



**CITY OF NORTH CHARLESTON
SOUTH CAROLINA**

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2014

Prepared By:

FINANCE DEPARTMENT

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Mayor**

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INTRODUCTORY SECTION

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November 5, 2014

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, 2014 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, 2014 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, 2014 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, 2014, 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 80 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, 2014, reflect an estimated North Charleston population of over 104,000.

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
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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 \$63 billion in 2012. International trade through the South Carolina ports facilitates over 260,000 jobs across the State of South Carolina in the maritime, transportation, distribution and manufacturing industries while providing an overall economic impact of \$45 billion each year.

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 712,000 and a gross taxable sales estimate exceeding \$22 billion. North Charleston remains the State's municipal leader in retail sales for the past twenty-two years. In calendar year 2013, gross retail sales exceeded \$7.21 billion and surpassed any other city in South Carolina by over \$1 billion. 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. Spending in building permit construction dollar values increased by over 25% in fiscal year ending June 30, 2014 compared to fiscal year ending June 30, 2013. The region has an estimated civilian labor workforce exceeding 340,000, which has grown by over 20% for the last ten years. The local unemployment rate of 5.1% as of June 30, 2014 is below the State and National averages for the same time period.

Tourism remains a vital segment of the local MSA economy. Overall hotel/motel occupancy rates increased slightly from calendar year 2012 to 2013. Hotel/motel room inventory exceeds 7,000 rooms in the City of North Charleston as of the calendar year ending 2013. 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 1,500 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 began servicing the airport in February 2013 with nonstop service to New York and

To the Council and Citizens of the
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Boston. This follows a similar deal reached with Southwest Airlines in 2011 which began providing nonstop service to Nashville, Baltimore, Chicago and Houston. Southwest currently enjoys over 20% of the air traffic market. 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. The City of North Charleston is the proud owner of the North Charleston Coliseum, Convention Center and Performing Arts Center complex. 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, with capacity to seat over 10,000, 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 twenty-one 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 \$9 million, is projected to be complete by late 2015.

The City also expanded event space to the Coliseum during 2011. The project known as the Montague Terrace added over 7,400 square feet and is used as an entertainment venue for small concerts, theater performances and comedy shows. It is also 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 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 3,000 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

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the Charleston Area Convention Center Complex exceeds \$75 million annually. Direct tax revenue for the Complex is estimated at over \$6 million annually.

Municipal Golf Course. The City of North Charleston constructed a twenty-seven hole municipal golf course facility on land located in Dorchester County in 2001. 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 an \$8 million increase in annual property tax collections from Dorchester County over the past thirteen 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 eleven 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 fire station, 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.

The City Center TIF area also hosts an outlet mall known as the Tanger Outlet Center. This 365,000 square foot outlet center has attracted over 95 retail stores along with a food court and other shopping and dining opportunities and is over 96% occupied. The Center generates almost \$1,200,000 in annual property tax revenues to the City of North Charleston. The outlet center, built at a 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. 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.

Another tax increment finance district known as the Noisette Community Redevelopment Project Area has experienced significant growth. 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 infrastructure improvements have been completed for phases I and II of the three phase plan. Subsequently, the City has received deposits on over 175 parcels and closed on the sale of over 150 parcels to developers. The entire project includes plans for over 375 homes and 17 parks.

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. The Men's Journal named this same historical Park Circle neighborhood as one of the nation's top 30 "Coolest Neighborhoods". Other awards and honors include

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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. 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.

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 links the Palmetto Commerce Park to Ashley Phosphate Road and later will network with other North Charleston road projects. The construction effort consists of three phases with the main goal of attracting more companies to and near the industrial park. Phase I and II have been completed with phase III plans introduced in 2014 calling for a new three mile connection from Ashley Phosphate Road to Aviation Avenue as well as improvements to South Aviation Avenue which is designed to alleviate traffic on Dorchester Road, Rivers Avenue and the I-26 and I-526 interchange. Another major benefit of phase III is the ultimate connection of the Boeing main plants near the Charleston International Airport with businesses on Palmetto Commerce Parkway. The Palmetto Commerce Parkway expansion has already created significant interest in business construction and improvements, including Roper Saint Francis Healthcare, Charleston County government facilities, Morgan Olson, LLC, Cummins Turbo Technologies, Venture Aerobearings, Daimler Vans Manufacturing, Immedion LLC, TWL Precision Limited, TIGHitco, a division of the InterTech Group, JAS Forwarding USA, Streit USA Armstrong and the addition of Boeing's Interiors Fabrication Facility.

Redevelopment of the Former Charleston Navy Base. For years, 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 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 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.

To the Council and Citizens of the
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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. However, the viability of the Noisette redevelopment project came 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, through its division known as the S.C. Division of Public Railways, gained control of some of the property previously owned by Noisette during foreclosure proceedings. The Department of Commerce immediately unveiled a plan to develop a rail yard site designed to provide rail line access through the northern end of the base. In October 2013, the S.C. Division of Public Railways spent over \$10 million to purchase all remaining property previously owned by Noisette.

In December 2012, the City of North Charleston and the S.C. Division of Public Railways settled a port rail dispute challenging the previous agreement with the SPA which prohibited rail access through the northern end of the base. In this settlement agreement, the S.C. Division of Public Railways agreed to pay the City \$8 million over a four year period and assume the outstanding debt service payments associated with the Noisette Community Redevelopment Project Area tax increment finance district.

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 was part of a \$98 million proposal organized by the Clemson University Restorative Institute and other State of South Carolina agencies described as the largest research effort in the university's history. 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 was completed in the late 2013. The facility is equipped to test 7.5 and 15 megawatt drivetrains, which makes the institute the largest wind turbine testing facility in the world. In late 2013, the facility landed its first industry partner, General Electric, which began testing its next generation wind turbine drivetrain technology.

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 2015.

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. 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 completed in 2012. In the spring of 2014, an additional 300 unit apartment complex opened with plans designed to construct two or three more multi-family developments over the next several years. Approximately 20 acres of the tract is being held out for a future elementary school and middle school. Future plans call for a 40,000 square foot multi-tenant office building at the corner of U.S. Highway 78 and the new Northside Drive Extension. The new

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Northside Drive Extension will connect U.S. Highway 78 to Ashley Phosphate Road with additional plans to complete Future Drive which will connect Palmetto Commerce Parkway to Northside Drive. It has also been announced that Bass Pro Shops is scheduled to open a 130,000 to 150,000 square foot store in early 2016.

With perhaps the largest economic impact announcement in South Carolina history, in late October 2009 Boeing announced it planned 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 at least three planes a month. 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 benefit from the enormous economic impact this announcement has fueled. In 2014, the Charleston Aviation Authority completed the sale of over 300 acres of property to Boeing for future expansion. Boeing has plans to invest another \$1 billion and add at least 2,000 jobs at its North Charleston Dreamliner 787 campus by 2020.

In the summer of 2014, Boeing announced that it will produce the 787-10, the largest version of its popular Dreamliner commercial jetliner, exclusively at its factory in North Charleston. Design is underway with the final assembly of the first 787-10 scheduled to begin in North Charleston in 2017. Boeing will continue to assemble both 787-8s and 787-9s in the State of Washington and in North Charleston. Currently, the rear fuselage sections of all Dreamliners are produced in North Charleston. To help educate local workers for the increasing aerospace industry, Trident Technical College hopes to build a \$79 million aeronautical training center on its North Charleston campus. In September 2014, Boeing announced it had leased an additional 104,000 square foot building in the Crosspoint section of the Palmetto Commerce Parkway industrial park in North Charleston to be the site for office and laboratory space for its new research center where an additional 300 to 400 people are expected to be hired. This location is near Boeing's completed Interiors Fabrication Facility and its new Propulsion South Carolina plant, which is under construction, which is designed to start making engine inlet components for the new 737 MAX line of airplanes.

Long-Term Financial Planning. Unassigned fund balance in the General Fund (19.5% of the fiscal year 2014/2015 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 2014/2015 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

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of the first steps in the City's master plan to develop infrastructure suited for future construction of retail and commercial establishments in that area.

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 a municipal improvement district for the area known as the Ingleside Plantation 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, 2013. 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-six fiscal years ended, from June 30, 1988 through 2013. 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



Government Finance Officers Association

**Certificate of
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Presented to

**City of North Charleston
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014

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 DirectorAngela McJunkin

Director of Information Systems.....David Dixon

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

Purchasing Director.....Denise Badillo

Building Official.....Darbis Briggman

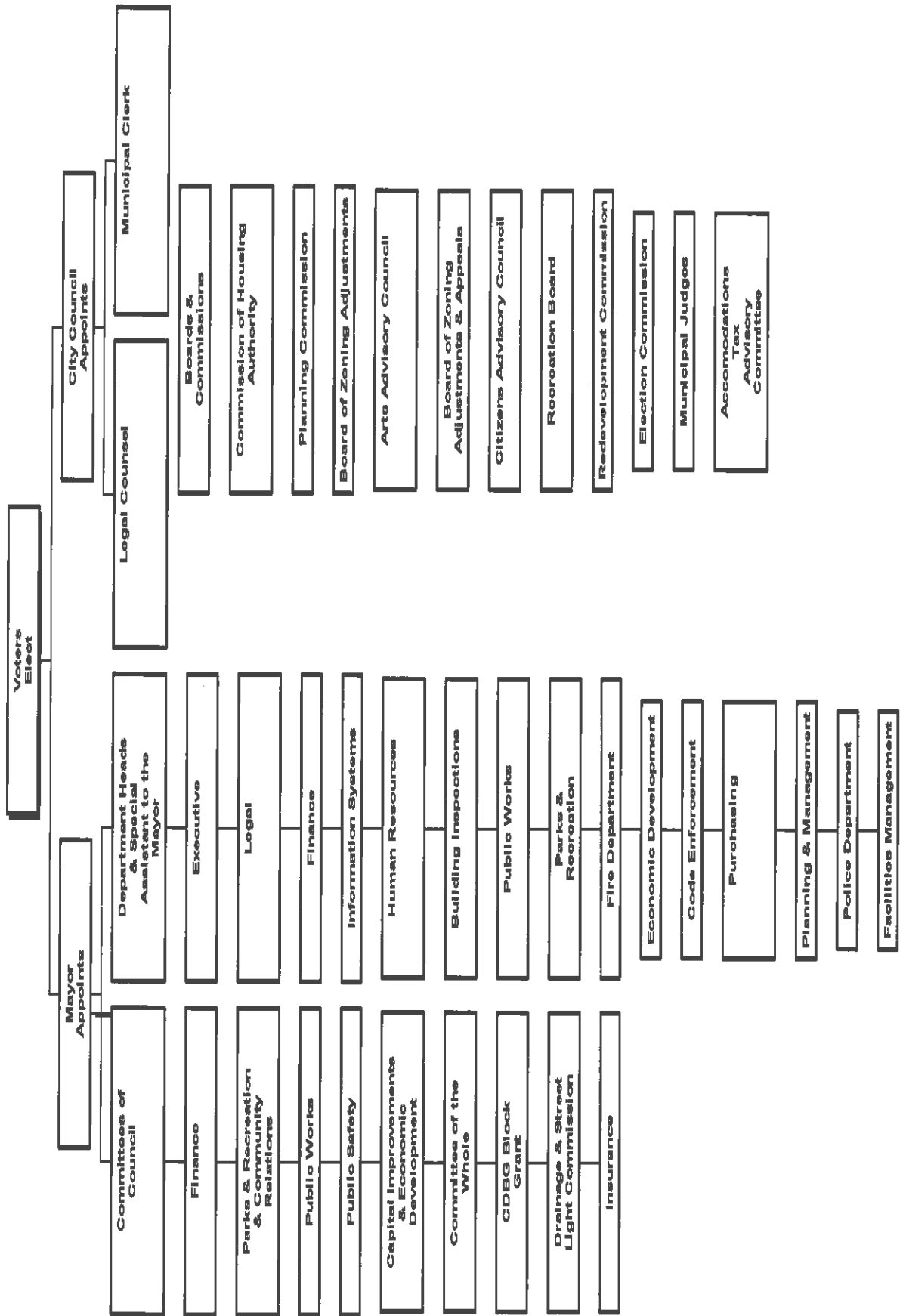
Director of Zoning and Planning.....Gwen Moultrie

Cultural Arts Director.....Marty Besancon

Police Chief.....Ely E. Driggers

Chief Administrative Judge.....Samuel Coleman

City of North Charleston



FINANCIAL SECTION

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Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the City's financial statements for the year ended June 30, 2014, and in our report dated October 31, 2013, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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As discussed in Note IV.G, the Governmental Accounting Standards Board recently issued Statement No. 68, "*Accounting and Financial Reporting for Pension*" ("*Statement*"). This Statement, which will be adopted by the City for the fiscal year ended June 30, 2015, will require the City to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and the Police Officers' Retirement System ("Plans"). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the City's share of the net pension liability associated with these Plans will decrease the City's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$83,836,000 and \$3,273,000 for the governmental activities and business-type activities, respectively, and \$3,273,000 for the stormwater utility enterprise fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 and Coliseum Operating 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.

Supplementary and Other Information

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, supplementary information, and 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.

The supplementary 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. Such 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.

The introductory section and the statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 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* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 31, 2014

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, 2014. The Management's 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-ix* of this report, and the City's financial statements, which follow this section.

Financial Highlights

- ❖ Total assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$263,868,296 (net position). Net position increased \$30,473,472, or 13.1%, for the fiscal year ending June 30, 2014.
 - Governmental activities net position was \$255,847,918, an increase of \$30,798,951, or 13.7%. Of this amount, \$52,355,841 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
 - Business-type net position amounted to \$8,020,378, a decrease of \$325,479 or 3.9%. Unrestricted net position decreased \$510,658 to \$5,234,795 at June 30, 2014.
- ❖ At June 30, 2014, the total fund balance of the City's governmental funds was \$84,737,912, a decrease of \$18,112,530, or 17.6%.
 - The fund balance of the General Fund increased \$1,542,284, or 6.0%, to \$27,167,523. \$20,620,802 of this fund balance was unassigned at year-end, an increase of \$135,396, or .7%, from the \$20,485,406 balance at June 30, 2013.
 - General Fund expenditures exceeded revenues by \$434,265 before other financing sources or uses, a decrease of \$1,328,834 from the prior year, yet it was a \$2,418,596 favorable variance to the final budget.
- ❖ Total capital assets (net of accumulated depreciation) for the City amounted to \$329,832,675 at June 30, 2014, an increase of \$38,056,295, or 13.0%.
 - Governmental activities capital assets (net of accumulated depreciation) amounted to \$320,507,331, an increase of \$38,131,542, or 13.5%.
 - Business-type capital assets (net of accumulated depreciation) amounted to \$9,325,344, a decrease of \$75,247, or .8%.
- ❖ At June 30, 2014, the City's total debt, including capital lease obligations and compensated absences was \$174,517,337 (net of unamortized premiums and discounts), a decrease of \$13,995,846 or 7.4%.
 - Governmental funds total debt amounted to \$167,030,880, a decrease of \$13,639,550, or 7.5%.
 - Business-type funds total debt amounted to \$7,486,457, a decrease of \$356,296, or 4.5%.

- The City of North Charleston implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB #65”) in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, of certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, this Statement requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the City of North Charleston for the fiscal year ended June 30, 2013. The City of North Charleston’s former financial statement items that were affected by the implementation of GASB #65 were its deferred losses on refunding and deferred revenue (for unavailable revenue, property taxes) in its statements of financial position. Under this GASB #65, (a) deferred losses on refunding are no longer shown as a reduction in long-term obligations but now are reclassified and shown as a component of deferred outflows of resources and (b) deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.
- ❖ 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 financial statements. The City’s financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Statement of Net Position 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 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 financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the City.

Financial Statements

The first two statements (Exhibits 1 and 2) in the 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 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 Position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference being reported as net position. Net position represents the equity of the City, presented on the full accrual basis of accounting. Net position and other Statement of Net Position information convey the City's financial position, primarily on a historical cost basis, at a point in time.

The Statement of Activities presents information showing how the government's net position has changed during the most recent year. All changes in net position 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 14-15 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 twenty-eight 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 Capital Projects Fund, Citywide Capital Improvements Fund and the Installment Purchase Revenue Bonds Capital Projects Fund, all considered major funds. Data from the other twenty-three 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 governmental fund financial statements can be found on pages 16-19 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 proprietary fund financial statements can be found on pages 20-22 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 23-53 of this report.

Other information. In addition to the 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 the Coliseum Operating Fund. The required supplementary information is presented after the notes to the financial statements and can be found on pages 54-56 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 57-87 of this report.

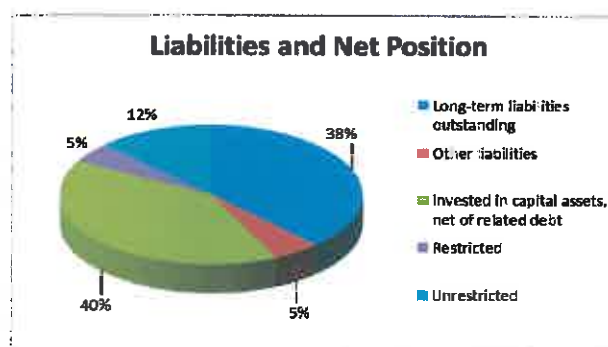
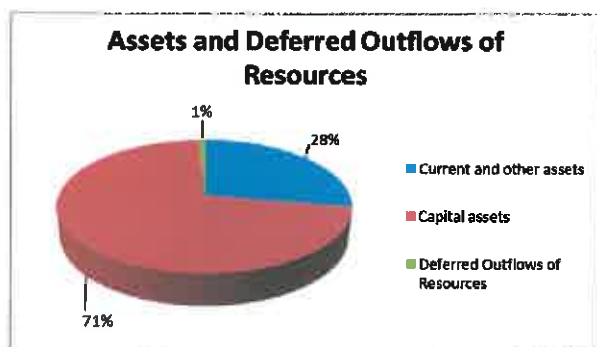
Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of North Charleston, assets and deferred outflows of resources exceeded liabilities by \$263,868,296 at June 30, 2014. By far the largest portion of the City's net position reflects its net 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, 2014 was a result of the continued construction in progress related to the City's new public works facility, improvements being made to the coliseum and ongoing construction relative to a large road development project.

