670	97,457,181
Transfers					(1,463,690)	1,463,690	-
Total general revenues and transfers					95,947,821	1,509,360	97,457,181
<b>Change in net assets</b>					<b>21,759,281</b>	<b>1,134,501</b>	<b>22,893,782</b>
Net assets at beginning of year					174,109,308	7,201,391	181,310,699
<b>Net assets at end of year</b>					<b>\$ 195,868,589</b>	<b>\$ 8,335,892</b>	<b>\$ 204,204,481</b>

The notes to the financial statements are an integral part of this statement.

See accompanying independent auditors' report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2012  
(With Comparative Totals at June 30, 2011)

	General	Coliseum Operating	Tax Infrastructure	General Obligation Debt Service	Naval Base & Riverfront Park Capital Projects	Installment Purchase Revenue Bonds Capital Projects	Other Governmental	Total Governmental Funds	
								2012	2011
<b>Assets</b>									
Cash and cash equivalents	\$ 25,217,025	\$ 2,588,687	\$ -	\$ 4,967,496	\$ 4,461,965	\$ -	\$ 19,139,410	\$ 56,374,583	\$ 65,262,319
Receivables, net of allowances:									
Property taxes	2,475,797	-	-	-	-	-	-	2,475,797	1,079,617
Accounts receivable	60,164	105,069	290,399	-	-	-	30,639	486,271	179,125
Due from other funds	2,091,735	-	-	-	-	-	-	2,091,735	875,269
Due from other governments	4,905,200	-	1,450,723	-	-	-	1,854,834	8,210,757	6,604,054
Assets held for resale	-	-	5,405,219	-	-	-	-	5,405,219	6,214,309
Inventories, at cost	65,580	-	-	-	-	-	-	65,580	67,821
Prepaid items	5,619	61,905	-	-	-	-	-	67,524	22,698
Restricted assets:									
Cash and cash equivalents	-	-	4,137,117	-	5,278,329	55,890,061	4,538,899	69,844,406	20,198,623
Notes receivable	-	-	-	-	-	-	1,562,965	1,562,965	1,842,848
<b>Total assets</b>	<b>\$ 34,821,120</b>	<b>\$ 2,755,661</b>	<b>\$ 11,283,458</b>	<b>\$ 4,967,496</b>	<b>\$ 9,740,294</b>	<b>\$ 55,890,061</b>	<b>\$ 27,126,747</b>	<b>\$ 146,584,837</b>	<b>\$ 102,346,683</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 1,889,093	\$ 571,340	\$ 483,206	\$ 500	\$ 18,682	\$ 625,460	\$ 1,528,217	\$ 5,116,498	\$ 6,492,893
Other accrued liabilities	6,549,649	-	-	-	-	-	-	6,549,649	7,455,503
Escrow for seized funds	-	-	-	-	-	-	219,701	219,701	158,262
Due to other funds	-	-	238,280	-	-	617,544	1,235,911	2,091,735	875,269
Deferred revenue	1,845,537	1,852,123	27,000	-	-	-	1,562,965	5,287,625	5,890,467
<b>Total liabilities</b>	<b>10,284,279</b>	<b>2,423,463</b>	<b>748,486</b>	<b>500</b>	<b>18,682</b>	<b>1,243,004</b>	<b>4,546,794</b>	<b>19,265,208</b>	<b>20,872,394</b>
<b>Fund balances:</b>									
Nonspendable:									
Prepays	5,619	61,905	-	-	-	-	-	67,524	22,698
Inventory	65,580	-	-	-	-	-	-	65,580	67,821
Assets held for resale	-	-	5,405,219	-	-	-	-	5,405,219	6,214,309
Restricted for:									
Public safety and public service	-	-	-	-	-	-	2,464,421	2,464,421	2,166,250
Facility and infrastructure improvements	-	-	-	-	-	54,647,057	17,886,549	72,533,606	22,988,483
Debt service	-	-	3,886,688	4,966,996	-	-	2,129,999	10,983,683	10,248,027
Navy base improvements	-	-	-	-	9,721,612	-	-	9,721,612	10,419,748
Other capital projects	-	-	1,243,065	-	-	-	-	1,243,065	6,696,644
Committed for:									
Disaster funds	411,021	-	-	-	-	-	-	411,021	409,827
Assigned for:									
Community promotions	-	-	-	-	-	-	98,984	98,984	99,656
Facility operations	-	270,293	-	-	-	-	-	270,293	309,500
Education, boat landing, loans and other	4,044,976	-	-	-	-	-	-	4,044,976	3,791,705
Unassigned	20,009,645	-	-	-	-	-	-	20,009,645	18,039,621
<b>Total fund balances</b>	<b>24,536,841</b>	<b>332,198</b>	<b>10,534,972</b>	<b>4,966,996</b>	<b>9,721,612</b>	<b>54,647,057</b>	<b>22,579,953</b>	<b>127,319,629</b>	<b>81,474,289</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,821,120</b>	<b>\$ 2,755,661</b>	<b>\$ 11,283,458</b>	<b>\$ 4,967,496</b>	<b>\$ 9,740,294</b>	<b>\$ 55,890,061</b>	<b>\$ 27,126,747</b>	<b>\$ 146,584,837</b>	<b>\$ 102,346,683</b>

The notes to the financial statements are an integral part of this statement  
See accompanying independent auditors' report.



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF FUND BALANCES TO NET ASSETS**  
**June 30, 2012**

Total fund balances of total Governmental Funds \$ 127,319,629

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in fund balances:

Cost of capital assets	\$ 353,711,026	
Accumulated depreciation	(96,513,426)	
Net carrying value of capital assets included in net assets, not included in fund balances		257,197,600

Long-term liabilities are not due and payable in the current period and accordingly, are not reported as fund liabilities:

General obligation bonds	(29,215,000)	
Certificates of participation, including unamortized premiums and/or discounts of \$823,522 and net of unamortized amount on refunding of \$1,783,876	(56,654,646)	
Installment purchase revenue bonds, including unamortized premiums of \$4,002,083	(56,522,083)	
Tax increment financing bonds, including unamortized premiums and/or discounts of \$1,366,263	(39,821,266)	
Capital lease obligations	(7,835,681)	
Compensated absences	(3,095,685)	
Total liabilities included in Statement of Net Assets, not included in fund liabilities		(193,144,361)
Accrued interest on long-term debt		(727,012)

Other assets are not available to pay for current period expenditures and therefore are deferred in the fund balances:

Hospitality taxes, accommodations taxes and state shared revenues due from other governments	1,824,650	
Property taxes	20,887	
OPEB net (obligation) asset	1,866,062	
Unamortized bonds costs, net of amortization	1,511,134	
Total long-term assets included in net assets, not included in fund balances		5,222,733

**Total net assets of total Governmental Activities \$ 195,868,589**

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for the Year Ended June 30, 2011)**

	General	Coliseum Operating	Tax Infrastructure	General Obligation Debt Service	Naval Base & Riverfront Park Capital Projects	Installment Purchase Revenue Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds	
								2012	2011
<b>Revenues:</b>									
Property taxes	\$ 39,051,139	\$ -	\$ 7,733,308	\$ 1,475,000	\$ -	\$ -	\$ -	\$ 48,259,447	\$ 46,798,627
Licenses and permits	29,670,187	-	-	-	-	-	-	29,670,187	27,599,742
Intergovernmental	15,019,952	-	250,000	378,000	-	-	14,328,848	29,976,800	30,766,054
Fines and forfeitures	1,429,950	-	-	-	-	-	437,737	1,867,687	2,333,498
Charges for services	1,601,380	-	-	-	-	-	-	1,601,380	1,695,599
Revenues from use of monies and property	1,274,101	5,043,565	196,903	419,178	29,272	-	982,075	7,945,094	6,523,787
Other revenues	757,106	-	-	-	-	-	-	757,106	513,826
<b>Total revenues</b>	<b>88,803,815</b>	<b>5,043,565</b>	<b>8,180,211</b>	<b>2,272,178</b>	<b>29,272</b>	<b>-</b>	<b>15,748,660</b>	<b>120,077,701</b>	<b>116,231,133</b>
<b>Expenditures:</b>									
Current:									
General government	22,506,209	-	-	-	-	-	-	22,506,209	21,463,825
Public safety	45,078,928	-	-	-	-	-	3,349,291	48,428,219	47,963,669
Sanitation	5,321,461	-	-	-	-	-	-	5,321,461	5,143,935
Culture and recreation	6,083,909	5,906,421	-	-	-	-	575,295	12,565,625	11,369,459
Community development and promotion	2,368,688	-	-	-	-	-	1,719,167	4,087,855	5,204,591
Capital outlay	-	-	1,957,759	-	727,408	1,243,004	13,176,039	17,104,210	20,698,775
Debt service:									
Principal	2,294,314	-	5,380,000	3,180,000	-	-	4,335,000	15,189,314	15,167,373
Interest and fiscal charges	257,315	-	1,422,351	1,450,244	-	-	2,420,259	5,550,169	5,503,062
Bond issuance costs	-	-	-	-	-	271,522	326,771	598,293	-
<b>Total expenditures</b>	<b>83,910,824</b>	<b>5,906,421</b>	<b>8,760,110</b>	<b>4,630,244</b>	<b>727,408</b>	<b>1,514,526</b>	<b>25,901,822</b>	<b>131,351,355</b>	<b>132,514,689</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,892,991</b>	<b>(862,856)</b>	<b>(579,899)</b>	<b>(2,358,066)</b>	<b>(698,136)</b>	<b>(1,514,526)</b>	<b>(10,153,162)</b>	<b>(11,273,654)</b>	<b>(16,283,556)</b>
<b>Other financing sources (uses):</b>									
Transfers in	-	862,856	-	2,358,065	-	-	7,563,015	10,783,936	18,323,633
Transfers (out)	(4,725,725)	-	(5,000,000)	(155,531)	-	-	(2,366,370)	(12,247,626)	(19,885,182)
Proceeds from sale of property	154,601	-	-	-	-	-	-	154,601	1,979,629
Bonds issued	-	-	-	-	-	52,159,500	360,500	52,520,000	24,600,000
Premiums on bonds issued	-	-	-	-	-	4,002,083	-	4,002,083	-
Capital lease obligations	1,906,000	-	-	-	-	-	-	1,906,000	3,574,000
<b>Total other financing sources (uses)</b>	<b>(2,665,124)</b>	<b>862,856</b>	<b>(5,000,000)</b>	<b>2,202,534</b>	<b>-</b>	<b>56,161,583</b>	<b>5,557,145</b>	<b>57,118,994</b>	<b>28,592,080</b>
<b>Net changes in fund balances</b>	<b>2,227,867</b>	<b>-</b>	<b>(5,579,899)</b>	<b>(155,532)</b>	<b>(698,136)</b>	<b>54,647,057</b>	<b>(4,596,017)</b>	<b>45,845,340</b>	<b>12,308,524</b>
<b>Fund balances at beginning of year</b>	<b>22,308,974</b>	<b>332,198</b>	<b>16,114,871</b>	<b>5,122,528</b>	<b>10,419,748</b>	<b>-</b>	<b>27,175,970</b>	<b>81,474,289</b>	<b>69,165,765</b>
<b>Fund balances at end of year</b>	<b>\$ 24,536,841</b>	<b>\$ 332,198</b>	<b>\$ 10,534,972</b>	<b>\$ 4,966,996</b>	<b>\$ 9,721,612</b>	<b>\$ 54,647,057</b>	<b>\$ 22,579,953</b>	<b>\$ 127,319,629</b>	<b>\$ 81,474,289</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2012**

Net change in fund balances of total Governmental Funds activities:		\$ 45,845,340
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures, whereas depreciation is not a change in fund balance. In the Statement of Activities the cost of capital outlays is capitalized and depreciation is expensed. Also capital assets contributed to the City and financed acquisitions are capitalized and recognized in the Statement of Net Assets:		
Total capital asset additions	26,920,636	
Depreciation expense	(8,256,210)	
Net effect of capital asset acquisitions and depreciation expense		18,664,426
Proceeds from sale of capital assets are reported as a change in fund balance, whereas the gain (loss) on the sale or disposal of capital assets is reported in the Statement of Activities:		
Proceeds from sale of capital assets	(154,601)	
Gain (loss) on sale or disposal	3,656	
Net effect of capital assets sales and disposals		(150,945)
Long-term liability payments are recorded as expenditures and bond proceeds are recorded as other financing sources as changes in fund balances, whereas there is no effect on the Statement of Activities. Amortization of related premiums, discounts, bond issuance costs and deferred interest on refundings are expensed within the Statement of Activities, whereas these costs and receipts are expenditures and resources of fund balances when incurred:		
Payments of long-term debt - general obligation bonds, certificates of participation and tax increment financing bonds	12,895,000	
Amortization of premiums, discounts, costs and refunding deferrals	15,872	
Capital lease payments	2,294,313	
Bonds issued	(52,520,000)	
Premiums on bonds issued	(4,002,083)	
Costs of issuance	598,293	
Proceeds from capital leasing activities	(1,906,000)	
Net effect of long-term debt related activities		(42,624,605)
Revenues and expenses in the Statement of Activities, which do not represent or require the use of current financial resources and are reported in fund balances:		
Hospitality & accommodations taxes	89,601	
Property taxes	(202,087)	
State shared revenues	(31,237)	
Accrued interest on borrowings	16,125	
Increase in net OPEB asset	253,581	
Compensated absences	(100,918)	
Net effect of revenue and expense activities		25,065
Change in net assets		\$ 21,759,281

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**  
(With Comparative Actual Amounts at June 30, 2011)

	Business-type Activities - Enterprise Funds			
	2012			2011
	Golf Course	Stormwater Utility	Total	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 139,849	\$ 5,008,680	\$ 5,148,529	\$ 3,835,017
Accounts receivable, net	15,811	1,034,931	1,050,742	1,394,700
Prepaid items	1,530	-	1,530	71
<b>Total current assets</b>	<b>157,190</b>	<b>6,043,611</b>	<b>6,200,801</b>	<b>5,229,788</b>
<b>Noncurrent Assets:</b>				
Unamortized bond issue costs	81,910	-	81,910	89,357
Deferred outflow of resources	1,410,757	-	1,410,757	986,457
Capital assets:				
Land	1,397,188	-	1,397,188	1,397,188
Buildings	3,247,184	-	3,247,184	3,247,184
Improvements	8,043,375	-	8,043,375	8,043,375
Machinery and equipment	1,264,337	2,375,776	3,640,113	3,319,546
Less accumulated depreciation	(4,879,407)	(1,750,037)	(6,629,444)	(6,078,283)
Total capital assets (net of accumulated depreciation)	9,072,677	625,739	1,655,041	9,929,010
<b>Total noncurrent assets</b>	<b>10,565,344</b>	<b>625,739</b>	<b>3,147,708</b>	<b>11,004,824</b>
<b>Total assets</b>	<b>10,722,534</b>	<b>6,669,350</b>	<b>9,348,509</b>	<b>16,234,612</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	188,751	2,941	191,692	147,620
Accrued interest payable	24,739	381	25,120	28,421
Revenue bonds payable	550,000	-	550,000	525,000
Capital leases payable	42,218	51,085	93,303	107,850
Compensated absences	-	74,912	74,912	73,307
<b>Total current liabilities</b>	<b>805,708</b>	<b>129,319</b>	<b>935,027</b>	<b>882,198</b>
<b>Noncurrent liabilities:</b>				
Derivative instrument	1,410,757	-	1,410,757	986,457
Revenue bonds payable (net of unamortized discount)	6,571,835	-	6,571,835	7,022,910
Capital leases payable	62,632	66,795	129,427	132,902
Compensated absences	-	8,946	8,946	8,754
<b>Total noncurrent liabilities</b>	<b>8,045,224</b>	<b>75,741</b>	<b>8,120,965</b>	<b>8,151,023</b>
<b>Total liabilities</b>	<b>8,850,932</b>	<b>205,060</b>	<b>9,055,992</b>	<b>9,033,221</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	1,845,992	507,859	2,353,851	2,140,348
Unrestricted	25,610	5,956,431	5,982,041	5,061,043
<b>Total net assets</b>	<b>\$ 1,871,602</b>	<b>\$ 6,464,290</b>	<b>\$ 8,335,892</b>	<b>\$ 7,201,391</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>2012</b>			<b>2011</b>
	<b>Golf Course</b>	<b>Stormwater Utility</b>	<b>Total</b>	<b>Total</b>
<b>Operating revenues:</b>				
Golf course fees	\$ 1,105,858	\$ -	\$ 1,105,858	\$ 994,357
Stormwater utility fees	-	4,013,656	4,013,656	3,191,083
Merchandise sales commissions	46,629	-	46,629	39,195
Miscellaneous revenues	22,918	-	22,918	23,048
<b>Total operating revenues</b>	<u>1,175,405</u>	<u>4,013,656</u>	<u>5,189,061</u>	<u>4,247,683</u>
<b>Operating expenses:</b>				
Contractual management services	1,595,767	-	1,595,767	1,576,658
Salaries and benefits	-	2,442,152	2,442,152	2,276,611
Repairs and maintenance	-	255,017	255,017	266,541
Supplies and materials	-	111,215	111,215	30,302
Administrative	18,000	24,300	42,300	44,741
Amortization expense	106,372	-	106,372	106,372
Depreciation expense	442,685	108,476	551,161	637,222
<b>Total operating expenses</b>	<u>2,162,824</u>	<u>2,941,160</u>	<u>5,103,984</u>	<u>4,938,447</u>
<b>Operating income (loss)</b>	(987,419)	1,072,496	85,077	(690,764)
<b>Nonoperating revenues (expenses):</b>				
Investment income	44	22,708	22,752	14,271
Interest expense:				
Revenue bonds	(417,326)	-	(417,326)	(448,313)
Equipment leases	(2,939)	(5,812)	(8,751)	(11,961)
Fiscal agent fees	(10,941)	-	(10,941)	(6,191)
<b>Total nonoperating revenues (expenses)</b>	<u>(431,162)</u>	<u>16,896</u>	<u>(414,266)</u>	<u>(452,194)</u>
<b>Change in net assets, before transfers</b>	(1,418,581)	1,089,392	(329,189)	(1,142,958)
Transfers from General Fund	1,463,690	-	1,463,690	1,561,549
<b>Change in net assets</b>	<b>45,109</b>	<b>1,089,392</b>	<b>1,134,501</b>	<b>418,591</b>
<b>Total net assets at beginning of year</b>	<u>1,826,493</u>	<u>5,374,898</u>	<u>7,201,391</u>	<u>6,782,800</u>
<b>Total net assets at end of year</b>	<u><b>\$ 1,871,602</b></u>	<u><b>\$ 6,464,290</b></u>	<u><b>\$ 8,335,892</b></u>	<u><b>\$ 7,201,391</b></u>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	Business-type Activities - Enterprise Funds			
	2012			2011
	Golf Course	Stormwater Utility	Total	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,175,849	\$ 4,357,170	\$ 5,533,019	\$ 3,801,405
Payments to employees	-	(2,442,152)	(2,442,152)	(2,276,611)
Payments to suppliers and contractors	(1,571,244)	(391,946)	(1,963,190)	(1,866,408)
Net cash provided by (used for) operating activities	(395,395)	1,523,072	1,127,677	(341,614)
Cash flows from noncapital financing activities:				
Transfers from General Fund	1,463,690	-	1,463,690	1,561,549
Net cash provided by (used for) noncapital financing activities	1,463,690	-	1,463,690	1,561,549
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(106,640)	(213,928)	(320,568)	(50,841)
Principal paid on capital debt	(603,936)	(49,085)	(653,021)	(630,282)
Proceeds from lease purchase financing	110,000	-	110,000	-
Interest and fiscal charges paid on capital debt	(431,206)	(5,812)	(437,018)	(466,465)
Net cash provided by (used for) capital and related financing activities	(1,031,782)	(268,825)	(1,300,607)	(1,147,588)
Cash flows from investing activities:				
Interest received	44	22,708	22,752	14,271
Net cash provided (used) by investing activities	44	22,708	22,752	14,271
Net increase (decrease) in cash and cash equivalents	36,557	1,276,955	1,313,512	86,618
Cash and cash equivalents at beginning of year	103,292	3,731,725	3,835,017	3,748,399
Cash and cash equivalents at end of year	\$ 139,849	\$ 5,008,680	\$ 5,148,529	\$ 3,835,017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (987,419)	\$ 1,072,496	\$ 85,077	\$ (690,764)
Adjustments:				
Increase (decrease) in operating payables	43,982	(1,414)	42,568	51,320
(Increase) decrease in accounts receivable	444	343,514	343,958	(446,278)
(Increase) decrease in prepaid items	(1,459)	-	(1,459)	514
Amortization expense	106,372	-	106,372	106,372
Depreciation expense	442,685	108,476	551,161	637,222
Net cash provided (used) by operating activities	\$ (395,395)	\$ 1,523,072	\$ 1,127,677	\$ (341,614)

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditors' report.

# CITY OF NORTH CHARLESTON, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

### INDEX

	Beginning Page
I. Summary of Significant Accounting Policies	
A. Reporting Entity.....	23
B. Government-wide and Fund Financial Statements .....	23
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	24
D. Assets, Liabilities, Net Assets or Equity, Revenues and Expenditures/Expenses	
1. Cash and Cash Equivalents, Deposits and Investments .....	26
2. Receivables and Payables.....	26
3. Assets Held for Resale .....	27
4. Inventories and Prepaid Items .....	27
5. Restricted Assets .....	27
6. Capital Assets and Depreciation Expense.....	27
7. Compensated Absences.....	28
8. Short-term and Long-term Obligations and Interest Expense.....	28
9. Deferred Revenue.....	28
10. Fund Equity and Balance .....	29
11. Net Assets.....	29
12. Accounting Estimates.....	30
13. Operating Revenues and Expenses .....	30
14. Lease Accounting.....	30
15. Interfund Activity.....	30
16. Revenues and Contributions, Exchange and Non-Exchange Transactions.....	31
17. Reconciliation from Fund Balances to Net Assets.....	31
18. Comparative Data/Reclassifications .....	31
II. Stewardship, Compliance and Accountability	
A. Budgetary Information.....	31
B. Fund Deficits and Excess Expenditures over Appropriations.....	32
III. Detailed Notes on All Funds	
A. Deposits and Investments.....	32
B. Receivables .....	33
C. Capital Assets, Depreciation Expense.....	34
D. Interfund Receivables, Payables and Transfers .....	35
E. Short-term Obligations.....	35
F. Long-term Obligations.....	35
G. Net Assets Classifications.....	44
IV. Other Information	
A. Risk Management .....	44
B. Deferred Compensation Plans, Pension Plans and Employee Retirement Systems.....	45
C. Other Post-employment Benefits.....	46
D. Contingent Liabilities and Litigation.....	48
E. Significant Long-term Management Contracts.....	48
F. Commitments and Contingencies .....	49
G. Subsequent Events .....	49



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

The City of North Charleston (the City) was organized under a charter granted by the State of South Carolina on June 12, 1972. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. Accordingly, the City adopted the Mayor-Council form of government. The City Council is composed of a mayor and ten council members.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America. These standards, also known as generally accepted accounting principles (GAAP), are designed to provide all primary users of the City's Comprehensive Annual Financial Report (CAFR) with the basic information needed to assess the City's finances.

**A. REPORTING ENTITY**

The City's financial statements include all funds, agencies, boards and commissions that are controlled by or dependent on the City's Council or Mayor. The government is a municipal corporation governed by an elected mayor and ten-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with the data of the City.

**Blended component units** - North Charleston Public Facilities Corporation is a single purpose corporate entity which is prohibited from engaging in any business other than to construct, own and lease facilities to be used for essential City functions in connection with the issuance of tax exempt certificates of participation and installment purchase revenue bonds to finance such facilities. The corporation is governed by a board of directors appointed by City Council and solely exists for the benefit of the City. The reported funds are the Certificates of Participation Debt Service Fund, the Installment Purchase Revenue Bonds Debt Service Fund, the Installment Purchase Revenue Bonds Capital Projects Fund and the North Charleston Convention Center Complex Project Fund.

