



**CITY OF NORTH CHARLESTON
SOUTH CAROLINA**

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2015

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2015

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor's Report.....		1-2
Management's Discussion and Analysis.....		3-14
Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position.....	1	15-16
Statement of Activities	2	17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet.....	3	18
Reconciliation of Fund Balances to Net Position.....	4	19
Statement of Revenues, Expenditures and Changes in Fund Balances	5	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities.....	6	21
Proprietary Funds:		
Statement of Net Position.....	7	22
Statement of Revenues, Expenses and Changes in Fund Net Position	8	23
Statement of Cash Flows.....	9	24
Notes to Financial Statements		25-61
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund	10	62-63
Budgetary Comparison Schedule – Coliseum Operating Fund.....	11	64
Pension Schedule – Net Pension Liability – S.C. Retirement System.....	12	65
Pension Schedule – Contributions – S.C. Retirement System	13	66
Pension Schedule – Net Pension Liability - Police Officers Retirement System ...	14	67
Pension Schedule – Contributions – Police Officers Retirement System.....	15	68
Supplementary Information:		
Combining Fund Statements and Schedules:.....	<u>Statement/ Schedule</u>	
Nonmajor Governmental Funds:		
Fund Descriptions.....		69-70
Combining Balance Sheet.....	A-1	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	A-2	72
Nonmajor Special Revenue Funds:		
Combining Balance Sheet.....	B-1	73-75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	76-78
Nonmajor Capital Project Funds:		
Combining Balance Sheet.....	C-1	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	80
Individual Fund Schedules:		
Nonmajor Special Revenue Funds Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
Accommodations Tax Fund.....	D-1	81
City Accommodations Tax Fund	D-2	82
Community Development Block Grant Fund	D-3	83

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2015

FINANCIAL SECTION (continued)

Individual Fund Schedules (continued):

HOME Fund	D-4	84
Justice Assistance Grant Fund	D-5	85
Victims Advocate Fund	D-6	86
DHS Port Security Grant Fund	D-7	87
SCDPS Specialized Enforcement Team Grant Fund.....	D-8	88
Parking Fund.....	D-9	89
State Ports Authority Mitigation Grant Fund	D-10	90
SAFER Hiring Grant Fund	D-11	91
SCDPS Community Policing Grant Fund.....	D-12	92
School Resource Officer Grant Fund	D-13	93

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

General Obligation Bonds	E-1	94
Certificates of Participation	E-2	95
Installment Purchase Revenue Bonds.....	E-3	96

Capital Assets Used in Operations of Governmental Funds:

Comparative Schedule by Source	F-1	97
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STATISTICAL SECTION

Table

Net Position by Component	1	98
Changes in Net Position.....	2	99-101
Governmental Funds – Fund Balances – Last Ten Fiscal Years	3	102
Governmental Funds – Changes in Fund Balances – Last Ten Fiscal Years	4	103
Governmental Funds – Tax Revenues by Source – Last Ten Fiscal Years	5	104
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	6	105
Direct and Overlapping Governments Property Tax Rates (Per \$1000 of Assessed Value) – Last Ten Fiscal Years.....	7	106
Principal Property Taxpayers – Current Year and Nine Years Ago.....	8	107
Property Tax Levies and Collections – Last Ten Fiscal Years.....	9	108
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	10	109
Direct and Overlapping Governmental Activities Debt – As of June 30, 2015	11	110
Legal Debt Margin Information – Last Ten Fiscal Years.....	12	111
Pledged Revenue Coverage – Last Ten Fiscal Years	13	112
Demographic and Economic Statistics – Last Ten Fiscal Years	14	113
Principal Employers – Current Year and Nine Years Ago.....	15	114
Full-Time Equivalent City of North Charleston Employees by Function/Program ...	16	115
Operating Indicators by Function/Program	17	116
Capital Asset Statistics by Function/Program	18	117

INTRODUCTORY SECTION

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October 30, 2015

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, 2015 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, 2015 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, 2015 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, 2015, 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 auditor.

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, 2015, reflect an estimated North Charleston population of over 106,500.