City of North Charleston's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$121,874,512	\$137,008,581	\$ 5,534,487	\$ 6,127,555	\$127,408,999	\$143,136,136
Capital assets	<u>320,507,331</u>	<u>282,375,789</u>	<u>9,325,344</u>	<u>9,400,591</u>	<u>329,832,675</u>	<u>291,776,380</u>
Total assets	<u>442,381,843</u>	<u>419,384,370</u>	<u>14,859,831</u>	<u>15,528,146</u>	<u>457,241,674</u>	<u>434,912,516</u>
Total deferred outflows of resources	<u>2,513,282</u>	<u>3,157,476</u>	<u>1,734,266</u>	<u>1,949,460</u>	<u>4,247,548</u>	<u>5,106,936</u>
Long-term liabilities outstanding	167,030,880	180,670,430	7,486,457	7,842,753	174,517,337	188,513,183
Other liabilities	<u>22,016,327</u>	<u>16,822,449</u>	<u>1,087,262</u>	<u>1,288,996</u>	<u>23,103,589</u>	<u>18,111,445</u>
Total liabilities	<u>189,047,207</u>	<u>197,492,879</u>	<u>8,573,719</u>	<u>9,131,749</u>	<u>197,620,926</u>	<u>206,624,628</u>
Net position:						
Net investment in capital assets	181,770,720	155,168,837	2,785,583	2,600,404	184,556,303	157,769,241
Restricted	21,721,357	27,866,231	-	-	21,721,357	27,866,231
Unrestricted	<u>52,355,841</u>	<u>42,013,899</u>	<u>5,234,795</u>	<u>5,745,453</u>	<u>57,590,636</u>	<u>47,759,352</u>
Total net position	<u>\$255,847,918</u>	<u>\$225,048,967</u>	<u>\$8,020,378</u>	<u>\$8,345,857</u>	<u>\$263,868,296</u>	<u>\$233,394,824</u>

Restricted net position of the governmental activities are represented by \$482,197 of seized and forfeited drug funds, \$368,181 held for victims advocate purposes, \$1,731,514 in grant funds, \$362,165 for other special revenue funds, \$11,994,359 held for redevelopment activities, \$1,284,082 in tax increment financing property tax revenues held for future debt service payments and \$5,498,859 held for debt service requirements.

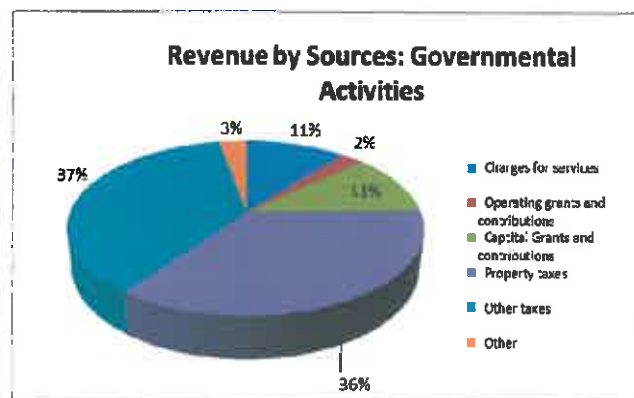
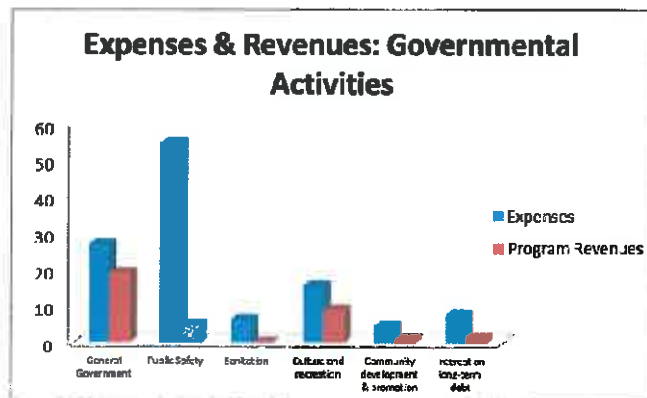


Unrestricted net position of the governmental activities increased \$10,341,942, or 24.6%, largely due to the General Fund surplus of revenues over expenditures, the increase in other tax revenues and the proceeds from the sale of the hospital redevelopment property. The unrestricted net position balance of \$52,355,841 may be used to meet the government's ongoing obligations to citizens and creditors. Business-type unrestricted net position decreased \$510,658 primarily due to a decrease in operating income of the proprietary funds.

As of June 30, 2014, the City of North Charleston is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Net position for the City as a whole increased 13.1%. Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position. 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 Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
<u>Revenues:</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Program revenues:						
Charges for services	\$16,002,187	\$15,109,402	\$5,052,757	\$4,841,168	\$21,054,944	\$19,950,570
Operating grants and contributions	3,534,071	4,831,230	-	-	3,534,071	4,831,230
Capital grants and contributions	16,298,998	1,244,990	-	-	16,298,998	1,244,990
General revenues:						
Property taxes	52,566,263	52,270,893	-	-	52,566,263	52,270,893
Other taxes	54,543,794	51,156,483	-	-	54,543,794	51,156,483
Other	4,403,569	2,211,069	25,336	64,910	4,428,905	2,275,979
Total revenues	<u>147,348,882</u>	<u>126,824,067</u>	<u>5,078,093</u>	<u>4,906,078</u>	<u>152,426,975</u>	<u>131,730,145</u>
<u>Expenses:</u>						
General government	26,867,536	27,445,090	-	-	26,867,536	27,445,090
Public safety	54,457,376	51,619,681	-	-	54,457,376	51,619,681
Sanitation	6,389,844	6,011,879	-	-	6,389,844	6,011,879
Culture and recreation	15,489,110	14,148,047	-	-	15,489,110	14,148,047
Community development	4,709,825	4,906,786	-	-	4,709,825	4,906,786
Interest on long-term debt	7,649,242	7,098,192	-	-	7,649,242	7,098,192
Golf course expenses	-	-	2,561,377	2,408,010	2,561,377	2,408,010
Stormwater utility expenses	-	-	3,829,193	3,262,117	3,829,193	3,262,117
Total expenses	<u>115,562,933</u>	<u>111,229,675</u>	<u>6,390,570</u>	<u>5,670,127</u>	<u>121,953,503</u>	<u>116,899,802</u>
Increase in net position before transfers	31,785,949	15,594,392	(1,312,477)	(764,049)	30,473,472	14,830,343
Transfers in (out)	(986,998)	(774,014)	986,998	774,014	-	-
Inc/Dec in net position before special item	30,798,951	14,820,378	(325,479)	9,965	30,473,472	14,830,343
Special item – settlement agreement	-	14,360,000	-	-	-	14,360,000
Increase/Decrease in net position	30,798,951	29,180,378	(325,479)	9,965	30,473,472	29,190,343
Net position at beginning of year	<u>225,048,967</u>	<u>195,868,589</u>	<u>8,345,857</u>	<u>8,335,892</u>	<u>233,394,824</u>	<u>204,204,481</u>
Net position at end of year	<u>\$255,847,918</u>	<u>\$225,048,967</u>	<u>\$8,020,378</u>	<u>\$8,345,857</u>	<u>\$263,868,296</u>	<u>\$233,394,824</u>



Governmental activities. Governmental activities increased the City of North Charleston's net position by \$30,798,951. Increases in property tax, other tax revenues, and grant revenues from Charleston County were the major reasons for the increase in governmental net position.

Business-type activities. Business-type activities realized a decrease in net position in the amount of \$325,479. The Stormwater Utility Enterprise Fund realized a decrease in net position primarily as a result of a transfer to the Installment Purchase Revenue Bond Debt Service Fund to cover the debt service for the construction of the new public works facility. The Golf Course Enterprise Fund realized an increase in net position largely due to an increase in the transfer from the General Fund that totaled \$1,496,998.

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, 2014, the governmental funds of the City of North Charleston reported a combined fund balance of \$84,737,912, a decrease of \$18,112,530 in comparison with the prior year. Nonspendable, restricted, committed and assigned governmental fund balances decreased \$18,247,926 reflecting a decrease 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 \$20,620,802 or 19.5% of the operating budget for the fiscal year ending June 30, 2015, while total fund balance is \$27,167,523. Unassigned fund balance at June 30, 2014 increased by \$135,396, or .7% 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 19.5% of total General Fund expenditures including transfers to other funds, while total fund balance represents 25.7% of that same amount.

Key governmental revenue and expenditure highlights are as follows:

- Property taxes increased by \$893,253 or 1.7% over fiscal year ending June 30, 2013. Incremental assessed property value growth resulted in an increase of \$208,472 in property tax revenues in the three TIF areas. General Fund property tax revenues increased by \$684,781, which was the result of continued growth in the assessed property value.
- Intergovernmental revenues increased by \$16,188,601 or 58.5% due largely to the \$13,686,220 increase in grant related revenues from Charleston County relative to a large road development project. Sales tax, hospitality and accommodation tax collections increased by \$2,143,067.
- Business licenses, franchise fees and permits increased by \$1,570,684 due to the continued strength in the local economy and commercial and industrial growth. Business license and permit collections increased by \$1,206,924 as franchise fees increased by \$363,760.
- Revenues from use of monies and property increased \$959,383 or 9.9% largely due to the facility rental revenues from the lease of the old city hall and properties located on the old navy base.
- General government expenditures increased by \$1,962,312 primarily due to unforeseen facilities maintenance related costs, higher health insurance expenses, additions of personnel positions, funds spent on new software and higher fuel costs.
- Capital outlay expenditures increased by \$13,025,072 primarily due to amounts spent on a road development project that is under construction and the construction in progress related to the new public works facility expected to be completed by the fiscal year ended June 30, 2015.
- Public safety expenditures increased by \$2,388,224 as a result of additional personnel positions and the related equipment and supplies to support the new positions and the result of maintaining a consistent year to year plan for purchases of fleet equipment during the fiscal year ending June 30, 2014.

- Sanitation, culture and recreation, and community development expenditures increased by \$1,619,652 largely due to an increase in operational costs of various new parks and recreation facilities along with an increase in operational costs of events held at the Coliseum/Convention Center/Performing Arts Center.
- Debt service expenditures increased by \$368,394 primarily due to the debt service associated with the larger year to year equipment leases entered into over the past couple of years.

The Citywide Capital Improvements Fund has a total fund balance of \$2,000,380. The net increase in fund balance during the fiscal year ended June 30, 2014 was \$2,000,380 and resulted primarily from the transfer of funds from the General Fund and sales proceeds from the sale of the hospital development property. The Tax Infrastructure Capital Projects Fund has a total fund balance of \$8,472,119. The net decrease in fund balance during the fiscal year ending June 30, 2014 was \$1,552,064 and resulted from an increase in infrastructure improvements in the various redevelopment project areas. The Coliseum Operating Fund has a total fund balance of \$332,198, unchanged from the prior year due to the General Fund contributing \$919,077 during the fiscal year ending June 30, 2014 to offset the \$919,077 deficiency of expenditures over revenues from operations. The Installment Purchase Revenue Bonds Capital Projects Fund has a total balance of \$32,814,022. The net decrease in fund balance during the fiscal year ending June 30, 2014 was \$9,479,055 and resulted from an increase in capital outlay costs.

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 funds provide 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, 2014 was originally adopted at \$99,933,664, inclusive of transfers out to other funds, and represents an increase of 5.2% over the final fiscal year ending June 30, 2013 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, 2014 totals \$107,400,550.

Differences between the original budget and the final amended budget are represented by an increase in appropriations of \$7,466,886. The sanitation budget received an additional allocation of \$537,718 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 \$2,828,979 as a result of purchases of real property and increased health insurance costs. The public safety budget received an additional allocation of \$1,579,329 for the purpose of hiring additional personnel and to cover the cost of supplying vehicles and equipment to those personnel. Transfers received an additional allocation of \$2,265,125 primarily for the purpose of increasing the capital projects funds for the various related improvement projects.

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

- Property taxes were \$1,372,189 under budget primarily due to an increase in the local options sales tax credit and failure to realize as much property value and construction growth as originally forecasted.
- Business license and permit collections were \$796,422 above budget primarily due to the economic growth reported by the commercial and industrial sectors.
- Intergovernmental revenues were \$1,334,493 above budget primarily due to the increase in sales, hospitality and accommodation tax collections.

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, 2014 was \$329,832,675 (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 \$38,056,295 or 13.0%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Construction in progress	\$ 48,753,443	\$ 31,579,748	\$ -	\$ -	\$ 48,753,443	\$ 31,579,748
Land	46,067,546	44,908,602	1,397,188	1,397,188	47,464,734	46,305,790
Buildings	111,701,017	114,161,208	2,070,954	2,149,747	113,771,971	116,310,955
Infrastructure	30,041,204	30,746,102	-	-	30,041,204	30,746,102
Improvements	62,248,620	40,138,124	4,825,444	5,069,478	67,074,064	45,207,602
Machinery and equipment	21,695,501	20,842,005	1,031,758	784,178	22,727,259	21,626,183
Total Capital Assets	<u>\$320,507,331</u>	<u>\$282,375,789</u>	<u>\$ 9,325,344</u>	<u>\$ 9,400,591</u>	<u>\$329,832,675</u>	<u>\$291,776,380</u>

Major capital asset events during the fiscal year ending June 30, 2014 included the following:

- The City invested an additional \$514,214 during the fiscal year ending June 30, 2014 towards renovations to the Coliseum.
- The City expended over \$2,700,000 on parks and recreation facilities throughout the City during the fiscal year ending June 30, 2014.
- The City spent over \$17,000,000 on property where it plans to build a new public works facility.
- The City spent nearly \$14,000,000 on a large road development project in Charleston County designed to link Palmetto Commerce Parkway with the Ingleside Tax Increment Finance District

Additional information on the City of North Charleston's capital assets can be found in note III.C on page 36 of this report.

Long-term debt. As of June 30, 2014, the City of North Charleston had total bonded debt outstanding of \$159,417,991, which is net of \$4,972,991 in deferred amounts consisting of unamortized premiums and discounts. Of this amount, \$22,505,000 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds	\$22,505,000	\$25,920,000	\$ -	\$ -	\$22,505,000	\$ 25,920,000
Certificates of Participation	47,920,000	52,935,000	-	-	47,920,000	52,935,000
Installment Purchase Rev. Bonds	49,935,000	51,180,000	-	-	49,935,000	51,180,000
Tax Increment Bonds	27,000,000	32,865,000	-	-	27,000,000	32,865,000
Revenue Bonds	-	-	7,085,000	7,660,000	7,085,000	7,660,000
Subtotal	147,360,000	162,900,000	7,085,000	7,660,000	154,445,000	170,560,000
Add (Less): Unamortized discounts, premiums and amounts on refunding	5,006,821	5,599,346	(33,830)	(37,590)	4,972,991	5,561,756
Total	<u>\$152,366,821</u>	<u>\$168,499,346</u>	<u>\$7,051,170</u>	<u>\$7,622,410</u>	<u>\$159,417,991</u>	<u>\$176,121,756</u>

The City of North Charleston's long-term debt decreased by \$16,703,765 during the fiscal year ended June 30, 2014. The key factor in this overall decrease was the principal reduction of \$16,115,000 in both governmental and business-type activity bonds during the fiscal year ending June 30, 2014.

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 \$45,037,550 and its legal debt margin or the amount available to issue under the legal debt limit is \$22,532,550.

Additional information on the City of North Charleston's long-term debt can be found in note III.F on pages 38-47 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, 2014 was 5.1%. The unemployment rate for the State of South Carolina was 5.7% and the National unemployment rate was 6.1% as of the same time period.
- Retail sales in the City increased from \$6.24 billion in calendar year 2012 to \$7.21 billion in calendar year 2013.
- Tourism remains a vital segment of the local economy. Overall occupancy rates increased from 71% in calendar year 2012 to 72% in calendar year 2013.
- Spending in building permit construction dollar values increased by over 25% in fiscal year ending June 30, 2014 compared to fiscal year ending June 30, 2013. Permit collections increased from \$1,917,635 in fiscal year ending June 30, 2013 to \$2,327,147 in fiscal year ending June 30, 2014.

The City's adopted budget for the General Fund for the fiscal year ending June 30, 2015 increased 5.7% to \$105.6 million. The City's property tax rate stayed level at 95.0 mills, yet new commercial and industrial construction growth in assessment value should help to bring in an additional estimated \$1.5 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 \$5.5 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.

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FINANCIAL STATEMENTS

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 29,230,838	\$ 5,248,786	\$ 34,479,624
Receivables (net of allowance for uncollectibles)	11,385,108	285,701	11,670,809
Due from other governments	21,514,053	-	21,514,053
Assets held for resale	4,810,940	-	4,810,940
Inventories, at cost	133,740	-	133,740
Other assets and prepaid items	2,912,911	-	2,912,911
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	51,886,922	-	51,886,922
Capital assets (not being depreciated):			
Construction in progress	48,753,443	-	48,753,443
Land	46,067,546	1,397,188	47,464,734
Capital assets (net of accumulated depreciation):			
Buildings	111,701,017	2,070,954	113,771,971
Infrastructure	30,041,204	-	30,041,204
Improvements	62,248,620	4,825,444	67,074,064
Equipment	21,695,501	1,031,758	22,727,259
Total assets	<u>442,381,843</u>	<u>14,859,831</u>	<u>457,241,674</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated decrease in fair value of hedging derivatives	1,225,264	877,781	2,103,045
Deferred loss on refunding	1,288,018	856,485	2,144,503
Total deferred outflows of resources	<u>2,513,282</u>	<u>1,734,266</u>	<u>4,247,548</u>
<u>LIABILITIES</u>			
Accounts payable	11,861,609	188,528	12,050,137
Other accrued liabilities	6,338,536	20,953	6,359,489
Escrow for seized funds	430,247	-	430,247
Unearned revenue	2,160,671	-	2,160,671
Derivative instrument	1,225,264	877,781	2,103,045
Long-term obligations:			
Due within one year:			
General obligation bonds	3,545,000	-	3,545,000
Certificates of participation	5,385,000	-	5,385,000
Tax increment financing bonds	6,135,000	-	6,135,000
Installment purchase revenue bonds	1,285,000	-	1,285,000
Revenue bonds	-	595,000	595,000
Capital lease obligations	2,524,962	87,047	2,612,009
Compensated absences	3,947,947	80,288	4,028,235
Due in more than one year (noncurrent):			
General obligation bonds	18,960,000	-	18,960,000
Certificates of participation	43,181,648	-	43,181,648
Tax increment financing bonds	21,543,256	-	21,543,256
Installment purchase revenue bonds	52,331,917	-	52,331,917
Revenue bonds	-	6,456,170	6,456,170
Capital lease obligations	7,983,363	258,029	8,241,392
Compensated absences	207,787	9,923	217,710
Total liabilities	<u>189,047,207</u>	<u>8,573,719</u>	<u>197,620,926</u>
<u>NET POSITION</u>			
Net investment in capital assets	181,770,720	2,785,583	184,556,303
Restricted for:			
Redevelopment projects	11,994,359	-	11,994,359
Public safety and service	2,944,057	-	2,944,057
Debt service	6,782,941	-	6,782,941
Unrestricted	52,355,841	5,234,795	57,590,636
Total net position	<u>\$ 255,847,918</u>	<u>\$ 8,020,378</u>	<u>\$ 263,868,296</u>