The North Charleston Redevelopment Commission was established by City Council in 1985. This separate corporation is composed of members of City Council and exists to review property to determine if redevelopment is necessary and to plan and conduct redevelopment. State law requires that various criteria exist for the Commission to undertake redevelopment. The Commission may acquire and sell land, contract with developers, issue bonds and borrow from private sources. Through June 30, 2012, the Commission had begun one redevelopment plan, but had no financial authority or obligation.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is to be reported separately from certain legally separate component units for which the primary government is financially accountable. The City of North Charleston reports no legally separate component units, only the above mentioned blended component units.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. The focus of the governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns on the fund financial statements. Non-major funds are summarized into a single column.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and liabilities (whether current or non-current) associated with these activities are included in the government-wide financial statements, resulting in net assets.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available, or when susceptible to accrual. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes and sales taxes to be available if they are collected within 60 days after year-end. Grant revenues are considered available if received within one year after year-end. All other revenue items are recognized when cash is received, unless they are subject to deferral to a future period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Only current assets and current liabilities are generally included on the Balance Sheets of the governmental funds. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, the reported fund balance presents a summary of sources and uses of "available spendable resources" during a period. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental column in the government-wide statements, a reconciliation is presented following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)**

As permitted by accounting principles generally accepted in the United States of America, the City has elected to apply only applicable FASB Statements and Interpretations issued before December 1, 1989 in its accounting and reporting practices in the government-wide financial statements as well as for its proprietary operations to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**Major Funds** - The new standards set forth minimum quantitative criteria for the determination of major funds, and permit governments to select additional funds as major if officials believe such presentation is important to financial statement users. The City reports the following major governmental funds:

**General Fund** – The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed or assigned to other funds are accounted for in the General Fund.

**Naval Base and Riverfront Park Capital Projects Fund** – The Naval Base and Riverfront Park Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to the costs of capital projects associated with the redevelopment of the former Navy Base property and the development of the Riverfront Park.

**Installment Purchase Revenue Bonds Capital Projects Fund** – The Installment Purchase Revenue Bonds Capital Projects Fund is used to account for and report the financial resources that are restricted, committed or assigned through proceeds from the sale of installment purchase revenue bonds to fund expenditures associated with the purchase of and improvements made to City owned facilities.

**Coliseum Operating Special Revenue Fund** – The Coliseum Operating Fund is used to account for and report the financial resources that are restricted, committed or assigned to the operations of the North Charleston Coliseum, Convention Center and Performing Arts Complex.

**Tax Infrastructure Special Revenue Fund** – The Tax Infrastructure Fund is used to account for and report the financial resources that are restricted, committed or assigned through proceeds from the sale of tax increment financing bonds and collection of incremental property tax revenues to fund expenditures associated with the purchase of and improvements made to redevelopment areas within the City and to pay for the related debt service.

**General Obligation Debt Service Fund** – The General Obligation Debt Service Fund is used to account for and report the accumulation of resources that are restricted, committed or assigned for the payment of long-term debt principal, interest and related costs on general obligation debt of the governmental funds.

The City reports the following major proprietary funds:

**Golf Course Enterprise Fund** – The Golf Course Enterprise Fund is used to account for the construction, funding, operation and maintenance of the City's municipal golf course known as the Golf Club at Wescott Plantation, consisting of twenty-seven holes, a driving range, full service clubhouse, maintenance facilities, carts, parking and certain roads.

**Stormwater Utility Enterprise Fund** – The Stormwater Utility Enterprise Fund is used to account for managing the planning, designing, constructing and maintaining of the City's stormwater utility program as authorized by the Stormwater Management and Sediment Reduction Act adopted by the South Carolina General Assembly. The major source of revenue is the imposition of stormwater management utility fees as approved by the City Council in action taken during June of 2003.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)**

**Nonmajor Funds** - The City also reports the following nonmajor governmental funds:

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. The City of North Charleston has the following nonmajor special revenue funds: Accommodations Tax, City Accommodations Tax, CDBG, HOME, Fireman's Insurance & Inspection, Anti-Drug, Justice Assistance Grant, Weed & Seed Grant, Lowcountry Regional Analyst Grant, Victims Advocate, State Ports Authority Mitigation Grant, Energy Efficiency Conservation Block Grant, BJA Edward Byrne Memorial Competitive Grant, COPS Hiring Grant, FEMA Firefighter Assistance Grant, Court System Efficiency Grant, School Resource Officer Grant, Port Security Grant, Hispanic Victim Advocate Grant, EPA Brownsfield Grant, JAG Recovery Act Grant, CDBG Recovery Act Grant, Maritime Fire Response Vessel Grant and Parking.

**Capital Project Funds** – Capital project funds are used to account for and report financial resources that are restricted, committed or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction, renovation of capital facilities and other capital assets (other than those financed by proprietary funds). The City's nonmajor capital project funds include the North Charleston Convention Center Complex Fund, the Citywide Capital Improvements Fund, the Wescott Sports Complex Fund and the Street Light and Drainage Fund.

**Certificates of Participation Debt Service Fund** – The Certificates of Participation Debt Service Fund is used to account for and report the accumulation of financial resources that are restricted, committed or assigned for the payment of all long-term debt principal, interest and related costs on certificates of participation debt of the governmental funds.

**Installment Purchase Revenue Bonds Debt Service Fund** – The Installment Purchase Revenue Bonds Debt Service Fund is used to account for and report the accumulation of financial resources that are restricted, committed or assigned for the payment of all long-term debt principal, interest and related costs on installment purchase revenue bond debt of the governmental funds.

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES**

#### **1. Cash and Cash Equivalents, Deposits and Investments**

The City's cash and cash equivalents include currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts and liquid investments with an original maturity of three months or less from the date of acquisition.

State statutes authorize the City to invest in certificates of deposit, United States Treasury obligations, United States Agencies, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments for the City are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the position in the State Treasurer's Local Government Investment Pool is the same as the value of the pool shares.

#### **2. Receivables and Payables**

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)**

wide financial statements as “internal balances”. Property taxes are recognized in the fiscal year for which taxes are levied. All receivables are shown net of any allowance for uncollectibles. The property taxes receivable amount for the General Fund is reduced by an allowance for uncollectibles of \$842,717.

#### **3. Assets Held for Resale**

Real estate owned by the City that is held for resale is recorded at the lower of cost, or the net realizable value. At June 30, 2012, the City maintained approximately 57 acres in the Century Oaks TIF district.

#### **4. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in, first-out method. Inventories consist primarily of Fire Museum gift shop items for sale and materials/supplies held for consumption. The consumption method of accounting is used to record inventories as an expenditure when consumed rather than when purchased. Certain payments made to vendors reflect costs for services applicable to future accounting periods and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

#### **5. Restricted Assets**

Certain proceeds of the City’s revenue bonds, general obligation bonds, certificates of participation and installment purchase revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the Balance Sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants, outside parties or legal agreements. Certain bond indentures of trust agreements require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided, and (ii) the next succeeding principal and interest payment.

#### **6. Capital Assets and Depreciation Expense**

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks, stormwater improvements, drainage improvements and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated and contributed capital assets are recorded at estimated fair value at the date of receipt. Major outlays for capital assets and improvements are capitalized as projects when constructed and completed. Historically, for business-type capital assets, interest incurred (net of interest earned for tax exempt debt) is capitalized during the construction phase for qualifying assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Improvements that produce permanent benefits, such as fill and grading costs that ready land for structures and landscaping, are capitalized but not depreciated. Improvements that are considered part of a structure or that deteriorate with use or the passage of time, such as parking lots, fencing, modern greens and certain other golf course improvements, are depreciated. Impaired capital assets are written down or off, based on the nature and extent of damage, deterioration or other impairment.

Depreciation expense of capital assets that can be specifically identified with a function or program is included in such captions in the Statement of Activities. Depreciation expense related to shared capital assets, such as City Hall, is reported as part of the “general government” function in the Statement of Activities. Depreciation expense for infrastructure assets is reported as a direct expense of the “general government” function, where maintenance is located. Property, plant and equipment of the City is depreciated using the straight line method

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)**

over the following estimated useful lives: buildings, 50 years; improvements, 20-50 years; infrastructure, 20-50 years; equipment, 5-20 years; and vehicles, 5-10 years.

#### **7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused sick leave and vacation benefits. There is no liability reported for the unlimited, unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation leave is accrued when incurred in government-wide and proprietary fund financial statements. Compensated absences that are expected to be liquidated with expendable financial resources as a result of employee resignations and retirements as of the end of the fiscal year are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts related to the Stormwater Utility Enterprise Fund will be liquidated from that fund with the balance being liquidated from the General Fund.

#### **8. Short-Term and Long-Term Obligations and Interest Expense**

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

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

In the proprietary funds (and for the governmental funds, in the government-wide statements) the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

All interest expense is unallocated, and thus is not included in the functions and programs of the Statement of Activities. Contributions received from other governments as direct coverage of the certificates of participation debt, which funded the Convention and Performing Arts Center and the parking lot, are reported as program revenues related to interest expense.

#### **9. Deferred Revenue**

In the government-wide financial statements, and in the governmental fund types and the proprietary fund types in the fund financial statements, certain assets are recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability for deferred revenue, commonly referred to as unearned revenue. Unearned revenue in the government-wide statements and in the fund financial statements, governmental funds, is represented by various deposits on contracts. In the fund financial statements, governmental funds report certain assets that are not yet available to finance expenditures for the current fiscal period and are classified as deferred revenue commonly known as unavailable revenue. Unavailable revenue in the governmental funds is primarily represented by loans receivable in the HOME Grant Fund.



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)**

#### **10. Fund Equity and Balance**

The City of North Charleston implemented GASB #54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" (GASB #54) in the fiscal year ended June 30, 2011. The objective of GASB #54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarify the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City of North Charleston classifies governmental fund balances as follows:

**Nonspendable** - This represents amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted** - This represents amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** - This represents amounts that are constrained for specific purposes that are internally imposed by the City of North Charleston through formal action made by the City Council before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** - This represents amounts that are intended to be used for specific purposes that are neither considered restricted or committed and such assignments are made before the report issuance date.

**Unassigned** - This represents amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes with the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City of North Charleston generally requires restricted amounts to be spent first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts or agreements that prohibit doing such. Additionally, the City of North Charleston would generally first use committed and assigned amounts of unrestricted fund balance before using unassigned amounts.

The City of North Charleston has formally adopted a minimum fund balance policy that requires 10% of the next year's General Fund appropriations be available as unassigned fund balance. The original General Fund budget for the fiscal year ending June 30, 2013 is \$95,026,819, thus \$9,502,682 would need to be the minimum amount set aside as the unassigned General Fund balance.

#### **11. Net Assets**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

**Investment in Capital Assets (Net of Related Debt)** is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt (i.e., bonds, leases, notes).



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)**

#### **11. Net Assets (continued)**

Debt for this purpose is reduced by any unspent debt proceeds. Net related debt includes debt applicable to capital assets, net of unamortized discounts, premiums and refunding amounts.

**Restricted Net Assets** are liquid assets (typically generated from certain revenues and bond proceeds) which have third-party (statutory, bond covenant or granting agency) limitations on their use. Restrictions may also be imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** represent net assets that do not meet the definitions of “restricted” or “invested in capital assets net of related debt”. Unrestricted net assets may be designated for management’s specific internal purposes.

#### **12. Accounting Estimates**

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

#### **13. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The principal operating revenues for the City’s proprietary funds are charges to customers in the form of fees for sales and services. Operating expenses for the proprietary funds include contractual management services, salaries and benefits, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

#### **14. Lease Accounting**

Revenue from land and building rentals or other leased sites is accounted for under the operating lease method. Leases are normally for periods of one to ten years with options to renew. However certain leases associated with economic development initiatives, where long-term bonded debt was issued, cover periods for the repayment of such indebtedness. Lease costs, if material, are deferred and amortized to expenses over the life of the lease. There were no material lease costs for the year ended June 30, 2012.

#### **15. Interfund Activity**

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

Interfund loans may occur between two funds. Short-term interfund loans outstanding at year-end are recorded as interfund receivables/payables and are expected to be paid within one year. Advances to/from other funds represent long-term interfund loans receivable and payable. Reimbursements result when one fund makes an expenditure on behalf of another. Reimbursement transactions reduce expenditures in the reimbursed fund and increase those in the reimbursing fund.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **D. ASSETS, LIABILITIES, NET ASSETS OR EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)**

#### **16. Revenues and Contributions, Exchange and Non-Exchange Transactions**

**Non-exchange Transactions** - These are transactions in which the City receives value without directly giving equal value in return. Such items may include property taxes, grants, entitlements, donations and other contributions. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**Property Tax Revenues** - Real property and business personal property taxes, excluding automobile property taxes, become enforceable liens and are based on the assessed values as of January 1. Real property taxes are levied in October, due when billed and payable without penalty before January 16. Automobile property taxes are levied throughout the year depending on vehicle tag expiration dates. Business personal property taxes are levied in September, payable upon receipt and become delinquent after January 15. Property taxes are assessed and collected by Charleston and Dorchester Counties under joint billing and collection agreements.

**Intergovernmental Revenues** - These revenues include grants, entitlements, and shared revenues from Federal and State grants and are recognized when the related expenditures are recorded and contractual requirements are met. State sales taxes and other shared revenues are entitlements and are recorded when collected by the State.

#### **17. Reconciliation from Fund Balances to Net Assets**

The Reconciliation of Fund Balances to Net Assets (Exhibit 4) is an extension of the Balance Sheet (Exhibit 3), and the Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit 6) is an extension of the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5). These reconciliations provide explanations of differences between the modified accrual basis of accounting in the funds statements and the full accrual basis of accounting used to determine net assets and related activities. All significant differences are explained within the reconciliations, and by reference to various other notes to the financial statements.

#### **18. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except certain special revenue funds indicated as follows: the Anti-Drug Fund and the Fireman's Insurance and Inspection Fees Fund, and the capital project funds, which adopt project-length budgets. Encumbered amounts do not lapse but are brought forward to the new year and added to the budget adopted by the City Council for that year.

Prior to June 30, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are then conducted at City Hall to obtain taxpayer comments, and the budget is legally enacted through passage of an ordinance. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Mayor, as chief executive officer, is

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

### A. Budgetary Information (continued)

authorized to administer the budget and may transfer appropriated funds within departments. Transfers of appropriations between departments require the approval of the Council. Additional funds may be appropriated as necessary with Council's approval to achieve the goals of the budget. Expenditures may not exceed budgeted appropriations at the departmental level without Council's approval. The City's policy is to adopt balanced revenue and expenditure budgets. Prior year fund balances may be appropriated as resources. However, these appropriated fund balances are not reported as revenues in budgetary data within their financial statements. City Council made several supplemental budgetary appropriations throughout the year; none of which were material.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as an assignment of the fund balance since they do not constitute expenditures or liabilities and are appropriated in the ensuing year's budget, which is formally adopted by City Council for that year.

### B. Fund Deficits and Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2012, the City had no expenditures that exceeded appropriations at the legal level of budgetary control and no fund deficits in its individual funds.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of June 30, 2012, the City had the following cash and investment balances:

Cash on hand	\$	51,723
Carrying amount of deposits		20,803,745
Carrying amount of investments		110,512,050
Total	\$	<u>131,367,518</u>
Statement of Net Asset balances:		
Cash and cash equivalents	\$	61,523,112
Cash and cash equivalents – restricted		69,844,406
Total	\$	<u>131,367,518</u>

Investments are categorized as follows:

	Fair Value	Weighted Average Maturity (Years)
Governmental money market funds	\$ 51,268,703	.25
State Treasurer's Local Government Investment Pool	59,243,347	.25
Total	<u>\$ 110,512,050</u>	
Portfolio weighted average maturity		.25

**Interest Rate Risk** - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than six months.

**Credit Risk** - State law limits investments to certificates of deposit, U.S. government securities, U.S. agency securities, repurchase agreements secured by U.S. government securities and/or U.S. agency securities and the State Treasurer's Local Government Investment Pool. It is the City's policy to limit its investments in these government types to the top rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of Credit Risk** - The City does not have a policy for the concentration of credit risk. The City has restricted its investments to the state law requirements and has generally had the bulk of its investments in

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### A. **Deposits and Investments** (continued)

the State Treasurer's Local Government Investment Pool, which limits its investments to the same state law requirements. No rating for the investment pool is available as it is unrated.

**Custodial Credit Risk for Deposits** - In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to have its deposits covered by depository insurance or to have them collateralized with securities held by the pledging financial institution's trust department in the City's name. As of June 30, 2012, the City was not exposed to any custodial credit risk. The City had \$20,785,535 in collateralized securities for deposits not covered by depository insurance.

**Custodial Credit Risk for Investments** - This type of risk defines whether the City will be able to recover the value of an investment or collateral security that is in the possession of an outside party in the event of the failure of the counterparty to the transaction. As of June 30, 2012, the City was not exposed to any custodial credit risk for its investments. Investments in the amount of \$51,268,703 were held by a financial institution's trust department in the City's name and not by the counterparty or its trust department.

#### B. **Receivables**

During the fiscal years from 1996 through 2012, the City applied for and received funds from HOME grants totaling \$4,773,096 for the purpose of repairs and maintenance on low income housing. These loans are secured by mortgages with the recipients in individual amounts ranging from \$10,000 to \$75,000. These mortgage notes have been recorded in the fund financial statements with a corresponding liability for deferred revenue due to the extenuating circumstances of the loan structure. The outstanding balance of these notes at June 30, 2012 was \$1,562,965. These notes are fully reserved in the allowance for uncollectible accounts in the government-wide financial statements.

Property taxes receivables of \$2,475,797 represent total receivables of \$3,318,514 less an estimated allowance for uncollectibles of \$842,717.

User fees receivables of \$1,050,742 represents delinquent stormwater utility fees billed of \$2,736,862 and golf course user fees of \$15,811 less an estimated allowance for uncollectibles of \$1,701,931.

Governmental and business-type activities receivables as of year end in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Notes receivable –restricted	\$ 1,562,965	\$ -	\$ 1,562,965
Taxes	3,318,514	-	3,318,514
Rents	105,069	-	105,069
User fees	-	2,752,673	2,752,673
Other	<u>381,202</u>	<u>-</u>	<u>381,202</u>
Gross receivables	5,367,750	2,752,673	8,120,423
Less: allowance for uncollectibles	<u>(2,405,682)</u>	<u>(1,701,931)</u>	<u>(4,107,613)</u>
Net total receivables	<u>\$ 2,962,068</u>	<u>\$ 1,050,742</u>	<u>\$ 4,012,810</u>

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### C. Capital Assets, Depreciation Expense

Capital asset activity for the year ending June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$34,519,632	\$ 6,765,436	\$ -	\$41,285,068
Construction in progress	<u>18,613,636</u>	<u>12,827,242</u>	<u>14,761,288</u>	<u>16,679,590</u>
Total assets not being depreciated	<u>53,133,268</u>	<u>19,592,678</u>	<u>14,761,288</u>	<u>57,964,658</u>
Capital assets being depreciated:				
Buildings	146,339,418	1,324	-	146,340,742
Infrastructure	37,835,078	1,345,964	-	39,181,042
Improvements other than buildings	35,869,293	15,006,530	-	50,875,823
Machinery and equipment	<u>54,864,354</u>	<u>5,735,428</u>	<u>1,251,021</u>	<u>59,348,761</u>
Total capital assets being depreciated	<u>274,908,143</u>	<u>22,089,246</u>	<u>1,251,021</u>	<u>295,746,368</u>
Less accumulated depreciation for:				
Buildings	32,689,782	2,118,319	-	34,808,101
Infrastructure	6,899,008	1,011,652	-	7,910,660
Improvements other than buildings	12,827,648	1,208,733	-	14,036,381
Machinery and equipment	<u>36,940,854</u>	<u>3,917,506</u>	<u>1,100,076</u>	<u>39,758,284</u>
Total accumulated depreciation	<u>89,357,292</u>	<u>8,256,210</u>	<u>1,100,076</u>	<u>96,513,426</u>
Total capital assets being depreciated, net	<u>185,550,851</u>	<u>13,833,036</u>	<u>150,945</u>	<u>199,232,942</u>
Governmental activities capital assets, net	<u>\$238,684,119</u>	<u>\$33,425,714</u>	<u>\$14,912,233</u>	<u>\$257,197,600</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Business-Type Activities:</u></b>				
Capital assets not being depreciated:				
Land	<u>\$1,397,188</u>	\$ -	\$ -	<u>\$1,397,188</u>
Total assets not being depreciated	<u>1,397,188</u>	-	-	<u>1,397,188</u>
Capital assets being depreciated:				
Buildings	3,247,184	-	-	3,247,184
Improvements	8,043,375	-	-	8,043,375
Machinery and equipment	<u>3,319,546</u>	<u>320,567</u>	-	<u>3,640,113</u>
Total capital assets being depreciated	<u>14,610,105</u>	<u>320,567</u>	-	<u>14,930,672</u>
Less accumulated depreciation for:				
Buildings	977,237	88,852	-	1,066,089
Improvements	2,485,831	244,033	-	2,729,864
Machinery and equipment	<u>2,615,215</u>	<u>218,276</u>	-	<u>2,833,491</u>
Total accumulated depreciation	<u>6,078,283</u>	<u>551,161</u>	-	<u>6,629,444</u>
Total capital assets being depreciated, net	<u>8,531,822</u>	<u>(230,594)</u>	-	<u>8,301,228</u>
Business-type activities capital assets, net	<u>\$ 9,929,010</u>	<u>\$ (230,594)</u>	<u>\$ -</u>	<u>\$ 9,698,416</u>

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

Functions/Programs	Governmental Activities	Business-type Activities
General government	\$ 1,568,027	\$ -
Public safety	2,811,352	-
Sanitation	788,321	-
Culture and recreation	2,421,512	-
Community development	666,998	-
Stormwater utility	-	108,476
Golf course	-	<u>442,685</u>
Total Depreciation Expense	<u>\$ 8,256,210</u>	<u>\$ 551,161</u>

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### D. Interfund Receivables, Payables and Transfers

The following is a schedule of interfund balances at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 116,857
	Maritime Fire Response Vessel Grant	368,682
	HOME	6,169
	Tax Infrastructure	238,280
	Anti-Drug	79,964
	Port Security Grant	251,307
	COPS Hiring Grant	98,078
	FEMA Firefighter Assistance Grant	36,984
	Hispanic Victim Advocate Grant	10,771
	Court System Efficiency Grant	22,196
	EPA Brownsfield Grant	71,238
	CDBG Recovery Act Grant	1,937
	Lowcountry Regional Analyst Grant	19,615
	JAG Recovery Act Grant	87,575
	Justice Assistance Grant	64,538
	Installment Purchase Revenue Bond Capital Projects	<u>617,544</u>
Total due from all funds		<u>\$ 2,091,735</u>

Interfund activity refers to funding from the City's governmental funds related to the City's policies for cash flow and operating cash levels of all governmental funds, which are expected to be collected within one year.

The following is a schedule of interfund transfers for the fiscal year ending June 30, 2012:

<u>Transfer In:</u>	<u>Transfer Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>G.O. Debt Service Fund</u>	<u>Tax Infrastructure Fund</u>	<u>Nonmajor Governmental Funds</u>	
G. O. Debt Service	\$2,358,065	\$ -	\$ -	\$ -	\$2,358,065
Coliseum Operating	707,325	155,531	-	-	862,856
Proprietary	1,463,690	-	-	-	1,463,690
Nonmajor governmental	<u>196,645</u>	<u>-</u>	<u>5,000,000</u>	<u>2,366,370</u>	<u>7,563,015</u>
Total Transfers Out	<u>\$4,725,725</u>	<u>\$155,531</u>	<u>\$5,000,000</u>	<u>\$2,366,370</u>	<u>\$12,247,626</u>

Transfers are used to move receipts restricted to debt service from the funds collecting the receipts as debt service payments become due and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

#### E. Short-term Obligations

The City of North Charleston did not issue any short-term debt during the fiscal year ending June 30, 2012 and, therefore, there was no short-term debt outstanding as of June 30, 2012.

#### F. Long-term Obligations

Long-term debt of the City of North Charleston consists of general obligation bonds, certificates of participation, installment purchase revenue bonds, tax increment financing bonds, revenue bonds, and capital lease obligations.