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

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

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

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

To the Council and Citizens of the
City of North Charleston

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

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. North Charleston's diverse economy is attributed to its unique blend of trade, manufacturing and service businesses and government. Local industry is characterized by the production of a wide range of products, including: paper, automobile components, health care, housewares, tools, machinery and electronics equipment and airplane components. Major non-manufacturing employers include those providing aerospace, defense, education, financial, transportation, marine, health care, food distribution and retail sales services. Area businesses have experienced continuing growth and development in the past year. This continued growth is indicative of the excellent market location of this area, which is served by major highways including Interstate 26, the Mark Clark Expressway (I-526), and U.S. Highways 17, 52 and 78. The City is also served by The Port of Charleston, an international container cargo port terminal, that ranks in the top seven busiest in the nation with cargo valued at more than \$71 billion in calendar year 2014. 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 \$53 billion each year. The Port of Charleston expects to invest over \$2 billion in port related infrastructure over the next 10 years much of which will include construction of a new terminal on the former Navy Base property located in the City of North Charleston.

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 710,000 and a gross taxable sales estimate exceeding \$23 billion. North Charleston remains the State's municipal leader in retail sales for the past twenty-three years. In calendar year 2014, gross retail sales exceeded \$6.86 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 remained relatively flat in the City during the fiscal year ending June 30, 2015 compared to fiscal year ending June 30, 2014, however residential real estate sales volume is up over 10% in the region over that same time period with the median price of home sales up over 5%. Several large Class A office development projects are under consideration, including renovations to a building on the former Navy Base property adding over 150,000 square feet and another project at the entrance to the executive park at Faber Place and Leeds Avenue which will add over 125,000 square feet both of which are expected to open during late 2016. The region has an estimated civilian labor workforce exceeding 350,000, which has grown by over 20% for the last ten years. The local unemployment rate of 5.8% as of June 30, 2015 is below the State average but slightly above the National average for the same time period.

To the Council and Citizens of the
City of North Charleston

Tourism remains a vital segment of the local MSA economy. Overall hotel/motel occupancy rates increased slightly from calendar year 2013 to 2014. Hotel/motel room inventory exceeds 7,000 rooms in the City of North Charleston as of the calendar year ending 2014. 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.

The Charleston International Airport, managed by the Charleston Aviation Authority, is located in the City of North Charleston and has made several announcements over the past 5 years which have led to significant passenger load growth. In March 2015, Fort Lauderdale, Florida based Silver Airways began offering service from Charleston to various cities in Florida. In September 2012, plans were announced that the Airport Authority 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 Boston and has since added non-stop service to Washington, D.C. This follows a similar deal reached with Southwest Airlines in 2011 which began providing nonstop service to Nashville, Baltimore, Chicago and Houston and has since added non-stop service to Dallas. Southwest currently enjoys over 20% of the air traffic market. The Charleston International Airport saw its passenger load increase 7% in calendar year 2014 and its overall passenger load has increased over 55% from just 2010. In March 2012, the Charleston Aviation Authority announced that the 27 year old terminal will get a makeover from a \$189 million renovation and expansion plan which includes the addition of six more gates allowing the airport to handle more airplane and passenger traffic. A majority of the terminal redevelopment and improvement projects are on schedule to be completed before the summer of 2016. 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-two 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 2016.

To the Council and Citizens of the
City of North Charleston

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 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 \$8.5 million increase in annual property tax collections from Dorchester County over the past fourteen 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 twelve 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 over \$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. Field & Stream, a subsidiary of Dick's Sporting Goods, opened its new 50,000+ square foot outdoor sporting goods store in August 2015.

To the Council and Citizens of the
City of North Charleston

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 closed on the sale of over 200 parcels to developers. The entire project includes plans for over 375 homes and 17 parks. Phase III of the project infrastructure development is estimated to be completed by the spring of 2016 which will create the opening of more than 150 homesites to developers. In 2015, a 271 unit apartment complex which will include mixed use with residential units above retail stores called the Factory at Garco Park was announced in this TIF district area. Construction is still underway in an area not far off Park Circle at the intersection of Mixson and Durant Avenues that involves the development of over 650 single family homes, apartment complex units known as the Flats at Mixson and the Mixson Bath and Racquet Club.

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 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

To the Council and Citizens of the
City of North Charleston

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.

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 (later its name was changed to Palmetto 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

To the Council and Citizens of the
City of North Charleston

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 October 2015, Clemson announced it had landed a \$6.7 million grant from the Department of Energy to perform research toward reducing energy consumption by developing more efficient industrial motors. The goal of the research project is to develop improved industrial motor technologies that reduce greenhouse emissions and costs. These technologies developed at the North Charleston facility will be applied to a variety of industries around the world.

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 2016.

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 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 by 2017.

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.