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 26,867,536	\$ 3,204,897	\$ -	\$ 15,885,684	\$ (7,776,955)	\$ -
Public safety	54,457,376	3,688,314	1,246,109	99,068	(49,423,885)	-
Sanitation	6,389,844	74,729	-	-	(6,315,115)	-
Culture and recreation	15,489,110	9,034,247	24,809	-	(6,430,054)	-
Community development & promotion	4,709,825	-	619,458	314,246	(3,776,121)	-
Interest on long-term debt	7,649,242	-	1,643,695	-	(6,005,547)	-
Total governmental activities	115,562,933	16,002,187	3,534,071	16,298,998	(79,727,677)	-
Business-type activities:						
Golf course enterprise fund	2,561,377	1,259,730	-	-	(1,301,647)	(1,301,647)
Stormwater utility enterprise fund	3,829,193	3,793,027	-	-	(36,166)	(36,166)
Total business-type activities	6,390,570	5,052,757	-	-	(1,337,813)	(1,337,813)
Totals	\$ 121,953,503	\$ 21,054,944	\$ 3,534,071	\$ 16,298,998	(79,727,677)	(81,065,490)
General revenues:						
Property taxes					52,566,263	-
Business license taxes					22,249,041	-
Sales taxes					10,153,006	-
Franchise taxes					8,415,235	-
Alcoholic beverage taxes					219,857	-
Hospitality taxes					5,961,759	-
Accommodations taxes					5,021,022	-
State shared revenues, unrestricted					2,523,874	-
Investment earnings					213,490	8,463
Gain on sale of capital assets					2,962,596	-
Miscellaneous					1,227,483	16,873
Total general revenues before transfers					111,513,626	25,336
Transfers					(986,998)	986,998
Total general revenues and transfers					110,526,628	1,012,334
Change in net position					30,798,951	(325,479)
Net position at beginning of year					225,048,967	8,345,857
Net position at end of year					\$ 255,847,918	\$ 8,020,378

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014
(With Comparative Totals at June 30, 2013)

	General	Coliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Installment Purchase Revenue Bonds Capital Projects	Other Governmental	Total Governmental Funds
	2014	2013	2014	2013	2014	2013	2014
Assets							
Cash and cash equivalents	\$ 21,625,816	\$ 2,726,235	\$ -	\$ 2,000,380	\$ -	\$ 2,878,407	\$ 29,230,838
Receivables, net of allowances:							
Property taxes	1,710,213	-	-	-	-	-	1,710,213
Accounts receivable	8,782,253	105,275	-	-	781,237	6,130	9,674,895
Due from other funds	385,223	-	-	-	-	6,022	391,245
Due from other governments	9,982,037	-	6,210,000	4,437,698	-	884,318	21,514,053
Assets held for resale	-	-	4,810,940	-	-	-	4,810,940
Inventories, at cost	133,740	-	-	-	-	-	133,740
Prepaid items	103,532	42,520	-	-	-	-	146,052
Restricted assets:							
Cash and cash equivalents	827,268	-	3,810,750	-	35,862,407	11,386,497	51,886,922
Notes receivable	-	-	-	-	-	-	-
Total assets	\$ 43,550,082	\$ 2,874,030	\$ 14,831,690	\$ 6,438,078	\$ 36,643,644	\$ 15,161,374	\$ 119,498,898
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ 3,450,560	\$ 423,161	\$ 107,571	\$ 4,437,698	\$ 3,048,385	\$ 394,234	\$ 11,861,609
Other accrued liabilities	5,617,152	-	-	-	-	-	5,617,152
Escrow for seized funds	-	-	-	-	-	430,247	231,139
Due to other funds	6,022	-	-	-	-	385,223	391,245
Unearned revenue	-	2,118,671	42,000	-	-	-	2,160,671
Total liabilities	9,073,734	2,541,832	149,571	4,437,698	3,048,385	1,209,704	20,460,924
Deferred Inflows of Resources:							
Unavailable revenues	7,308,825	-	6,210,000	-	781,237	-	14,300,062
Total deferred inflows of resources	7,308,825	-	6,210,000	-	781,237	-	14,300,062
Fund balances:							
Nonspendable:							
Prepaid items	103,532	42,520	-	-	-	-	146,052
Inventories	133,740	-	-	-	-	-	133,740
Assets held for resale	-	-	4,810,940	-	-	-	4,810,940
Restricted for:							
Public safety and public service	-	-	-	-	-	2,944,057	2,944,057
Facility and infrastructure improvements	-	-	-	2,000,380	32,814,022	5,428,580	40,242,982
Debt service	-	-	1,284,082	-	-	5,498,859	6,782,941
Other capital projects	827,268	-	2,377,097	-	-	-	3,204,365
Committed for:							
Disaster funds	412,694	-	-	-	-	-	412,694
Assigned for:							
Community promotions	-	-	-	-	-	80,174	80,174
Facility operations	-	289,678	-	-	-	-	289,678
Education, boat landing, loans and other	5,069,487	-	-	-	-	-	5,069,487
Unassigned	20,620,802	-	-	-	-	-	20,620,802
Total fund balances	27,167,523	332,198	8,472,119	2,000,380	32,814,022	13,951,670	84,737,912
Total liabilities, deferred inflows of resources and fund balances	\$ 43,550,082	\$ 2,874,030	\$ 14,831,690	\$ 6,438,078	\$ 36,643,644	\$ 15,161,374	\$ 119,498,898
							\$ 135,359,529

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GOVERNMENTAL FUNDS
RECONCILIATION OF FUND BALANCES TO NET POSITION
June 30, 2014

Total fund balances of Governmental Funds	\$	84,737,912
Amounts reported for Governmental Activities in the Statement of Net Position 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	\$	431,280,064
Accumulated depreciation		<u>(110,772,733)</u>
Net carrying value of capital assets included in net position, not included in fund balances		320,507,331
Long-term liabilities are not due and payable in the current period and accordingly, are not reported as fund liabilities:		
General obligation bonds		(22,505,000)
Certificates of participation, including unamortized premiums and/or discounts of \$646,648		(48,566,648)
Installment purchase revenue bonds, including unamortized premiums of \$3,681,917		(53,616,917)
Tax increment financing bonds, including unamortized premiums and/or discounts of \$678,256		(27,678,256)
Capital lease obligations		(10,508,325)
Compensated absences		(4,155,734)
Accrued interest on long-term debt		<u>(721,384)</u>
Total liabilities included in Statement of Net Position, not included in fund liabilities		(167,752,264)
Other assets are not available to pay for current period expenditures and therefore are deferred or not reported in the fund balances:		
Special item - settlement agreement		10,210,000
Accounts receivable for facility improvements and renovations		781,237
Hospitality taxes, accommodations taxes, state shared and other revenues due from other governments		2,377,223
Property taxes		931,602
OPEB net (obligation) asset		2,766,859
Unamortized loss on refunding, net of amortization		<u>1,288,018</u>
Total long-term assets included in net position, not included in fund balances		18,354,939
Total net position of Governmental Activities	\$	<u>255,847,918</u>

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	General	Coliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
							2014
							2013
Revenues:							
Property taxes	\$ 40,627,811	\$ -	\$ 8,282,036	\$ -	\$ -	\$ 3,500,000	\$ 51,516,594
Licenses and permits	32,991,422	-	-	-	-	-	32,991,422
Intergovernmental	17,667,548	-	774,079	14,357,163	-	11,042,314	43,841,104
Fines and forfeitures	1,374,321	-	-	-	-	543,859	1,918,180
Charges for services	1,611,405	-	-	-	-	-	1,611,405
Revenues from use of monies and property	2,445,904	5,774,814	423,468	2,228	629,310	1,391,682	10,667,406
Other revenues	883,983	-	-	-	-	-	883,983
Total revenues	97,602,394	5,774,814	9,479,583	14,359,391	629,310	16,477,855	144,323,347
Expenditures:							
Current:							
General government	25,891,695	-	-	-	-	-	25,891,695
Public safety	53,700,681	-	-	-	-	1,506,895	55,207,576
Sanitation	6,099,718	-	-	-	-	-	6,099,718
Culture and recreation	6,817,288	6,693,891	-	-	-	654,552	14,165,731
Community development and promotion	2,751,275	-	-	-	-	1,745,436	4,496,711
Capital outlay	-	-	1,387,250	16,359,011	22,481,423	2,263,117	42,490,801
Debt service:							
Principal	2,529,793	-	5,865,000	-	-	9,675,000	18,069,793
Interest and fiscal charges	246,209	-	979,397	-	-	5,492,760	6,718,366
Bond issuance costs	-	-	-	-	-	-	-
Total expenditures	98,036,659	6,693,891	8,231,647	16,359,011	22,481,423	21,337,760	173,140,391
Excess (deficiency) of revenues over expenditures	(434,265)	(919,077)	1,247,936	(1,999,620)	(21,852,113)	(4,859,905)	(29,291,296)
Other financing sources (uses):							
Transfers in	-	919,077	-	2,000,000	12,373,058	8,907,797	24,199,932
Transfers (out)	(7,714,963)	-	(2,800,000)	-	-	(14,671,967)	(25,186,930)
Proceeds from sale of property	3,596,512	-	-	2,000,000	-	5,596,512	186,676
Capital lease obligations	4,095,000	-	-	-	-	-	4,095,000
Total other financing sources (uses)	(23,451)	919,077	(2,800,000)	4,000,000	12,373,058	(5,764,170)	2,822,109
Special item - settlement agreement	2,000,000	-	-	-	-	-	2,000,000
Net changes in fund balances	1,542,284	-	(1,552,064)	2,000,380	(9,479,055)	(10,624,075)	(18,112,530)
Fund balances at beginning of year	25,625,239	332,198	10,024,183	-	42,293,077	24,575,745	102,850,442
Fund balances at end of year	\$ 27,167,523	\$ 332,198	\$ 8,472,119	\$ 2,000,380	\$ 32,814,022	\$ 13,951,670	\$ 84,737,912
							\$ 102,850,442

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

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2014
(With Comparative Totals at June 30, 2013)

	Enterprise Funds			
	2014			2013
	Golf Course	Stormwater Utility	Total	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 164,565	\$ 5,084,221	\$ 5,248,786	\$ 5,886,276
Accounts receivable, net	22,664	263,037	285,701	164,938
Prepaid items	-	-	-	1,878
Total current assets	187,229	5,347,258	5,534,487	6,053,092
Noncurrent Assets:				
Unamortized bond issue costs	-	-	-	74,463
Capital assets:				
Land	1,397,188	-	1,397,188	1,397,188
Buildings	3,322,113	-	3,322,113	3,308,651
Improvements	8,043,375	-	8,043,375	8,043,375
Machinery and equipment	1,389,343	2,809,268	4,198,611	3,816,715
Less accumulated depreciation	(5,641,533)	(1,994,410)	(7,635,943)	(7,165,338)
Total capital assets (net of accumulated depreciation)	8,510,486	814,858	9,325,344	9,400,591
Total noncurrent assets	8,510,486	814,858	9,325,344	9,475,054
Total assets	8,697,715	6,162,116	14,859,831	15,528,146
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	877,781	-	877,781	997,810
Deferred loss on refunding	856,485	-	856,485	951,650
Total deferred outflows of resources	1,734,266	-	1,734,266	1,949,460
LIABILITIES				
Current liabilities:				
Accounts payable	159,735	28,793	188,528	268,064
Accrued interest payable	20,909	44	20,953	23,122
Revenue bonds payable	595,000	-	595,000	575,000
Capital leases payable	27,985	59,062	87,047	80,756
Compensated absences	-	80,288	80,288	81,217
Total current liabilities	803,629	168,187	971,816	1,028,159
Noncurrent liabilities:				
Derivative instrument	877,781	-	877,781	997,810
Revenue bonds payable, net	6,456,170	-	6,456,170	7,047,410
Capital leases payable	7,059	250,970	258,029	48,671
Compensated absences	-	9,923	9,923	9,699
Total noncurrent liabilities	7,341,010	260,893	7,601,903	8,103,590
Total liabilities	8,144,639	429,080	8,573,719	9,131,749
NET POSITION				
Net investment in capital assets	2,280,757	504,826	2,785,583	2,600,404
Unrestricted	6,585	5,228,210	5,234,795	5,745,453
Total net position	\$ 2,287,342	\$ 5,733,036	\$ 8,020,378	\$ 8,345,857

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Enterprise Funds			
	2014			2013
	Golf Course	Stormwater Utility	Total	Total
Operating revenues:				
Golf course fees	\$ 1,215,060	\$ -	\$ 1,215,060	\$ 1,240,380
Stormwater utility fees	-	3,793,027	3,793,027	3,556,993
Merchandise sales commissions	44,670	-	44,670	43,795
Miscellaneous revenues	16,873	-	16,873	53,170
Total operating revenues	1,276,603	3,793,027	5,069,630	4,894,338
Operating expenses:				
Contractual management services	1,627,110	-	1,627,110	1,525,771
Salaries and benefits	-	2,649,971	2,649,971	2,526,622
Repairs and maintenance	-	863,669	863,669	432,323
Supplies and materials	-	144,928	144,928	115,050
Administrative	17,395	51,415	68,810	71,833
Amortization expense	173,388	-	173,388	106,372
Depreciation expense	420,274	113,889	534,163	535,894
Total operating expenses	2,238,167	3,823,872	6,062,039	5,313,865
Operating income (loss)	(961,564)	(30,845)	(992,409)	(419,527)
Nonoperating revenues (expenses):				
Investment income	114	8,349	8,463	11,740
Interest expense:				
Revenue bonds	(314,297)	-	(314,297)	(345,574)
Equipment leases	(748)	(5,321)	(6,069)	(5,010)
Fiscal agent fees	(8,165)	-	(8,165)	(5,678)
Total nonoperating revenues (expenses)	(323,096)	3,028	(320,068)	(344,522)
Change in net position, before transfers	(1,284,660)	(27,817)	(1,312,477)	(764,049)
Transfers to IPRB Fund	-	(510,000)	(510,000)	(500,000)
Transfers from General Fund	1,496,998	-	1,496,998	1,274,014
Change in net position	212,338	(537,817)	(325,479)	9,965
Total net position at beginning of year	2,075,004	6,270,853	8,345,857	8,335,892
Total net position at end of year	\$ 2,287,342	\$ 5,733,036	\$ 8,020,378	\$ 8,345,857

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Enterprise Funds			2013 Total
	2014			
	Golf Course	Stormwater Utility	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,278,106	\$ 3,670,761	\$ 4,948,867	\$ 5,780,142
Payments to employees	-	(2,649,971)	(2,649,971)	(2,526,622)
Payments to suppliers and contractors	(1,665,362)	(1,119,687)	(2,785,049)	(2,063,893)
Net cash provided by (used for) operating activities	<u>(387,256)</u>	<u>(98,897)</u>	<u>(486,153)</u>	<u>1,189,627</u>
Cash flows from noncapital financing activities:				
Transfers to IPRB Fund	-	(510,000)	(510,000)	(500,000)
Transfers from General Fund	1,496,998	-	1,496,998	1,274,014
Net cash provided by (used for) noncapital financing activities	<u>1,496,998</u>	<u>(510,000)</u>	<u>986,998</u>	<u>(774,014)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(127,336)	(331,580)	(458,916)	(238,069)
Principal paid on capital debt	(602,588)	(86,763)	(689,351)	(643,303)
Proceeds from lease purchase financing	-	330,000	330,000	-
Interest and fiscal charges paid on capital debt	(323,210)	(5,321)	(328,531)	(356,262)
Net cash provided by (used for) capital and related financing activities	<u>(1,053,134)</u>	<u>(93,664)</u>	<u>(1,146,798)</u>	<u>(1,237,634)</u>
Cash flows from investing activities:				
Interest received	114	8,349	8,463	11,740
Net cash provided by (used for) investing activities	<u>114</u>	<u>8,349</u>	<u>8,463</u>	<u>11,740</u>
Net increase (decrease) in cash and cash equivalents	56,722	(694,212)	(637,490)	737,747
Cash and cash equivalents at beginning of year	107,843	5,778,433	5,886,276	5,148,529
Cash and cash equivalents at end of year	\$ 164,565	\$ 5,084,221	\$ 5,248,786	\$ 5,886,276
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (961,564)	\$ (30,845)	\$ (992,409)	\$ (419,527)
Adjustments:				
Increase (decrease) in operating payables	(22,735)	(59,675)	(82,410)	81,432
(Increase) decrease in accounts receivable	1,503	(122,266)	(120,763)	885,804
(Increase) decrease in prepaid items	1,878	-	1,878	(348)
Amortization expense	173,388	-	173,388	106,372
Depreciation expense	420,274	113,889	534,163	535,894
Net cash provided (used) by operating activities	<u>\$ (387,256)</u>	<u>\$ (98,897)</u>	<u>\$ (486,153)</u>	<u>\$ 1,189,627</u>

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

A. REPORTING ENTITY

The financial statements of the City of North Charleston have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City of North Charleston's accounting policies are described below.

As required by GAAP, the financial statements must present the City of North Charleston's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City of North Charleston both appoints a voting majority of the entity's governing body, and either 1) the City of North Charleston is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City of North Charleston. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City of North Charleston and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City of North Charleston.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City of North Charleston having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City of North Charleston; and (c) issue bonded debt without approval by the City of North Charleston. An entity has a financial benefit or burden relationship with the City of North Charleston if, for example, any one of the following conditions exists: (a) the City of North Charleston is legally entitled to or can otherwise access the entity's resources, (b) the City of North Charleston is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City of North Charleston is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City of North Charleston's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City of North Charleston. Based on the criteria above, the City of North Charleston reports two blended component units but has no component units to discretely present.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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, 2014, the Commission had begun one redevelopment plan, but had no financial authority or obligation.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The 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 Position 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 other than the above mentioned blended component units.

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 position.

The City of North Charleston implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65") in the fiscal year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

adopted by the City of North Charleston for the fiscal year ended June 30, 2013. The City of North Charleston's former financial statement items that were affected by the implementation of GASB #65 were its deferred losses on refunding and deferred revenue (for unavailable revenue, property taxes) in its statements of financial position. Under GASB #65, (a) deferred losses on refunding are no longer shown as a reduction in long-term obligations but now are reclassified and shown as a component of deferred outflows of resources and (b) deferred revenue that is not available should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

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 associated with the current year to be available if they are collected within 60 days after year-end. The City generally considers hospitality and accommodations taxes, state aid to subdivisions, business licenses and franchise fees to be available if received within 30 days after year-end. Grant revenues and proceeds from the sale of properties earned during the year 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 activities 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 activities 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.

Major Funds - The 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) have not been restricted, committed or assigned to other funds are accounted for in the General Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Sources of revenue include the rental of the facilities, direct event income through ticket sales, commissions on food and beverage sales and advertising revenue.

Tax Infrastructure Capital Projects 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.

Citywide Capital Improvements Capital Projects Fund – The Citywide Capital Improvements Fund is used to account for and report financial resources that are restricted, committed or assigned to the costs of improvements to various roads and infrastructure and other citywide capital assets owned by the City.

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.

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.

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, Domestic Violence Grant, Lowcountry Regional Analyst Grant, Victims Advocate, State Ports Authority Mitigation Grant, FEMA Firefighter Assistance Grant, School Resource Officer Grant, Port Security Grant, Hispanic Victims Advocate Grant, SAFER Hiring 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 Naval Base and Riverfront Park Fund and the Street Light and Drainage Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Obligation Bonds Debt Service Fund – The General Obligation Bonds 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.

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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/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 six 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-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 \$787,024.

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, 2014, 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)

4. Inventories and Prepaid Items (continued)

expenditures in both the government-wide and fund financial statements. The consumption method of accounting is used to record prepaid expenditures proportionately over the periods that the service is provided.

5. Restricted Assets

Certain proceeds of the City's revenue bonds, general obligation bonds, certificates of participation, installment purchase revenue bonds, capital leases and grant funds, 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/interest payments, unless a surety bond was provided, and (ii) the next succeeding principal/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 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)

7. Compensated Absences (continued)

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. Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are the consumption of net position by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively. The City of North Charleston's deferred outflows of resources consist of (a) the fair value position of its interest rate swaps associated with the certificates of participation debt and the golf course enterprise fund debt and (b) the unamortized difference between the net reacquisition price and the net carrying value of the old debt associated with bond refunding. The City of North Charleston's deferred inflows of resources consist of unavailable revenues related to delinquent property taxes, hospitality taxes, accommodations taxes and other unavailable revenues.