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

**General Obligation Bonds** - The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities which are collateralized by the full faith, credit and taxing power of the City. General obligation bonds have been issued for governmental activities and are as follows:

\$4,625,000 serial bonds issued in August 1999, due in annual installments of \$225,000 to \$425,000 through August 2014, with semi-annual interest at 4.5% to 6.5%	\$ 1,210,000
\$3,000,000 serial bonds issued in November 2004 due in annual installments of \$250,000 to \$355,000 through December 2014, with semi-annual interest at 3.08%	1,025,000
\$3,000,000 serial bonds issued in December 2004 due in annual installments of \$250,000 to \$355,000 through December 2014, with semi-annual interest at 3.20%	1,025,000
\$1,700,000 serial bonds issued in May 2005 due in annual installments of \$140,000 to \$200,000 through June 2015, with semi-annual interest at 3.39%	580,000
\$3,000,000 serial bonds issued in May 2006 due in annual installments of \$250,000 to \$355,000 through June 2016, with semi-annual interest at 4.43%	1,340,000
\$5,000,000 serial bonds issued in May 2007 due in annual installments of \$415,000 to \$595,000 through June 2017, with semi-annual interest at 4.00%	2,745,000
\$22,500,000 serial bonds issued in December 2010 due in annual installments of \$1,210,000 to \$1,830,000 through December 2025, with semi-annual interest at 4.94%	<u>21,290,000</u>
Total General Obligation Bonds	<u>\$ 29,215,000</u>

In December 2010, the City of North Charleston issued \$22,500,000 in general obligation bonds to defray the costs of designing, acquiring, constructing and expanding various capital improvements. \$16,460,000 of this Series 2010 issue represents taxable Build America Bonds that yield a 35% interest payment subsidy from the United States Federal Government. \$6,040,000 of this Series 2010 issue represents taxable Recovery Zone Economic Development Bonds that yield a 45% interest payment subsidy from the United States Federal Government. In the fiscal year ended June 30, 2012, the City of North Charleston received \$408,402 in interest payment subsidies to help offset the \$1,081,613 in annual interest payments due on the Series 2010 general obligation bonds.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,295,000	\$ 1,309,594	\$ 4,604,594
2014	3,415,000	1,167,976	4,582,976
2015	3,545,000	1,021,018	4,566,018
2016	2,285,000	890,271	3,175,271
2017	1,995,000	783,572	2,778,572
2018-2022	7,675,000	2,700,328	10,375,328
2023-2027	<u>7,005,000</u>	<u>704,814</u>	<u>7,709,814</u>
Total	<u>\$29,215,000</u>	<u>\$ 8,577,573</u>	<u>\$37,792,573</u>



### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

**Certificates of Participation** - Certificates of participation relate to debt issued by North Charleston Public Facilities Corporation ("Corporation"), a nonprofit corporation whose principle purpose is to facilitate the financing of public capital projects. The Corporation issued in 1997 \$67,285,000 in certificates of participation ("Certificates") with the proceeds being used to construct, acquire or renovate certain buildings and facilities on City owned property for use by the City and to acquire and install certain equipment. The City leases the assets acquired with the proceeds from the Certificates under a Master Lease Purchase Agreement ("Agreement"). For financial reporting purposes, the City accounts for the Certificates as its own debt.

In January 2005, the Corporation issued \$27,055,000 in Series 2005 certificates of participation for an advance refunding of \$24,370,000 of the Series 1997 certificates. Proceeds of \$26,458,273 were used to purchase government securities that were placed in an irrevocable trust for the purpose of repaying the refunded portion of the Series 1997 certificates. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Assets. The reacquisition price exceeded the carrying amount by \$2,088,273, which is netted against the new debt and is being amortized over the life of the refunded debt. The refunding was undertaken to take advantage of the interest rate market at the time and to reduce future debt service payments. The transaction resulted in an economic gain of \$1,318,190 and a reduction of \$1,744,936 in future debt service payments.

In September 2008, the North Charleston Public Facilities Corporation issued \$43,850,000 in Series 2008 certificates of participation (i) for an advance refunding of the remaining \$16,500,000 of the Series 1997 certificates; (ii) for an advance refunding of the \$14,750,000 in City Center Tax Increment Financing debt; (iii) to acquire, construct and install tourism-related improvements within the City; and (iv) to pay certain costs of issuance of the Series 2008 certificates. Proceeds of \$32,533,968 were used to purchase government securities that were placed in an irrevocable trust for the purpose of repaying the refunded portion of the Series 1997 certificates and the City Center Tax Increment Financing debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Assets. The reacquisition price exceeded the carrying amount by \$1,283,969, which will be netted against the new debt and will be amortized over the life of the refunded debt. The refunding was undertaken as a result of the downgrading of the bond insurer. The transaction resulted in an economic loss of \$296,251 and an increase of \$2,358,036 in future debt service payments.

As mentioned above, the defeased debt liability as the result of advance refundings has been removed from the Statement of Net Assets. The outstanding amount of defeased Series 1997 certificates of participation at June 30, 2012 totaled \$8,910,000.

Certificates of participation that have been issued are as follows:

\$27,055,000 in certificates issued in January 2005, due in annual installments of \$600,000 to \$3,555,000 through September 2019, with monthly variable interest (.19% at June 30, 2012) fixed at 3.27% by an interest rate swap	\$25,180,000
\$43,850,000 in certificates issued in September 2008, due in annual installments of \$1,910,000 to \$6,710,000 through September 2021, with semi-annual interest ranging from 4.0% to 5.0%	<u>32,435,000</u>
Total Certificates of Participation	57,615,000
Add: Unamortized premiums	878,685
Less: Unamortized discounts	(55,163)
Unamortized difference between carrying amount of defeased debt and reacquisition price	<u>(1,783,876)</u>
Net Certificates of Participation	<u>\$56,654,646</u>

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

Annual debt service requirements to maturity for the certificates of participation are as follows:

Year Ending June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,680,000	\$ 2,163,209	\$ 6,843,209
2014	5,015,000	2,000,027	7,015,027
2015	5,385,000	1,806,624	7,191,624
2016	5,795,000	1,579,457	7,374,457
2017	6,225,000	1,333,236	7,558,236
2018-2022	<u>30,515,000</u>	<u>2,659,908</u>	<u>33,174,908</u>
Total	<u>\$57,615,000</u>	<u>\$11,542,461</u>	<u>\$69,157,461</u>

**Installment Purchase Revenue Bonds** - Installment purchase revenue bonds relate to debt issued by North Charleston Public Facilities Corporation ("Corporation"), a nonprofit corporation whose principle purpose is to facilitate the financing of public capital projects. The Corporation issued in June 2012 \$52,520,000 in installment purchase revenue bonds with the proceeds being used to construct, acquire or renovate certain buildings and facilities on City owned property for use by the City and to acquire and install certain equipment. The City leases the assets acquired with the proceeds from the installment purchase revenue bonds under a Base Lease Agreement and Municipal Facilities Purchase and Occupancy Agreement. For financial reporting purposes, the City accounts for the installment purchase revenue bonds as its own debt.

Installment purchase revenue bonds that have been issued are as follows:

\$52,520,000 in revenue bonds issued in June 2012, due in annual installments of \$1,245,000 to \$3,365,000 through June 2037, with semi-annual interest ranging from 2.0% to 5.0%	\$52,520,000
Add: Unamortized premiums	<u>4,002,083</u>
Net Installment Purchase Revenue Bonds	<u>\$56,522,083</u>

Year Ending June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,340,000	\$ 2,157,263	\$ 3,497,263
2014	1,245,000	2,250,663	3,495,663
2015	1,285,000	2,213,312	3,498,312
2016	1,350,000	2,149,063	3,499,063
2017	1,415,000	2,081,562	3,496,562
2018-2022	8,120,000	9,364,963	17,484,963
2023-2027	10,130,000	7,355,075	17,485,075
2028-2032	12,225,000	5,263,125	17,488,125
2033-2037	<u>15,410,000</u>	<u>2,085,850</u>	<u>17,495,850</u>
Total	<u>\$52,520,000</u>	<u>\$ 34,920,876</u>	<u>\$87,440,876</u>

**Tax Increment Financing Bonds** - During 1996, City Council approved the Tax Increment Finance (TIF) District for the Center City Plan. From December 2001 through June 2006, the City issued \$18,065,000 in City Center TIF Bonds. Proceeds and expenditures are reported in the Tax Infrastructure Special Revenue Fund. The proceeds are to be used to fund certain infrastructure or other enhancements in a Redevelopment Project Area, which is comprised of approximately 1,223 acres in the central section of the City. In September 2008, proceeds from the issuance of the Series 2008 certificates of participation were used for the purpose of repaying the outstanding \$14,750,000 in City Center TIF Bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Assets.

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

In March 2009, the City issued \$36,175,000 in a Series 2009 City Center TIF Bond and, later in November 2010, the City issued \$2,100,000 in a Series 2010 City Center TIF Bond for the purposes of creating enhancements in the Redevelopment Project Area. Principal is payable in annual installments through 2016 with interest from 2% to 5% payable on each June 1 and December 1. The bonds are repayable from, and secured by, the incremental property taxes on Redevelopment Project Area properties, applicable to property value increases subsequent to 1996. The outstanding balance at June 30, 2012 was \$25,585,000, plus \$1,395,546 in unamortized premiums.

On July 26, 2001, City Council approved the Tax Increment Finance District for the Noisette Community Redevelopment Project area. In December 2003, the City issued \$9,975,000 in Tax Increment Financing Bonds for the purpose of financing the cost of acquiring certain land and constructing certain publicly owned improvements within the redevelopment project area. Proceeds and expenditures are reported in the Tax Infrastructure Special Revenue Fund. Principal is payable in annual installments beginning December 1, 2006 through 2018 with variable interest (.19% at June 30, 2012) as determined by the remarketing agent but amortized at the ten year rolling average coupon rate of 3.06%, payable each month beginning January 1, 2004. The bonds are repayable from, and secured by, the incremental property taxes on Redevelopment Project Area properties, applicable to property value increases subsequent to 2001. The outstanding balance at June 30, 2012 was \$6,370,000 less \$29,280 in unamortized discount.

During 2002, City Council approved the Tax Increment Finance District for the Navy Base Redevelopment Project area. In September 2007, the City issued \$7,020,000 of Tax Increment Financing Bonds for the purpose of reimbursing the City for a portion of the costs associated with the construction of the riverfront park located in the Navy Base TIF area. Proceeds and expenditures are reported in the Tax Infrastructure Special Revenue Fund. Principal is payable in annual installments beginning in March 2008 through 2037 with variable interest (.19% at June 30, 2012), as determined by the remarketing agent but amortized at an average coupon rate of 4.00%, payable each month beginning October 2007. The bonds are repayable from, and secured by, the incremental property taxes on the Redevelopment Project area properties, applicable to property value increases subsequent to 2004. The outstanding balance at June 30, 2012 was \$6,500,000.

Incremental property taxes include all property taxes otherwise available to the County, School Districts or other tax districts. Any incremental taxes collected in excess of amounts required to pay redevelopment project costs and debt service shall be distributed to the various taxing authorities in accordance with State law.

Annual debt service requirements to maturity for the tax increment financing bonds are as follows:

Year Ending	Governmental Activities		
	Principal	Interest	Total
June 30			
2013	\$ 5,590,000	\$ 1,554,070	\$ 7,144,070
2014	5,865,000	1,294,945	7,159,945
2015	6,135,000	1,022,960	7,157,960
2016	6,425,000	738,820	7,163,820
2017	6,725,000	439,264	7,164,264
2018-2022	2,930,000	1,097,528	4,027,528
2023-2027	1,175,000	820,476	1,995,476
2028-2032	1,435,000	555,005	1,990,005
2033-2037	1,775,000	225,486	2,000,486
2038-2042	400,000	2,600	402,600
Total	<u>\$38,455,000</u>	<u>\$ 7,751,154</u>	<u>\$46,206,154</u>

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

**Proprietary Enterprise Fund Mortgage Revenue Bonds** - The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding as of June 30, 2012 are as follows:

\$11,700,000 Municipal Golf Course Mortgage Revenue Bonds Series 2003 due in annual principal installments of \$180,000 to \$835,000 during 2005 to 2024 with monthly variable interest (.19% at June 30, 2012) fixed at 3.58% by an interest rate swap on the full amount of the note	\$ 8,210,000
Unamortized difference between carrying amount of defeased debt and reacquisition price	(1,046,815)
Unamortized discounts	( 41,350)
Total long-term debt portion, net of discounts	<u>\$ 7,121,835</u>

During July 2003, the City issued \$11,700,000 of Series 2003 municipal golf course mortgage revenue refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of the refunded debt through the redemption date of May 2009. The total escrow deposit was \$12,667,412, consisting of \$11,624,810 of net bond proceeds after a discount, and \$1,042,602 received from formerly held debt service funds and debt service reserve funds. As a result, the bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,903,302, which is being amortized over the remaining life of the old debt. This advance refunding was undertaken to reduce total debt service payments by \$1,586,091 and resulted in an economic gain of \$837,950.

As mentioned above, the defeased debt liability as the result of the advance refunding has been removed from the Statement of Net Assets. There is no outstanding amount of defeased Series 1998 golf course mortgage revenue bonds at June 30, 2012 as the refunded debt has been paid off prior to maturity when the call feature was exercised.

Annual debt service requirements to maturity for the golf course mortgage revenue bonds are as follows:

Year Ending	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2013	\$ 550,000	\$ 293,918	\$ 843,918
2014	575,000	274,228	849,228
2015	595,000	253,643	848,643
2016	620,000	232,342	852,342
2017	640,000	210,146	850,146
2018-2022	3,590,000	688,971	4,278,971
2023-2027	<u>1,640,000</u>	<u>88,605</u>	<u>1,728,605</u>
Total	<u>\$8,210,000</u>	<u>\$2,041,853</u>	<u>\$10,251,853</u>

The City is required to comply with various covenants and restrictions of the revenue bond including the establishment of adequate rates and charges to 1) pay all current operating and maintenance expenses, 2) cover 110% of annual principal and interest requirements and 3) meet any other obligations on the pledged and related revenues.

**Lease Purchase and Other Financing Agreements** - The City has entered into lease-purchase and other financing agreements for certain equipment, land and infrastructure. Interest and principal are payable quarterly through 2021. Principal and interest requirements will be provided by an appropriation in the year in which they become due. Lease obligations outstanding as of June 30, 2012 are as follows:

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

\$785,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated September 2002, in 2 separate amortization schedules of \$519,700 (7 yrs) and \$265,300 (10 yrs), payable in quarterly installments of \$21,106 for 28 quarters and \$8,347 for 40 quarters, including interest ranging from 3.76% to 4.35%	\$ 8,257
\$2,250,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated September 2003, in 2 separate amortization schedules of \$1,225,300 (10 yrs) and \$1,024,700 (7 yrs), payable in quarterly installments of \$41,083 for 28 quarters and \$36,886 for 40 quarters, including interest ranging from 3.34% to 3.82%	179,263
\$1,000,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated August 2004, in 2 separate amortization schedules of \$550,000 (10 yrs) and \$450,000 (7 yrs), payable in quarterly installments of \$18,083 for 28 quarters and \$16,595 for 40 quarters, including interest ranging from 3.30% to 3.78%	142,536
\$2,000,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated August 2005, in 3 separate amortization schedules of \$685,000 (10 yrs), \$599,000 (7 yrs) and \$716,000 (5 yrs) payable in quarterly installments of \$82,992 for 20 quarters, \$44,148 for 28 quarters and \$20,188 for 40 quarters, including interest ranging from 3.30% to 3.78%	271,627
\$2,000,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated August 2006, in 4 separate amortization schedules of \$846,000 (10 yrs), \$459,000 (7 yrs), \$725,000 (5 yrs) and \$835,000 (3 yrs) payable in quarterly installments of \$73,822 for 12 quarters, \$39,970 for 20 quarters, \$18,800 for 28 quarters and \$25,728 for 40 quarters, Including interest ranging from 3.88% to 4.02%	492,295
\$2,815,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated August 2007, in 3 separate amortization schedules of \$1,121,000 (10 yrs), \$691,000 (7 yrs), and \$1,003,000 (5 yrs) payable in quarterly installments of \$118,078 for 20 quarters, \$62,643 for 28 quarters and \$34,259 for 40 quarters, including interest ranging from 3.95% to 4.10%	942,297
\$3,625,000 ten-year lease agreement with SunTrust Leasing Corporation, dated September 2008, in 5 separate amortization schedules of \$1,450,000 (10 yrs), \$368,000 (7 yrs), \$1,182,000 (5 yrs), \$225,000 (4 yrs) and \$400,000 (3 yrs) payable in quarterly installments of \$175,550 for 12 quarters, \$140,340 for 16 quarters, \$125,184 for 20 quarters, \$60,099 for 28 quarters and \$44,390 for 40 quarters, including interest ranging from 3.4% to 4.4%	1,433,237
\$107,213 five-year lease agreement with Municipal Asset Management, Inc., dated November 2009, due in monthly installments of \$2,111, including interest at 6.76%	54,421
\$2,662,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated September 2010, in 3 separate amortization schedules of \$725,000 (10 yrs), \$598,000 (7 yrs) and \$1,339,000 (5 yrs) payable in quarterly installments of \$70,470 for 20 quarters, \$23,233 for 28 quarters and \$20,910 for 40 quarters, including interest ranging from 1.97% to 2.87%	1,955,452
\$912,000 five-year lease agreement with Bank of America Leasing & Capital, LLC, dated May 2011 due in quarterly installments of \$48,243, including interest at 2.23%	736,450
\$2,016,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated September 2011, in 4 separate amortization schedules of \$1,400,000 (10 yrs), \$336,000 (7 yrs), \$170,000 (5 yrs) and \$110,000 (4 yrs) payable in quarterly installments of \$68,117 for 16 quarters, \$61,032 for 20 quarters, \$52,187 for 28 quarters and \$39,360 for 40	

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

quarters, including interest ranging from 1.43% to 2.35%

1,842,576  
Total Lease Obligations \$8,058,411

Annual debt service requirements to maturity for the lease obligations are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,944,316	\$ 214,520	\$ 93,303	\$ 5,244	\$ 2,257,383
2014	1,551,889	156,765	80,756	2,636	1,792,046
2015	1,364,109	113,221	41,612	488	1,519,430
2016	1,058,001	76,249	7,059	25	1,141,334
2017	688,115	48,533	-	-	736,648
2018-2022	<u>1,229,251</u>	<u>55,802</u>	<u>-</u>	<u>-</u>	<u>1,285,053</u>
Total	<u>\$ 7,835,681</u>	<u>\$ 665,090</u>	<u>\$222,730</u>	<u>\$ 8,393</u>	<u>\$8,731,894</u>

Changes in long-term obligations - Activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Bonds payable:					
General obligations bonds	\$ 32,395,000	\$ -	\$ 3,180,000	\$ 29,215,000	\$ 3,295,000
Certificates of participation	61,950,000	-	4,335,000	57,615,000	4,680,000
Inst. purchase revenue bonds	-	52,520,000	-	52,520,000	1,340,000
Tax increment bonds	<u>43,835,000</u>	<u>-</u>	<u>5,380,000</u>	<u>38,455,000</u>	<u>5,590,000</u>
Total bonds payable	\$138,180,000	\$52,520,000	\$12,895,000	\$177,805,000	14,905,000
Capital lease obligations	8,223,994	1,906,000	2,294,313	7,835,681	1,944,316
Compensated absences	<u>2,994,767</u>	<u>3,031,789</u>	<u>2,930,871</u>	<u>3,095,685</u>	<u>3,029,636</u>
Total governmental activities	<u>\$149,398,761</u>	<u>\$57,457,789</u>	<u>\$18,120,184</u>	<u>\$188,736,366</u>	<u>\$19,878,952</u>
<b><u>Business-type Activities:</u></b>					
Bonds payable	\$ 8,735,000	\$ -	\$ 525,000	\$ 8,210,000	\$ 550,000
Capital lease obligations	240,752	110,000	128,022	222,730	93,303
Compensated absences	<u>82,061</u>	<u>75,104</u>	<u>73,307</u>	<u>83,858</u>	<u>74,912</u>
Total business-type activities	<u>\$ 9,057,813</u>	<u>\$ 185,104</u>	<u>\$ 726,329</u>	<u>\$ 8,516,588</u>	<u>\$ 718,215</u>

#### Derivative Disclosures:

**Interest Rate Swaps** - The City has entered into two interest rate swap agreements for two recent bond issuances for the purpose of realizing certain cost savings associated with the debt refundings. The first swap agreement involved the issuance of \$11,700,000 in Series 2003 municipal golf course mortgage revenue bonds to refund \$11,080,000 in Series 1998 Bonds. This swap was for the notional amount of \$11,700,000 and terminates on the bond maturity date of May 1, 2024. Under this swap agreement, the City pays the counterparty a fixed rate of 3.58% and receives a variable payment based on 67% of the London Interbank Offered Rate (LIBOR). The other swap agreement was entered into in January 2005 and involved the issuance of \$27,055,000 in Series 2005 certificates of participation to refund \$24,370,000 in Series 1997 certificates. This swap was for the notional amount of \$27,055,000 and terminates on the bond maturity date of September 1, 2019. Under this swap agreement, the City pays the counterparty a fixed rate of 3.27% and receives a variable payment based on 59% of the LIBOR plus 35 basis points. The fair values at June 30, 2012 for the interest rate swaps are as follows:

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

<u>Reported in:</u>	<u>Changes in Fair Values</u>		<u>Fair Values at June 30, 2012</u>		<u>Notional Amount</u>
	<u>Reported as</u>	<u>Amount</u>	<u>Reported as</u>	<u>Amount</u>	
Governmental Activities					
Cash Flow Hedges	Deferred outflow	\$353,009	Derivative Instrument	\$(2,324,234)	\$27,055,000
Interest Rate Swaps	of resources		Liability		
Business-type Activities					
Cash Flow Hedges	Deferred outflow	\$424,300	Derivative Instrument	\$(1,410,757)	\$11,700,000
Interest Rate Swaps	of resources		Liability		

**Credit or Counterparty Risk** - Credit or counterparty risk is the risk that a counterparty will not fulfill its obligation. As of June 30, 2012, the City was exposed to credit risk in the amount of the swap's fair value. Bank of America, N.A., the counterparty for the Series 2003 revenue bond and Series 2005 COPS swap agreements, is rated A3/A by Moody's Investor Services and Standard & Poors, respectively.

**Interest Rate Risk** - This is the risk that the rate of interest paid by the City may increase on the direct variable rate bonds or on the floating payer exchange contract. This risk is reduced by the swap agreements on the amount of interest ultimately due by the City.

**Basis Risk** - Basis risk arises when different indexes are used in connection with a derivative. The major contributing factor to this risk is the change in the floating index based payment the City receives versus the payment the City makes on the related variable rate debt. If the rates on the counterparty payments are lower than the variable monthly payments on the debt paid by the City, then the City will be liable for the difference.

**Termination Risk** - Termination risk is the risk that an unscheduled termination of a swap agreement could have an adverse effect on the City's ability to replace the bonds or could lead to unscheduled payments. The termination of a swap agreement could increase the City's debt service if at the time of the termination the swap has a negative fair value.

**Rollover Risk** - Rollover risk arises when a derivative associated with the City's variable rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The swap agreements' termination dates are the final maturity dates of the debt thus reducing the rollover risk. The remoteness of termination exists due to the wide termination rating trigger spread.

**Market and Market-Access Risk** - This is the risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, adversely affect the cash flows of an expected transaction or the risk that the City will not be able to enter credit markets or that credit will become more costly in the future.

Generally accepted accounting principles recommend that for variable rate programs, future debt service forecasts be based on the actual end of the year rate. In low interest rate market circumstances such as what the City has experienced over the past few years, this standard would significantly reduce the forecasted interest cost. Therefore, the annual debt service requirement tables listed previously utilize the expected interest rates in effect when the debt was issued. Using variable rates as of June 30, 2012, debt service requirements of the variable-rate bonds including the effects of the interest rate swap agreements, assuming current interest rates remain the same for their term, were as follows:

<u>FYE June 30</u>	<u>Variable-Rate Bonds</u>			<u>Adjustment to Current</u>	<u>Net Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Variable Rates</u>	
2013	\$ 4,275,000	\$1,508,555	\$ 5,783,555	\$ (486,061)	\$ 5,297,494
2014	4,435,000	1,365,682	5,800,682	(448,587)	5,352,095
2015	4,595,000	1,217,180	5,812,180	(409,444)	5,402,736
2016	4,770,000	1,064,063	5,834,063	(369,671)	5,464,392
2017	4,940,000	903,406	5,843,406	(326,682)	5,516,724
Total	<u>\$23,015,000</u>	<u>\$6,058,886</u>	<u>\$29,073,886</u>	<u>\$(2,040,445)</u>	<u>\$27,033,441</u>



### III. DETAILED NOTES ON ALL FUNDS (continued)

#### F. Long-term Obligations (continued)

**Annual Leave and Sick Leave** - The City's policy permits employees to accumulate up to seven weeks of earned but unused annual leave, which would be paid to employees upon separation from the City. Accumulated annual leave at June 30, 2012 amounted to \$3,179,543, \$3,095,685 of which relates to governmental activities and \$83,858 of which relates to business-type activities. City employees had accumulated sick leave benefits of \$8,249,161 at June 30, 2012, based on compensation rates in effect at that date. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual has been made for sick leave.