To the Council and Citizens of the
City of North Charleston

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. In 2015, Boeing opened its new 737 MAX engine parts plant in a 225,000 square foot facility next to its earlier completed Interiors Fabrication Facility in the Palmetto Commerce Park plant area. This facility employs over 150 people overseeing the development of the aerospace giant's next generation of the popular 737 model.

In March 2015, Daimler AG, already operating a major van assembly plant in the Palmetto Commerce Park area, announced a major expansion that will bring over 1,200 additional jobs to meet its growing demand of Mercedes-Benz Sprinter vans already assembled at this plant facility. The company plans to invest about \$500 million to expand its full scale production facility on more than 200 acres it owns in this commerce park area. The new production facility will enable the company to get its vans to the United States/North America market faster, which has become its second largest market for vans worldwide with business up over 30% from 2013.

Long-Term Financial Planning. Unassigned fund balance in the General Fund (11.6% of the fiscal year 2015/2016 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 2015/2016 General Fund budget as approved is a balanced budget that recommends no use of the unassigned fund balance as a source of revenue. Revenue forecasts for the next several years suggests that new residential and commercial construction will remain relatively flat but continued economic growth from various sectors throughout the City and region will keep pace with the operational needs of the various departments.

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

To the Council and Citizens of the
City of North Charleston

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, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

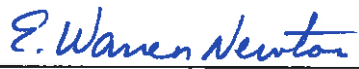
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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-seven fiscal years ended, from June 30, 1988 through 2014. 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
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of North Charleston
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015**

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

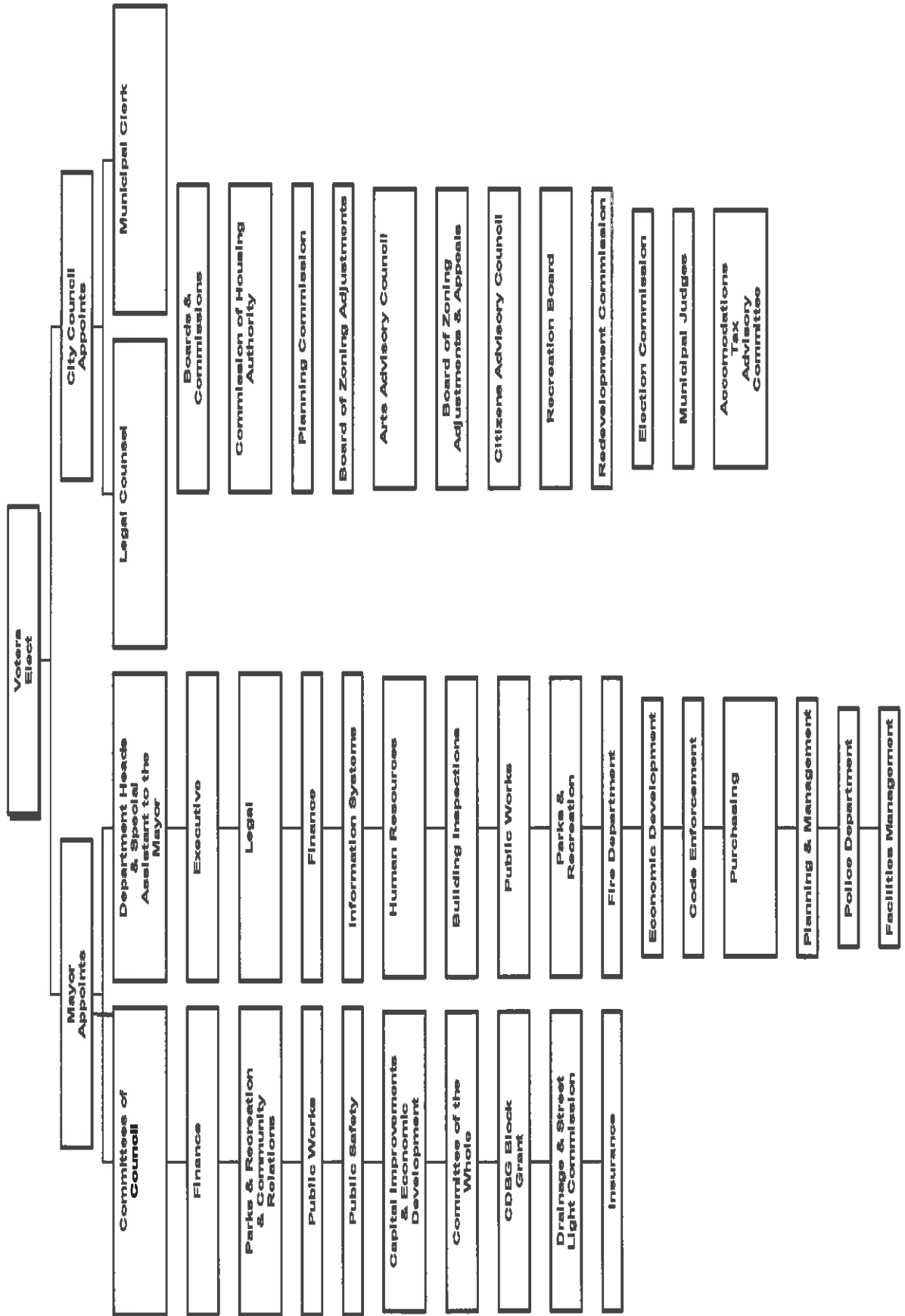
Director of Zoning and PlanningGwen Moultrie