9. 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 Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of applicable unamortized bond premium or discount.

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 shown as a deferred outflow or inflow of resources 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.

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.

10. Unearned and Unavailable 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 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)

10. Unearned and Unavailable Revenue (continued)

period and are classified as unavailable revenue and reported as a deferred inflow of resources. Unavailable revenue in the governmental funds is primarily represented by taxes receivable and amounts due from other governments.

11. 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 can be used only for the specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - This represents amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Only the City Council has the authority to assign fund balance and does so by assigning fund balance through appropriations made during the budgetary process or during the fiscal year through budget amendment actions.

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, 2015 is \$105,632,039, thus \$10,563,204 is the minimum amount to

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)

11. Fund Equity and Balance (continued)

be set aside as the unassigned General Fund balance. As of June 30, 2014, the City's unassigned fund balance for the General Fund was \$20,620,802.

12. Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt (i.e., bonds, leases, notes). 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 Position is represented by 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 Position represents net position that does not meet the definitions of restricted or net investment in capital assets. Unrestricted net position may be designated for management's specific purposes.

13. 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.

14. 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.

15. Extraordinary and Special Items

Extraordinary items are both unusual in nature and infrequent in occurrence. Special items are significant items subject to management control that meet one but not both of the extraordinary items criteria.

16. 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 are deferred and amortized to expenses over the life of the lease.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/EQUITY, REVENUES AND EXPENDITURES/EXPENSES (continued)

17. 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 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. Reimbursements reduce expenditures in the reimbursed fund and increase those in the reimbursing fund.

18. 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, Berkeley 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.

19. Reconciliation from Fund Balances to Net Position

The Reconciliation of Fund Balances to Net Position (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 position and related activities. All significant differences are explained within the reconciliations, and by reference to various other notes to the financial statements.

20. 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 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.

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. The City reports \$1,850,886 in encumbrances assigned in fund balances; \$1,481,034 is assigned in the General Fund, \$289,678 is assigned in the Coliseum Fund and \$80,174 is assigned in all the other nonmajor funds.

B. Fund Deficits and Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2014, 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, 2014, the City had the following cash and investment balances:

Cash on hand	\$	52,203
Carrying amount of deposits		33,915,249
Carrying amount of investments		52,399,094
Total	\$	86,366,546
Statement of Net Position balances:		
Cash and cash equivalents	\$	34,479,624
Cash and cash equivalents – restricted		51,886,922
Total	\$	86,366,546
		Weighted Average
Investments are categorized as follows:	Fair Value	Maturity (Years)
Governmental money market funds	\$ 980,454	.25
State Treasurer's Local Government Investment Pool	51,418,640	.25
Total	\$ 52,399,094	
Portfolio weighted average maturity		.25

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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 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, 2014, the City was exposed to custodial credit risk in the amount of \$205,011 as it was uninsured and uncollateralized. The City had \$33,206,895 in deposits not covered by depository insurance but collateralized by securities.

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, 2014, the City was not exposed to any custodial credit risk for its investments.

B. Receivables, Deferred Inflows of Resources and Unearned Revenue

During the fiscal years from 1996 through 2014, the City applied for and received funds from HOME grants totaling \$5,221,275 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 government-wide and fund financial statements along with a corresponding allowance for uncollectibles for the same amount due to the extenuating circumstances of the loan structure. The outstanding balance of these notes at June 30, 2014 was \$1,383,622.

Property taxes receivables of \$1,710,213 represent total receivables of \$2,497,237 less an estimated allowance for uncollectibles of \$787,024. Receivables of \$285,701 represents delinquent stormwater utility fees billed of \$2,231,907 and golf course user fees of \$22,664 less an estimated allowance for uncollectibles of \$1,968,870. Governmental and business-type activities receivables and amounts due from other governments as of June 30, 2014 in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities	Business-Type Activities	Total
Notes receivable – restricted	\$ 1,383,622	\$ -	\$ 1,383,622
Property taxes	2,497,237	-	2,497,237
Sales, accommodation & hospitality taxes	4,221,251	-	4,221,251
State aid to subdivision	463,867	-	463,867
Business licenses	853,358	-	853,358
Franchise fees	6,921,496	-	6,921,496
Grant income	947,418	-	947,418
Settlement agreement	10,210,000	-	10,210,000
Project reimbursement	4,437,698	-	4,437,698
Rents & other receivables	1,283,860	-	1,283,860
Proceeds from sale of property	1,850,000	-	1,850,000
User fees	-	2,254,571	2,254,571
Gross receivables	35,069,807	2,254,571	37,324,378
Less: allowance for uncollectibles	(2,170,646)	(1,968,870)	(4,139,516)
Net total receivables	\$ 32,899,161	\$ 285,701	\$ 33,184,862

III. DETAILED NOTES ON ALL FUNDS (continued)

B. **Receivables, Deferred Inflows of Resources and Unearned Revenue** (continued)

As of June 30, 2014, the City reported the following for the governmental activities in the Statement of Net Position:

Receivables, net	\$ 11,385,108
Due from other governments	21,514,053
Total	<u>\$32,899,161</u>

Special item – settlement agreement - In February 2013, the City of North Charleston and the S.C. Department of Commerce, through its division known as the S.C. Public Railways, entered into a settlement agreement and release concerning a dispute relative to the development of and including rail access to an inter-modal container transfer facility located in the City of North Charleston. This settlement agreement also results in the transfer of title to property between both parties. Terms of the agreement state that S.C. Public Railways will pay \$8 million to the City of North Charleston over a four year period. Public Railways will also assume responsibility for debt service payments relative to the Navy Base Tax Increment Finance District debt outstanding at the time of the agreement, which had an outstanding balance of \$6,210,000 as of June 30, 2014.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also record unearned revenues in connection with resources that have been received, but not yet earned. At June 30, 2014, the various components of unavailable/unearned revenue were as follows:

<u>Governmental Funds:</u>	Fund	Unavailable	Unearned	Total
Property taxes receivable	General	\$ 931,602	\$ -	\$ 931,602
Due from other governments:				
Other taxes	General	2,377,223	-	2,377,223
Settlement agreement	General	4,000,000	-	4,000,000
Settlement agreement	Tax Infrastructure	6,210,000	-	6,210,000
Deposits	Tax Infrastructure	-	42,000	42,000
Ticket sales and deposits	Coliseum	-	2,118,671	2,118,671
Facility improvements receivable	IPRB Cap. Projects.	781,237	-	781,237
Total Unavailable/Unearned Revenue		<u>\$14,300,062</u>	<u>\$ 2,160,671</u>	<u>\$16,460,733</u>

C. **Capital Assets, Depreciation Expense**

Capital asset activity for the year ending June 30, 2014 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$44,908,602	\$ 1,808,978	\$ 650,034	\$ -	\$46,067,546
Construction in progress	31,579,748	39,598,864	-	(22,425,169)	48,753,443
Total assets not being depreciated	<u>76,488,350</u>	<u>41,407,842</u>	<u>650,034</u>	<u>(22,425,169)</u>	<u>94,820,989</u>
Capital assets being depreciated:					
Buildings	151,110,961	1,706,502	2,000,000	-	150,817,463
Infrastructure	39,676,425	327,696	-	-	40,004,121
Improvements other than buildings	55,683,308	1,117,781	-	22,425,169	79,226,258
Machinery and equipment	63,202,361	4,750,534	1,541,662	-	66,411,233
Total capital assets being depreciated	<u>309,673,055</u>	<u>7,902,513</u>	<u>3,541,662</u>	<u>22,425,169</u>	<u>336,459,075</u>
Less accumulated depreciation for:					
Buildings	36,949,753	2,230,026	63,333	-	39,116,446
Infrastructure	8,930,323	1,032,594	-	-	9,962,917
Improvements other than buildings	15,545,184	1,432,454	-	-	16,977,638
Machinery and equipment	42,360,356	3,849,823	1,494,447	-	44,715,732
Total accumulated depreciation	<u>103,785,616</u>	<u>8,544,897</u>	<u>1,557,780</u>	<u>-</u>	<u>110,772,733</u>
Total capital assets being depreciated, net	<u>205,887,439</u>	<u>(642,384)</u>	<u>1,983,882</u>	<u>22,425,169</u>	<u>225,686,342</u>
Governmental activities capital assets, net	<u>\$282,375,789</u>	<u>\$40,765,458</u>	<u>\$ 2,633,916</u>	<u>\$ -</u>	<u>\$320,507,331</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets, Depreciation Expense (continued)

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$1,397,188	\$ -	\$ -	\$1,397,188
Total assets not being depreciated	<u>1,397,188</u>	<u>-</u>	<u>-</u>	<u>1,397,188</u>
Capital assets being depreciated:				
Buildings	3,308,651	13,462	-	3,322,113
Improvements	8,043,375	-	-	8,043,375
Machinery and equipment	3,816,715	445,454	63,558	4,198,611
Total capital assets being depreciated	<u>15,168,741</u>	<u>458,916</u>	<u>63,558</u>	<u>15,564,099</u>
Less accumulated depreciation for:				
Buildings	1,158,904	92,255	-	1,251,159
Improvements	2,973,897	244,033	-	3,217,931
Machinery and equipment	3,032,537	197,875	63,558	3,166,853
Total accumulated depreciation	<u>7,165,338</u>	<u>534,163</u>	<u>63,558</u>	<u>7,635,943</u>
Total capital assets being depreciated, net	<u>8,003,403</u>	<u>(75,247)</u>	<u>-</u>	<u>7,928,156</u>
Business-type activities capital assets, net	<u>\$ 9,400,591</u>	<u>\$ (75,247)</u>	<u>\$ -</u>	<u>\$ 9,325,344</u>

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

<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 2,067,965	\$ -
Public safety	2,986,938	-
Sanitation	593,796	-
Culture and recreation	2,237,886	-
Community development	658,312	-
Stormwater utility	-	113,889
Golf course	-	420,274
Total Depreciation Expense	<u>\$ 8,544,897</u>	<u>\$ 534,163</u>

D. Interfund Receivables, Payables and Transfers

The following is a schedule of interfund balances at June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 102,933
	Domestic Violence Grant	50,154
	SAFER Hiring Grant	108,914
	Anti-Drug	83,415
	Hispanic Victim Advocate Grant	11,172
	Justice Assistance Grant	28,635
Total due General Fund		<u>385,223</u>
Port Security Grant Fund	General Fund	<u>6,022</u>
Total due from all funds		<u>\$ 391,245</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.

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.

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund Receivables, Payables and Transfers (continued)

The following is a schedule of interfund transfers for the fiscal year ending June 30, 2014:

<u>Transfer In:</u>	General <u>Fund</u>	<u>Transfer Out</u>			<u>Total</u>
		Tax <u>Fund</u>	Infrastructure <u>Fund</u>	Proprietary <u>Funds</u>	
Inst. Pur. Rev. Bd Cap. Proj. Fund	\$ -	\$ 2,800,000	\$ -	\$ 9,573,058	\$12,373,058
Citywide Cap. Improvements Fund	2,000,000	-	-	-	2,000,000
Coliseum Operating Fund	829,529	-	-	89,548	919,077
Proprietary Funds	1,496,998	-	-	-	1,496,998
Nonmajor Governmental Funds	<u>3,388,436</u>	-	<u>510,000</u>	<u>5,009,361</u>	<u>8,907,797</u>
Total Transfers Out	<u>\$7,714,963</u>	<u>\$ 2,800,000</u>	<u>\$ 510,000</u>	<u>\$14,671,967</u>	<u>\$25,696,930</u>

E. Short-term Obligations

The City of North Charleston did not issue any short-term debt during the fiscal year ending June 30, 2014 and, therefore, there was no short-term debt outstanding as of June 30, 2014.

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.

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 outstanding as of June 30, 2014 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%	\$ 425,000
\$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%	355,000
\$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%	355,000
\$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%	200,000
\$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%	695,000
\$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%	1,715,000
\$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>18,760,000</u>
Total General Obligation Bonds	<u>\$ 22,505,000</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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, 2014, the City of North Charleston received \$339,005 in interest payment subsidies to help offset the \$958,484 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 <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,445,000	689,500	2,134,500
2019	1,490,000	617,006	2,107,006
2020-2024	8,140,000	1,919,190	10,059,190
2025-2029	<u>3,605,000</u>	<u>179,445</u>	<u>3,784,445</u>
Total	<u>\$22,505,000</u>	<u>\$ 6,100,002</u>	<u>\$28,605,002</u>

Certificates of Participation - Certificates of participation ("Certificates") relate to debt issued by North Charleston Public Facilities Corporation ("Corporation"), a nonprofit corporation whose principal purpose is to facilitate the financing of public capital projects. The Corporation issued in 1997 \$67,285,000 in 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. 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 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 Position. The reacquisition price exceeded the carrying amount by \$2,088,273, and is being amortized over the life of the refunded debt and is being reported as a deferred outflow of resources. 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 Corporation issued \$43,850,000 in Series 2008 Certificates (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 Position. The reacquisition price exceeded the carrying amount by \$1,283,969, which is being amortized over the life of the refunded debt and is being reported as a deferred outflow of resources. 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.

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

As mentioned above, the defeased debt liability as the result of advance refundings has been removed from the Statement of Net Position. The outstanding amount of defeased Series 1997 Certificates at June 30, 2014 totaled \$10,340,000.

Certificates of participation outstanding as of June 30, 2014:

\$27,055,000 in certificates issued in January 2005, with principal due in annual installments of \$195,000 to \$3,555,000 through September 2019, and monthly variable interest (.05% at June 30, 2014) fixed at 3.27% by an interest rate swap	\$19,545,000
\$43,850,000 in certificates issued in September 2008, with principal due in annual installments of \$1,910,000 to \$6,710,000 through September 2021, and semi-annual interest ranging from 4.0% to 5.0%	<u>28,375,000</u>
Total Certificates of Participation	47,920,000
Add: Unamortized premiums	683,423
Less: Unamortized discounts	<u>(36,775)</u>
Net Certificates of Participation	<u>\$48,566,648</u>

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
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	6,685,000	1,066,754	7,751,754
2019	7,160,000	791,648	7,951,648
2020-2024	<u>16,670,000</u>	<u>801,506</u>	<u>17,471,506</u>
Total	<u>\$47,920,000</u>	<u>\$ 7,379,225</u>	<u>\$55,299,225</u>

Installment Purchase Revenue Bonds - Installment purchase revenue bonds relate to debt issued by the Corporation. 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 outstanding as of June 30, 2014:

\$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%	\$49,935,000
Add: Unamortized premiums	<u>3,681,917</u>
Net Installment Purchase Revenue Bonds	<u>\$53,616,917</u>

Annual debt service requirements to maturity for the installment purchase revenue bonds are as follows:

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
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	1,485,000	2,010,812	3,495,812
2019	1,555,000	1,942,563	3,497,563
2020-2024	8,880,000	8,605,563	17,485,563
2025-2029	10,910,000	6,572,475	17,482,475
2030-2034	13,375,000	4,121,000	17,496,000
2035-2039	9,680,000	816,600	10,496,600
Total	<u>\$49,935,000</u>	<u>\$ 30,512,950</u>	<u>\$80,447,950</u>

Tax Increment Financing Bonds - During 1996, City Council approved the Tax Increment Finance (TIF) District for the city center 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 Capital Projects 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 Position.

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, 2014 was \$16,080,000, plus \$697,774 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 Capital Projects Fund. Principal is payable in annual installments beginning December 1, 2006 through 2018 with variable interest (.05% at June 30, 2014) 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, 2014 was \$4,710,000 less \$19,518 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 Capital Projects Fund. Principal is payable in annual installments beginning in March 2008 through 2037 with variable interest (.05% at June 30, 2014), 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, 2014 was \$6,210,000. As discussed in Note III.B, S.C. Public Railways has assumed responsibility for the debt service payments on these bonds.

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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 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 June 30	Governmental Activities		
	Principal	Interest	Total
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	1,150,000	268,064	1,418,064
2019	1,190,000	230,495	1,420,495
2020-2024	1,030,000	956,044	1,986,044
2025-2029	1,275,000	720,367	1,995,367
2030-2034	1,560,000	432,438	1,992,438
2035-2039	<u>1,510,000</u>	<u>93,686</u>	<u>1,603,686</u>
Total	<u>\$27,000,000</u>	<u>\$ 4,902,138</u>	<u>\$31,902,138</u>

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, 2014 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 (.05% at June 30, 2014) fixed at 3.58% by an interest rate swap on the full amount of the note

Unamortized discounts

Total long-term debt portion, net of discounts and deferred charges

\$	7,085,000
(33,830)
\$	<u>7,051,170</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 Position. 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 and is being reported as a deferred outflow of resources. 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 Position. There is no outstanding amount of defeased Series 1998 golf course mortgage revenue bonds at June 30, 2014 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:

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 595,000	\$ 253,643	\$ 848,643
2016	620,000	232,342	852,342
2017	640,000	210,146	850,146
2018	665,000	187,234	852,234
2019	690,000	163,427	853,427
2020-2024	3,875,000	426,915	4,301,915
Total	<u>\$7,085,000</u>	<u>\$1,473,707</u>	<u>\$8,558,707</u>

The City is required to comply with various covenants and restrictions of the revenue bonds 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 2024. 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, 2014 are as follows:

\$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%	16,439
\$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%	98,487
\$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%	220,341
\$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%	443,067
\$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%	744,097
\$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%	10,378

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

\$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%	1,114,164
\$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%	376,425
\$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 quarters, including interest ranging from 1.43% to 2.35%	1,354,186
\$2,865,000 ten-year lease agreement with JP Morgan Chase Equipment Finance, dated September 2012, in 3 separate amortization schedules of \$1,165,000 (10 yrs), \$545,000 (7 yrs) and \$1,155,000 (5 yrs) payable in quarterly installments of \$59,585 for 20 quarters, \$20,502 for 28 quarters and \$31,777 for 40 quarters, including interest ranging from 1.24% to 1.76%	2,145,791
\$544,447 five-year lease agreement with Branch Banking & Trust Government Finance, dated March 2013, due in quarterly installments of \$28,219, including interest at 1.38%	411,831
\$4,425,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated September 2013, in 3 separate amortization schedules of \$1,125,756 (10 yrs), \$1,156,000 (7 yrs) and \$2,143,244 (5 yrs) payable in quarterly installments of \$110,699 for 20 quarters, \$43,756 for 28 quarters and \$31,461 for 40 quarters, including interest ranging from 1.24% to 2.22%	<u>3,918,195</u>
Total Lease Obligations	<u>\$10,853,401</u>

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 2,524,962	\$ 203,166	\$ 87,047	\$ 5,018	\$ 2,820,192
2016	2,232,223	149,399	53,234	3,814	2,438,670
2017	1,882,933	104,614	46,928	3,035	2,037,510
2018	1,509,176	67,482	47,694	2,270	1,626,622
2019	828,052	41,505	48,471	1,492	919,520
2020-2024	<u>1,530,979</u>	<u>52,580</u>	<u>61,702</u>	<u>752</u>	<u>1,646,014</u>
Total	<u>\$10,508,325</u>	<u>\$ 618,746</u>	<u>\$345,076</u>	<u>\$ 16,381</u>	<u>\$11,488,528</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