#### G. Net Assets Classifications

Investment in capital assets, net of related debt, was comprised of the following as of June 30, 2012:

Capital assets, net of accumulated depreciation	\$ 257,197,600
Less capital related debt, net of unamortized discounts, amount on refunding, plus premiums	(190,048,676)
Add capital debt unspent proceeds:	
Bonds and capital leases	71,742,590
Investment in capital assets, net of related debt	<u>\$ 138,891,514</u>

Other restricted net assets include amounts restricted for public safety by grants and related external restrictions, and for debt service by tax increment debt restrictions.

### IV. OTHER INFORMATION

#### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City protects itself from potential loss through a combination of risk-sharing participation, purchase of commercial insurance for primary and/or self-funded risk retention. Self-funded risks are primarily for health insurance costs, workers compensation costs and underground storage tank liabilities. The City currently reports all of its risk management activities in the General Fund.

The City is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to the State Insurance Reserve Fund for its general property and casualty insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$10,000,000 for each insured event. Settlements have not exceeded coverage for any of the last three years.

The City has been self-insured for health insurance since its incorporation in June 1972 but only became self-insured for workers compensation coverage effective January 1, 2005. The City has contracted with plan administrators that directly handle the settlement of all claims. The City is insured through third parties for health insurance individual stop losses over \$175,000 and aggregate stop-losses over \$13,297,052, while for workers compensation, the individual stop losses must exceed \$600,000 and the aggregate stop-losses must exceed \$5,000,000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported as of June 30, 2012. At June 30, 2012, the amount of this liability is the City's best estimate, based on the available information. Changes in the reported liability since July 1, 2007 resulted from the following:



#### IV. OTHER INFORMATION (continued)

##### A. Risk Management (continued)

Year Ended <u>June 30</u>	Liability at Beginning of <u>Year</u>	Current Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	Liability at <u>Year End</u>
2008	\$ 7,375,095	11,590,475	(10,406,417)	8,559,153
2009	8,559,153	13,649,587	(11,667,750)	10,540,990
2010	10,540,990	12,356,380	(15,435,722)	7,461,648
2011	7,461,648	11,208,004	(12,712,303)	5,957,349
2012	5,957,349	11,359,862	(12,164,132)	5,153,079

##### B. Deferred Compensation Plans, Pension Plans and Employee Retirement Systems

The City offers its employees two options under the South Carolina Public Employees Deferred Compensation Plan. All amounts of compensation deferred under the 401(k) Plan (all income, property or rights attributable to such amounts) remain the sole property of the participating employee. Current year payroll covered under the 401(k) Plan was \$6,426,121 of \$42,024,349 total payroll for all City employees.

Employees may also defer a minimum of 2% of gross salary per month, up to a maximum of 20% of gross income or \$16,500, whichever is lower. Deferred compensation is not available to employees until termination of employment, retirement, death or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. There are no eligibility or vesting requirements. The City has no obligation to make contributions to the 401(k) Plan and has made no contributions during the year. Employee contributions were \$289,109. There were no changes in plan provisions during the year and, as of June 30, 2012, the State Deferred Compensation 401(k) Plans held no assets of the City or its related parties and had no outstanding loans to the City or related parties.

Under the 457 plan, employees can defer the lesser of 100% of eligible compensation or \$16,500 per year. During the fiscal year ended June 30, 1998, the City implemented GASB 32 (*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*). A fiduciary relationship between the City and the 457 deferred compensation plan does not exist, therefore under GASB 32, the City does not report the balances and activities of the 457 plan in the financial statements. Employee contributions were \$101,444 during fiscal year ending June 30, 2012.

Policemen and firemen are members of the South Carolina Police Officers Retirement System (PORS). All other full-time employees are members of the South Carolina Retirement System (SCRS). Both are defined benefit retirement systems and cost-sharing multiple employer plans. Each plan's provision is established under Title 9 of the S.C. Code of Laws. Both plans provide pension benefits and death and disability benefits. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both SCRS and PORS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

The SCRS was established by the South Carolina legislature on July 1, 1945 for the benefit of teachers and employees of the State and its political subdivisions. Full-time policemen and firemen are required to participate in and contribute to PORS. All other full-time employees are required to participate in SCRS. Employees covered under both plans are required to contribute 6.5% of salary. The City is required to contribute 11.763% of gross earnings under PORS and 9.535% under SCRS. Current year's payrolls covered under both were \$19,075,607 and \$22,463,711 for the SCRS and PORS, respectively. The City is also required to make contributions on behalf of employees who have already retired from the State retirement system. These contributions for the fiscal year ended June 30, 2012 amounted to \$133,887. Actual retirement contributions made during the year were as follows:

#### IV. OTHER INFORMATION (continued)

##### B. Deferred Compensation Plans, Pension Plans and Employee Retirement Systems (continued)

	<u>PORS</u>	<u>% of Covered Payroll</u>	<u>SCRS</u>	<u>% of Covered Payroll</u>
Fiscal Year Ended June 30, 2012:				
Employees	\$ 1,460,141	6.50%	\$ 1,240,046	6.50%
City	2,642,406	11.763%	1,818,859	9.535%
Fiscal Year Ended June 30, 2011:				
Employees	\$ 1,465,808	6.50%	\$ 1,237,404	6.50%
City	2,600,119	11.53%	1,787,571	9.39%
Fiscal Year Ended June 30, 2010:				
Employees	\$ 1,386,167	6.50%	\$ 1,197,241	6.50%
City	2,355,306	11.05%	1,737,933	9.39%

##### C. Other Post-employment Benefits (OPEB)

**Plan Description** - The City of North Charleston administers a single-employer defined benefit healthcare plan ("the OPEB Health Plan"). This plan provides healthcare insurance for eligible retirees and their spouses, under the Medicare eligible age, through the City's group health insurance plan which covers both active and retired members. Employees become eligible when the employee qualifies for the SCRS or PORS and has at least 20 years of service with the City of North Charleston. The OPEB Health Plan is approved by the Mayor and City Council of the City of North Charleston. Section 2-198 of the Code of Ordinances of the City of North Charleston established the authority for post-employment healthcare. As of July 1, 2011, the measurement date, there were 1,150 covered participants; 72 members are retirees and 1,078 are active participants. The OPEB Health Plan does not issue a publicly available financial report.

**Funding Policy** - Benefits and contribution requirements are established and amended by the Mayor and City Council and are neither guaranteed nor mandatory. Retirees with less than 20 years of service pay 100% of the cost of current-year premiums for eligible retirees, while retirees with 20-24 years of service pay 50%; with 25-29 years 33 1/3% and with 30 or more years 25%. Retirees pay 100% of the cost of current-year premiums for dependent coverage. COBRA employees also pay 100% of cost of current-year premiums. In the fiscal year ending June 30, 2012, the City of North Charleston contributed \$701,344 to the plan while total member contributions were \$156,774.

The City of North Charleston's annual other postemployment benefits cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC is based on a level percent of payroll increasing at 3%.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Health Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### IV. OTHER INFORMATION (continued)

##### C. Other Post-employment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the substantive OPEB Health Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

**Annual OPEB Cost, Net OPEB Obligation (Asset), Funded Status and Funding Progress** - The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Net OPEB Obligation (Asset)—Beginning of Plan Year	<u>\$( 1,612,481)</u>
Interest on Net OPEB Obligation (Asset)	(80,624)
Annual Required Contribution	1,783,377
Adjustment to Annual Required Contribution	<u>70,061</u>
Annual OPEB Cost	1,772,814
Contributions made for the plan year	<u>(2,026,395)</u>
Increase (Decrease) in Net OPEB Obligation	<u>(253,581)</u>
Net OPEB Obligation (Asset)—End of Plan Year	<u><u>\$ (1,866,062)</u></u>

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Health Plan, and the net OPEB obligation (asset) for June 30, 2012 were as follows:

<u>Schedule of Employer Contributions</u>					
<u>Actuarial</u> <u>Valuation Date</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Annual OPEB</u> <u>Contributed</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u> <u>(Asset)</u>	<u>Applicable to</u> <u>Fiscal Year</u> <u>Ending</u>
January 1, 2008	\$ 2,271,646	\$ 5,334,970	234.7%	\$ (1,220,594)	June 30, 2010
January 1, 2010	\$ 1,533,800	\$ 1,925,687	125.6%	\$ (1,612,481)	June 30, 2011
July 1, 2011	\$ 1,772,814	\$ 2,026,395	114.3%	\$ (1,866,062)	June 30, 2012

Contributions include \$1,168,277 paid by the City of North Charleston to the OPEB Plan Trust to fund the June 30, 2012 net OPEB obligation and \$858,118 made by the City of North Charleston through payment of covered participants' benefits and member contributions.

This schedule will provide trend information about whether the actuarial values of OPEB Health Plan assets are increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of funding progress for the OPEB Health Plan as of the latest actuarial valuation date of July 1, 2011 is as follows:

#### IV. OTHER INFORMATION (continued)

##### C. Other Post-employment Benefits (OPEB) (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	<u>Schedule of Funding Progress</u>		Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
			Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		
January 1, 2008	\$ 0	\$ 19,594,641	\$ 19,594,641	0%	\$38,687,849	50.7%
January 1, 2010	\$ 0	\$ 15,515,279	\$ 15,515,279	0%	\$36,467,522	42.5%
July 1, 2011	\$ 5,956,748	\$ 20,046,867	\$ 14,090,119	30%	\$38,938,750	36.2%

After the City's contributions for fiscal year ending June 30, 2012, assets in the City's OPEB Plan Trust at June 30, 2012 were \$7,326,293.

##### D. Contingent Liabilities and Litigation

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is party to a number of civil lawsuits and other legal proceedings. These suits are currently in discovery or preliminary stages. Additionally, other controversies from public safety services and other general government activities are expected to result in claims or lawsuits. The City maintains various insurances, subject to limitations, to minimize its exposure to such claims and judgments. Management and legal counsel believe the ultimate outcome of existing and potential legal actions is not likely to result in a material loss to the City.

##### E. Significant Long-Term Management Contracts

**Golf Course** - The City has contracted with Classic Golf Management to manage, maintain and operate the Golf Course at Wescott Plantation through September 2016 under two agreements. The golf shop and clubhouse agreement states that Classic Golf Management provide personnel to operate these facilities and furnish certain clubhouse furniture and equipment with a value of \$120,000. Classic Golf retains pro shop and clubhouse revenues, excluding greens fees, cart rentals and certain other revenues and is responsible for various operating costs of these facilities. During the year, Classic Golf Management paid a monthly rent of \$750 plus 5% of pro shop and food and beverage related gross sales.

Under the facilities management agreement, Classic Golf is responsible for providing the personnel and expertise to operate and maintain the golf course, other than the golf shop and clubhouse. The City is required to reimburse the contractor for expenses, approved capital expenses and reserves and pays a monthly fixed management fee. The fixed monthly fee was \$7,000 for calendar year 2000 and increases by \$1,000 each subsequent year through 2003, remaining at \$10,000 monthly for 2003 through 2016. Contingent fees may be earned at the rate of 25% of the excess of gross revenues in excess of 110% of the approved operating budget with the total contingent fee limited to 20% of the fixed management fee.

**Coliseum, Convention and Performing Arts Center** - During 1992 the City entered into a management agreement with Ogden Entertainment, Inc. to manage, market, promote, operate and maintain the North Charleston Coliseum, Convention Center and Performing Arts Center (hereafter "complex") through May 2021. The City pays monthly management fees plus certain contingent fees on the excess of net operating income over approved targets. During fiscal year 2012, total monthly fees paid were \$326,538. Ogden was acquired by ARAMARK during June 2000 and has assigned management rights of the facilities to SMG. The City consented to the transfer of ARAMARK's rights in an agreement signed February 2002.

#### **IV. OTHER INFORMATION (continued)**

##### **F. Commitments and Contingencies**

The City has entered into an intergovernmental agreement with Charleston County regarding the Northside Drive extension road project. The City has agreed to manage the project and the County will fund \$43 million in project related expenses. The City will manage the contracts with the vendors, remit monthly statements from the vendors to Charleston County and be reimbursed directly from Charleston County for any expenses.

The City has construction contract commitments on capital projects at June 30, 2012 as follows:

Governmental funds:

Special revenue and capital projects funds	\$ 13,402,661
Total governmental funds	<u>\$ 13,402,661</u>

##### **G. Subsequent Events**

In September 2012, the City entered into a lease agreement with JP Morgan Chase Equipment Finance for the purchase of \$2,865,000 in vehicles and equipment. The lease is a ten year lease with separate amortizations over five, seven and ten year periods, in quarterly installments of \$111,864 for the first 20 quarters, followed by \$52,279 over the next 8 quarters, followed by \$31,777 for the last 12 quarters, which includes interest ranging from 1.24% to 1.76%.

In October 2012, the City negotiated to purchase the old Naval Hospital in North Charleston from the United States Government in the amount of \$2,000,000. Several plans are being explored involving the use of this property to include its demolition and subsequent development or the renovation of the property for future commercial and office space.

In April 2012, the City entered into an agreement with On-Demand Publishing, LLC (tenant) to lease the old City Hall building still owned by the City of North Charleston for use as a call center, office and data center. Terms of the lease state that the new tenant will pay rent, starting on the commencement date, in the amount of \$793,252 for the first year of the lease with an escalator increase of 2.5% per year for years two through five. The commencement date, which occurred in September 2012, is defined as the date upon which all occupancy permits were completed and the premises were delivered for possession. The lease agreement also states that the City will expend approximately \$2,500,000 to provide for improvements and renovations to the facility, \$1,000,000 of which is to be reimbursed back to the City over the first five years of the lease at interest of 8%.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual
	Original	Final			
<b>Revenues:</b>					
Property taxes	\$ 39,250,000	\$ 39,250,000	\$ 39,051,139	\$ (198,861)	\$ 38,288,254
Licenses and permits	26,760,000	27,910,000	29,670,187	1,760,187	27,599,742
Intergovernmental	14,046,858	14,047,578	15,019,952	972,374	14,358,968
Fines and forfeitures	1,850,000	1,850,000	1,429,950	(420,050)	1,947,991
Charges for services	1,825,000	1,884,614	1,601,380	(283,234)	1,695,599
Revenues from use of monies and property	1,530,000	1,547,650	1,274,101	(273,549)	1,432,211
Other revenues	439,498	706,902	757,106	50,204	513,826
<b>Total revenues</b>	<u>85,701,356</u>	<u>87,196,744</u>	<u>88,803,815</u>	<u>1,607,071</u>	<u>85,836,591</u>
<b>Expenditures:</b>					
<b>General government:</b>					
Executive	1,924,019	1,935,384	1,925,301	10,083	1,358,089
Facilities	4,188,799	4,192,600	4,004,136	188,464	4,036,750
City Council	451,919	451,919	442,133	9,786	431,667
Finance	838,456	838,609	814,699	23,910	748,284
Purchasing	310,745	310,845	297,014	13,831	308,375
Information systems	1,261,698	1,268,636	1,266,036	2,600	1,216,517
Municipal court	1,308,243	1,308,243	1,104,448	203,795	1,158,651
Human resources	2,738,379	2,744,275	1,802,371	941,904	1,747,768
Legal	1,276,704	1,626,704	1,604,124	22,580	1,135,554
Maintenance	8,172,689	9,317,166	9,245,947	71,219	9,322,170
<b>Total general government</b>	<u>22,471,651</u>	<u>23,994,381</u>	<u>22,506,209</u>	<u>1,488,172</u>	<u>21,463,825</u>
<b>Public safety:</b>					
Police	27,461,638	27,629,690	27,497,232	132,458	28,460,374
Fire	16,153,677	16,421,162	16,340,106	81,056	14,836,170
Building inspections	1,238,605	1,250,447	1,241,590	8,857	1,199,328
<b>Total public safety</b>	<u>44,853,920</u>	<u>45,301,299</u>	<u>45,078,928</u>	<u>222,371</u>	<u>44,495,872</u>
<b>Sanitation</b>	<u>5,058,593</u>	<u>5,516,143</u>	<u>5,321,461</u>	<u>194,682</u>	<u>5,143,935</u>

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)  
(continued)

	2012			Variance with Final Budget - Positive (Negative)	2011 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Community promotion:					
Community promotion	345,000	595,000	561,718	33,282	335,000
Total community promotion	345,000	595,000	561,718	33,282	335,000
Culture and recreation:					
Fire museum	524,293	525,506	517,289	8,217	504,531
Recreation and parks	4,687,374	4,756,520	4,725,621	30,899	4,425,628
Cultural arts	851,128	851,128	840,999	10,129	822,722
Total culture and recreation	6,062,795	6,133,154	6,083,909	49,245	5,752,881
Community development:					
Planning & zoning	832,752	832,752	806,590	26,162	774,791
Code enforcement	1,002,830	1,004,578	1,000,380	4,198	1,074,317
Total community development	1,835,582	1,837,330	1,806,970	30,360	1,849,108
Debt Service:					
Principal	2,280,651	2,346,651	2,294,314	52,337	2,147,373
Interest and fiscal charges	326,938	326,938	257,315	69,623	294,732
Total debt service	2,607,589	2,673,589	2,551,629	121,960	2,442,105
Total expenditures	83,235,130	86,050,896	83,910,824	2,140,072	81,482,726
Excess (deficiency) of revenues over expenditures	2,466,226	1,145,848	4,892,991	3,747,143	4,353,865
Other financing sources (uses):					
Transfers (out)	(4,471,226)	(4,881,870)	(4,725,725)	156,145	(5,945,445)
Proceeds from sale of property	100,000	100,000	154,601	54,601	1,979,629
Capital lease obligations	1,905,000	1,905,000	1,906,000	1,000	3,574,000
Total other financing sources (uses)	(2,466,226)	(2,876,870)	(2,665,124)	55,601	(391,816)
Net change in fund balance	-	(1,731,022)	2,227,867	3,802,744	3,962,049
Fund balance at beginning of year	22,308,974	22,308,974	22,308,974	-	18,346,925
Fund balance at end of year	\$ 22,308,974	\$ 20,577,952	\$ 24,536,841	\$ 3,802,744	\$ 22,308,974

Notes: The basis for budgeting is the same as GAAP.



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COLISEUM OPERATING FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			Variance with Final Budget- Positive (Negative)	2011 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Revenues from use of monies and property	\$ 4,186,762	\$ 4,886,762	\$ 5,043,565	\$ 156,803	\$ 3,951,353
Total revenues	4,186,762	4,886,762	5,043,565	156,803	3,951,353
Expenditures:					
Culture and recreation:					
Insurance	100,000	100,000	98,992	1,008	100,045
Contractual services:					
Operating	4,552,719	5,202,719	5,024,760	177,959	4,248,104
Management and administration	588,451	638,451	627,138	11,313	542,381
Capital outlay	194,000	194,000	155,531	38,469	198,707
Total expenditures	5,435,170	6,135,170	5,906,421	228,749	5,089,237
Excess (deficiency) of revenues over expenditures	(1,248,408)	(1,248,408)	(862,856)	385,552	(1,137,884)
Other financing sources (uses):					
Transfers in	1,248,408	1,248,408	862,856	(385,552)	1,137,884
Total other financing sources (uses)	1,248,408	1,248,408	862,856	(385,552)	1,137,884
Net change in fund balance	-	-	-	-	-
Fund balance at beginning of year	332,198	332,198	332,198	-	332,198
Fund balance at end of year	\$ 332,198	\$ 332,198	\$ 332,198	\$ -	\$ 332,198

Notes: The basis for budeting is the same as GAAP.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
TAX INFRASTRUCTURE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012					
	Budgeted Amounts		Actual	Variance with	2011	
	Original	Final	Amounts	Final Budget- Positive (Negative)	Actual	
Revenues:						
Property taxes	\$ 7,225,000	\$ 7,225,000	\$ 7,733,308	\$ 508,308	\$ 7,060,373	
Intergovernmental-Local	-	250,000	250,000	-	-	
Revenues from use of monies and property	-	183,500	196,903	13,403	41,088	
Total revenues	7,225,000	7,658,500	8,180,211	521,711	7,101,461	
Expenditures:						
Capital outlay:						
Land and improvements, infrastructure, and professional services	970,000	2,013,274	1,957,759	55,515	757,197	
Debt service:						
Bond principal	5,380,000	5,380,000	5,380,000	-	4,875,000	
Bond interest	2,340,000	1,903,000	1,422,351	480,649	1,590,994	
Total expenditures	8,690,000	9,296,274	8,760,110	536,164	7,223,191	
Excess (deficiency) of revenues over expenditures	(1,465,000)	(1,637,774)	(579,899)	1,057,875	(121,730)	
Other financing sources (uses):						
Transfers in	-	-	-	-	2,000,000	
Transfers out	(5,000,000)	(5,000,000)	(5,000,000)	-	(3,050,000)	
Bonds issued	-	-	-	-	2,100,000	
Total other financing sources (uses)	(5,000,000)	(5,000,000)	(5,000,000)	-	1,050,000	
Net change in fund balance	(6,465,000)	(6,637,774)	(5,579,899)	1,057,875	928,270	
Fund balance at beginning of year	16,114,871	16,114,871	16,114,871	-	15,186,601	
Fund balance at end of year	\$ 9,649,871	\$ 9,477,097	\$ 10,534,972	\$ 1,057,875	\$ 16,114,871	

Notes: The basis for budgeting is the same as GAAP.

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## **SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of special sources (other than expendable trust or major capital projects) that are restricted (legally or by the Mayor or Council) to finance particular functions or activities.

**Accommodations Tax** accounts for the City's share of the two percent statewide tax on lodging and allocated from the State of South Carolina, for promotion of the Visitors Bureau and other tourism-related activities, including debt service related to the North Charleston Coliseum and Convention Center Complex.

**City Accommodations Tax** accounts for the one percent local tax collected from hotels and motels in the City.

**Community Development Block Grant** accounts for the Federal grants expended by the City that are funded by Community Development Block grants. These funds are budgeted for use by the City in areas such as residential rehabilitation, street and sidewalk improvements, drainage improvements, affordable housing and other revitalization programs that benefit the City's incorporated areas.

**HOME** accounts for Federal grants expended by the City that are funded by the Department of Housing and Urban Development. The purpose of the program is to assist in the preservation and restoration of owner occupied housing.

**Energy Efficiency Conservation Block Grant Fund** accounts for Federal funds received from the Department of Energy for the purpose of developing strategies to upgrade and improve energy management and efficiency measures.

**CDBG Recovery Act Grant Fund** accounts for Federal funds received from the Department of Housing and Urban Development for the installation of sidewalks in eligible areas throughout the City.

**School Resource Officer Grant** accounts for funds received from the Charleston County School District under a memorandum of understanding that funds one School Resource Officer at a middle school for the entire school year.

**Anti-Drug** accounts for the seizures and forfeitures of cash confiscated during drug arrests. When forfeited by the courts, these funds are restricted for use in drug enforcement and education efforts.

**Justice Assistance Grant** accounts for Federal funds received for the purpose of providing equipment to our public safety departments in an effort to promote community policing projects.

**Weed & Seed Grant** accounts for Federal grants expended by the City that are funded by the U.S. Department of Justice. These funds are used to eliminate crime and to provide a safe environment for citizens in targeted neighborhoods.

**Victims Advocate** accounts for court fines received from certain violators to be expended for various assistance to victims as prescribed by State of S.C. laws.

**State Ports Authority Mitigation Grant** accounts for SPA funds received for the purpose of identifying and mitigating the potential adverse environmental impact from the port expansion on the affected adjacent neighborhoods in the City.