Cultural Arts Director.....Marty Besancon

Police Chief.....Ely E. Driggers

Chief Administrative Judge.....Samuel Coleman

City of North Charleston



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FINANCIAL SECTION

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Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT 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, 2015, 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, 2014, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note IV.B. to the financial statements, in the year ended June 30, 2015 the City adopted the provisions of Governmental Accounting Standards Board Statement No 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". 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, budgetary comparison schedules for the General Fund and Coliseum Operating Fund, and the pension schedules, 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 29, 2015 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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 29, 2015

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, 2015. 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-x* 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 and deferred inflows of resources at the close of the most recent fiscal year by \$220,638,021 (net position). Net position increased \$36,807,006, or 20.0%, for the fiscal year ending June 30, 2015.
 - Governmental activities net position was \$213,628,213, an increase of \$36,618,306, or 20.7%. Unrestricted net position was a deficit of \$34,926,375 primarily due to implementing Governmental Accounting Standard Board ("GASB") Statement No. 68, *"Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"* ("GASB #68") and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68"* ("GASB #71") in the fiscal year ending June 30, 2015. See further discussion below.
 - Business-type net position amounted to \$7,009,808, an increase of \$188,700 or 2.8%. Unrestricted net position decreased \$2,069,969 to \$3,164,826 at June 30, 2015, primarily due to implementing GASB #68 and GASB #71 in the fiscal year ended June 30, 2015. See further discussion below.
- ❖ At June 30, 2015, the total fund balance of the City's governmental funds was \$75,365,364, a decrease of \$9,372,548, or 11.1%.
 - The fund balance of the General Fund decreased \$5,350,904, or 19.7%, to \$21,816,619. \$12,827,624 of this fund balance was unassigned at year-end, a decrease of \$7,793,178, or 37.8%, from the \$20,620,802 balance at June 30, 2014.
 - General Fund revenues exceeded expenditures by \$539,272 before other financing sources or uses and special items, an increase of \$973,537 from the prior year, and it was a \$2,093,548 favorable variance to the final budget.
- ❖ Total capital assets (net of accumulated depreciation) for the City amounted to \$382,154,241 at June 30, 2015, an increase of \$52,321,566, or 15.9%.
 - Governmental activities capital assets (net of accumulated depreciation) amounted to \$371,811,686, an increase of \$51,304,355, or 16.0%.
 - Business-type capital assets (net of accumulated depreciation) amounted to \$10,342,555, an increase of \$1,017,211, or 10.9%.

- ❖ At June 30, 2015, the City's total debt, including capital lease obligations and compensated absences was \$178,012,181 (net of unamortized premiums and discounts), an increase of \$3,494,844 or 2.0%.
 - Governmental funds total debt amounted to \$170,635,051, an increase of \$3,604,171, or 2.2%.
 - Business-type funds total debt amounted to \$7,377,130, a decrease of \$109,327, or 1.5%.
- The City implemented GASB #68 and GASB #71 in the fiscal year ended June 30, 2015. These Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for their participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, 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.

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide and Stormwater Utility Enterprise Fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources and deferred inflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide financial statements and Stormwater Utility Enterprise Fund financial statements as of July 1, 2014 was decreased by \$78,838,011, and \$1,199,270, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the City's retirement plans.