Changes in long-term obligations - Activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligations bonds	\$ 25,920,000	\$ -	\$ 3,415,000	\$ 22,505,000	\$ 3,545,000
Certificates of participation	52,935,000	-	5,015,000	47,920,000	5,385,000
Inst. purchase revenue bonds	51,180,000	-	1,245,000	49,935,000	1,285,000
Tax increment bonds	<u>32,865,000</u>	<u>-</u>	<u>5,865,000</u>	<u>27,000,000</u>	<u>6,135,000</u>
Total bonds payable	162,900,000	-	15,540,000	147,360,000	16,350,000
Premiums	5,669,714	-	606,600	5,063,114	-
Discounts	<u>(70,368)</u>	<u>-</u>	<u>(14,075)</u>	<u>(56,293)</u>	<u>-</u>
Total bonds payable, net	168,499,346	-	16,132,525	152,366,821	16,350,000
Capital lease obligations	8,943,118	4,095,000	2,529,793	10,508,325	2,524,962
Compensated absences	<u>3,227,966</u>	<u>5,087,105</u>	<u>4,159,337</u>	<u>4,155,734</u>	<u>3,947,947</u>
Total governmental activities	<u>\$180,670,430</u>	<u>\$ 9,182,105</u>	<u>\$22,821,655</u>	<u>\$167,030,880</u>	<u>\$22,822,909</u>
Business-type Activities:					
Bonds payable	\$ 7,660,000	\$ -	\$ 575,000	\$ 7,085,000	\$ 595,000
Discounts	<u>(37,590)</u>	<u>-</u>	<u>(3,760)</u>	<u>(33,830)</u>	<u>-</u>
Total bonds payable, net	7,622,410	-	571,240	7,051,170	595,000
Capital lease obligations	129,427	330,000	114,351	345,076	87,047
Compensated absences	<u>90,916</u>	<u>89,712</u>	<u>90,417</u>	<u>90,211</u>	<u>80,288</u>
Total business-type activities	<u>\$ 7,842,753</u>	<u>\$ 419,712</u>	<u>\$ 776,008</u>	<u>\$ 7,486,457</u>	<u>\$ 762,335</u>

Derivative Disclosures:

Interest Rate Swaps - The City has entered into two interest rate swap agreements for two 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 had an initial 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 had an initial 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, 2014 for the interest rate swaps are as follows:

Reported in:	Changes in Fair Values		Fair Values at June 30, 2014		Notional Amount at 6/30/2014
	Reported as	Amount	Reported as	Amount	
Governmental Activities					
Cash Flow Hedges	Deferred outflow	\$(396,265)	Derivative Instrument	\$(1,225,264)	\$19,545,000
Interest Rate Swaps	of resources		Liability		
Business-type Activities					
Cash Flow Hedges	Deferred outflow	\$(120,029)	Derivative Instrument	\$(877,781)	\$ 7,085,000
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, 2014, 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.

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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. As of June 30, 2014, the City had a negative fair value of \$2,103,045 in the two interest rate swap agreements.

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, 2014, 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:

FYE June 30	<u>Variable-Rate Bonds</u>			<u>Adjustment to Current</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Variable Rates</u>	<u>Net Debt Service</u>
2015	\$ 4,595,000	\$ 1,217,180	\$ 5,812,180	\$ (447,296)	\$ 5,364,884
2016	4,770,000	1,064,063	5,834,063	(403,039)	5,431,024
2017	4,940,000	903,406	5,843,406	(355,395)	5,488,011
2018	5,125,000	737,990	5,862,990	(307,028)	5,555,962
2019	5,315,000	566,333	5,881,333	(256,801)	5,624,532
2020-2024	8,460,000	1,441,083	9,901,083	(963,628)	8,937,455
2025-2029	1,275,000	720,367	1,995,367	(710,730)	1,284,637
2030-2034	1,560,000	432,438	1,992,438	(426,256)	1,566,182
2035-2039	1,510,000	93,686	1,603,686	(91,761)	1,511,925
Total	<u>\$37,550,000</u>	<u>\$7,176,546</u>	<u>\$44,726,546</u>	<u>\$ (3,961,934)</u>	<u>\$40,764,612</u>

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, 2014 amounted to \$4,245,945, \$4,155,734 of which relates to governmental activities and \$90,211 of which relates to business-type activities. City employees had accumulated sick leave benefits of \$8,714,507 at June 30, 2014, 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

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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. Facility Rental Revenue

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 in September 2012, in the amount of \$793,252 for the first year of the lease with increases per year for years two through five. The City also expended \$4,120,000 to provide for improvements and renovations to the facility, of which \$1,233,532 is to be reimbursed back to the City over the first five years of the lease, including interest at 8%. The balance of the receivable at June 30, 2014 was \$781,237.

Estimated future annual lease income for the long-term lease in effect as of June 30, 2014 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	\$ 829,833
2016	850,609
2017	871,981
2018	145,927

H. Net Position Classification

Net investment in capital assets for governmental activities as of June 30, 2014:

Capital assets, net of accumulated depreciation	\$ 320,507,331
Less capital related debt, net of unamortized discounts, amounts on refunding, plus premiums	(161,587,128)
Add capital debt unspent proceeds:	
Bonds and capital leases	<u>22,850,517</u>
Net investment in capital assets	<u>\$ 181,770,720</u>

Restricted net position includes 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

IV. OTHER INFORMATION (continued)

A. Risk Management (continued)

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 \$15,590,980, while for workers compensation, the individual stop losses must exceed \$600,000 and the aggregate stop-losses must exceed \$3,000,000. 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, 2014. At June 30, 2014, the amount of this liability is the City's best estimate, based on the available information. Changes in the reported liability since July 1, 2009 resulted from the following:

Year Ended June 30	Liability at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability at Year End
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
2013	5,153,079	13,839,208	(13,465,032)	5,527,255
2014	5,527,255	12,660,570	(14,013,162)	4,174,663

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 \$7,146,008 of \$46,732,136 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 \$17,500, 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 the 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 \$278,931. There were no changes in plan provisions during the year and, as of June 30, 2014, 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 \$17,500 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 \$169,863 during fiscal year ending June 30, 2014.

Full-time employees of the City are covered under two different retirement plans. City employees, except for fire and police department sworn service personnel, are required to participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. City sworn police officers and firefighting personnel are required to participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan.

IV. OTHER INFORMATION (continued)

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

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The SCPORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plans' provisions are established under Title 9 of the South Carolina Code of Laws and are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Both employees and the City are required to contribute to the plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual earnings. Employees covered under the plans are required to contribute 7.5% or 7.84% of salary for the SCRS and SCPORS, respectively. The City is required to contribute 12.84% of gross earnings under SCPORS and 10.6% under SCRS. Current year's payrolls covered under both were \$20,846,552 and \$25,727,728 for the SCRS and SCPORS, 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, 2014 amounted to \$343,156. Actual retirement contributions made during the year were as follows:

	<u>SCPORS</u>	<u>% of Covered Payroll</u>	<u>SCRS</u>	<u>% of Covered Payroll</u>
Fiscal Year Ended June 30, 2014:				
Employees	\$ 2,009,100	7.84%	\$ 1,557,762	7.50%
City	3,200,529	12.84%	2,178,465	10.60%
Fiscal Year Ended June 30, 2013:				
Employees	\$ 1,655,208	7.00%	\$ 1,387,226	7.00%
City	2,916,196	12.30%	2,106,722	10.60%
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%

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

Plan Description - The City 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. The OPEB Health Plan is approved by the Mayor and City Council of the City. Section 2-198 of the Code of Ordinances of the City established the authority for post-employment healthcare. As of July 1, 2013, the measurement date, there were 1,193 covered participants; 79 members are retirees and 1,114 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, 2014, the City contributed \$1,013,510 to the plan while total member contributions were \$202,503.

IV. OTHER INFORMATION (continued)

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

The City'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.

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, 2013 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>\$(2,075,948)</u>
Interest on Net OPEB Obligation (Asset)	(103,797)
Annual Required Contribution	1,598,781
Adjustment to Annual Required Contribution	<u>93,088</u>
Annual OPEB Cost	1,588,072
Contributions made for the plan year	<u>(2,278,983)</u>
Increase (Decrease) in Net OPEB Obligation	<u>(690,911)</u>
Net OPEB Obligation (Asset)—End of Plan Year	<u>\$ (2,766,859)</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) were as follows:

IV. OTHER INFORMATION (continued)

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

<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, 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
July 1, 2011	\$ 1,760,135	\$ 1,970,021	111.9%	\$ (2,075,948)	June 30, 2013
July 1, 2013	\$ 1,588,072	\$ 2,278,983	143.5%	\$ (2,766,859)	June 30, 2014

Contributions include \$1,062,970 paid by the City of North Charleston to the OPEB Plan Trust to fund the June 30, 2014 net OPEB obligation and \$1,216,013 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, 2013 is as follows:

<u>Schedule of Funding Progress</u>						
<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL</u> <u>Percentage of</u> <u>Covered Payroll</u> <u>((b-a)/c)</u>
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	29.71%	\$38,938,750	36.2%
July 1, 2013	\$ 8,886,271	\$ 20,356,830	\$ 11,470,559	43.65%	\$43,239,053	26.5%

After the City's contributions for fiscal year ending June 30, 2014, assets in the City's OPEB Plan Trust at June 30, 2014 were \$9,664,644.

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 Management 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.

IV. OTHER INFORMATION (continued)

E. Significant Long-Term Management Contracts (continued)

Under the facilities management agreement, Classic Golf Management 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 increased 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 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 2014, total monthly fees paid were \$341,883. 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.

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, 2014 as follows:

Governmental funds:

Special revenue and capital projects funds	<u>\$ 56,973,653</u>
Total governmental funds	<u>\$ 56,973,653</u>

G. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB #68"), was issued by the Governmental Accounting Standards Board in June 2012. The primary objective of GASB #68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability that plan. It is GASB's intention that GASB #68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

In particular, GASB #68 will require the City to recognize a net pension liability (and related deferred outflows and inflows of resources) for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the City's governmental funds.

The City has been in communication with PEBA on the effect of implementing GASB # 68. Based on recent information provided by PEBA, it is anticipated that the City's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the City's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$83,836,000 and \$3,273,000 for the governmental activities and business-type activities, respectively, and by approximately \$3,273,000 for the Stormwater Utility Enterprise Fund.

IV. OTHER INFORMATION (continued)

H. Subsequent Events

In October 2014, the City entered into a lease agreement with First Citizens Bank & Trust related to the purchase of \$5,548,000 in vehicles and equipment. The lease is a ten year lease with separate amortization schedules of \$580,000 (3 yrs), \$2,216,000 (5 yrs), \$1,552,000 (7 yrs) and \$1,200,000 (10 yrs) in quarterly installments of \$256,731 for 12 quarters, \$207,545 for 20 quarters, \$92,420 for 28 quarters and \$33,322 for 40 quarters, including interest ranging from 1.08% to 2.09%.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual
	Original	Final			
Revenues:					
Property taxes	\$ 43,550,000	\$ 42,000,000	\$ 40,627,811	\$ (1,372,189)	\$ 39,943,030
Licenses and permits	30,395,000	32,195,000	32,991,422	796,422	31,420,738
Intergovernmental	15,344,808	16,333,055	17,667,548	1,334,493	15,724,040
Fines and forfeitures	1,800,000	1,800,000	1,374,321	(425,679)	1,316,717
Charges for services	1,775,000	1,802,623	1,611,405	(191,218)	1,918,865
Revenues from use of monies and property	1,974,000	1,999,000	2,445,904	446,904	1,926,363
Other revenues	499,856	701,178	883,983	182,805	442,195
Total revenues	<u>95,338,664</u>	<u>96,830,856</u>	<u>97,602,394</u>	<u>771,538</u>	<u>92,691,948</u>
Expenditures:					
General government:					
Executive	2,017,993	2,088,168	2,051,461	36,707	2,013,597
Facilities	4,637,610	4,668,804	4,661,035	7,769	4,502,117
City Council	465,962	465,962	455,831	10,131	462,226
Finance	896,859	901,859	901,018	841	872,791
Purchasing	408,094	481,046	479,400	1,646	397,758
Information systems	1,460,946	1,714,846	1,704,588	10,258	1,473,278
Municipal court	1,247,551	1,247,551	1,169,982	77,569	1,238,063
Human resources	2,688,879	2,688,879	1,771,374	917,505	1,869,145
Legal	1,115,699	1,369,049	1,358,007	11,042	1,343,506
Maintenance	9,207,402	11,349,810	11,338,999	10,811	9,756,902
Total general government	<u>24,146,995</u>	<u>26,975,974</u>	<u>25,891,695</u>	<u>1,084,279</u>	<u>23,929,383</u>
Public safety:					
Police	33,032,403	33,946,162	33,877,087	69,075	31,705,731
Fire	17,798,795	18,444,199	18,420,670	23,529	17,639,861
Building inspections	1,387,578	1,407,744	1,402,924	4,820	1,314,920
Total public safety	<u>52,218,776</u>	<u>53,798,105</u>	<u>53,700,681</u>	<u>97,424</u>	<u>50,660,512</u>
Sanitation:					
Sanitation	5,809,160	6,346,878	6,099,718	247,160	5,756,066
Total sanitation	<u>5,809,160</u>	<u>6,346,878</u>	<u>6,099,718</u>	<u>247,160</u>	<u>5,756,066</u>

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)
(continued)

	2014			Variance with Final Budget - Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Community promotion:					
Community promotion	445,000	500,000	498,772	1,228	404,500
Total community promotion	445,000	500,000	498,772	1,228	404,500
Culture and recreation:					
Fire museum	607,902	617,715	525,488	92,227	553,975
Recreation and parks	5,052,901	5,417,662	5,404,130	13,532	5,068,010
Cultural arts	908,369	930,468	887,670	42,798	884,998
Total culture and recreation	6,569,172	6,965,845	6,817,288	148,557	6,506,983
Community development:					
Planning & zoning	1,072,924	1,089,543	1,083,524	6,019	861,323
Code enforcement	1,206,060	1,230,503	1,168,979	61,524	1,137,525
Total community development	2,278,984	2,320,046	2,252,503	67,543	1,998,848
Debt Service:					
Principal	2,370,461	2,530,461	2,529,793	668	2,302,010
Interest and fiscal charges	243,408	246,408	246,209	199	239,077
Total debt service	2,613,869	2,776,869	2,776,002	867	2,541,087
Total expenditures	94,081,956	99,683,717	98,036,659	1,647,058	91,797,379
Excess (deficiency) of revenues over expenditures	1,256,708	(2,852,861)	(434,265)	2,418,596	894,569
Other financing sources (uses):					
Transfers (out)	(5,451,708)	(7,716,833)	(7,714,963)	1,870	(5,402,294)
Proceeds from sale of property	100,000	3,050,000	3,596,512	546,512	186,676
Capital lease obligations	4,095,000	4,095,000	4,095,000	-	3,409,447
Total other financing sources (uses)	(1,256,708)	(571,833)	(23,451)	546,512	(1,806,171)
Special item - settlement agreement	-	2,000,000	2,000,000	-	2,000,000
Net change in fund balance	-	(1,424,694)	1,542,284	2,965,108	1,088,398
Fund balance at beginning of year	25,625,239	25,625,239	25,625,239	-	24,536,841
Fund balance at end of year	\$ 25,625,239	\$ 24,200,545	\$ 27,167,523	\$ 2,965,108	\$ 25,625,239

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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			Variance with Final Budget- Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Revenues from use of monies and property	\$ 4,666,404	\$ 5,666,404	\$ 5,774,814	\$ 108,410	\$ 5,125,276
Total revenues	<u>4,666,404</u>	<u>5,666,404</u>	<u>5,774,814</u>	<u>108,410</u>	<u>5,125,276</u>
Expenditures:					
Culture and recreation:					
Insurance	100,000	110,000	111,116	(1,116)	108,754
Contractual services:					
Operating	4,983,457	5,883,457	5,814,606	68,851	5,051,722
Management and administration	625,620	715,620	678,622	36,998	661,964
Capital outlay	205,555	205,555	89,547	116,008	166,615
Total expenditures	<u>5,914,632</u>	<u>6,914,632</u>	<u>6,693,891</u>	<u>220,741</u>	<u>5,989,055</u>
Excess (deficiency) of revenues over expenditures	<u>(1,248,228)</u>	<u>(1,248,228)</u>	<u>(919,077)</u>	<u>329,151</u>	<u>(863,779)</u>
Other financing sources (uses):					
Transfers in	1,248,228	1,248,228	919,077	(329,151)	863,779
Total other financing sources (uses)	<u>1,248,228</u>	<u>1,248,228</u>	<u>919,077</u>	<u>(329,151)</u>	<u>863,779</u>
Net change in fund balance	-	-	-	-	-
Fund balance at beginning of year	<u>332,198</u>	<u>332,198</u>	<u>332,198</u>	<u>-</u>	<u>332,198</u>
Fund balance at end of year	<u>\$ 332,198</u>	<u>\$ 332,198</u>	<u>\$ 332,198</u>	<u>\$ -</u>	<u>\$ 332,198</u>

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

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.

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.

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.

Domestic Homicide Violence Prevention Grant accounts for Federal grants expended by the City that are funded by the U.S. Department of Justice. These funds are used to implement domestic violence homicide reduction and provide victims with protection and services.

Victims Advocate accounts for court fines received from certain violators to be expended for 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.

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

SAFER Hiring Grant Fund accounts for Federal funds received through the Federal Emergency Management Agency (FEMA) for the purpose of hiring additional firefighter personnel that will improve the Fire department's staffing and deployment capabilities which will allow it to more effectively respond to emergencies.

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.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

(continued)

FEMA Firefighter Assistance Grant Fund 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.

SLED 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.

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.

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.

General Obligation Bonds account for funding the accumulation of resources for, and the retirement of, the general obligation bonds issued.

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

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

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.

Naval Base & Riverfront Park Capital Projects Fund accounts for the funding sources and construction costs of capital projects associated with the redevelopment of the former Navy Base property and the development of the Riverfront Park.