**Port Security Grant** accounts for Federal funds received from the Department of Homeland Security to enhance the safety of the Charleston Harbor.

**BJA Recovery Act Edward Byrne Memorial Competitive Grant Fund** accounts for Federal funds received for the purpose of hiring eight community service officers and to purchase equipment and vehicles.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

(continued)

**COPS Hiring Recovery Act Grant Fund** accounts for Federal funds received through the American Recovery and Reinvestment Act of 2009 for the purpose of hiring fifteen police officers.

**FEMA Firefighter Grant** accounts for Federal funds received for the purpose of assisting the City's Fire Department in developing and implementing a fitness/wellness program along with the purchase of various pieces of equipment.

**SCDPS Hispanic Victim Advocate Grant Fund** accounts for State funds received for the purpose of hiring a Spanish speaking victim advocate to provide assistance to Hispanic victims as prescribed by State of S.C. laws.

**SCDPS Court System Efficiency Grant Fund** accounts for State funds received for the purpose of hiring two court clerks to improve the efficiency of court operations.

**EPA Brownsfield Grant Fund** accounts for Federal funds received from the U.S. Department of Environmental Protection Agency to conduct assessments at Brownsfield sites potentially contaminated with hazardous substances.

**JAG Recovery Act Grant Fund** accounts for Federal funds received for the purpose of providing criminal justice assistance to the Public Defender's and Solicitor's offices and to purchase crime fighting equipment.

**Maritime Fire Response Vessel Grant Fund** accounts for Federal funds received, passed through the State of South Carolina's Law Enforcement Division Office of Homeland Security, for the purpose of purchasing a fire response boat and equipment and training associated with the operation of the vessel.

**Lowcountry Regional Analyst Grant Fund** accounts for State funds received for the purpose of hiring an intelligence analyst to collect and disseminate vital intelligence information as it relates to port security.

**Firemen's Insurance and Inspection** accounts for the Fire Department's share of the State's Insurance and Inspection Fees. Funds are used for the betterment of the Fire Department as approved by its Board of Trustees.

**Parking** accounts for the revenues and expenditures of the North Charleston Coliseum, Convention Center and Performing Arts Center Complex parking operations.

## DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources.

**Certificates of Participation** account for funding the accumulation of resources for, and the retirement of, the certificates of participation.

**Installment Purchase Revenue Bonds** account for funding the accumulation of resources for, and the retirement of, installment purchase revenue bonds.

## CAPITAL PROJECT FUNDS

These funds are used to account for financial resources involving the acquisition or construction of major capital facilities (other than those financed by the Proprietary Enterprise Fund). The primary sources of revenue in these funds are proceeds of general obligation bonds and certificates of participation, grants, contributions, property taxes and settlements from private sources. The City has the following capital project funds:

**North Charleston Convention Center Complex Project Fund** accounts for funding sources and construction costs of capital improvements to the North Charleston Convention Center Complex.

**Citywide Capital Improvements Fund** accounts for the funding sources and construction costs of capital improvements to citywide facilities and to support new community center construction.

**Wescott Sports Complex Fund** accounts for the funding sources and construction costs of land and capital improvements to property owned in the northern area of North Charleston in an effort to produce recreational parks and facilities for various recreational programs.

**Street Light and Drainage Fund** accounts for the capital improvements to the City's drainage and street lighting systems.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2012**  
**(With Comparative Totals at June 30, 2011)**

	Special Revenue Funds	Certificates of Participation Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds	
					2012	2011
<b>Assets</b>						
Cash and cash equivalents	\$ 135,253	\$ -	\$ -	\$ 19,004,157	\$ 19,139,410	\$ 25,298,210
Accounts receivable	26,301	4,338	-	-	30,639	-
Due from other funds	-	-	-	-	-	4,851
Due from other governments	1,456,737	339,751	-	58,346	1,854,834	2,671,667
Restricted assets:						
Cash and cash equivalents	2,749,803	1,752,426	36,670	-	4,538,899	3,916,550
Notes receivable	1,562,965	-	-	-	1,562,965	1,842,848
<b>Total assets</b>	<b>\$ 5,931,059</b>	<b>\$ 2,096,515</b>	<b>\$ 36,670</b>	<b>\$ 19,062,503</b>	<b>\$ 27,126,747</b>	<b>\$ 33,734,126</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 349,077	\$ 245	\$ 2,941	\$ 1,175,954	\$ 1,528,217	\$ 3,686,628
Escrow for seized funds	219,701	-	-	-	219,701	158,262
Due to other funds	1,235,911	-	-	-	1,235,911	870,418
Deferred revenue	1,562,965	-	-	-	1,562,965	1,842,848
<b>Total liabilities</b>	<b>3,367,654</b>	<b>245</b>	<b>2,941</b>	<b>1,175,954</b>	<b>4,546,794</b>	<b>6,558,156</b>
<b>Fund balances:</b>						
Restricted for:						
Public safety and public service	2,464,421	-	-	-	2,464,421	2,166,250
Facility and infrastructure improvements	-	-	-	17,886,549	17,886,549	22,988,483
Debt service	-	2,096,270	33,729	-	2,129,999	1,921,581
Assigned for:						
Community promotions	98,984	-	-	-	98,984	99,656
<b>Total fund balances</b>	<b>2,563,405</b>	<b>2,096,270</b>	<b>33,729</b>	<b>17,886,549</b>	<b>22,579,953</b>	<b>27,175,970</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,931,059</b>	<b>\$ 2,096,515</b>	<b>\$ 36,670</b>	<b>\$ 19,062,503</b>	<b>\$ 27,126,747</b>	<b>\$ 33,734,126</b>



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012  
(With Comparative Totals for the Year Ended June 30, 2011)

	Special Revenue Funds	Certificates of Participation Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds	
					2012	2011
<b>Revenues:</b>						
Intergovernmental	\$ 7,281,012	\$ 4,280,627	\$ -	\$ 2,767,209	\$ 14,328,848	\$ 16,029,086
Fines and forfeitures	437,737	-	-	-	437,737	385,507
Revenues from the use of monies and property	622,481	292,673	-	66,921	982,075	838,325
<b>Total revenues</b>	<u>8,341,230</u>	<u>4,573,300</u>	<u>-</u>	<u>2,834,130</u>	<u>15,748,660</u>	<u>17,252,918</u>
<b>Expenditures:</b>						
<b>Public safety:</b>						
Police department	2,320,205	-	-	-	2,320,205	2,982,806
Fire department	1,029,086	-	-	-	1,029,086	484,991
<b>Community promotion:</b>						
Community promotion	572,466	-	-	-	572,466	941,531
<b>Culture and recreation:</b>						
Special projects	575,295	-	-	-	575,295	527,341
<b>Community development:</b>						
Community development	917,535	-	-	-	917,535	1,597,539
HOME program	229,166	-	-	-	229,166	481,413
<b>Capital outlay:</b>						
Parking, walkways and infrastructure	239,975	-	-	12,936,064	13,176,039	18,313,135
<b>Debt service:</b>						
Bond principal	-	4,335,000	-	-	4,335,000	4,020,000
Bond interest	-	2,420,259	-	-	2,420,259	2,631,411
Bond issuance costs	-	-	326,771	-	326,771	-
<b>Total expenditures</b>	<u>5,883,728</u>	<u>6,755,259</u>	<u>326,771</u>	<u>12,936,064</u>	<u>25,901,822</u>	<u>31,980,167</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,457,502</u>	<u>(2,181,959)</u>	<u>(326,771)</u>	<u>(10,101,934)</u>	<u>(10,153,162)</u>	<u>(14,727,249)</u>
<b>Other financing sources (uses):</b>						
Transfers in	206,367	2,356,648	-	5,000,000	7,563,015	11,925,278
Transfers (out)	(2,366,370)	-	-	-	(2,366,370)	(8,066,030)
Bonds issued	-	-	360,500	-	360,500	22,500,000
<b>Total other financing sources (uses)</b>	<u>(2,160,003)</u>	<u>2,356,648</u>	<u>360,500</u>	<u>5,000,000</u>	<u>5,557,145</u>	<u>26,359,248</u>
<b>Net change in fund balances</b>	<u>297,499</u>	<u>174,689</u>	<u>33,729</u>	<u>(5,101,934)</u>	<u>(4,596,017)</u>	<u>11,631,999</u>
<b>Fund balances at beginning of year</b>	2,265,906	1,921,581	-	22,988,483	27,175,970	15,543,971
<b>Fund balances at end of year</b>	<u>\$ 2,563,405</u>	<u>\$ 2,096,270</u>	<u>\$ 33,729</u>	<u>\$ 17,886,549</u>	<u>\$ 22,579,953</u>	<u>\$ 27,175,970</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**  
**(With Comparative Totals at June 30, 2011)**

	Tax Fund Types				Public Safety and Service Fund Types			
	City		Community Development		Energy Conservation	CDBG Recovery Act	School Resource Officer	
	Accommo- dations Tax	Accommo- dations Tax	CDBG	HOME	Grant	Grant	Grant	
<b>Assets</b>								
Cash and cash equivalents	\$ 89,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts receivable	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	
Due from other governments	-	-	136,778	112,618	-	2,553	-	
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	
Notes receivable	-	-	-	1,562,965	-	-	-	
<b>Total assets</b>	<b>\$ 89,079</b>	<b>\$ -</b>	<b>\$ 136,778</b>	<b>\$ 1,675,583</b>	<b>\$ -</b>	<b>\$ 2,553</b>	<b>\$ -</b>	
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 1,138	\$ -	\$ 19,921	\$ 106,449	\$ -	\$ 616	\$ -	
Escrow for seized funds	-	-	-	-	-	-	-	
Due to other funds	-	-	116,857	6,169	-	1,937	-	
Deferred revenue	-	-	-	1,562,965	-	-	-	
<b>Total liabilities</b>	<b>1,138</b>	<b>-</b>	<b>136,778</b>	<b>1,675,583</b>	<b>-</b>	<b>2,553</b>	<b>-</b>	
<b>Fund balances:</b>								
Restricted for:								
Public safety and public service	-	-	-	-	-	-	-	
Assigned for:								
Community promotions	87,941	-	-	-	-	-	-	
<b>Total fund balances</b>	<b>87,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 89,079</b>	<b>\$ -</b>	<b>\$ 136,778</b>	<b>\$ 1,675,583</b>	<b>\$ -</b>	<b>\$ 2,553</b>	<b>\$ -</b>	

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**  
**(With Comparative Totals at June 30, 2011)**

**Public Safety and Service Fund Types**

	<b>Anti-Drug</b>	<b>Justice Assistance Grant</b>	<b>Weed and Seed Grant</b>	<b>Victims Advocate</b>	<b>SPA Mitigation Grant</b>	<b>Port Security Grant</b>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	26,301	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	155,364	-	-	-	259,659
Restricted assets:						
Cash and cash equivalents	872,610	-	-	405,221	1,122,104	-
Notes receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 898,911</b>	<b>\$ 155,364</b>	<b>\$ -</b>	<b>\$ 405,221</b>	<b>\$ 1,122,104</b>	<b>\$ 259,659</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 9,183	\$ 90,826	\$ -	\$ 593	\$ 1,800	\$ 8,352
Escrow for seized funds	219,701	-	-	-	-	-
Due to other funds	79,964	64,538	-	-	-	251,307
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>308,848</b>	<b>155,364</b>	<b>-</b>	<b>593</b>	<b>1,800</b>	<b>259,659</b>
<b>Fund balances:</b>						
Restricted for:						
Public safety and public service	590,063	-	-	404,628	1,120,304	-
Assigned for:						
Community promotions	-	-	-	-	-	-
<b>Total fund balances</b>	<b>590,063</b>	<b>-</b>	<b>-</b>	<b>404,628</b>	<b>1,120,304</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 898,911</b>	<b>\$ 155,364</b>	<b>\$ -</b>	<b>\$ 405,221</b>	<b>\$ 1,122,104</b>	<b>\$ 259,659</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**  
**(With Comparative Totals at June 30, 2011)**

	<b>Public Safety and Service Fund Types</b>						
	<b>BJA Byrne Memorial Grant</b>	<b>COPS Hiring Grant</b>	<b>FEMA Firefighter Grant</b>	<b>Hispanic Victim Advocate Grant</b>	<b>Court System Efficiency Grant</b>	<b>EPA Brownsfield Grant</b>	<b>JAG Recovery Act Grant</b>
<b><u>Assets</u></b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	98,078	36,984	12,016	22,196	103,836	125,598
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 98,078</b>	<b>\$ 36,984</b>	<b>\$ 12,016</b>	<b>\$ 22,196</b>	<b>\$ 103,836</b>	<b>\$ 125,598</b>
<b><u>Liabilities and Fund Balance</u></b>							
<b><u>Liabilities:</u></b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 1,245	\$ -	\$ 32,598	\$ 38,023
Escrow for seized funds	-	-	-	-	-	-	-
Due to other funds	-	98,078	36,984	10,771	22,196	71,238	87,575
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>98,078</b>	<b>36,984</b>	<b>12,016</b>	<b>22,196</b>	<b>103,836</b>	<b>125,598</b>
<b><u>Fund balances:</u></b>							
Restricted for:							
Public safety and public service	-	-	-	-	-	-	-
Assigned for:							
Community promotions	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 98,078</b>	<b>\$ 36,984</b>	<b>\$ 12,016</b>	<b>\$ 22,196</b>	<b>\$ 103,836</b>	<b>\$ 125,598</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2012**  
**(With Comparative Totals at June 30, 2011)**

	<b>Public Safety and Service Types</b>				<b>Total Nonmajor Special Revenue Funds</b>	
	<b>Maritime Fire Response Vessel Grant</b>	<b>Lowcountry Regional Analyst Grant</b>	<b>Firemen's Insurance &amp; Inspection</b>	<b>Parking</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 46,174	\$ 135,253	\$ 88,635
Accounts receivable	-	-	-	-	26,301	-
Due from other funds	-	-	-	-	-	4,851
Due from other governments	371,442	19,615	-	-	1,456,737	1,417,506
Restricted assets:						
Cash and cash equivalents	-	-	349,868	-	2,749,803	2,337,403
Notes receivable	-	-	-	-	1,562,965	1,842,848
<b>Total assets</b>	<b>\$ 371,442</b>	<b>\$ 19,615</b>	<b>\$ 349,868</b>	<b>\$ 46,174</b>	<b>\$ 5,931,059</b>	<b>\$ 5,691,243</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 2,760	\$ -	\$ 442	\$ 35,131	\$ 349,077	\$ 553,809
Escrow for seized funds	-	-	-	-	219,701	158,262
Due to other funds	368,682	19,615	-	-	1,235,911	870,418
Deferred revenue	-	-	-	-	1,562,965	1,842,848
<b>Total liabilities</b>	<b>371,442</b>	<b>19,615</b>	<b>442</b>	<b>35,131</b>	<b>3,367,654</b>	<b>3,425,337</b>
<b>Fund balances:</b>						
Restricted for:						
Public safety and public service	-	-	349,426	-	2,464,421	2,166,250
Assigned for:						
Community promotions	-	-	-	11,043	98,984	99,656
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>349,426</b>	<b>11,043</b>	<b>2,563,405</b>	<b>2,265,906</b>
<b>Total liabilities and fund balances</b>	<b>\$ 371,442</b>	<b>\$ 19,615</b>	<b>\$ 349,868</b>	<b>\$ 46,174</b>	<b>\$ 5,931,059</b>	<b>\$ 5,691,243</b>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012

(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	<b>Tax Fund Types</b>				<b>Public Safety and Service Fund Types</b>		
	<b>City</b>		<b>Community</b>				
	<b>Accommo-</b>	<b>Accommo-</b>	<b>Development</b>		<b>Energy</b>	<b>CDBG</b>	
	<b>dations</b>	<b>dations</b>			<b>Conservation</b>	<b>Recovery Act</b>	<b>SRO</b>
	<b>Tax</b>	<b>Tax</b>	<b>CDBG</b>	<b>HOME</b>	<b>Grant</b>	<b>Grant</b>	<b>Grant</b>
<b>Revenues:</b>							
Intergovernmental	\$ 1,638,568	\$ 1,267,057	\$ 917,535	\$ 229,166	\$ 63,689	\$ 12,405	\$ 34,500
Fines and forfeitures	-	-	-	-	-	-	-
Revenues from the use of monies and property	257	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,638,825</b>	<b>1,267,057</b>	<b>917,535</b>	<b>229,166</b>	<b>63,689</b>	<b>12,405</b>	<b>34,500</b>
<b>Expenditures:</b>							
<b>Public safety:</b>							
Police department	-	-	-	-	-	-	34,500
Fire department	-	-	-	-	-	-	-
<b>Community promotion:</b>							
Community promotion	560,949	-	-	-	-	-	-
<b>Culture and recreation:</b>							
Special projects	-	-	-	-	-	-	-
<b>Community development:</b>							
Community development	-	-	917,535	-	-	-	-
HOME program	-	-	-	229,166	-	-	-
<b>Capital outlay:</b>							
Special projects - infrastructure	-	-	-	-	63,689	12,405	-
<b>Total expenditures</b>	<b>560,949</b>	<b>-</b>	<b>917,535</b>	<b>229,166</b>	<b>63,689</b>	<b>12,405</b>	<b>34,500</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,077,876</b>	<b>1,267,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(1,089,591)	(1,267,057)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,089,591)</b>	<b>(1,267,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(11,715)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances at beginning of year</b>	<b>99,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 87,941</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>Public Safety and Service Fund Types</b>					
	<b>Anti-Drug</b>	<b>Justice Assistance Grant</b>	<b>Weed and Seed Grant</b>	<b>Victims Advocate</b>	<b>SPA Mitigation Grant</b>	<b>Port Security Grant</b>
<b>Revenues:</b>						
Intergovernmental	\$ -	\$ 240,196	\$ 49,694	\$ -	\$ 303,263	\$ 263,628
Fines and forfeitures	195,434	-	-	242,303	-	-
Revenues from the use of monies and property	28,755	-	-	1,164	5,116	-
<b>Total revenues</b>	<u>224,189</u>	<u>240,196</u>	<u>49,694</u>	<u>243,467</u>	<u>308,379</u>	<u>263,628</u>
<b>Expenditures:</b>						
<b>Public safety:</b>						
Police department	247,506	240,196	49,694	253,563	-	263,628
Fire department	-	-	-	-	-	-
<b>Community promotion:</b>						
Community promotion	-	-	-	-	11,517	-
<b>Culture and recreation:</b>						
Special projects	-	-	-	-	-	-
<b>Community development:</b>						
Community development	-	-	-	-	-	-
HOME program	-	-	-	-	-	-
<b>Capital outlay:</b>						
Special projects - infrastructure	-	-	-	-	-	-
<b>Total expenditures</b>	<u>247,506</u>	<u>240,196</u>	<u>49,694</u>	<u>253,563</u>	<u>11,517</u>	<u>263,628</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(23,317)</u>	<u>-</u>	<u>-</u>	<u>(10,096)</u>	<u>296,862</u>	<u>-</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(9,722)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,722)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(23,317)</u>	<u>-</u>	<u>-</u>	<u>(19,818)</u>	<u>296,862</u>	<u>-</u>
<b>Fund balances at beginning of year</b>	613,380	-	-	424,446	823,442	-
<b>Fund balances at end of year</b>	<u>\$ 590,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,628</u>	<u>\$ 1,120,304</u>	<u>\$ -</u>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	Public Safety and Service Fund Types						
	BJA Byrne Memorial Grant	COPS Hiring Grant	FEMA Firefighter Grant	Hispanic Victim Advocate Grant	Court System Efficiency Grant	EPA Brownsfield Grant	JAG Recovery Act Grant
<b>Revenues:</b>							
Intergovernmental	\$ 29,403	\$ 864,079	\$ 40,706	\$ 39,610	\$ 76,567	\$ 163,881	\$ 133,173
Fines and forfeitures	-	-	-	-	-	-	-
Revenues from the use of monies and property	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>29,403</u>	<u>864,079</u>	<u>40,706</u>	<u>39,610</u>	<u>76,567</u>	<u>163,881</u>	<u>133,173</u>
<b>Expenditures:</b>							
<b>Public safety:</b>							
Police department	29,403	864,079	-	49,332	87,774	-	133,173
Fire department	-	-	51,193	-	-	-	-
<b>Community promotion:</b>							
Community promotion	-	-	-	-	-	-	-
<b>Culture and recreation:</b>							
Special projects	-	-	-	-	-	-	-
<b>Community development:</b>							
Community development	-	-	-	-	-	-	-
HOME program	-	-	-	-	-	-	-
<b>Capital outlay:</b>							
Special projects - infrastructure	-	-	-	-	-	163,881	-
<b>Total expenditures</b>	<u>29,403</u>	<u>864,079</u>	<u>51,193</u>	<u>49,332</u>	<u>87,774</u>	<u>163,881</u>	<u>133,173</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>(10,487)</u>	<u>(9,722)</u>	<u>(11,207)</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	10,487	9,722	11,207	-	-
Transfers (out)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>10,487</u>	<u>9,722</u>	<u>11,207</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>Public Safety and Service Fund Types</b>				<b>Total Nonmajor Special Revenue Funds</b>	
	<b>Maritime Fire Response Vessel Grant</b>	<b>Lowcountry Regional Analyst Grant</b>	<b>Firemen's Insurance &amp; Inspection</b>	<b>Parking</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
Intergovernmental	\$ 524,852	\$ 67,357	\$ 321,683	\$ -	\$ 7,281,012	\$ 8,954,627
Fines and forfeitures	-	-	-	-	437,737	385,507
Revenues from the use of monies and property	-	-	851	586,338	622,481	501,625
<b>Total revenues</b>	<u>524,852</u>	<u>67,357</u>	<u>322,534</u>	<u>586,338</u>	<u>8,341,230</u>	<u>9,841,759</u>
<b>Expenditures:</b>						
<b>Public safety:</b>						
Police department	-	67,357	-	-	2,320,205	2,982,806
Fire department	699,803	-	278,090	-	1,029,086	484,991
<b>Community promotion:</b>						
Community promotion	-	-	-	-	572,466	941,531
<b>Culture and recreation:</b>						
Special projects	-	-	-	575,295	575,295	527,341
<b>Community development:</b>						
Community development	-	-	-	-	917,535	1,597,539
HOME program	-	-	-	-	229,166	481,413
<b>Capital outlay:</b>						
Special projects - infrastructure	-	-	-	-	239,975	735,257
<b>Total expenditures</b>	<u>699,803</u>	<u>67,357</u>	<u>278,090</u>	<u>575,295</u>	<u>5,883,728</u>	<u>7,750,878</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(174,951)</u>	<u>-</u>	<u>44,444</u>	<u>11,043</u>	<u>2,457,502</u>	<u>2,090,881</u>
<b>Other financing sources (uses):</b>						
Transfers in	174,951	-	-	-	206,367	114,710
Transfers (out)	-	-	-	-	(2,366,370)	(2,243,030)
<b>Total other financing sources (uses)</b>	<u>174,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,160,003)</u>	<u>(2,128,320)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>44,444</u>	<u>11,043</u>	<u>297,499</u>	<u>(37,439)</u>
<b>Fund balances at beginning of year</b>	<u>-</u>	<u>-</u>	<u>304,982</u>	<u>-</u>	<u>2,265,906</u>	<u>2,303,345</u>
<b>Fund balances at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,426</u>	<u>\$ 11,043</u>	<u>\$ 2,563,405</u>	<u>\$ 2,265,906</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 June 30, 2012  
 (With Comparative Totals at June 30, 2011)

	Convention Center Complex	Citywide Capital Improvements	Wescott Sports Complex	Street Light & Drainage	Total Nonmajor Capital Project Funds	
					2012	2011
<b>Assets</b>						
Cash and cash equivalents	\$ 6,770,073	\$ 4,516,774	\$ 6,668,478	\$ 1,048,832	\$ 19,004,157	\$ 25,209,575
Due from other governments	-	58,346	-	-	58,346	911,727
<b>Total assets</b>	<b>\$ 6,770,073</b>	<b>\$ 4,575,120</b>	<b>\$ 6,668,478</b>	<b>\$ 1,048,832</b>	<b>\$ 19,062,503</b>	<b>\$ 26,121,302</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 553,061	\$ 582,770	\$ -	\$ 40,123	\$ 1,175,954	\$ 3,132,819
<b>Total liabilities</b>	<b>553,061</b>	<b>582,770</b>	<b>-</b>	<b>40,123</b>	<b>1,175,954</b>	<b>3,132,819</b>
<b>Fund balances:</b>						
Restricted for:						
Facility and infrastructure improvements	6,217,012	3,992,350	6,668,478	1,008,709	17,886,549	22,988,483
<b>Total fund balances</b>	<b>6,217,012</b>	<b>3,992,350</b>	<b>6,668,478</b>	<b>1,008,709</b>	<b>17,886,549</b>	<b>22,988,483</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,770,073</b>	<b>\$ 4,575,120</b>	<b>\$ 6,668,478</b>	<b>\$ 1,048,832</b>	<b>\$ 19,062,503</b>	<b>\$ 26,121,302</b>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>Convention Center Complex</b>	<b>Citywide Capital Improvements</b>	<b>Wescott Sports Complex</b>	<b>Street Light &amp; Drainage</b>	<b>Total Nonmajor Capital Project Funds</b>	
					<b>2012</b>	<b>2011</b>
<b>Revenues:</b>						
Intergovernmental revenues-Local	\$ -	\$ 2,675,200	\$ -	\$ 92,009	\$ 2,767,209	\$ 3,003,291
Revenues from use of monies and property	25,303	36,887	-	4,731	66,921	69,025
<b>Total revenues</b>	<u>25,303</u>	<u>2,712,087</u>	<u>-</u>	<u>96,740</u>	<u>2,834,130</u>	<u>3,072,316</u>
<b>Expenditures:</b>						
Capital outlay:						
Engineering, infrastructure and other	6,388,560	4,488,960	1,045,188	1,013,356	12,936,064	17,577,878
<b>Total expenditures</b>	<u>6,388,560</u>	<u>4,488,960</u>	<u>1,045,188</u>	<u>1,013,356</u>	<u>12,936,064</u>	<u>17,577,878</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,363,257)</u>	<u>(1,776,873)</u>	<u>(1,045,188)</u>	<u>(916,616)</u>	<u>(10,101,934)</u>	<u>(14,505,562)</u>
<b>Other financing sources (uses):</b>						
Transfers in	5,000,000	-	-	-	5,000,000	9,498,000
Transfers (out)	-	-	-	-	-	(5,823,000)
Bonds issued	-	-	-	-	-	22,500,000
<b>Total other financing sources (uses)</b>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>26,175,000</u>
<b>Net change in fund balance</b>	<u>(1,363,257)</u>	<u>(1,776,873)</u>	<u>(1,045,188)</u>	<u>(916,616)</u>	<u>(5,101,934)</u>	<u>11,669,438</u>
<b>Fund balance at beginning of year</b>	7,580,269	5,769,223	7,713,666	1,925,325	22,988,483	11,319,045
<b>Fund balance at end of year</b>	<u>\$ 6,217,012</u>	<u>\$ 3,992,350</u>	<u>\$ 6,668,478</u>	<u>\$ 1,008,709</u>	<u>\$ 17,886,549</u>	<u>\$ 22,988,483</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**ACCOMMODATIONS TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2011 Actual</b>
<b>Revenues:</b>				
Intergovernmental - State	\$ 1,593,750	\$ 1,592,480	\$ (1,270)	\$ 1,460,032
Intergovernmental - Local	56,500	46,088	(10,412)	104,904
Revenues from use of monies and property	500	257	(243)	319
<b>Total revenues</b>	<u>1,650,750</u>	<u>1,638,825</u>	<u>(11,925)</u>	<u>1,565,255</u>
<b>Expenditures:</b>				
<b>Community promotion:</b>				
Community promotion	561,000	560,949	(51)	476,061
<b>Total expenditures</b>	<u>561,000</u>	<u>560,949</u>	<u>(51)</u>	<u>476,061</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,089,750</u>	<u>1,077,876</u>	<u>(11,874)</u>	<u>1,089,194</u>
<b>Other financing sources (uses):</b>				
Transfers to Debt Service Fund	(1,089,750)	(1,089,591)	(159)	(998,969)
<b>Total other financing sources (uses)</b>	<u>(1,089,750)</u>	<u>(1,089,591)</u>	<u>(159)</u>	<u>(998,969)</u>
<b>Net change in fund balance</b>	-	(11,715)	(11,715)	90,225
<b>Fund balance at beginning of year</b>	<u>99,656</u>	<u>99,656</u>	-	<u>9,431</u>
<b>Fund balance at end of year</b>	<u>\$ 99,656</u>	<u>\$ 87,941</u>	<u>\$ (11,715)</u>	<u>\$ 99,656</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**CITY ACCOMMODATIONS TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
			<b>2011 Actual</b>
<b>Revenues:</b>			
Intergovernmental - State	\$ 1,270,000	\$ 1,267,057	\$ (2,943)
<b>Total revenues</b>	<u>1,270,000</u>	<u>1,267,057</u>	<u>(2,943)</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>1,270,000</u>	<u>1,267,057</u>	<u>(2,943)</u>
<b>Other financing sources (uses):</b>			
Transfers to Debt Service Fund	<u>(1,270,000)</u>	<u>(1,267,057)</u>	<u>(2,943)</u>
<b>Total other financing sources (uses)</b>	<u>(1,270,000)</u>	<u>(1,267,057)</u>	<u>(1,233,340)</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 1,848,133	\$ 917,535	\$ (930,598)	\$ 1,597,539
<b>Total revenues</b>	<u>1,848,133</u>	<u>917,535</u>	<u>(930,598)</u>	<u>1,597,539</u>
<b>Expenditures:</b>				
<b>Community development:</b>				
Housing and infrastructure	1,504,538	742,902	(761,636)	1,431,922
Planning and administration	343,595	174,633	(168,962)	165,617
<b>Total expenditures</b>	<u>1,848,133</u>	<u>917,535</u>	<u>(930,598)</u>	<u>1,597,539</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
SPECIAL REVENUE FUNDS  
HOME FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011 Actual
	Final Budget	Actual	Variance Over (Under)	
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 1,356,109	\$ 229,166	\$ (1,126,943)	\$ 481,413
<b>Total revenues</b>	<u>1,356,109</u>	<u>229,166</u>	<u>(1,126,943)</u>	<u>481,413</u>
<b>Expenditures:</b>				
<b>Community development:</b>				
Housing and infrastructure	1,290,761	175,575	(1,115,186)	437,112
Planning and administrative	65,348	53,591	(11,757)	44,301
<b>Total expenditures</b>	<u>1,356,109</u>	<u>229,166</u>	<u>(1,126,943)</u>	<u>481,413</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**JUSTICE ASSISTANCE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 363,983	\$ 240,196	\$ (123,787)	\$ 276,039
Revenues from use of monies and property	-	-	-	6
<b>Total revenues</b>	<u>363,983</u>	<u>240,196</u>	<u>(123,787)</u>	<u>276,045</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	363,983	240,196	(123,787)	276,045
<b>Total expenditures</b>	<u>363,983</u>	<u>240,196</u>	<u>(123,787)</u>	<u>276,045</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
SPECIAL REVENUE FUNDS  
VICTIMS ADVOCATE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Fines and forfeitures	\$ 269,221	\$ 242,303	\$ (26,918)	\$ 271,932
Revenues from use of monies and property	-	1,164	1,164	3,938
<b>Total revenues</b>	<u>269,221</u>	<u>243,467</u>	<u>(25,754)</u>	<u>275,870</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	<u>258,671</u>	<u>253,563</u>	<u>(5,108)</u>	<u>172,639</u>
<b>Total expenditures</b>	<u>258,671</u>	<u>253,563</u>	<u>(5,108)</u>	<u>172,639</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>10,550</u>	<u>(10,096)</u>	<u>(20,646)</u>	<u>103,231</u>
<b>Other financing sources (uses):</b>				
Transfer to SCDPS Hispanic Victim Advocate Grant	(10,550)	(9,722)	828	(10,721)
<b>Total other financing sources (uses)</b>	<u>(10,550)</u>	<u>(9,722)</u>	<u>828</u>	<u>(10,721)</u>
<b>Net change in fund balance</b>	-	(19,818)	(19,818)	92,510
<b>Fund balance at beginning of year</b>	<u>424,446</u>	<u>424,446</u>	-	<u>331,936</u>
<b>Fund balance at end of year</b>	<u>\$ 424,446</u>	<u>\$ 404,628</u>	<u>\$ (19,818)</u>	<u>\$ 424,446</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**MARITIME FIRE RESPONSE VESSEL GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011 Actual
	Final Budget	Actual	Variance Over (Under)	
<b>Revenues:</b>				
Intergovernmental - State	\$ 631,930	\$ 524,852	\$ (107,078)	\$ -
<b>Total revenues</b>	<u>631,930</u>	<u>524,852</u>	<u>(107,078)</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Fire department	842,574	699,803	(142,771)	-
<b>Total expenditures</b>	<u>842,574</u>	<u>699,803</u>	<u>(142,771)</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(210,644)</u>	<u>(174,951)</u>	<u>(35,693)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfer from General Fund	210,644	174,951	(35,693)	-
<b>Total other financing sources (uses)</b>	<u>210,644</u>	<u>174,951</u>	<u>(35,693)</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**WEED AND SEED GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 64,386	\$ 49,694	\$ (14,692)	\$ 131,416
<b>Total revenues</b>	<u>64,386</u>	<u>49,694</u>	<u>(14,692)</u>	<u>131,416</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	64,386	49,694	(14,692)	131,416
<b>Total expenditures</b>	<u>64,386</u>	<u>49,694</u>	<u>(14,692)</u>	<u>131,416</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**PARKING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Revenues from use of monies and property	\$ 590,437	\$ 586,338	\$ (4,099)	\$ 471,102
<b>Total revenues</b>	<u>590,437</u>	<u>586,338</u>	<u>(4,099)</u>	<u>471,102</u>
<b>Expenditures:</b>				
<b>Culture and recreation:</b>				
Special projects	590,437	575,295	(15,142)	527,341
<b>Total expenditures</b>	<u>590,437</u>	<u>575,295</u>	<u>(15,142)</u>	<u>527,341</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>11,043</u>	<u>11,043</u>	<u>(56,239)</u>
<b>Other financing sources (uses):</b>				
Transfers from General Fund	-	-	-	56,239
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,239</u>
<b>Net change in fund balance</b>	-	11,043	11,043	-
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ 11,043</u>	<u>\$ 11,043</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**STATE PORTS AUTHORITY MITIGATION GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2011 Actual</b>
<b>Revenues:</b>				
Intergovernmental - State	\$ 506,912	\$ 303,263	\$ (203,649)	\$ 300,000
Revenues from use of monies and property	-	5,116	5,116	19,963
<b>Total revenues</b>	<u>506,912</u>	<u>308,379</u>	<u>(198,533)</u>	<u>319,963</u>
<b>Expenditures:</b>				
<b>Community promotion:</b>				
Community promotion	506,912	11,517	(495,395)	465,470
<b>Total expenditures</b>	<u>506,912</u>	<u>11,517</u>	<u>(495,395)</u>	<u>465,470</u>
<b>Net change in fund balance</b>	-	296,862	296,862	(145,507)
<b>Fund balance at beginning of year</b>	<u>823,442</u>	<u>823,442</u>	-	<u>968,949</u>
<b>Fund balance at end of year</b>	<u><u>\$ 823,442</u></u>	<u><u>\$ 1,120,304</u></u>	<u><u>\$ 296,862</u></u>	<u><u>\$ 823,442</u></u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**BJA RECOVERY ACT EDWARD BYRNE MEMORIAL COMPETITIVE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2011 Actual</b>
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 63,859	\$ 29,403	\$ (34,456)	\$ 419,508
<b>Total revenues</b>	<u>63,859</u>	<u>29,403</u>	<u>(34,456)</u>	<u>419,508</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	63,859	29,403	(34,456)	419,508
<b>Total expenditures</b>	<u>63,859</u>	<u>29,403</u>	<u>(34,456)</u>	<u>419,508</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**COMMUNITY ORIENTED POLICING SERVICES HIRING GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
			<b>2011 Actual</b>
<b>Revenues:</b>			
Intergovernmental - Federal	\$ 865,042	\$ 864,079	\$ (963)
<b>Total revenues</b>	<u>865,042</u>	<u>864,079</u>	<u>(963)</u>
<b>Expenditures:</b>			
<b>Public safety:</b>			
Police department	865,042	864,079	(963)
<b>Total expenditures</b>	<u>865,042</u>	<u>864,079</u>	<u>(963)</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCDPS HISPANIC VICTIM ADVOCATE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012		Variance Over (Under)	2011 Actual
	Final Budget	Actual		
<b>Revenues:</b>				
Intergovernmental - State	\$ 42,197	\$ 39,610	\$ (2,587)	\$ 58,113
<b>Total revenues</b>	<u>42,197</u>	<u>39,610</u>	<u>(2,587)</u>	<u>58,113</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	<u>52,747</u>	<u>49,332</u>	<u>(3,415)</u>	<u>68,834</u>
<b>Total expenditures</b>	<u>52,747</u>	<u>49,332</u>	<u>(3,415)</u>	<u>68,834</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(10,550)</u>	<u>(9,722)</u>	<u>(828)</u>	<u>(10,721)</u>
<b>Other financing sources (uses):</b>				
Transfers from Victim Advocate Fund	<u>10,550</u>	<u>9,722</u>	<u>(828)</u>	<u>10,721</u>
<b>Total other financing sources (uses)</b>	<u>10,550</u>	<u>9,722</u>	<u>(828)</u>	<u>10,721</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
SPECIAL REVENUE FUNDS  
SCDPS COURT SYSTEM EFFICIENCY GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 83,016	\$ 76,567	\$ (6,449)	\$ 199,528
<b>Total revenues</b>	<u>83,016</u>	<u>76,567</u>	<u>(6,449)</u>	<u>199,528</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	92,240	87,774	(4,466)	212,720
<b>Total expenditures</b>	<u>92,240</u>	<u>87,774</u>	<u>(4,466)</u>	<u>212,720</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(9,224)</u>	<u>(11,207)</u>	<u>1,983</u>	<u>(13,192)</u>
<b>Other financing sources (uses):</b>				
Transfers from General Fund	9,224	11,207	1,983	13,192
<b>Total other financing sources (uses)</b>	<u>9,224</u>	<u>11,207</u>	<u>1,983</u>	<u>13,192</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**EPA BROWNSFIELD GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2011 Actual</b>
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 206,145	\$ 163,881	\$ (42,264)	\$ 163,284
<b>Total revenues</b>	<u>206,145</u>	<u>163,881</u>	<u>(42,264)</u>	<u>163,284</u>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Special projects - infrastructure	206,145	163,881	(42,264)	163,284
<b>Total expenditures</b>	<u>206,145</u>	<u>163,881</u>	<u>(42,264)</u>	<u>163,284</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**JUSTICE ASSISTANCE RECOVERY ACT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011 Actual
	Final Budget	Actual	Variance Over (Under)	
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 350,877	\$ 133,173	\$ (217,704)	\$ 141,223
<b>Total revenues</b>	<u>350,877</u>	<u>133,173</u>	<u>(217,704)</u>	<u>141,223</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	350,877	133,173	(217,704)	141,223
<b>Total expenditures</b>	<u>350,877</u>	<u>133,173</u>	<u>(217,704)</u>	<u>141,223</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**FEMA FIREFIGHTER ASSISTANCE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 136,236	\$ 40,706	\$ (95,530)	\$ 138,233
<b>Total revenues</b>	<u>136,236</u>	<u>40,706</u>	<u>(95,530)</u>	<u>138,233</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Fire department	136,236	51,193	(85,043)	172,791
<b>Total expenditures</b>	<u>136,236</u>	<u>51,193</u>	<u>(85,043)</u>	<u>172,791</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(10,487)</u>	<u>10,487</u>	<u>(34,558)</u>
<b>Other financing sources (uses):</b>				
Transfers from General Fund	-	10,487	10,487	34,558
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>10,487</u>	<u>10,487</u>	<u>34,558</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**ENERGY EFFICIENCY CONSERVATION BLOCK GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
			<b>2011 Actual</b>
<b>Revenues:</b>			
Intergovernmental - Federal	\$ 66,525	\$ 63,689	\$ (2,836)
<b>Total revenues</b>	<u>66,525</u>	<u>63,689</u>	<u>(2,836)</u>
<b>Expenditures:</b>			
<b>Capital outlay:</b>			
Special projects - infrastructure	66,525	63,689	(2,836)
<b>Total expenditures</b>	<u>66,525</u>	<u>63,689</u>	<u>(2,836)</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**CDBG RECOVERY ACT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	<b>2012</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2011 Actual</b>
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 82,993	\$ 12,405	\$ (70,588)	\$ 152,421
<b>Total revenues</b>	<u>82,993</u>	<u>12,405</u>	<u>(70,588)</u>	<u>152,421</u>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Special projects - infrastructure	82,993	12,405	(70,588)	152,421
<b>Total expenditures</b>	<u>82,993</u>	<u>12,405</u>	<u>(70,588)</u>	<u>152,421</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SLED LOWCOUNTRY REGIONAL ANALYST GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 75,000	\$ 67,357	\$ (7,643)	\$ 90,415
<b>Total revenues</b>	<u>75,000</u>	<u>67,357</u>	<u>(7,643)</u>	<u>90,415</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	75,000	67,357	(7,643)	90,415
<b>Total expenditures</b>	<u>75,000</u>	<u>67,357</u>	<u>(7,643)</u>	<u>90,415</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCHOOL RESOURCE OFFICER GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Intergovernmental - Local	\$ 50,413	\$ 34,500	\$ (15,913)	\$ 31,113
<b>Total revenues</b>	<u>50,413</u>	<u>34,500</u>	<u>(15,913)</u>	<u>31,113</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	50,413	34,500	(15,913)	31,113
<b>Total expenditures</b>	<u>50,413</u>	<u>34,500</u>	<u>(15,913)</u>	<u>31,113</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SLED PORT SECURITY GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 269,596	\$ 263,628	\$ (5,968)	\$ 81,837
<b>Total revenues</b>	<u>269,596</u>	<u>263,628</u>	<u>(5,968)</u>	<u>81,837</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	269,596	263,628	(5,968)	81,837
<b>Total expenditures</b>	<u>269,596</u>	<u>263,628</u>	<u>(5,968)</u>	<u>81,837</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**DEBT SERVICE FUNDS**  
**GENERAL OBLIGATION BONDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			2011 Actual
	Final Budget	Actual	Variance Over (Under)	
<b>Revenues:</b>				
Property taxes	\$ 1,400,000	\$ 1,475,000	\$ 75,000	\$ 1,450,000
Intergovernmental - Local	378,000	378,000	-	378,000
Revenues from use of monies and property	512,000	419,178	(92,822)	207,673
<b>Total revenues</b>	<u>2,290,000</u>	<u>2,272,178</u>	<u>(17,822)</u>	<u>2,035,673</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	3,180,000	3,180,000	-	4,125,000
Interest and fiscal charges	1,470,000	1,450,244	(19,756)	985,925
<b>Total expenditures</b>	<u>4,650,000</u>	<u>4,630,244</u>	<u>(19,756)</u>	<u>5,110,925</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(2,360,000)	(2,358,066)	1,934	(3,075,252)
<b>Other financing sources (uses):</b>				
Transfers in	2,360,000	2,358,065	(1,935)	3,260,471
Transfers (out)	(194,000)	(155,531)	38,469	(198,707)
<b>Total other financing sources (uses)</b>	<u>2,166,000</u>	<u>2,202,534</u>	<u>36,534</u>	<u>3,061,764</u>
<b>Net change in fund balance</b>	(194,000)	(155,532)	38,468	(13,488)
<b>Fund balance at beginning of year</b>	5,122,528	5,122,528	-	5,136,016
<b>Fund balance at end of year</b>	<u>\$ 4,928,528</u>	<u>\$ 4,966,996</u>	<u>\$ 38,468</u>	<u>\$ 5,122,528</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
DEBT SERVICE FUNDS  
CERTIFICATES OF PARTICIPATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 2,600,000	\$ 2,855,944	\$ 255,944	\$ 2,650,776
Intergovernmental - Local	1,424,683	1,424,683	-	1,420,392
Revenues from use of monies and property	310,000	292,673	(17,327)	267,675
<b>Total revenues</b>	<u>4,334,683</u>	<u>4,573,300</u>	<u>238,617</u>	<u>4,338,843</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	4,335,000	4,335,000	-	4,020,000
Interest and fiscal charges	2,465,000	2,420,259	(44,741)	2,631,411
<b>Total expenditures</b>	<u>6,800,000</u>	<u>6,755,259</u>	<u>(44,741)</u>	<u>6,651,411</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(2,465,317)	(2,181,959)	283,358	(2,312,568)
<b>Other financing sources (uses):</b>				
Transfers in	2,161,250	2,356,648	195,398	2,312,568
<b>Total other financing sources (uses)</b>	<u>2,161,250</u>	<u>2,356,648</u>	<u>195,398</u>	<u>2,312,568</u>
<b>Net changes in fund balance</b>	(304,067)	<b>174,689</b>	478,756	-
<b>Fund balance at beginning of year</b>	1,921,581	1,921,581	-	1,921,581
<b>Fund balance at end of year</b>	<u>\$ 1,617,514</u>	<u>\$ 2,096,270</u>	<u>\$ 478,756</u>	<u>\$ 1,921,581</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**DEBT SERVICE FUNDS**  
**INSTALLMENT PURCHASE REVENUE BONDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2011)**

	2012			
	Final Budget	Actual	Variance Over (Under)	2011 Actual
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - Local	-	-	-	-
Revenues from use of monies and property	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	360,500	326,771	(33,729)	-
<b>Total expenditures</b>	<u>360,500</u>	<u>326,771</u>	<u>(33,729)</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(360,500)	(326,771)	33,729	-
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Bonds issued	360,500	360,500	-	-
<b>Total other financing sources (uses)</b>	<u>360,500</u>	<u>360,500</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	-	33,729	33,729	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ 33,729</u>	<u>\$ 33,729</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULE BY SOURCE**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Governmental funds capital assets:</u></b>		
Land	\$ 41,285,068	\$ 34,519,632
Construction in progress	16,679,590	18,613,636
Buildings	146,340,742	146,339,418
Infrastructure	39,181,042	37,835,078
Furniture, fixtures and improvements	50,875,823	35,869,293
Equipment	59,348,761	54,864,354
<b>Total governmental funds capital assets</b>	<b>\$ <u>353,711,026</u></b>	<b>\$ <u>328,041,411</u></b>
<b><u>Investment in governmental funds capital assets by source:</u></b>		
Capital project funds	\$ 198,747,391	\$ 184,160,264
Governmental funds revenues	111,849,886	107,404,041
Federal and State grants	32,010,431	31,035,770
Donations and other	11,103,318	5,441,336
<b>Total governmental funds capital assets</b>	<b>\$ <u>353,711,026</u></b>	<b>\$ <u>328,041,411</u></b>

# STATISTICAL SECTION

This part of the City of North Charleston's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	95
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, principally the property tax.	100
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	106
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	112