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, 2014
(With Comparative Totals at June 30, 2013)

	Special Revenue Funds	General Obligation Bonds Debt Service Fund	Certificates of Participation Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
						2014
						2013
Assets						
Cash and cash equivalents	\$ 149,681	\$ 2,105,898	\$ -	\$ -	\$ 622,828	\$ 2,878,407
Accounts receivable	-	-	6,130	-	-	6,130
Due from other funds	6,022	-	-	-	-	6,022
Due from other governments	463,953	-	420,365	-	-	884,318
Restricted assets:						
Cash and cash equivalents	3,536,639	-	2,971,393	-	4,878,465	11,386,497
Notes receivable	-	-	-	-	-	10,070,341
Total assets	\$ 4,156,295	\$ 2,105,898	\$ 3,397,888	\$ -	\$ 5,501,293	\$ 15,161,374
						\$ 27,222,946
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 316,594	\$ -	4,927	\$ -	72,713	\$ 394,234
Escrow for seized funds	430,247	-	-	-	-	430,247
Due to other funds	385,223	-	-	-	-	385,223
Total liabilities	1,132,064	-	4,927	-	72,713	1,209,704
						\$ 1,223,831
Deferred Inflows of Resources:						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
						\$ 1,423,370
Fund balances:						
Restricted for:						
Public safety and public service	2,944,057	-	-	-	-	2,944,057
Facility and infrastructure improvements	-	-	-	-	5,428,580	5,428,580
Debt service	-	2,105,898	3,392,961	-	-	5,498,859
Assigned for:						
Community promotions	80,174	-	-	-	-	80,174
Total fund balances	3,024,231	2,105,898	3,392,961	-	5,428,580	13,951,670
						\$ 24,575,745
Total liabilities, deferred inflows of resources and fund balances	\$ 4,156,295	\$ 2,105,898	\$ 3,397,888	\$ -	\$ 5,501,293	\$ 15,161,374
						\$ 27,222,946

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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Special Revenue Funds	General Obligation Bonds Debt Service Fund	Certificates of Participation Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
						2014
						2013
Revenues:						
Property taxes	\$ -	\$ 1,500,000	\$ -	\$ 2,000,000	\$ -	\$ 3,500,000
Intergovernmental	6,004,273	717,005	4,622,873	-	37,168	11,381,319
Fines and forfeitures	543,859	-	-	-	-	543,859
Revenues from the use of monies and property	725,987	4,073	299,781	166	22,670	1,052,677
Total revenues	7,274,119	2,221,078	4,922,654	2,000,166	59,838	16,477,855
Expenditures:						
Public safety:						
Police department	1,068,239	-	-	-	-	1,068,239
Fire department	438,656	-	-	-	-	438,656
Community promotion:						
Community promotion	811,732	-	-	-	-	811,732
Culture and recreation:						
Special projects	654,552	-	-	-	-	654,552
Community development:						
Community development	743,018	-	-	-	-	743,018
HOME program	190,686	-	-	-	-	190,686
Capital outlay:						
Parking, walkways and infrastructure	-	-	-	-	2,263,117	2,263,117
Debt service:						
Principal	-	3,415,000	5,015,000	1,245,000	-	9,675,000
Interest and fiscal charges	-	1,170,830	2,069,097	2,252,833	-	5,492,760
Bond issuance costs	-	-	-	-	-	-
Total expenditures	3,906,883	4,585,830	7,084,097	3,497,833	2,263,117	21,337,760
Excess (deficiency) of revenues over expenditures	3,367,236	(2,364,752)	(2,161,443)	(1,497,667)	(2,203,279)	(4,859,905)
Other financing sources (uses):						
Transfers in	46,391	2,364,752	3,047,485	1,497,667	1,951,502	8,907,797
Transfers (out)	(3,057,860)	(2,041,049)	-	-	(9,573,058)	(14,671,967)
Total other financing sources (uses)	(3,011,469)	323,703	3,047,485	1,497,667	(7,621,556)	(5,764,170)
Net change in fund balances	355,767	(2,041,049)	886,042	-	(9,824,835)	(10,624,075)
Fund balances at beginning of year	2,668,464	4,146,947	2,506,919	-	15,253,415	24,575,745
Fund balances at end of year	\$ 3,024,231	\$ 2,105,898	\$ 3,392,961	\$ -	\$ 5,428,580	\$ 24,575,745

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014
(With Comparative Totals at June 30, 2013)

	Tax Fund Types			Community			Public Safety and	
	City			Development			Service Fund Types	
	Accommo- dations Tax	Accommo- dations Tax		CDBG	HOME		Port Security Grant	SRO Grant
Assets								
Cash and cash equivalents	\$ 80,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-	6,022	-
Due from other governments	-	-	-	186,591	15,133	-	20,434	-
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-
Total assets	\$ 80,624	\$ -	\$ -	\$ 186,591	\$ 15,133	\$ -	\$ 26,456	\$ -
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 450	\$ -	\$ 83,658	\$ 15,133	\$ -	\$ 26,456	\$ -	\$ -
Escrow for seized funds	-	-	-	-	-	-	-	-
Due to other funds	-	-	102,933	-	-	-	-	-
Total liabilities	450	-	186,591	15,133	-	26,456	-	-
Deferred Inflows of Resources:								
Unavailable revenue	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-
Fund balances:								
Restricted for:								
Public safety and public service	-	-	-	-	-	-	-	-
Assigned for:								
Community promotions	80,174	-	-	-	-	-	-	-
Total fund balances	80,174	-	-	-	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 80,624	\$ -	\$ 186,591	\$ 15,133	\$ -	\$ 26,456	\$ -	\$ -

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014
(With Comparative Totals at June 30, 2013)

	Public Safety and Service Types					
	Anti-Drug	Justice Assistance Grant	Domestic Violence Grant	Victims Advocate	SPA Mitigation Grant	Hispanic Victims Advocate Grant
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-
Due from other governments	-	50,093	71,616	-	-	11,172
Restricted assets:						
Cash and cash equivalents	999,791	-	-	369,755	1,731,514	-
Notes receivable	-	-	-	-	-	-
Total assets	\$ 999,791	\$ 50,093	\$ 71,616	\$ 369,755	\$ 1,731,514	\$ 11,172
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 3,932	\$ 21,458	\$ 21,462	\$ 1,574	\$ -	\$ -
Escrow for seized funds	430,247	-	-	-	-	-
Due to other funds	83,415	28,635	50,154	-	-	11,172
Total liabilities	\$ 517,594	\$ 50,093	\$ 71,616	\$ 1,574	\$ -	\$ 11,172
Deferred Inflows of Resources:						
Unavailable revenue	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Restricted for:						
Public safety and public service	482,197	-	-	368,181	1,731,514	-
Assigned for:						
Community promotions	-	-	-	-	-	-
Total fund balances	\$ 482,197	\$ -	\$ -	\$ 368,181	\$ 1,731,514	\$ -
Total liabilities, deferred inflows of resources and fund balances	\$ 999,791	\$ 50,093	\$ 71,616	\$ 369,755	\$ 1,731,514	\$ 11,172

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014
(With Comparative Totals at June 30, 2013)

	Public Safety and Service Types					Total Nonmajor	
	Lowcountry	SAFER	FEMA	Firemen's	Parking	Special Revenue Funds	
<u>Assets</u>	Regional Analyst Grant	Hiring Grant	Firefighter Grant	Inspection		2014	2013
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	69,057	\$ 149,681	\$ 161,216
Due from other funds	-	-	-	-	-	6,022	-
Due from other governments	-	108,914	-	-	-	463,953	375,082
Restricted assets:							
Cash and cash equivalents	-	-	-	435,579	-	3,536,639	2,876,975
Notes receivable	-	-	-	-	-	-	1,423,370
Total assets	\$ -	\$ 108,914	\$ -	\$ 435,579	\$ 69,057	\$ 4,156,295	\$ 4,836,643
Liabilities, Deferred Inflows of Resources and Fund Balances							
<u>Liabilities:</u>							
Accounts payable	\$ -	\$ -	\$ -	129,349	13,122	\$ 316,594	\$ 183,512
Escrow for seized funds	-	-	-	-	-	430,247	231,139
Due to other funds	-	108,914	-	-	-	385,223	330,158
Total liabilities	-	108,914	-	129,349	13,122	1,132,064	2,168,179
Deferred Inflows of Resources:							
Unavailable revenue	-	-	-	-	-	-	1,423,370
Total deferred inflows of resources	-	-	-	-	-	-	1,423,370
Fund balances:							
Restricted for:							
Public safety and public service	-	-	-	306,230	55,935	2,944,057	2,563,046
Assigned for:							
Community promotions	-	-	-	-	-	80,174	105,418
Total fund balances	-	-	-	306,230	55,935	3,024,231	2,668,464
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 108,914	\$ -	\$ 435,579	\$ 69,057	\$ 4,156,295	\$ 4,836,643

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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Tax Fund Types		Community		Public Safety and Service Fund Types	
	Accommodations Tax	City Accommodations Tax	CDBG	HOME	Port Security Grant	SRO Grant
Revenues:						
Intergovernmental	\$ 2,164,237	\$ 1,648,634	\$ 743,018	\$ 190,686	\$ 72,714	\$ 60,000
Fines and forfeitures	-	-	-	-	-	-
Revenues from the use of monies and property	201	-	-	-	-	-
Total revenues	<u>2,164,438</u>	<u>1,648,634</u>	<u>743,018</u>	<u>190,686</u>	<u>72,714</u>	<u>60,000</u>
Expenditures:						
Public safety:						
Police department	-	-	-	-	-	60,000
Fire department	-	-	-	-	100,038	-
Community promotion:						
Community promotion	790,831	-	-	-	-	-
Culture and recreation:						
Special projects	-	-	-	-	-	-
Community development:						
Community development	-	-	743,018	-	-	-
HOME program	-	-	-	190,686	-	-
Capital outlay:						
Special projects - infrastructure	-	-	-	-	-	-
Total expenditures	<u>790,831</u>	<u>-</u>	<u>743,018</u>	<u>190,686</u>	<u>100,038</u>	<u>60,000</u>
Excess (deficiency) of revenues over expenditures	<u>1,373,607</u>	<u>1,648,634</u>	<u>-</u>	<u>-</u>	<u>(27,324)</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers (out)	(1,398,851)	(1,648,634)	-	-	27,324	-
Total other financing sources (uses)	<u>(1,398,851)</u>	<u>(1,648,634)</u>	<u>-</u>	<u>-</u>	<u>27,324</u>	<u>-</u>
Net change in fund balances	<u>(25,244)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at beginning of year	105,418	-	-	-	-	-
Fund balances at end of year	<u>\$ 80,174</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Public Safety and Service Fund Types					
	Anti-Drug	Justice Assistance Grant	Domestic Violence Grant	Victims Advocate	SPA Mitigation Grant	Hispanic Victim Advocate Grant
Revenues:						
Intergovernmental	\$ 328,377	\$ 120,134	\$ 167,694	\$ 215,482	\$ 300,000	\$ 40,445
Fines and forfeitures	3,260	-	-	600	10,806	-
Revenues from the use of monies and property	331,637	120,134	167,694	216,082	310,806	40,445
Total revenues						
Expenditures:						
Public safety:						
Police department	318,264	120,134	167,694	225,825	-	50,820
Fire department	-	-	-	-	-	-
Community promotion:						
Community promotion	-	-	-	-	20,901	-
Culture and recreation:						
Special projects	-	-	-	-	-	-
Community development:						
Community development	-	-	-	-	-	-
HOME program	-	-	-	-	-	-
Capital outlay:						
Special projects - infrastructure	-	-	-	-	-	-
Total expenditures	318,264	120,134	167,694	225,825	20,901	50,820
	13,373	-	-	(9,743)	289,905	(10,375)
Excess (deficiency) of revenues over expenditures						
Other financing sources (uses):						
Transfers in	-	-	-	-	-	10,375
Transfers (out)	-	-	-	(10,375)	-	-
Total other financing sources (uses)	-	-	-	(10,375)	-	10,375
Net change in fund balances	13,373	-	-	(20,118)	289,905	-
Fund balances at beginning of year	468,824	-	-	388,299	1,441,609	-
Fund balances at end of year	\$ 482,197	\$ -	\$ -	\$ 368,181	\$ 1,731,514	\$ -

(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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Public Safety and Service Fund Types				Parking	Total Nonmajor	
	Lowcountry Regional Analyst Grant	SAFER Hiring Grant	FEMA Firefighter Grant	Firemen's Insurance & Inspection		Special Revenue Funds	2013
Revenues:							
Intergovernmental	\$ 16,588	\$ 108,914	\$ 36,176	\$ 335,033	\$ -	\$ 6,004,273	\$ 6,317,800
Fines and forfeitures	-	-	-	-	-	543,859	509,806
Revenues from the use of monies and property	-	-	-	633	710,487	725,987	614,307
Total revenues	<u>16,588</u>	<u>108,914</u>	<u>36,176</u>	<u>335,666</u>	<u>710,487</u>	<u>7,274,119</u>	<u>7,441,913</u>
Expenditures:							
Public safety:							
Police department	16,588	108,914	-	-	-	1,068,239	1,569,123
Fire department	-	-	44,868	293,750	-	438,656	589,717
Community promotion:							
Community promotion	-	-	-	-	-	811,732	664,442
Culture and recreation:							
Special projects	-	-	-	-	654,552	654,552	639,894
Community development:							
Community development	-	-	-	-	-	743,018	925,227
HOME program	-	-	-	-	-	190,686	257,493
Capital outlay:							
Special projects - infrastructure	-	-	-	-	-	-	104,707
Total expenditures	<u>16,588</u>	<u>108,914</u>	<u>44,868</u>	<u>293,750</u>	<u>654,552</u>	<u>3,906,883</u>	<u>4,750,603</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(8,692)</u>	<u>41,916</u>	<u>55,935</u>	<u>3,367,236</u>	<u>2,691,310</u>
Other financing sources (uses):							
Transfers in	-	-	8,692	-	-	46,391	91,420
Transfers (out)	-	-	-	-	-	(3,057,860)	(2,677,671)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,692</u>	<u>-</u>	<u>-</u>	<u>(3,011,469)</u>	<u>(2,586,251)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,916</u>	<u>55,935</u>	<u>355,767</u>	<u>105,059</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,314</u>	<u>-</u>	<u>2,668,464</u>	<u>2,563,405</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,230</u>	<u>\$ 55,935</u>	<u>\$ 3,024,231</u>	<u>\$ 2,668,464</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2014

(With Comparative Totals at June 30, 2013)

	Convention		Street		Total Nonmajor	
	Center Complex	Naval Base & Riverfront Park	Light & Drainage		Capital Project Funds	
<u>Assets</u>						
Cash and cash equivalents	\$ -	\$ 570	\$ 622,258	\$	622,828	\$ 10,617,061
Restricted assets:						
Cash & cash equivalents	-	4,878,465	-		4,878,465	5,115,376
Total assets	\$ -	\$ 4,879,035	\$ 622,258	\$	\$ 5,501,293	\$ 15,732,437
<u>Liabilities and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts payable	\$ -	\$ 72,713	\$ -	\$	72,713	\$ 479,022
Total liabilities	\$ -	\$ 72,713	\$ -	\$	\$ 72,713	\$ 479,022
<u>Fund balances:</u>						
Restricted for:						
Facility and infrastructure improvements	-	4,806,322	622,258		5,428,580	15,253,415
Total fund balances	\$ -	\$ 4,806,322	\$ 622,258	\$	\$ 5,428,580	\$ 15,253,415
Total liabilities and fund balances	\$ -	\$ 4,879,035	\$ 622,258	\$	\$ 5,501,293	\$ 15,732,437

**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, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	Convention Center Complex	Naval Base & Riverfront Park	Street Light & Drainage	Total Nonmajor Capital Project Funds	
				2014	2013
Revenues:					
Intergovernmental revenues-State	\$ -	\$ -	\$ 37,168	\$ 37,168	\$ 150,000
Revenues from use of monies and property	7,634	14,000	1,036	22,670	39,701
Total revenues	<u>7,634</u>	<u>14,000</u>	<u>38,204</u>	<u>59,838</u>	<u>189,701</u>
Expenditures:					
Capital outlay:					
Engineering, infrastructure and other	1,960,834	259,756	42,527	2,263,117	9,206,027
Total expenditures	<u>1,960,834</u>	<u>259,756</u>	<u>42,527</u>	<u>2,263,117</u>	<u>9,206,027</u>
Excess (deficiency) of revenues over expenditures	<u>(1,953,200)</u>	<u>(245,756)</u>	<u>(4,323)</u>	<u>(2,203,279)</u>	<u>(9,016,326)</u>
Other financing sources (uses):					
Transfers in	1,951,502	-	-	1,951,502	653,930
Transfers (out)	(6,000,000)	(3,573,058)	-	(9,573,058)	-
Total other financing sources (uses)	<u>(4,048,498)</u>	<u>(3,573,058)</u>	<u>-</u>	<u>(7,621,556)</u>	<u>653,930</u>
Net change in fund balance	<u>(6,001,698)</u>	<u>(3,818,814)</u>	<u>(4,323)</u>	<u>(9,824,835)</u>	<u>(8,362,396)</u>
Fund balance at beginning of year	6,001,698	8,625,136	626,581	15,253,415	23,615,811
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,806,322</u>	<u>\$ 622,258</u>	<u>\$ 5,428,580</u>	<u>\$ 15,253,415</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - State	\$ 2,081,250	\$ 2,044,475	\$ (36,775)	\$ 1,814,495
Intergovernmental - Local	80,000	119,762	39,762	102,412
Revenues from use of monies and property	-	201	201	287
Total revenues	<u>2,161,250</u>	<u>2,164,438</u>	<u>3,188</u>	<u>1,917,194</u>
Expenditures:				
Community promotion:				
Community promotion	810,000	790,831	(19,169)	658,220
Total expenditures	<u>810,000</u>	<u>790,831</u>	<u>(19,169)</u>	<u>658,220</u>
Excess (deficiency) of revenues over expenditures	<u>1,351,250</u>	<u>1,373,607</u>	<u>22,357</u>	<u>1,258,974</u>
Other financing sources (uses):				
Transfers to Debt Service Fund	(1,403,750)	(1,398,851)	(4,899)	(1,241,497)
Total other financing sources (uses)	<u>(1,403,750)</u>	<u>(1,398,851)</u>	<u>(4,899)</u>	<u>(1,241,497)</u>
Net change in fund balance	(52,500)	(25,244)	27,256	17,477
Fund balance at beginning of year	<u>105,418</u>	<u>105,418</u>		<u>87,941</u>
Fund balance at end of year	<u>\$ 52,918</u>	<u>\$ 80,174</u>	<u>\$ 27,256</u>	<u>\$ 105,418</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - State	\$ 1,652,500	\$ 1,648,634	\$ (3,866)	\$ 1,425,828
Total revenues	<u>1,652,500</u>	<u>1,648,634</u>	<u>(3,866)</u>	<u>1,425,828</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,652,500</u>	<u>1,648,634</u>	<u>(3,866)</u>	<u>1,425,828</u>
Other financing sources (uses):				
Transfers to Debt Service Fund	<u>(1,652,500)</u>	<u>(1,648,634)</u>	<u>(3,866)</u>	<u>(1,425,828)</u>
Total other financing sources (uses)	<u>(1,652,500)</u>	<u>(1,648,634)</u>	<u>(3,866)</u>	<u>(1,425,828)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - Federal	\$ 1,861,965	\$ 743,018	\$ (1,118,947)	\$ 925,227
Total revenues	<u>1,861,965</u>	<u>743,018</u>	<u>(1,118,947)</u>	<u>925,227</u>
Expenditures:				
Community development:				
Housing and infrastructure	1,485,398	564,432	(920,966)	718,859
Planning and administration	376,567	178,586	(197,981)	206,368
Total expenditures	<u>1,861,965</u>	<u>743,018</u>	<u>(1,118,947)</u>	<u>925,227</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - Federal	\$ 1,478,080	\$ 190,686	\$ (1,287,394)
Total revenues	<u>1,478,080</u>	<u>190,686</u>	<u>(1,287,394)</u>
Expenditures:			
Community development:			
Housing and infrastructure	1,415,267	180,018	(1,235,249)
Planning and administrative	62,813	10,668	(52,145)
Total expenditures	<u>1,478,080</u>	<u>190,686</u>	<u>(1,287,394)</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - Federal	\$ 138,647	\$ 120,134	\$ (18,513)	\$ 172,362
Total revenues	<u>138,647</u>	<u>120,134</u>	<u>(18,513)</u>	<u>172,362</u>
Expenditures:				
Public safety:				
Police department	138,647	120,134	(18,513)	172,362
Total expenditures	<u>138,647</u>	<u>120,134</u>	<u>(18,513)</u>	<u>172,362</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Fines and forfeitures	\$ 298,282	\$ 215,482	\$ (82,800)	\$ 233,055
Revenues from use of monies and property	-	600	600	959
Total revenues	<u>298,282</u>	<u>216,082</u>	<u>(82,200)</u>	<u>234,014</u>
Expenditures:				
Public safety:				
Police department	310,708	225,825	(84,883)	239,997
Total expenditures	<u>310,708</u>	<u>225,825</u>	<u>(84,883)</u>	<u>239,997</u>
Excess (deficiency) of revenues over expenditures	<u>(12,426)</u>	<u>(9,743)</u>	<u>2,683</u>	<u>(5,983)</u>
Other financing sources (uses):				
Transfer to SCDPS Hispanic Victim Advocate Grant	(12,574)	(10,375)	2,199	(10,346)
Total other financing sources (uses)	<u>(12,574)</u>	<u>(10,375)</u>	<u>2,199</u>	<u>(10,346)</u>
Net change in fund balance	(25,000)	(20,118)	4,882	(16,329)
Fund balance at beginning of year	<u>388,299</u>	<u>388,299</u>	<u>-</u>	<u>404,628</u>
Fund balance at end of year	<u>\$ 363,299</u>	<u>\$ 368,181</u>	<u>\$ 4,882</u>	<u>\$ 388,299</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
DHS PORT SECURITY GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - State	\$ 90,375	\$ 72,714	\$ (17,661)
Total revenues	<u>90,375</u>	<u>72,714</u>	<u>(17,661)</u>
Expenditures:			
Public safety:			
Fire department	120,500	100,038	(20,462)
Total expenditures	<u>120,500</u>	<u>100,038</u>	<u>(20,462)</u>
Excess (deficiency) of revenues over expenditures	<u>(30,125)</u>	<u>(27,324)</u>	<u>(2,801)</u>
Other financing sources (uses):			
Transfer from General Fund	30,125	27,324	(2,801)
Total other financing sources (uses)	<u>30,125</u>	<u>27,324</u>	<u>(2,801)</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
DOMESTIC VIOLENCE HOMICIDE PREVENTION GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - Federal	\$ 196,403	\$ 167,694	\$ (28,709)	\$ 3,597
Total revenues	<u>196,403</u>	<u>167,694</u>	<u>(28,709)</u>	<u>3,597</u>
Expenditures:				
Public safety:				
Police department	196,403	167,694	(28,709)	3,597
Total expenditures	<u>196,403</u>	<u>167,694</u>	<u>(28,709)</u>	<u>3,597</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Revenues from use of monies and property	\$ 707,888	\$ 710,487	\$ 2,599	\$ 586,602
Total revenues	<u>707,888</u>	<u>710,487</u>	<u>2,599</u>	<u>586,602</u>
Expenditures:				
Culture and recreation:				
Special projects	707,888	654,552	(53,336)	639,894
Total expenditures	<u>707,888</u>	<u>654,552</u>	<u>(53,336)</u>	<u>639,894</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>55,935</u>	<u>55,935</u>	<u>(53,292)</u>
Other financing sources (uses):				
Transfers from General Fund	-	-	-	42,249
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,249</u>
Net change in fund balance	-	55,935	55,935	(11,043)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,043</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 55,935</u>	<u>\$ 55,935</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - State	\$ 489,173	\$ 300,000	\$ (189,173)
Revenues from use of monies and property	-	10,806	10,806
Total revenues	<u>489,173</u>	<u>310,806</u>	<u>(178,367)</u>
Expenditures:			
Community promotion:			
Community promotion	489,173	20,901	(468,272)
Total expenditures	<u>489,173</u>	<u>20,901</u>	<u>(468,272)</u>
Net change in fund balance	-	289,905	289,905
Fund balance at beginning of year	<u>1,441,609</u>	<u>1,441,609</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,441,609</u>	<u>\$ 1,731,514</u>	<u>\$ 289,905</u>
			<u>\$ 1,441,609</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
SPECIAL REVENUE FUNDS
SAFER HIRING GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