Table 1

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 51,401,058	\$ 46,393,348	\$ 49,261,213	\$ 52,304,420	\$ 59,064,510	\$ 73,188,579	\$ 62,157,903	\$ 98,526,284	\$ 121,497,861	\$ 138,891,514
Restricted	1,062,534	2,141,538	2,034,788	13,298,052	15,895,175	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666
Unrestricted	12,455,137	24,388,936	31,291,175	43,054,286	47,748,629	42,506,554	51,243,542	38,156,130	21,866,469	27,409,320
<b>Total governmental activities net assets</b>	<u>64,918,729</u>	<u>72,923,822</u>	<u>82,587,176</u>	<u>108,656,758</u>	<u>122,708,314</u>	<u>135,939,825</u>	<u>140,233,138</u>	<u>158,375,142</u>	<u>174,109,308</u>	<u>196,724,500</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 1,081,216	\$ 2,071,764	\$ 1,882,280	\$ 1,933,805	\$ 1,965,234	\$ 2,110,244	\$ 2,164,399	\$ 2,195,372	\$ 2,140,348	\$ 2,353,851
Unrestricted	970,845	2,019,119	2,164,737	3,504,149	3,868,427	4,033,176	3,775,392	4,587,428	5,061,043	5,982,041
<b>Total business-type activities net assets</b>	<u>2,052,061</u>	<u>4,090,883</u>	<u>4,047,017</u>	<u>5,437,954</u>	<u>5,833,661</u>	<u>6,143,420</u>	<u>5,939,791</u>	<u>6,782,800</u>	<u>7,201,391</u>	<u>8,335,892</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 52,482,274	\$ 48,465,112	\$ 51,143,493	\$ 54,238,225	\$ 61,029,744	\$ 75,298,823	\$ 64,322,302	\$ 100,721,656	\$ 123,638,209	\$ 141,245,365
Restricted	1,062,534	2,141,538	2,034,788	13,298,052	15,895,175	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666
Unrestricted	13,425,982	26,408,055	33,455,912	46,558,435	51,617,056	46,539,730	55,018,934	42,743,558	26,927,512	33,391,361
<b>Total primary government net assets</b>	<u>\$ 66,970,790</u>	<u>\$ 77,014,705</u>	<u>\$ 86,634,193</u>	<u>\$ 114,094,712</u>	<u>\$ 128,541,975</u>	<u>\$ 142,083,245</u>	<u>\$ 146,172,929</u>	<u>\$ 165,157,942</u>	<u>\$ 181,310,699</u>	<u>\$ 205,060,392</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Expenses										
General government	\$ 14,157,534	\$ 12,489,016	\$ 12,125,453	\$ 13,921,471	\$ 19,619,735	\$ 17,280,897	\$ 27,747,576	\$ 19,217,901	\$ 25,371,323	\$ 23,230,770
Public safety	29,373,681	31,512,517	34,408,156	36,150,641	34,234,347	41,928,776	45,302,069	45,713,483	46,170,085	48,393,769
Sanitation	3,181,152	3,533,735	3,942,950	4,561,126	4,827,892	5,377,391	5,179,985	5,419,033	5,455,504	5,595,353
Culture and recreation	10,436,689	11,188,377	11,264,835	12,602,633	15,525,025	16,903,156	15,910,929	14,674,112	13,738,220	14,883,727
Community development and promotion	3,878,202	3,028,871	3,861,953	4,462,496	3,907,841	4,469,444	4,436,051	4,753,317	5,860,846	4,754,853
Interest on long-term debt	4,256,479	4,757,704	3,889,073	4,380,925	4,646,387	4,818,241	5,862,444	5,315,770	5,460,165	5,518,173
Total governmental activities expenses	65,283,737	66,510,220	69,492,420	76,079,292	82,761,227	90,777,905	104,439,054	95,093,616	102,056,143	102,376,645
Program revenues										
Charges for services:										
General government	1,512,876	2,428,869	2,692,707	3,227,091	2,804,739	2,536,166	1,503,072	1,928,740	2,163,813	2,451,952
Public safety	3,716,064	3,479,336	3,866,153	3,729,075	3,898,299	4,326,639	4,471,230	4,427,829	4,141,790	3,611,583
Sanitation	577,219	-	105,200	147,906	111,800	120,330	392,147	110,411	70,103	64,447
Culture and recreation	5,733,888	5,480,992	4,638,884	5,938,066	6,656,613	7,068,086	7,047,609	6,708,758	5,595,582	6,770,787
Operating grants and contributions	4,341,455	4,732,020	4,642,612	5,858,236	4,672,882	5,385,682	7,401,261	12,120,428	10,109,870	5,419,156
Capital grants and contributions	280,595	-	-	-	-	-	-	-	2,869,607	9,870,180
Total governmental activities program revenues	16,162,097	16,121,217	15,945,556	18,900,374	18,144,333	19,436,903	20,815,319	25,296,166	24,950,765	28,188,105
Total Governmental Activities Net Program Expense	49,121,640	50,389,003	53,546,864	57,178,918	64,616,894	71,341,002	83,623,735	69,797,450	77,105,378	74,188,540



CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities (continued):</b>										
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	23,339,111	25,769,280	27,772,011	32,140,471	34,365,252	38,365,055	42,837,216	44,462,806	47,021,601	48,057,360
Business license taxes	10,926,681	11,283,006	12,609,315	15,707,383	16,350,118	18,226,400	17,654,794	17,243,307	17,861,972	19,994,477
Sales taxes	6,645,139	7,206,883	8,849,187	9,091,500	9,248,001	8,940,402	8,708,984	8,228,989	8,238,669	8,649,499
Franchise taxes	4,688,620	5,212,846	5,207,145	5,801,736	6,157,921	6,139,932	6,958,772	7,509,798	8,119,607	7,786,661
Hospitality taxes	3,072,956	3,461,976	3,682,402	3,983,488	4,090,908	4,807,458	4,719,666	4,723,496	4,942,144	5,317,448
Accommodations taxes	2,239,928	2,332,946	2,431,165	2,720,342	3,518,552	3,457,861	3,405,819	3,141,873	4,108,465	3,700,989
Other taxes	217,370	414,356	268,521	325,652	339,718	209,589	155,780	297,477	179,705	239,877
State shared revenues	2,483,418	2,476,133	2,513,557	2,555,437	2,699,219	2,964,905	2,964,905	2,600,459	2,945,823	2,191,105
Investment earnings	228,444	271,769	416,713	3,021,489	3,164,823	2,999,765	1,198,488	447,328	457,231	584,740
Miscellaneous	101,230	14,520	472,023	87,352	553,318	1,222,513	1,581,390	795,230	525,876	889,355
Donation & Contributions	-	-	-	-	509,509	-	-	-	-	-
Special item-contributed capital assets, net	9,350,326	(551,751)	-	11,017,850	-	-	-	-	-	-
Special item-debt forgiveness	-	1,828,504	-	-	-	-	-	-	-	-
Transfers	(1,253,106)	(1,326,372)	(1,011,821)	(3,204,200)	(2,328,889)	(2,761,367)	(2,268,766)	(1,511,309)	(1,561,549)	(1,463,690)
Total general revenues and other changes in net assets	62,040,117	58,394,096	63,210,218	83,248,500	78,668,450	84,572,513	87,917,048	87,939,454	92,839,544	95,947,821
Total Governmental Activities Change in Net Assets	\$ 12,918,477	\$ 8,005,093	\$ 9,663,354	\$ 26,069,582	\$ 14,051,556	\$ 13,231,511	\$ 4,293,313	\$ 18,142,004	\$ 15,734,166	\$ 21,759,281

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-type Activities:</b>										
Expenses										
Golf course enterprise fund	\$ 2,420,736	\$ 2,396,557	\$ 2,564,239	\$ 2,558,384	\$ 2,712,274	\$ 2,619,642	\$ 2,511,544	\$ 2,577,247	\$ 2,582,577	\$ 2,594,030
Stormwater utility enterprise fund	-	933,110	1,798,652	1,992,002	2,030,648	2,375,913	2,636,311	2,605,965	2,822,335	2,946,972
Total business-type activities expenses	<u>2,420,736</u>	<u>3,329,667</u>	<u>4,362,891</u>	<u>4,550,386</u>	<u>4,742,922</u>	<u>4,995,555</u>	<u>5,147,855</u>	<u>5,183,212</u>	<u>5,404,912</u>	<u>5,541,002</u>
Program revenues										
Charges for services:										
Golf course enterprise fund	963,446	991,437	1,023,216	1,160,566	1,244,837	1,272,233	1,126,830	1,096,204	1,033,552	1,152,487
Stormwater utility enterprise fund	-	1,630,488	1,184,291	1,502,372	1,437,995	1,151,300	1,490,860	3,380,163	3,191,083	4,013,656
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	<u>963,446</u>	<u>2,621,925</u>	<u>2,207,507</u>	<u>2,662,938</u>	<u>2,682,832</u>	<u>2,423,533</u>	<u>2,617,690</u>	<u>4,476,367</u>	<u>4,224,635</u>	<u>5,166,143</u>
Total Business-type Activities Net Program Expense	<u>1,457,290</u>	<u>707,742</u>	<u>2,155,384</u>	<u>1,887,448</u>	<u>2,060,090</u>	<u>2,572,022</u>	<u>2,530,165</u>	<u>706,845</u>	<u>1,180,277</u>	<u>374,859</u>
Other Changes in Net Assets										
Miscellaneous	15,193	(24,709)	49,697	74,185	126,908	120,414	57,770	38,545	37,319	45,670
Special item-contributed capital assets, net	-	551,751	-	-	-	-	-	-	-	-
Transfers	1,253,106	2,219,522	2,061,821	3,204,200	2,328,889	2,761,367	2,268,766	1,511,309	1,561,549	1,463,690
Total Business-type Activities Change in Net Assets	<u>\$ (188,991)</u>	<u>\$ 2,038,822</u>	<u>\$ (43,866)</u>	<u>\$ 1,390,937</u>	<u>\$ 395,707</u>	<u>\$ 309,759</u>	<u>\$ (203,629)</u>	<u>\$ 843,009</u>	<u>\$ 418,591</u>	<u>\$ 1,134,501</u>
Total Primary Government Change in Net Assets	<u>\$ 12,729,486</u>	<u>\$ 10,043,915</u>	<u>\$ 9,619,488</u>	<u>\$ 27,460,519</u>	<u>\$ 14,447,263</u>	<u>\$ 13,541,270</u>	<u>\$ 4,089,684</u>	<u>\$ 18,985,013</u>	<u>\$ 16,152,757</u>	<u>\$ 22,893,782</u>

Table 3

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**FUND BALANCES**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

		Fiscal Year June 30									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>											
Pre-GASB #54 (Note 1)											
Reserved	\$	788,600	\$ 2,671,536	\$ 3,833,143	\$ 3,991,403	\$ 4,316,879	\$ 5,830,209	\$ 5,108,379	\$ 3,774,666	\$ -	\$ -
Unreserved		5,467,263	6,592,809	9,672,411	15,602,039	21,070,232	13,087,799	11,246,266	14,161,990	-	-
Post-GASB #54 (Note 1)											
Nonspendable		-	-	-	-	-	-	-	-	67,821	71,199
Committed		-	-	-	-	-	-	-	-	409,827	411,021
Assigned		-	-	-	-	-	-	-	-	3,791,705	4,044,976
Unassigned		-	-	-	-	-	-	-	-	18,039,621	20,009,645
Total General Fund	\$	<u>6,255,863</u>	<u>9,264,345</u>	<u>13,505,554</u>	<u>19,593,442</u>	<u>25,387,111</u>	<u>18,918,008</u>	<u>16,354,645</u>	<u>17,936,656</u>	<u>22,308,974</u>	<u>24,536,841</u>
<b>All Other Governmental Funds</b>											
Pre-GASB #54 (Note 1)											
Reserved	\$	5,141,945	\$ 14,132,796	\$ 33,800,778	\$ 46,326,920	\$ 43,761,917	\$ 44,508,226	\$ 56,576,262	\$ 39,928,511	\$ -	\$ -
Unreserved, reported in:											
Special revenue funds		3,036,528	2,918,083	2,990,437	3,703,092	4,511,211	3,939,803	3,225,437	4,243,001	-	-
Capital projects funds		556,491	1,942,165	-	-	-	-	-	-	-	-
Debt service funds		4,500,848	5,454,284	5,750,703	6,307,140	7,630,706	7,979,785	15,036,235	7,057,597	-	-
Post-GASB #54 (Note 1)											
Nonspendable		-	-	-	-	-	-	-	-	6,237,007	5,467,124
Restricted		-	-	-	-	-	-	-	-	52,519,152	96,946,387
Assigned		-	-	-	-	-	-	-	-	409,156	369,277
Total All other Governmental Funds	\$	<u>13,235,812</u>	<u>24,447,328</u>	<u>42,541,918</u>	<u>56,337,152</u>	<u>55,903,834</u>	<u>56,427,814</u>	<u>74,837,934</u>	<u>51,229,109</u>	<u>59,165,315</u>	<u>102,782,788</u>

**Note 1:**

The City of North Charleston implemented GASB #54 "Fund Balance Reporting and Governmental Fund Type Definitions" in 2011. GASB #54 established new fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City has elected to apply GASB #54 prospectively and thus has provided fund balance information before ("Pre") and after ("Post") its implementation.

Table 4

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**CHANGES IN FUND BALANCES**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

Fiscal Year June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Property taxes	\$ 23,358,992	\$ 25,766,514	\$ 27,772,011	\$ 32,625,357	\$ 34,365,252	\$ 38,365,055	\$ 42,837,216	\$ 44,462,806	\$ 46,798,627	\$ 48,259,447
Licenses and permits	16,695,801	18,289,632	20,988,854	23,942,005	24,519,500	26,202,367	25,946,508	26,359,628	27,599,742	29,670,187
Intergovernmental	19,142,138	20,271,253	22,276,970	23,647,163	24,145,269	25,909,333	27,663,823	30,391,586	30,766,054	29,976,800
Fines and forfeitures	1,638,186	1,725,508	1,921,129	1,784,120	1,999,587	2,410,539	2,531,235	2,547,312	2,333,498	1,867,687
Charges for services	2,783,184	2,338,160	2,690,849	2,702,769	2,772,286	2,142,213	2,513,102	1,814,955	1,695,599	1,601,380
Investment/property earnings	6,347,397	5,904,442	5,304,554	8,493,364	11,132,952	10,342,477	8,136,365	8,473,290	6,523,787	7,945,094
Other revenues	382,538	385,759	307,450	336,425	802,159	1,037,952	585,783	416,426	513,826	757,106
Total revenues	70,348,236	74,681,268	81,261,817	93,531,203	99,737,005	106,409,936	110,214,032	114,466,003	116,231,133	120,077,701
<b>Expenditures</b>										
General government	13,477,663	12,043,840	12,243,322	13,711,552	16,612,336	25,593,128	21,750,683	18,663,683	21,463,825	22,506,209
Public safety	28,312,983	32,018,267	34,050,399	36,941,444	38,294,882	42,433,943	47,529,207	43,738,022	47,963,669	48,428,219
Sanitation	3,241,163	3,788,718	4,222,547	4,628,508	4,839,990	5,436,012	5,253,786	4,599,528	5,143,935	5,321,461
Culture and recreation	8,710,970	8,826,002	8,830,450	9,472,245	10,374,305	12,879,310	12,846,603	12,581,354	11,369,459	12,565,625
Community development and promotion	3,477,617	3,885,334	3,890,572	4,476,588	3,949,620	4,572,783	4,559,812	4,087,388	5,204,591	4,087,855
Capital outlay	5,561,175	4,750,941	4,129,000	13,678,870	12,930,984	12,125,999	33,160,626	29,758,910	20,254,916	16,968,076
Debt service										
Principal	5,182,463	11,732,814	6,462,948	11,104,612	8,840,161	11,761,633	11,894,719	16,520,938	15,167,373	15,189,314
Interest	4,488,508	4,021,285	3,976,161	4,013,650	4,391,083	4,522,076	5,687,731	5,442,802	5,503,062	5,550,169
Bond issuance costs	-	125,180	454,350	-	-	148,462	899,978	-	-	598,293
Total expenditures	72,452,542	81,192,381	78,259,749	98,027,469	100,233,361	119,473,346	143,583,145	135,392,625	132,070,830	131,215,221
Excess (deficiency) of revenues over expenditures	(2,104,306)	(6,511,113)	3,002,068	(4,496,266)	(496,356)	(13,063,410)	(33,369,113)	(20,926,622)	(15,839,697)	(11,137,520)
<b>Other financing sources (uses)</b>										
Transfers in	3,111,773	2,612,399	5,678,264	6,117,305	6,697,154	14,418,747	13,640,843	14,043,173	18,323,633	10,783,936
Transfers out	(4,364,880)	(3,938,771)	(7,740,085)	(9,321,507)	(9,026,043)	(17,180,114)	(15,909,609)	(15,554,482)	(19,885,182)	(12,247,626)
Proceeds from sale of property	-	1,372,892	275,751	3,000,740	320,596	379,654	962,321	303,904	1,535,770	18,467
Bonds issued	6,019,920	18,920,500	7,700,000	11,565,000	5,000,000	7,020,000	48,175,000	-	24,600,000	52,520,000
Premiums/Discounts on bonds	-	(73,209)	(128,715)	-	-	-	4,060,299	-	-	4,002,083
Refunding bonds issued	13,822,476	-	27,055,000	-	-	-	31,850,000	-	-	-
Payments to escrow agent	(13,822,476)	-	(26,458,272)	-	-	-	(32,533,969)	-	-	-
Capital lease obligations	785,000	1,837,300	1,000,000	2,000,000	2,865,000	2,480,000	3,400,000	107,213	3,574,000	1,906,000
Total other financing sources (uses)	5,551,813	20,731,111	7,381,943	13,361,538	5,856,707	7,118,287	53,644,885	(1,100,192)	28,148,221	56,982,860
<b>Special item</b>										
Donation of capital assets	-	-	-	11,017,850	-	-	-	-	-	-
Net change in fund balances	\$ 3,447,507	\$ 14,219,998	\$ 10,384,011	\$ 19,883,122	\$ 5,360,351	\$ (5,945,123)	\$ 20,275,772	\$ (22,026,814)	\$ 12,308,524	\$ 45,845,340
Debt service as a percentage of noncapital expenditures	18.03%	22.13%	15.63%	18.72%	16.38%	17.22%	16.94%	20.94%	19.42%	20.46%

Table 5

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Property</u></b>	<b><u>Business</u></b> <b><u>License</u></b>	<b><u>Sales</u></b>	<b><u>Franchise</u></b>	<b><u>Hospitality</u></b>	<b><u>Accommodations</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
2003	23,339,111	10,910,671	6,645,139	4,688,620	3,072,956	2,239,928	217,370	51,113,795
2004	25,769,280	12,152,290	7,206,883	5,212,846	3,461,976	2,332,946	414,356	56,550,577
2005	27,772,011	13,644,284	8,849,187	5,207,145	3,682,402	2,431,165	268,521	61,854,715
2006	32,625,357	15,707,383	9,091,500	5,801,736	3,637,584	2,486,569	325,652	69,675,781
2007	34,365,252	16,325,098	9,248,001	6,157,922	4,436,813	3,129,172	339,718	74,001,976
2008	38,365,055	18,226,400	8,940,402	6,139,932	4,735,423	3,405,335	209,589	80,022,136
2009	42,837,216	17,654,794	8,708,984	6,958,772	4,719,666	3,405,819	155,780	84,441,031
2010	44,462,806	17,243,307	8,228,989	7,509,798	4,723,496	3,141,873	297,477	85,607,746
2011	46,798,627	17,861,972	8,238,669	8,119,607	4,942,143	3,459,322	179,705	89,600,045
2012	48,259,447	19,994,477	8,649,499	7,786,661	5,232,134	3,650,613	239,877	93,812,708

Table 6

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b><u>Fiscal Year</u></b>	<b><u>Real Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Vehicles</u></b>	<b><u>Total Taxable Assessed Value</u></b>	<b><u>Total Direct Tax Rate</u></b>	<b><u>Estimated Actual Taxable Value</u></b>	<b><u>Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value</u></b>
2003	157,029,150	96,273,200	32,150,688	285,453,038	92.8	3,809,559,058	7.49%
2004	164,353,037	91,981,507	35,594,672	291,929,216	98.9	3,904,322,646	7.48%
2005	176,859,029	88,569,311	35,471,446	300,899,786	102.8	4,038,329,916	7.45%
2006	237,957,174	83,553,970	34,171,072	355,682,216	93.8	5,344,806,422	6.65%
2007	263,815,797	87,528,824	34,644,663	385,989,284	92.8	5,615,271,708	6.87%
2008	285,025,283	87,170,162	37,177,382	409,372,827	92.8	6,238,071,852	6.56%
2009	326,537,515	86,829,932	39,719,456	453,086,903	92.8	6,622,831,544	6.84%
2010	345,511,155	86,407,499	40,472,085	472,390,739	92.8	6,843,167,058	6.90%
2011	350,421,658	91,374,451	40,272,376	482,068,485	92.8	7,022,212,220	6.86%
2012	354,233,040	88,369,924	40,032,145	482,635,109	90.0	7,396,081,363	6.53%

Source: Charleston County and Dorchester County Assessor's Offices

**Notes:** Property in both counties are reassessed once every five years on average. Effective with tax year 1987, merchant's inventory is no longer taxed, with the State of South Carolina reimbursing local governments for the loss of taxes computed on tax year 1987 assessed values and millage. Personal property values above include inventory of \$7,051,360, which was based on the fiscal year 1988 assessed value.

Table 7

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(rate per \$1,000 of assessed value)

Fiscal Year	(2) City of North Charleston			(2)(3) County of Charleston			Charleston County School District (3)			Total Charleston County Direct & Overlapping Rates
	Direct	Debt	Total	Direct	Debt	Total	Direct	Debt	Total	
	Operating Millage	Service Millage	City Millage	Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School District Millage	
2003	89.8	3.0	92.8	56.9	13.6	70.5	97.3	12.4	109.7	273.0
2004	95.8	3.0	98.8	56.9	13.6	70.5	104.8	12.4	117.2	286.5
2005	99.8	3.0	102.8	56.9	13.6	70.5	109.0	12.4	121.4	294.7
2006	90.8	3.0	93.8	45.9	8.5	54.4	91.1	15.8	106.9	255.1
2007	89.8	3.0	92.8	45.9	8.5	54.4	92.8	13.6	106.4	253.6
2008	89.8	3.0	92.8	45.9	8.5	54.4	95.4	18.2	113.6	260.8
2009	89.8	3.0	92.8	45.9	8.5	54.4	98.7	23.9	122.6	269.8
2010	89.8	3.0	92.8	45.9	8.5	54.4	98.7	27.9	126.6	273.8
2011	89.8	3.0	92.8	45.9	8.5	54.4	98.7	27.9	126.6	273.8
2012	87.0	3.0	90.0	45.1	7.9	53.0	98.6	27.9	126.5	269.5

Fiscal Year	City of North Charleston			County of Dorchester			Dorchester County School District (3)			Total Dorchester County Direct & Overlapping Rates
	Direct	Debt	Total	Direct	Debt	Total	Direct	Debt	Total	
	Operating Millage	Service Millage	City Millage	Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School District Millage	
2003	89.8	3.0	92.8	69.2	5.0	74.2	103.8	29.8	133.6	300.6
2004	95.8	3.0	98.8	69.8	5.0	74.8	103.8	29.8	133.6	307.2
2005	99.8	3.0	102.8	70.2	5.0	75.2	103.8	29.8	133.6	311.6
2006	90.8	3.0	93.8	61.3	4.6	65.9	91.5	29.8	121.3	281.0
2007	89.8	3.0	92.8	61.5	5.8	67.3	91.5	29.8	121.3	281.4
2008	89.8	3.0	92.8	67.5	6.3	73.8	156.8	29.8	186.6	353.2
2009	89.8	3.0	92.8	71.9	4.5	76.4	161.5	29.8	191.3	360.5
2010	89.8	3.0	92.8	68.5	4.3	72.8	165.0	30.9	195.9	361.5
2011	89.8	3.0	92.8	68.6	4.3	72.9	168.6	36.0	204.6	370.3
2012	87.0	3.0	90.0	68.6	4.3	72.9	168.6	36.0	204.6	367.5

Source: Charleston County and Dorchester County Assessor's Offices

**Notes:** The City's property tax rate may only be increased by a majority vote of the Council members.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of North Charleston.

(2) Effective with the fiscal year 1991, Charleston County voters approved a local option sales tax, a portion of which is given as credit against taxes levied. This section does not reflect the effective tax rate for different classes of property after the tax credit.

(3) Effective with property tax year 1996, the State of South Carolina approved property tax relief for 100% of school operating taxes up to \$100,000 of appraised values on legal residences. This section does not reflect this credit.

Table 8

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u><b>Taxpayer</b></u>	<u><b>2012</b></u>		<u><b>2003</b></u>	
	<u><b>Taxable Assessed Value</b></u>	<u><b>Percentage of Total City Taxable Assessed Value</b></u>	<u><b>Taxable Assessed Value</b></u>	<u><b>Percentage of Total City Taxable Assessed Value</b></u>
Boeing	\$ 29,616,623	6.14%	\$ -	
North Charleston Joint Venture	15,065,250	3.12%	3,023,880	1.06%
South Carolina Electric & Gas	14,698,066	3.05%	8,185,990	2.87%
Tanger Properties	13,897,350	2.88%	-	
Kapstone	12,388,477	2.57%	24,124,680	8.45%
Leeds Park Associates	4,305,010	0.89%	-	
Charleston/North Charleston MSA LP	4,209,570	0.87%	-	
Cummins	3,587,189	0.74%	3,112,690	1.09%
Trident Regional. LLC	3,472,380	0.72%	2,067,350	0.72%
Bell South Telecommunications	3,417,500	0.71%	4,165,190	1.46%
<b>Total</b>	<b>\$ 104,657,415</b>	<b>21.68%</b>	<b>\$ 44,679,780</b>	<b>15.65%</b>

Source: Charleston County and Dorchester County Assessor's offices.



Table 9

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections</b>	<b>Total Property Tax Collections</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	23,785,543	22,516,329	94.66%	1,133,083	23,649,412	99.43%
2004	24,759,920	23,453,097	94.72%	838,909	24,292,006	98.11%
2005	26,967,054	25,720,046	95.38%	1,090,359	26,810,405	99.42%
2006	30,262,992	28,955,115	95.68%	1,149,110	30,104,225	99.48%
2007	30,919,806	29,408,038	95.11%	1,193,348	30,601,386	98.97%
2008	33,889,798	31,907,537	94.15%	1,830,463	33,738,000	99.55%
2009	36,274,362	34,478,823	95.05%	1,645,242	36,124,065	99.59%
2010	37,945,200	35,818,185	94.39%	1,729,896	37,548,081	98.95%
2011	40,364,122	37,862,638	93.80%	2,283,090	40,145,728	99.46%
2012	43,519,101	41,115,804	94.48%	-	41,115,804	94.48%

Source: Charleston County and Dorchester County Assessor's offices.

**Note:** Beginning with fiscal year ending June 30, 2003, the Tax Infrastructure Fund began to account for the proceeds from the sale of tax increment financing bonds and the collection of incremental property tax revenues. Total property tax collections reported above do not include the incremental property tax revenues reflected in the Tax Infrastructure Fund.

Table 10

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Bonded Debt</b>	<b>Percentage of Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>	<b>Other Governmental Activities Debt</b>			
	<b>General Obligation Bonds</b>			<b>Tax Incremental Bonds</b>	<b>Certificates of Participation</b>	<b>Installment Purchase Rev. Bonds</b>	<b>Capital Leases</b>
2003	22,348,504	0.59%	275.42	3,340,000	57,860,000	-	4,461,161
2004	18,560,000	0.48%	223.56	19,145,000	55,355,000	-	5,200,647
2005	24,210,000	0.60%	291.15	18,610,000	55,420,000	-	4,942,699
2006	24,365,000	0.46%	286.65	26,615,000	52,065,000	-	5,543,587
2007	26,075,000	0.46%	298.03	25,730,000	48,980,000	-	10,571,142
2008	22,200,000	0.36%	242.83	31,135,000	45,740,000	-	10,455,811
2009	18,170,000	0.27%	192.46	51,720,000	69,695,000	-	10,226,091
2010	14,020,000	0.20%	146.65	46,610,000	65,970,000	-	6,797,367
2011	32,395,000	0.46%	332.36	43,835,000	61,950,000	-	8,223,994
2012	29,215,000	0.40%	292.95	38,455,000	57,615,000	52,520,000	7,835,681

<b>Fiscal Year</b>	<b>Business-type Activities Debt</b>		<b>Total Primary Government (3)</b>	<b>Percentage of Personal Income (2)</b>	<b>Per Capita (2)</b>
	<b>Golf Course Revenue Bonds</b>	<b>Capital Leases</b>			
2003	10,960,000	441,022	99,410,687	0.63%	1,225.14
2004	11,700,000	797,020	110,757,667	0.65%	1,334.08
2005	11,520,000	530,838	115,233,537	0.62%	1,385.82
2006	11,100,000	389,144	120,077,731	0.60%	1,412.68
2007	10,665,000	241,318	122,262,460	0.57%	1,397.41
2008	10,210,000	445,871	120,186,682	0.51%	1,314.65
2009	9,735,000	525,362	160,071,453	0.69%	1,695.55
2010	9,245,000	361,034	143,003,401	0.59%	1,495.84
2011	8,735,000	240,752	155,379,746	0.64%	1,594.11
2012	8,210,000	222,730	194,073,411	N/A	1,946.05

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule Table 6 for taxable property value data.

(2) Population and personal income data can be found in Table 14.

(3) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

Table 11

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2012**

<b>Governmental Unit</b>	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Direct and Overlapping Debt</b>
<b>Overlapping Debt:</b>			
Charleston County	\$ 563,545,000	21.17%	\$ 119,304,152
Charleston County Parks & Recreation Commission	23,615,000	21.17%	4,999,366
Charleston County School District	209,450,000	21.17%	44,341,188
Charleston County Aviation Authority	-	21.17%	-
North Charleston Sewer District	16,945,000	21.17%	3,587,307
Dorchester County	23,000,000	17.03%	3,917,895
Dorchester County School District	24,835,000	17.03%	<u>4,230,474</u>
<b>Subtotal Overlapping Debt</b>			\$ 180,380,381
<b>City Direct Debt</b>			<u>29,215,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 209,595,381</u></u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Charleston County and Dorchester County Assessor's offices. Debt outstanding data provided by each governmental unit.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of North Charleston. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Property Value	\$ 285,453,038	\$ 291,929,216	\$ 300,899,786	\$ 355,682,216	\$ 385,989,284	\$ 409,372,827	\$ 453,086,903	\$ 472,390,739	\$ 482,635,109	\$ 482,635,109
Debt Limit (8% of assessed value)	22,836,243	23,354,337	24,071,983	28,454,577	30,879,143	32,749,826	36,246,952	37,791,259	38,565,479	38,610,809
Net debt applicable to limit:										
General obligation bonds (1)	7,238,504	7,680,500	14,970,500	13,965,000	17,590,000	15,745,000	13,805,000	11,790,000	32,395,000	29,215,000
Legal debt margin	\$ 15,597,739	\$ 15,673,837	\$ 9,101,483	\$ 14,489,577	\$ 13,289,143	\$ 17,004,826	\$ 22,441,952	\$ 26,001,259	\$ 6,170,479	\$ 9,395,809
Total net debt applicable to the limit as a percentage of debt limit	31.70%	32.89%	62.19%	49.08%	56.96%	48.08%	38.09%	31.20%	84.00%	75.67%

Note: Under State law, the City's outstanding general obligation debt should not exceed 8% of the total assessed property value.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Increment Bonds (1)				Golf Course Mortgage Revenue Bonds						
	Property Tax Increment	Debt Service		Coverage	Golf Course Operating Revenue	Transfers	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage
		Principal	Interest						Principal	Interest	
2003	920,137	160,000	147,201	3.00	963,446	1,253,106	1,286,250	930,302	30,000	594,500	1.49
2004	1,180,334	170,000	404,175	2.06	991,437	1,326,372	1,424,193	893,616	-	291,153	3.07
2005	1,213,056	535,000	607,344	1.06	1,062,988	1,011,821	1,466,900	607,909	180,000	446,418	0.97
2006	2,579,883	560,000	715,595	2.02	1,188,763	1,451,903	1,518,417	1,122,249	420,000	469,069	1.26
2007	3,808,104	885,000	1,097,773	1.92	1,259,169	1,439,070	1,697,495	1,000,744	435,000	453,108	1.13
2008	5,264,170	1,615,000	1,170,056	1.89	1,294,342	1,557,527	1,661,874	1,189,995	455,000	447,593	1.32
2009	6,452,508	840,000	1,634,536	2.61	1,155,150	1,333,086	1,521,494	966,742	475,000	424,197	1.08
2010	6,999,379	5,110,000	1,803,695	1.01	1,119,444	1,511,309	1,673,214	957,539	490,000	379,740	1.10
2011	7,060,373	4,875,000	1,590,994	1.09	1,056,645	1,561,549	1,576,658	1,041,536	510,000	448,313	1.09
2012	7,733,308	5,380,000	1,422,351	1.14	1,175,405	1,463,690	1,613,767	1,025,328	525,000	417,326	1.09

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

(1) The tax increment bonds are backed by the property tax incremental revenue created by the property value increases subsequent to 1996 for the City Center redevelopment area, 2001 for the Century Oaks redevelopment area and 2003 for the Navy Base redevelopment area.

Table 14

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population</b>	(In thousands of dollars) <b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2003	81,142	15,854,000	27,719	19,957	4.9%
2004	83,022	17,016,000	29,223	19,948	5.2%
2005	83,152	18,671,000	31,026	19,984	5.3%
2006	85,000	19,901,000	31,797	20,124	5.8%
2007	87,492	21,507,000	33,589	21,290	4.6%
2008	91,421	23,352,000	34,973	21,520	5.4%
2009	94,407	23,297,000	35,447	22,125	10.2%
2010	95,601	24,193,000	35,342	22,289	9.4%
2011	97,471	24,118,000	36,121	22,538	9.4%
2012	99,727	**	**	22,640	8.5%

**Sources:** Population, personal income, and unemployment rate provided by the State of South Carolina Department of Revenue, Federal Bureau of Economic Analysis, U.S. Department of Commerce, and the State of South Carolina Division of Research and Statistical Service. School enrollment data is provided by the Charleston County and Dorchester County school districts.

\*\* No data yet available.

Table 15

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
U.S. Navy	11,000	3.08%	15,000	5.66%
Charleston Air Force Base	7,000	1.96%	7,700	2.91%
Boeing	5,000	1.40%	-	
Trident Regional, LLC	2,500	0.70%	2,000	0.75%
U.S. Postal Service	1,200	0.34%	1,200	0.45%
Verizon Wireless Call Center	1,050	0.29%	-	
City of North Charleston	1,043	0.29%	851	0.32%
South Carolina Electric & Gas	1,000	0.28%	850	0.32%
Kapstone	850	0.24%	1,641	0.62%
Cummins	700	0.20%	-	
<b>Total</b>	<b>31,343</b>	<b>8.76%</b>	<b>29,242</b>	<b>11.03%</b>

Source: Charleston County Chamber of Commerce and the State of South Carolina Division of Research and Statistical Service.

Table 16

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**FULL-TIME EQUIVALENT CITY OF NORTH CHARLESTON EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Executive	12	12	11	11	14	17	19	20	20	20
Facilities Management	7	7	7	7	6	6	6	6	6	6
City Council	12	12	12	12	12	12	12	12	12	12
Finance	8	11	11	11	12	11	10	10	10	10
Purchasing	3	3	4	4	4	4	4	4	4	4
Information Systems	6	6	6	6	7	7	9	9	10	10
Municipal Court	13	13	13	14	15	16	18	22	22	20
Human Resources	6	6	6	6	6	7	7	7	7	8
Legal	3	3	3	3	3	3	4	4	4	4
Public Safety										
Police	343	351	361	371	382	399	424	448	426	417
Fire	201	201	209	209	217	218	220	220	229	229
Building Inspections	12	12	13	14	16	17	17	17	17	17
Culture & Recreation										
Parks and Recreation	28	28	28	28	30	35	37	37	35	36
Cultural Arts	4	5	5	5	6	6	7	7	7	7
Community Development										
Planning	18	18	17	17	18	20	20	18	18	18
Code Enforcement	12	12	13	14	14	14	14	14	14	15
Public Works										
Administration	11	12	8	10	10	10	10	10	10	10
Maintenance	94	94	65	65	70	73	77	77	78	77
Sanitation	58	64	72	74	75	78	78	78	77	77
Stormwater Maintenance	-	-	37	40	42	45	45	45	46	46
Total	<u>851</u>	<u>870</u>	<u>901</u>	<u>921</u>	<u>959</u>	<u>998</u>	<u>1,038</u>	<u>1,065</u>	<u>1,052</u>	<u>1,043</u>

Source: City of North Charleston Human Resources Office.

Notes: A full-time employee is scheduled to work 2080 hours per year (including vacation and sick leave).



Table 17

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>Fiscal Year June 30</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General government										
Building permits issued	1,697	2,158	2,429	2,628	2,584	2,402	2,059	1,836	1,912	1,546
Business licenses issued	6,267	6,211	6,341	7,158	7,342	7,516	7,451	7,286	7,357	7,122
Police										
Physical arrests	6,106	7,625	8,337	8,838	8,942	9,972	10,455	10,946	11,500	12,939
Traffic violations	24,925	30,584	29,138	32,315	34,102	37,951	38,466	40,122	42,500	43,000
Fire										
Fire responses	4,244	4,622	4,704	4,060	4,943	5,262	5,950	7,389	7,500	10,046
Inspections	4,072	4,258	4,454	5,444	5,701	6,027	5,777	4,690	5,000	6,124
Refuse collection										
Garbage collection (annual tons)	24,616	26,161	29,307	30,311	29,778	31,177	29,234	29,282	29,057	28,311
Trash collection (annual tons)	20,707	21,509	21,443	23,086	23,010	23,579	23,047	20,456	20,523	19,745
Golf course										
Rounds played	34,457	31,842	35,492	41,657	42,808	40,692	35,514	35,375	34,855	38,397
Stormwater utility										
Accounts billed	-	22,040	22,960	22,540	22,646	22,362	22,645	22,625	23,976	29,209

**Source:** Various City departments.

**Notes:** The golf course opened in September 2000 and the stormwater utility program issued the first bills in fiscal year 2004.

Table 18

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police stations	5	5	5	5	5	6	6	7	7	7
Fire stations	11	11	11	11	11	11	11	12	12	12
Public Works										
Collection trucks	30	31	32	33	34	35	35	35	33	35
Streetlights	6,843	6,884	6,952	7,003	7,081	7,122	7,152	7,239	7,300	7,350
Traffic signals	92	93	95	96	98	102	105	108	110	101
Parks and Recreation										
Playgrounds	18	18	18	20	23	26	28	30	30	30
Baseball/softball diamonds	28	28	28	28	28	28	28	28	28	28
Football/soccer fields	6	6	6	8	8	10	11	11	11	11
Community centers	20	20	20	20	20	20	20	19	19	19

Source: Various City departments.

**CITY OF NORTH CHARLESTON,  
SOUTH CAROLINA  
SUPPLEMENTARY FEDERAL FINANCIAL  
ASSISTANCE REPORTS  
YEAR ENDED JUNE 30, 2012**



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2012**

---

	<u>Page Number</u>
<b><i>COMPLIANCE SECTION</i></b>	
Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	7
Schedule of Prior Year Audit Findings	9
Schedule of Findings and Questioned Costs	10



## CITY OF NORTH CHARLESTON, SOUTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Disbursements/ Expenditures	
<b>U.S. Department of Housing &amp; Urban Development:</b>				
Passed Through Charleston County:				
ARRA- Community Development	14.253	B09UY450002	\$ 12,405	
Community Development	14.218	B05UC450002	26,897	
Community Development	14.218	B06UC450002	258	
Community Development	14.218	B07UC450002	78,032	
Community Development	14.218	B08UC450002	16,637	
Community Development	14.218	B09UC450002	67,368	
Community Development	14.218	B10UC450002	465,411	
Community Development	14.218	B11UC450002	262,932	\$ 929,940
HOME Program	14.239	M06UC450204	19,177	
HOME Program	14.239	M07UC450204	11,046	
HOME Program	14.239	M08UC450204	31,310	
HOME Program	14.239	M09UC450204	44,355	
HOME Program	14.239	M10UC450204	92,535	
HOME Program	14.239	M11UC450204	30,743	229,166
<b>Total U.S. Department of Housing &amp; Urban Development:</b>				<u>1,159,106</u>
<b>U.S. Department of Justice:</b>				
Direct Programs:				
Weed & Seed Program	16.595	2010WS-QX-0003	49,694	49,694
Justice Assistance Grant	16.738	2008-DJ-BX-0594	24,202	
Justice Assistance Grant	16.738	2009-DJ-BX-0826	69,707	
Justice Assistance Grant	16.738	2010-DJ-BX-0917	16,543	
Justice Assistance Grant	16.738	2011-DJ-BX-2174	129,744	240,196
Bulletproof Vests Program	16.607	BA-3A00S-SM01		34,963
ARRA- Justice Assistance Grant Recovery Act	16.804	2009-SB-B9-1490		133,173
ARRA- BJA Byrne Competitive Recovery Act	16.808	2009-SC-B9-0112		29,403
ARRA- COPS Hiring Recovery Act Program	16.710	2009-RK-WX-0743		864,079
Passed Through S.C. Department of Public Safety:				
OFP Hispanic Victim Advocate Grant	16.575	1V11085		39,610
OFP Court System Efficiency Grant	16.738	1GI09005		<u>76,567</u>
<b>Total U.S. Department of Justice:</b>				<u>1,467,685</u>
<b>U.S. Department of Energy:</b>				
Direct Programs:				
ARRA- Energy Efficiency & Conservation BG	81.128	DE-SC0002301		<u>63,689</u>
<b>U.S. Environmental Protection Agency</b>				
Direct Programs:				
Brownsfield Assessment & Cleanup	66.818	BF-95445209	\$	<u>163,881</u>

(Continued)

## CITY OF NORTH CHARLESTON, SOUTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Disbursements/ Expenditures	
<b>U.S. Department of Homeland Security:</b>				
Direct Programs:				
Assistance to Firefighters Grant	97.044	EMW-2010-FO-07816	\$ 33,673	
Assistance to Firefighters Grant	97.044	EMW-2010-FP-00342	<u>7,033</u>	\$ 40,706
Passed Through the State of South Carolina:				
Low Country Regional Analyst (Seahawk)	97.067	9SHSP22	10,152	
Low Country Regional Analyst (Seahawk)	97.067	10SHSP06	<u>57,205</u>	67,357
Port Security Grant	97.056	10PSGP03	263,628	
Maritime Fire/CBRNE Response Vessel	97.056	9PSGP12	<u>524,852</u>	<u>788,480</u>
<b>Total U.S. Department of Homeland Security:</b>				<u>896,543</u>
<b>U.S. Department of Agriculture:</b>				
Passed Through the State of South Carolina:				
Summer Feeding	10.559	SF-107		<u>138,469</u>
<b>U.S. Department of Transportation:</b>				
Passed Through S.C. Department of Transportation:				
Enhancement Patriot Boulevard	20.219	PCN40555		<u>83,527</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 3,972,900</u></u>



## CITY OF NORTH CHARLESTON, SOUTH CAROLINA

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

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#### **A – General**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of North Charleston, South Carolina (the “City”) for the year ended June 30, 2012. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

#### **B – Basis of Accounting**

The accompanying Schedule is presented using the modified accrual basis of accounting.

#### **C – Relationship to Financial Statements**

Federal award expenditures are reported in the City’s financial statements primarily as expenditures in the General Fund and Special Revenue Funds.

#### **D – Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

#### **E – Matching Costs**

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

#### **F – Sub-recipients**

Of the federal expenditures presented in the accompanying Schedule, the City provided federal awards to sub-recipients as follow:

<u>Grant Name</u>	<u>Grant Number</u>	<u>Amount Disbursed</u>
HOME Program	M06UC450204	\$ 19,177
HOME Program	M07UC450204	10,546
HOME Program	M08UC450204	31,065
HOME Program	M09UC450204	44,355
HOME Program	M10UC450204	69,687
Community Development	B05UC450002	22,350
Community Development	B07UC450002	4,814
Community Development	B09UC450002	2,520
Community Development	B10UC450002	78,311
Community Development	B11UC450002	129,818
Weed and Seed	2010WS-QX-0003	770
Justice Assistance Grant	2009-DJ-BX-0826	47,764
Justice Assistance Grant	2010-DJ-BX-0917	16,543
Justice Assistance Grant	2011-DJ-BX-2174	46,406
ARRA-Justice Assistance Grant Recovery Act	2009-SB-B9-1490	117,952
		<u>\$ 642,078</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members of City Council  
City of North Charleston  
North Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

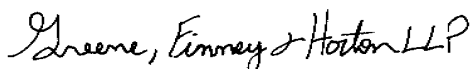
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 31, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members of City Council  
City of North Charleston  
North Charleston, South Carolina

Compliance

We have audited the compliance of the City of North Charleston, South Carolina (the “City”) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2012. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 31, 2012

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2012**

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There were no audit findings in the prior year.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

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Section I - Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>      X      </u> None Reported
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>      X      </u> No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>      X      </u> None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>          </u> Yes	<u>      X      </u> No
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Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.738 & 16.804	Justice Assistance Grant Cluster, including ARRA awards
16.710	ARRA - COPS Hiring Recovery Act Program
97.056	Port Security Grant Program

Dollar threshold used to distinguish between type A and type B programs:	<u>      \$   300,000      </u>
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Auditee qualified as low-risk auditee?	<u>      X      </u> Yes	<u>                  </u> No
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Section II - Findings - Current Year Financial Statements Audit

No matters to report.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.





# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 31, 2012

The Honorable Mayor and Members of City Council  
City of North Charleston  
North Charleston, South Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina (the "City") for the year ended June 30, 2012, and have issued a report thereon dated October 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2012. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the basic financial statements. No new significant accounting policies were adopted and the application of existing policies was not significantly changed during the year ended June 30, 2012. We noted no transactions entered into by the City during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

## **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the City's basic financial statements were related to (a) the useful lives of capital assets and the resulting depreciation expense; (b) the amount of property taxes outstanding at June 30, 2012, including collectability and the estimate for subsequent collections; (c) the City's estimate of its workers compensation and healthcare accruals; and (d) the City's estimate of its postemployment obligation. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that may or may not cause future basic financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, including those prepared by the City as part of their closing process after we obtained the initial trial balance, a schedule of all adjusting journal entries is attached.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 31, 2012.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Supplementary Information**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Other Considerations**

This report is intended solely for the use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Greene, Finney & Horton LLP". The signature is written in a cursive, flowing style.

Greene, Finney & Horton, LLP  
Certified Public Accountants

City of North Charleston  
June 30, 2012  
Greene, Finney & Horton, LLP  
Client Journal Entries Report : Adjusting Entries

Entry #	Account/Code	Description	Debit	Credit
AJE 1	001-000-111559-00000-000	ACCRUED REVENUE	8,226.85	
	001-355-434122-00000-000	COOPER RIVER PARKS & PLAYGROUND CONTRACT		8,226.85
	To record June 2012 Homestead State Revenue & other property taxes. (Client provided)			
AJE 2	001-000-111559-00000-000	ACCRUED REVENUE	650,704.00	
	001-000-111559-00000-000	ACCRUED REVENUE	454,820.00	
	001-000-222120-00000-000	DEFERRED TAX REVENUE		1,824,650.00
	001-000-111559-00000-000	ACCRUED REVENUE	719,126.00	
	To accrue FY12 4th qtr State ATAX, Aid to Subdivisions, and June Hosp tax and Local ATAX, at June 30, 2012.			
AJE 3	001-000-111559-00000-000	ACCRUED REVENUE	31,148.61	
	001-310-431110-00000-000	CURRENT PROPERTY TAXES		25,418.06
	001-310-431141-00000-000	PAYMENT IN LIEU OF TAXES		5,730.55
	To accrue June 2012 property taxes. (client provided)			
AJE 4	001-000-110730-00000-000	DELINQUENT TAXES RECEIVABLE	155,604.00	
	001-000-110740-00000-000	ALLOWANCE UNCOL. TAXES DELINQUENT	425,555.00	
	001-000-222120-00000-000	DEFERRED TAX REVENUE		653,824.00
	001-310-431110-00000-000	CURRENT PROPERTY TAXES	72,665.00	
	To adjust delinquent property tax receivable at 6/30/12. (client provided)			
AJE 5	107-000-220319-00000-000	A/P OTHER	155,183.20	
	107-860-570791-00000-000	SMG INC OPERATING COSTS		155,183.20
	107-370-436980-00000-000	TRANSFER FROM G. FUND	155,183.20	
	107-000-110166-00000-000	LOCAL GOV. INVEST. POOL		155,183.20
	001-000-110166-00000-000	LOCAL GOV. INVEST. POOL	155,183.20	
	001-860-549113-00000-000	TRANS TO COLISEUM P. FUND		155,183.20
	To adjust Coliseum accrued accounts payable as of 6/30/12.			
AJE 6	001-000-222120-00000-000	DEFERRED TAX REVENUE	855,910.58	
	001-310-431110-00000-000	CURRENT PROPERTY TAXES		855,910.58
	To adjust the property tax receivable and accrual as of 6/30/12. (client provided)			
TOTALS			3,839,309.64	3,839,309.64