For the Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - Federal	\$ 238,197	\$ 108,914	\$ (129,283)	\$ -
Total revenues	<u>238,197</u>	<u>108,914</u>	<u>(129,283)</u>	<u>-</u>
Expenditures:				
Public safety:				
Police department	238,197	108,914	(129,283)	-
Total expenditures	<u>238,197</u>	<u>108,914</u>	<u>(129,283)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - State	\$ 49,303	\$ 40,445	\$ (8,858)
Total revenues	<u>49,303</u>	<u>40,445</u>	<u>(8,858)</u>
Expenditures:			
Public safety:			
Police department	61,877	50,820	(11,057)
Total expenditures	<u>61,877</u>	<u>50,820</u>	<u>(11,057)</u>
Excess (deficiency) of revenues over expenditures	<u>(12,574)</u>	<u>(10,375)</u>	<u>(2,199)</u>
Other financing sources (uses):			
Transfers from Victim Advocate Fund	12,574	10,375	(2,199)
Total other financing sources (uses)	<u>12,574</u>	<u>10,375</u>	<u>(2,199)</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - State	\$ 48,275	\$ 36,176	\$ (12,099)
Total revenues	<u>48,275</u>	<u>36,176</u>	<u>(12,099)</u>
Expenditures:			
Public safety:			
Fire department	56,967	44,868	(12,099)
Total expenditures	<u>56,967</u>	<u>44,868</u>	<u>(12,099)</u>
Excess (deficiency) of revenues over expenditures	<u>(8,692)</u>	<u>(8,692)</u>	<u>-</u>
Other financing sources (uses):			
Transfers from General Fund	8,692	8,692	-
Total other financing sources (uses)	<u>8,692</u>	<u>8,692</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014		
	Final Budget	Actual	Variance Over (Under)
			2013 Actual
Revenues:			
Intergovernmental - State	\$ 16,588	\$ 16,588	\$ -
Total revenues	<u>16,588</u>	<u>16,588</u>	<u>75,801</u>
Expenditures:			
Public safety:			
Police department	16,588	16,588	75,801
Total expenditures	<u>16,588</u>	<u>16,588</u>	<u>75,801</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - Local	\$ 77,462	\$ 60,000	\$ (17,462)	\$ 34,500
Total revenues	<u>77,462</u>	<u>60,000</u>	<u>(17,462)</u>	<u>34,500</u>
Expenditures:				
Public safety:				
Police department	77,462	60,000	(17,462)	34,500
Total expenditures	<u>77,462</u>	<u>60,000</u>	<u>(17,462)</u>	<u>34,500</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Property taxes	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000
Intergovernmental - Local	744,000	717,005	(26,995)	378,000
Revenues from use of monies and property	10,000	4,073	(5,927)	379,116
Total revenues	<u>2,254,000</u>	<u>2,221,078</u>	<u>(32,922)</u>	<u>2,257,116</u>
Expenditures:				
Debt Service:				
Principal	3,415,000	3,415,000	-	3,295,000
Interest and fiscal charges	1,185,000	1,170,830	(14,170)	1,312,740
Total expenditures	<u>4,600,000</u>	<u>4,585,830</u>	<u>(14,170)</u>	<u>4,607,740</u>
Excess (deficiency) of revenues over expenditures	(2,346,000)	(2,364,752)	(18,752)	(2,350,624)
Other financing sources (uses):				
Transfers in	2,365,000	2,364,752	(248)	2,351,120
Transfers (out)	(2,042,000)	(2,041,049)	951	(820,545)
Total other financing sources (uses)	<u>323,000</u>	<u>323,703</u>	<u>703</u>	<u>1,530,575</u>
Net change in fund balance	(2,023,000)	(2,041,049)	(18,049)	(820,049)
Fund balance at beginning of year	4,146,947	4,146,947	-	4,966,996
Fund balance at end of year	<u>\$ 2,123,947</u>	<u>\$ 2,105,898</u>	<u>\$ (18,049)</u>	<u>\$ 4,146,947</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Intergovernmental - State	\$ 3,025,000	\$ 3,198,257	\$ 173,257	\$ 2,989,203
Intergovernmental - Local	1,425,000	1,424,616	(384)	1,422,517
Revenues from use of monies and property	280,000	299,781	19,781	270,401
Total revenues	<u>4,730,000</u>	<u>4,922,654</u>	<u>192,654</u>	<u>4,682,121</u>
Expenditures:				
Debt Service:				
Principal	5,015,000	5,015,000	-	4,680,000
Interest and fiscal charges	2,220,000	2,069,097	(150,903)	2,258,797
Total expenditures	<u>7,235,000</u>	<u>7,084,097</u>	<u>(150,903)</u>	<u>6,938,797</u>
Excess (deficiency) of revenues over expenditures	(2,505,000)	(2,161,443)	343,557	(2,256,676)
Other financing sources (uses):				
Transfers in	2,486,250	3,047,485	561,235	2,667,325
Total other financing sources (uses)	<u>2,486,250</u>	<u>3,047,485</u>	<u>561,235</u>	<u>2,667,325</u>
Net change in fund balance	(18,750)	886,042	904,792	410,649
Fund balance at beginning of year	2,506,919	2,506,919	-	2,096,270
Fund balance at end of year	<u>\$ 2,488,169</u>	<u>\$ 3,392,961</u>	<u>\$ 904,792</u>	<u>\$ 2,506,919</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, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			
	Final Budget	Actual	Variance Over (Under)	2013 Actual
Revenues:				
Property taxes	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000
Revenues from use of monies and property	-	166	166	-
Total revenues	<u>2,000,000</u>	<u>2,000,166</u>	<u>166</u>	<u>2,000,000</u>
Expenditures:				
Debt Service:				
Principal	1,245,000	1,245,000	-	1,340,000
Interest and fiscal charges	2,265,000	2,252,833	(12,167)	2,158,651
Bond issuance costs	-	-	-	34,000
Total expenditures	<u>3,510,000</u>	<u>3,497,833</u>	<u>(12,167)</u>	<u>3,532,651</u>
Excess (deficiency) of revenues over expenditures	(1,510,000)	(1,497,667)	12,333	(1,532,651)
Other financing sources (uses):				
Transfers in	1,510,000	1,497,667	(12,333)	1,498,922
Total other financing sources (uses)	<u>1,510,000</u>	<u>1,497,667</u>	<u>(12,333)</u>	<u>1,498,922</u>
Net change in fund balance	-	-	-	(33,729)
Fund balance at beginning of year	-	-	-	33,729
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Governmental funds capital assets:</u>		
Land	\$ 46,067,546	\$ 44,908,602
Construction in progress	48,753,443	31,579,748
Buildings	150,817,463	151,110,961
Infrastructure	40,004,121	39,676,425
Furniture, fixtures and improvements	79,226,258	55,683,308
Equipment	66,411,233	63,202,361
Total governmental funds capital assets	\$ <u>431,280,064</u>	\$ <u>386,161,405</u>
<u>Investment in governmental funds capital assets by source:</u>		
Capital project funds	\$ 263,594,486	\$ 225,502,037
Governmental funds revenues	123,469,902	116,947,066
Federal and State grants	32,867,201	32,453,887
Donations and other	11,348,475	11,258,415
Total governmental funds capital assets	\$ <u>431,280,064</u>	\$ <u>386,161,405</u>

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.

Contents	Page
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.	88
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, principally the property tax.	95
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.	99
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.	103
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.	105

Table 1

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 49,261,213	\$ 52,304,420	\$ 59,064,510	\$ 73,188,579	\$ 62,157,903	\$ 98,526,284	\$ 121,497,861	\$ 138,891,514	\$ 155,168,837	\$ 181,770,720
Restricted	2,034,788	13,298,052	15,895,175	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666	27,866,231	21,721,357
Unrestricted	31,291,175	43,054,286	47,748,629	42,506,554	51,243,542	38,156,130	21,866,469	26,553,409	42,013,899	52,355,841
Total governmental activities net position	82,587,176	108,656,758	122,708,314	135,939,825	140,233,138	158,375,142	174,109,308	195,868,589	225,048,967	255,847,918
Business-type activities										
Net investment in capital assets	\$ 1,882,280	\$ 1,933,805	\$ 1,965,234	\$ 2,110,244	\$ 2,164,399	\$ 2,195,372	\$ 2,140,348	\$ 2,353,851	\$ 2,600,404	\$ 2,785,583
Unrestricted	2,164,737	3,504,149	3,868,427	4,033,176	3,775,392	4,587,428	5,061,043	5,982,041	5,745,453	5,234,795
Total business-type activities net position	4,047,017	5,437,954	5,833,661	6,143,420	5,939,791	6,782,800	7,201,391	8,335,892	8,345,857	8,020,378
Primary government										
Net investment in capital assets	\$ 51,143,493	\$ 54,238,225	\$ 61,029,744	\$ 75,298,823	\$ 64,322,302	\$ 100,721,656	\$ 123,638,209	\$ 141,245,365	\$ 157,769,241	\$ 184,556,303
Restricted	2,034,788	13,298,052	15,895,175	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666	27,866,231	21,721,357
Unrestricted	33,455,912	46,558,435	51,617,056	46,539,730	55,018,934	42,743,558	26,927,512	32,535,450	47,759,352	57,590,636
Total primary government net position	\$ 86,634,193	\$ 114,094,712	\$ 128,541,975	\$ 142,083,245	\$ 146,172,929	\$ 165,157,942	\$ 181,310,699	\$ 204,204,481	\$ 233,394,824	\$ 263,868,296

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Expenses										
General government	\$ 12,125,453	\$ 13,921,471	\$ 19,619,735	\$ 17,280,897	\$ 27,747,576	\$ 19,217,901	\$ 25,371,323	\$ 23,230,770	\$ 27,445,090	\$ 26,867,536
Public safety	34,408,156	36,150,641	34,234,347	41,928,776	45,302,069	45,713,483	46,170,085	48,393,769	51,619,681	54,457,376
Sanitation	3,942,950	4,561,126	4,827,892	5,377,391	5,179,985	5,419,033	5,455,504	5,595,353	6,011,879	6,389,844
Culture and recreation	11,264,835	12,602,633	15,525,025	16,903,156	15,910,929	14,674,112	13,738,220	14,883,727	14,148,047	15,489,110
Community development and promotion	3,861,953	4,462,496	3,907,841	4,469,444	4,436,051	4,753,317	5,860,846	4,754,853	4,906,786	4,709,825
Interest on long-term debt	3,889,073	4,380,925	4,646,387	4,818,241	5,862,444	5,315,770	5,460,155	5,518,173	7,098,192	7,649,242
Total governmental activities expenses	69,492,420	76,079,292	82,761,227	90,777,905	104,439,054	95,093,616	102,056,143	102,376,645	111,229,675	115,562,933
Program revenues										
Charges for services:										
General government	2,692,707	3,227,091	2,804,739	2,536,166	1,503,072	1,928,740	2,163,813	2,451,952	3,952,793	3,204,897
Public safety	3,866,153	3,729,075	3,898,299	4,326,639	4,471,230	4,427,829	4,141,790	3,611,583	3,872,664	3,688,314
Sanitation	105,200	147,906	111,800	120,330	392,147	110,411	70,103	64,447	67,556	74,729
Culture and recreation	4,638,884	5,938,066	6,656,613	7,068,086	7,047,609	6,708,758	5,595,582	6,770,787	7,216,389	9,034,247
Operating grants and contributions	4,642,612	5,838,236	4,672,882	5,385,682	7,401,261	12,120,428	10,109,870	5,419,156	4,831,230	3,534,071
Capital grants and contributions							2,869,607	9,870,180	1,244,990	16,298,998
Total governmental activities program revenues	15,945,556	18,900,374	18,144,333	19,436,903	20,815,319	25,296,166	24,950,765	28,188,105	21,185,622	35,835,256
Total Governmental Activities Net Program Expense	53,546,864	57,178,918	64,616,894	71,341,002	83,623,735	69,797,450	77,105,378	74,188,540	90,044,053	79,727,677

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities (continued):										
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	27,772,011	32,140,471	34,365,252	38,365,055	42,837,216	44,462,806	47,021,601	48,913,271	52,270,893	52,566,263
Business license taxes	12,609,315	15,707,383	16,350,118	18,226,400	17,654,794	17,243,307	17,861,972	19,994,477	21,421,988	22,249,041
Sales taxes	8,849,187	9,091,500	9,248,001	8,940,402	8,708,984	8,228,989	8,238,669	8,649,499	8,940,463	10,153,006
Franchise taxes	5,207,145	5,801,736	6,157,921	6,139,932	6,958,772	7,509,798	8,119,607	7,786,661	8,051,475	8,415,235
Hospitality taxes	3,682,402	3,983,488	4,090,908	4,807,458	4,719,666	4,723,496	4,942,144	5,317,448	5,679,436	5,961,759
Accommodations taxes	2,431,165	2,720,342	3,518,552	3,457,861	3,405,819	3,141,873	4,108,465	3,700,989	4,372,821	5,021,022
Other taxes	268,521	325,652	339,718	209,589	155,780	297,477	179,705	239,877	178,530	219,857
State shared revenues	2,513,557	2,555,437	2,699,219	2,964,905	2,964,905	2,600,459	2,945,823	2,191,105	2,511,770	2,523,874
Investment earnings	416,713	3,021,489	3,164,823	2,999,765	1,198,488	447,328	457,231	584,740	859,341	213,490
Miscellaneous	472,023	87,352	553,318	1,222,513	1,581,390	795,230	525,876	889,355	1,351,728	4,190,079
Donation & Contributions			509,509							
Special item-contributed capital assets, net		11,017,850							14,360,000	
Special item-settlement agreement	(1,011,821)	(3,204,200)	(2,328,889)	(2,761,367)	(2,268,766)	(1,511,309)	(1,561,549)	(1,463,690)	(774,014)	(986,998)
Transfers										
Total general revenues and other changes in net position	63,210,218	83,248,500	78,668,450	84,572,513	87,917,048	87,939,454	92,839,544	96,803,732	119,224,431	110,526,628
Total Governmental Activities: Change in Net Position	\$ 6,031,300	\$ 18,631,606	\$ 7,327,448	\$ 948,778	\$ 18,119,598	\$ 10,834,076	\$ 18,651,004	\$ 22,615,192	\$ 29,180,378	\$ 30,798,951

Note: The special item - settlement agreement represents amounts owed from the S.C. Department of Public Railways as a result of an agreement and release concerning a dispute relative to the development of rail access to an intermodal container transfer facility located in the City of North Charleston (see notes to the financial statements, note III.B).

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type Activities:										
Expenses										
Golf course enterprise fund	\$ 2,564,239	\$ 2,558,384	\$ 2,712,274	\$ 2,619,642	\$ 2,511,544	\$ 2,577,247	\$ 2,582,577	\$ 2,594,030	\$ 2,408,010	\$ 2,561,377
Stormwater utility enterprise fund	1,798,652	1,992,002	2,030,648	2,375,913	2,636,311	2,605,965	2,822,335	2,946,972	3,262,117	3,829,193
Total business-type activities expenses	4,362,891	4,550,386	4,742,922	4,995,555	5,147,855	5,183,212	5,404,912	5,541,002	5,670,127	6,390,570
Program revenues										
Charges for services:										
Golf course enterprise fund	1,023,216	1,160,566	1,244,837	1,272,233	1,126,830	1,096,204	1,033,552	1,152,487	1,284,175	1,259,730
Stormwater utility enterprise fund	1,184,291	1,502,372	1,437,995	1,151,300	1,490,860	3,380,163	3,191,083	4,013,656	3,536,993	3,793,027
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities revenues	2,207,507	2,662,938	2,682,832	2,423,533	2,617,690	4,476,367	4,224,635	5,166,143	4,841,168	5,052,757
Total Business-type Activities Net Program Expense	2,155,384	1,887,448	2,060,090	2,572,022	2,530,165	706,845	1,180,277	374,859	828,959	1,337,813
Other Changes in Net Position										
Miscellaneous	49,697	74,185	126,908	120,414	57,770	38,545	37,319	45,670	64,910	25,336
Transfers, net	2,061,821	3,204,200	2,328,889	2,761,367	2,268,766	1,511,309	1,561,549	1,463,690	774,014	986,998
Total Business-type Activities Change in Net Position	(43,866)	1,390,937	395,707	309,759	(203,629)	843,009	418,591	1,134,501	9,965	(325,479)
Total Primary Government Change in Net Position	\$ 18,587,740	\$ 8,718,385	\$ 1,344,485	\$ 18,429,357	\$ 10,630,447	\$ 19,494,013	\$ 23,033,783	\$ 30,314,879	\$ 29,190,343	\$ 30,473,472

Table 3

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Pre-GASB #54 (Note 1)										
Reserved	\$ 3,833,143	\$ 3,991,403	\$ 4,316,879	\$ 5,830,209	\$ 5,108,379	\$ 3,774,666	\$ -	\$ -	\$ -	\$ -
Unreserved	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	274,984	237,272
Restricted	-	-	-	-	-	-	-	-	-	827,268
Committed	-	-	-	-	-	-	409,827	411,021	412,023	412,694
Assigned	-	-	-	-	-	-	3,791,705	4,044,976	4,452,826	5,069,487
Unassigned	-	-	-	-	-	-	18,039,621	20,009,645	20,485,406	20,620,802
Total General Fund	<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>	<u>\$ 25,625,239</u>	<u>\$ 27,167,523</u>
All Other Governmental Funds										
Pre-GASB #54 (Note 1)										
Reserved	\$ 33,800,778	\$ 46,326,920	\$ 43,761,917	\$ 44,508,226	\$ 56,576,262	\$ 39,928,511	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,990,437	3,703,092	4,511,211	3,939,803	3,225,437	4,243,001	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	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	6,148,201	4,853,460
Restricted	-	-	-	-	-	-	52,519,152	96,946,387	70,692,322	52,347,077
Assigned	-	-	-	-	-	-	409,156	369,277	384,680	369,852
Total All Other Governmental Funds	<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>	<u>\$ 77,225,203</u>	<u>\$ 57,570,389</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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property taxes	\$ 27,772,011	\$ 32,625,357	\$ 34,365,252	\$ 38,365,055	\$ 42,837,216	\$ 44,462,806	\$ 46,798,627	\$ 48,259,447	\$ 51,516,594	\$ 52,409,847
Licenses and permits	20,988,854	23,942,005	24,519,500	26,202,367	25,946,508	26,359,628	27,599,742	29,670,187	31,420,738	32,991,422
Intergovernmental	22,276,970	23,647,163	24,145,269	25,909,333	27,663,823	30,391,586	30,766,054	29,976,800	27,652,503	43,841,104
Fines and forfeitures	1,921,129	1,784,120	1,999,587	2,410,539	2,531,235	2,547,312	2,333,498	1,867,687	1,826,523	1,918,180
Charges for services	2,690,849	2,702,769	2,772,286	2,142,213	2,513,102	1,814,955	1,695,599	1,601,380	1,918,865	1,611,405
Investment/property earnings	5,304,554	8,493,364	11,132,952	10,342,477	8,136,365	8,473,290	6,523,787	7,945,094	9,708,023	10,667,406
Other revenues	307,450	336,425	802,159	1,037,952	585,783	416,426	513,826	757,106	442,195	883,983
Total revenues	81,261,817	93,531,203	99,737,005	106,409,936	110,214,032	114,466,003	116,231,133	120,077,701	124,485,441	144,323,347
Expenditures										
General government	12,243,322	13,711,552	16,612,336	25,593,128	21,750,683	18,663,683	21,463,825	22,506,209	23,929,383	25,891,695
Public safety	34,050,399	36,941,444	38,294,882	42,433,943	47,529,207	43,738,022	47,963,669	48,428,219	52,819,352	55,207,576
Sanitation	4,222,547	4,628,508	4,839,990	5,436,012	5,233,786	4,599,528	5,143,935	5,321,461	5,756,066	6,099,718
Culture and recreation	8,830,450	9,472,245	10,374,305	12,879,310	12,846,603	12,581,354	11,369,459	12,565,625	13,135,932	14,165,731
Community development and promotion	3,890,572	4,476,588	3,949,620	4,572,783	4,559,812	4,087,388	5,204,591	4,087,855	4,250,510	4,496,711
Capital outlay	4,129,000	13,678,870	12,930,984	12,125,999	33,160,626	29,758,910	20,254,916	17,104,210	29,465,729	42,490,801
Debt service	6,462,948	11,104,612	8,840,161	11,761,633	11,804,719	16,520,938	15,167,373	15,189,314	17,207,010	18,069,793
Principal	3,976,161	4,013,650	4,391,083	4,522,076	5,687,731	5,442,802	5,503,062	5,550,169	7,178,755	6,718,366
Interest	454,350	-	-	148,462	899,978	-	-	598,293	34,000	-
Bond issuance costs	78,259,749	98,027,469	100,233,361	119,473,346	143,583,145	135,392,625	132,070,830	131,351,355	153,776,737	173,140,391
Total expenditures	3,002,068	(4,496,266)	(496,356)	(13,063,410)	(33,369,113)	(20,926,622)	(15,839,697)	(11,273,654)	(29,291,296)	(28,817,044)
Excess (deficiency) of revenues over expenditures										
Other financing sources (uses)										
Transfers in	5,678,264	6,117,305	6,697,154	14,418,747	13,640,843	14,043,173	18,323,633	10,783,936	8,126,496	24,199,932
Transfers out	(7,740,085)	(9,321,507)	(9,026,043)	(17,180,114)	(15,909,609)	(15,554,482)	(19,885,182)	(12,247,626)	(8,900,510)	(25,186,930)
Proceeds from sale of property	275,751	3,000,740	320,596	379,654	962,321	303,904	1,535,770	154,601	186,676	5,596,512
Bonds issued	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	(128,715)	-	-	-	4,060,299	-	-	4,002,083	-	-
Refunding bonds issued	27,055,000	-	-	-	31,850,000	-	-	-	-	-
Payments to escrow agent	(26,458,272)	-	-	-	(32,533,969)	-	-	-	-	-
Capital lease obligations	1,000,000	2,000,000	2,865,000	2,480,000	3,400,000	-	-	1,906,000	3,409,447	4,095,000
Total other financing sources (uses)	7,381,943	13,361,538	5,856,707	7,118,287	53,644,885	(1,100,192)	28,148,221	57,118,994	2,822,109	8,704,514
Special item										
Settlement agreement	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Donation of capital assets	-	11,017,850	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 10,384,011	\$ 19,883,122	\$ 5,360,351	\$ (5,945,123)	\$ 20,275,772	\$ (22,026,814)	\$ 12,308,524	\$ 45,845,340	\$ (24,469,187)	\$ (18,112,530)
Debt service as a percentage of noncapital expenditures	15.63%	18.72%	16.38%	17.22%	16.94%	20.94%	19.42%	19.89%	20.31%	20.02%

Table 5

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Business License</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hospitality</u>	<u>Accommodations</u>	<u>Other</u>	<u>Total</u>
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
2013	51,516,594	21,421,988	8,940,463	8,051,475	5,621,345	4,230,989	178,530	99,961,384
2014	52,409,847	22,249,041	10,153,006	8,415,235	5,956,801	4,713,438	219,857	104,117,225

Table 6

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

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Vehicles</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value</u>
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%
2013	419,113,667	87,175,573	38,043,324	544,332,564	94.0	7,891,135,602	6.90%
2014	436,798,501	84,512,130	41,658,740	562,969,371	95.0	8,379,692,010	6.72%

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	Service	Total	Direct	Debt	Service	Total	Direct	Debt	Service	Total	
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
2013	87.0	7.0	94.0		45.8	8.0	53.8		100.5	26.0	126.5		274.3
2014	88.0	7.0	95.0		47.2	7.4	54.6		100.5	26.0	126.5		276.1

Fiscal Year	City of North Charleston				County of Dorchester				Dorchester County School District (3)				Total Dorchester County Direct & Overlapping Rates
	Direct	Debt	Service	Total	Direct	Debt	Service	Total	Direct	Debt	Service	Total	
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		77.9	4.3	82.2		168.6	36.0	204.6		379.6
2012	87.0	3.0	90.0		77.9	4.3	82.2		168.6	36.0	204.6		376.8
2013	87.0	7.0	94.0		77.9	4.3	82.2		168.6	36.0	204.6		380.8
2014	88.0	7.0	95.0		77.9	6.5	84.4		168.6	46.0	214.6		394.0

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>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>		<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	
Boeing	\$ 42,825,271	7.61%		\$ -		
South Carolina Electric & Gas	16,833,158	2.99%		8,362,190	2.78%	
Kapstone	14,097,805	2.50%		20,674,539	6.87%	
North Charleston Joint Venture	5,428,950	0.96%		4,464,660	1.48%	
Tanger Properties	4,632,450	0.82%		-		
Cummins	4,078,647	0.72%		3,528,016	1.17%	
Charleston/North Charleston MSA LP	3,854,510	0.68%		2,114,340	0.70%	
Leeds Park Associates	3,363,500	0.60%		-		
Mead Westvaco	3,140,478	0.56%		-		
Daimler Vans Manufacturing	2,424,183	0.43%		-		
Total	\$ 100,678,952	17.88%		\$ 39,143,745	13.01%	

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**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Property Tax Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	44,355,815	41,115,804	92.70%	3,174,222	44,290,026	99.85%
2013	45,196,538	42,527,708	94.10%	2,004,651	44,532,359	98.53%
2014	47,576,013	44,846,696	94.26%	-	44,846,696	94.26%

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

Fiscal Year	General Bonded Debt		Percentage of Actual Taxable Value of Property (1)	Other Governmental Activities Debt				
	General Obligation Bonds	Revenue Bonds		Tax Increment Bonds	Certificates of Participation	Installment Purchase Rev. Bonds	Capital Leases	
								Per Capita (2)
2005	24,210,000		0.60%	18,610,000	55,420,000	-	4,942,699	
2006	24,365,000		0.46%	26,615,000	52,065,000	-	5,543,587	
2007	26,075,000		0.46%	25,730,000	48,980,000	-	10,571,142	
2008	22,200,000		0.36%	31,135,000	45,740,000	-	10,455,811	
2009	18,170,000		0.27%	51,720,000	69,695,000	-	10,226,091	
2010	14,020,000		0.20%	46,610,000	65,970,000	-	6,797,367	
2011	32,395,000		0.46%	43,835,000	61,950,000	-	8,223,994	
2012	29,215,000		0.40%	38,455,000	57,615,000	52,520,000	7,835,681	
2013	25,920,000		0.33%	32,865,000	52,935,000	51,180,000	8,943,118	
2014	22,505,000		0.27%	27,000,000	47,920,000	49,935,000	10,508,325	

Fiscal Year	Business-type Activities Debt		Total Primary Government (3)	Percentage of Personal Income (2)	Per Capita (2)
	Golf Course Revenue Bonds	Capital Leases			
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	0.58%	1,495.84
2011	8,735,000	240,752	155,379,746	0.59%	1,594.11
2012	8,210,000	222,730	194,073,411	0.71%	1,946.05
2013	7,660,000	129,427	179,632,545	N/A	1,761.29
2014	7,085,000	345,076	165,298,401	N/A	1,588.58

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, 2014**

Governmental Unit	Net Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Overlapping Debt:			
Charleston County	\$ 665,147,565	20.53%	\$ 136,586,097
Charleston County Parks & Recreation Commission	35,356,000	20.53%	7,260,251
Charleston County School District	200,510,000	20.53%	41,174,139
Charleston County Aviation Authority	174,485,000	20.53%	35,829,982
North Charleston Sewer District	15,545,000	20.53%	3,192,120
Dorchester County	134,433,000	18.91%	25,426,298
Dorchester County School District	168,502,000	18.91%	31,870,018
Subtotal Overlapping Debt			\$ 281,338,905
City Direct Debt			162,875,146
Total Direct and Overlapping Debt			\$ 444,214,051

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Property Value	\$ 300,899,786	\$ 355,682,216	\$ 385,989,284	\$ 409,372,827	\$ 453,086,903	\$ 472,390,739	\$ 482,635,109	\$ 482,635,109	\$ 544,332,564	\$ 562,969,371
Debt Limit (8% of assessed value)	24,071,983	28,454,577	30,879,143	32,749,826	36,246,952	37,791,259	38,565,479	38,610,809	43,546,605	45,037,550
Net debt applicable to limit: General obligation bonds	14,970,500	13,965,000	17,590,000	15,745,000	13,805,000	11,790,000	32,395,000	29,215,000	25,920,000	22,505,000
Legal debt margin	\$ 9,101,483	\$ 14,489,577	\$ 13,289,143	\$ 17,004,826	\$ 22,441,952	\$ 26,001,259	\$ 6,170,479	\$ 9,395,809	\$ 17,626,605	\$ 22,532,550

Total net debt applicable to the limit
as a percentage of debt limit

62.19% 49.08% 56.96% 48.08% 38.09% 31.20% 84.00% 75.67% 59.52% 49.97%

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			Golf Course Operating Revenue	Transfers	Less:		Net Available Revenues	Debt Service		Coverage
		Principal	Interest	Coverage			Operating Expenses	Principal		Interest		
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	
2013	8,073,564	5,590,000	1,209,490	1.19	1,337,345	1,274,014	1,543,771	1,067,588	550,000	345,574	1.19	
2014	8,282,036	5,865,000	979,397	1.21	1,276,603	1,496,998	1,644,505	1,129,096	575,000	314,297	1.27	

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**

Fiscal Year	(In thousands of dollars)			School Enrollment	Unemployment Rate
	Population	Personal Income	Per Capita Personal Income		
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	24,848,000	37,220	22,289	9.4%
2011	97,471	26,461,000	38,818	22,538	9.4%
2012	99,727	27,510,000	39,444	22,640	8.5%
2013	101,989	**	**	23,513	7.3%
2014	104,054	**	**	23,902	5.1%

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**

	2014		2005	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Joint Base Charleston	22,000	6.49%	20,600	7.49%
Boeing	6,500	1.92%	-	-
Trident Regional, LLC	2,000	0.59%	2,000	0.73%
Verizon Wireless Call Center	1,155	0.34%	-	-
U.S. Postal Service	1,100	0.32%	1,200	0.44%
City of North Charleston	1,056	0.31%	901	0.33%
Kapstone	1,000	0.29%	1,500	0.55%
South Carolina Electric & Gas	853	0.25%	850	0.31%
Deytens Shipyard	800	0.24%	500	0.18%
Cummins	700	0.21%	300	0.11%
Total	37,164	10.96%	27,851	10.13%

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Executive	11	11	14	17	19	20	20	20	21	21
Facilities Management	7	7	6	6	6	6	6	6	5	5
City Council	12	12	12	12	12	12	12	12	12	12
Finance	11	11	12	11	10	10	10	10	10	10
Purchasing	4	4	4	4	4	4	4	4	5	6
Information Systems	6	6	7	7	9	9	10	10	10	10
Municipal Court	13	14	15	16	18	22	22	20	19	19
Human Resources	6	6	6	7	7	7	7	8	7	7
Legal	3	3	3	3	4	4	4	4	5	5
Public Safety										
Police	361	371	382	399	424	448	426	417	419	420
Fire	209	209	217	218	220	220	229	229	241	242
Building Inspections	13	14	16	17	17	17	17	17	18	18
Culture & Recreation										
Parks and Recreation	28	28	30	35	37	37	35	36	36	38
Cultural Arts	5	5	6	6	7	7	7	7	7	7
Community Development										
Planning	17	17	18	20	20	18	18	18	17	15
Code Enforcement	13	14	14	14	14	14	14	15	15	15
Public Works										
Administration	8	10	10	10	10	10	10	10	10	10
Maintenance	65	65	70	73	77	77	78	77	73	75
Sanitation	72	74	75	78	78	78	77	77	75	75
Stormwater Maintenance	37	40	42	45	45	45	46	46	46	46
Total	901	921	959	998	1,038	1,065	1,052	1,043	1,051	1,056

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**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Building permits issued	2,429	2,628	2,584	2,402	2,059	1,836	1,912	1,546	1,884	1,626
Business licenses issued	6,341	7,158	7,342	7,516	7,451	7,286	7,357	7,122	7,300	7,656
Police										
Physical arrests	8,337	8,838	8,942	9,972	10,455	10,946	11,500	12,939	13,000	13,636
Traffic violations	29,138	32,315	34,102	37,951	38,466	40,122	42,500	43,000	44,000	45,001
Fire										
Fire responses	4,704	4,060	4,943	5,262	5,950	7,389	7,500	10,046	15,055	17,890
Inspections	4,454	5,444	5,701	6,027	5,777	4,690	5,000	6,124	6,404	6,788
Refuse collection										
Garbage collection (annual tons)	29,307	30,311	29,778	31,177	29,234	29,282	29,057	28,311	29,542	24,670
Trash collection (annual tons)	21,443	23,086	23,010	23,579	23,047	20,456	20,523	19,745	19,563	20,817
Golf course										
Rounds played	35,492	41,657	42,808	40,692	35,514	35,375	34,855	38,397	42,081	41,100
Stormwater utility										
Accounts billed	22,960	22,540	22,646	22,362	22,645	22,625	23,976	23,209	23,951	23,370

Source: Various City departments.

Table 18

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police stations	5	5	5	6	6	7	7	7	7	7
Fire stations	11	11	11	11	11	12	12	12	12	12
Public Works										
Collection trucks	32	33	34	35	35	35	33	35	35	33
Streetlights	6,952	7,003	7,081	7,122	7,152	7,239	7,300	7,350	7,500	7,600
Traffic signals	95	96	98	102	105	108	110	101	119	120
Parks and Recreation										
Playgrounds	18	20	23	26	28	30	30	30	30	30
Baseball/softball diamonds	28	28	28	28	28	28	28	28	31	31
Football/soccer fields	6	8	8	10	11	11	11	11	11	11
Community centers	20	20	20	20	20	19	19	20	20	20

Source: Various City departments.