- 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 15-17 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-six individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Coliseum Operating Fund, Tax Infrastructure 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-one 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 18-21 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 22-24 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 25-61 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 and pension schedules. The required supplementary information is presented after the notes to the financial statements and can be found on pages 62-68 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 69-97 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. At the end of the current fiscal year, the City is able to report positive net position total balances for its separate governmental and business-type activities as assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$220,638,021 at June 30, 2015.

City of North Charleston's Net Position

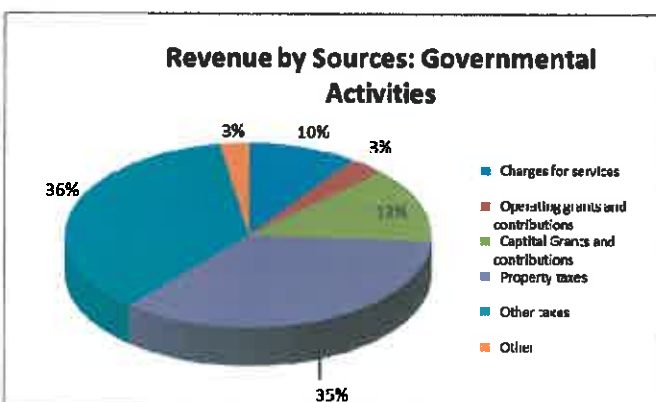
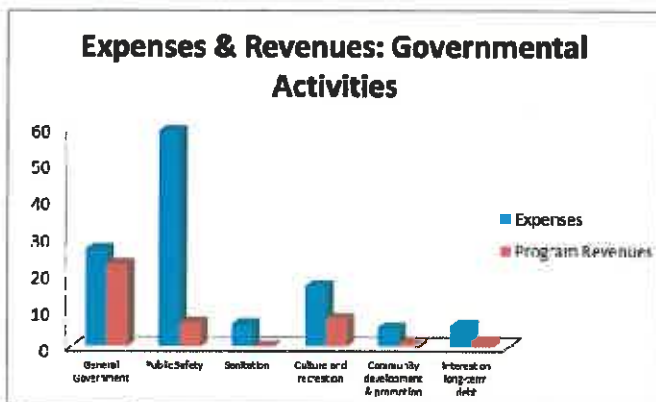
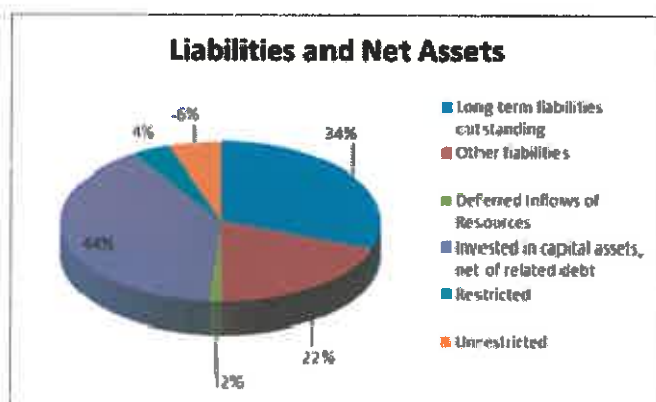
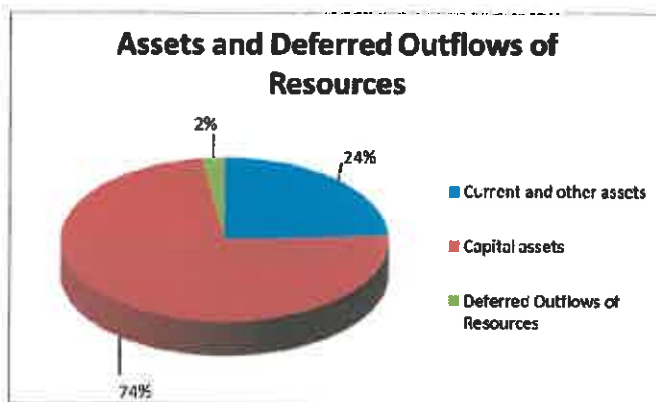
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015 ⁽¹⁾</u>	<u>2014</u>	<u>2015 ⁽¹⁾</u>	<u>2014</u>	<u>2015 ⁽¹⁾</u>	<u>2014</u>
Current and other assets	\$119,771,551	\$121,874,512	\$ 5,067,494	\$ 5,534,487	\$124,839,045	\$127,408,999
Capital assets	<u>371,811,686</u>	<u>320,507,331</u>	<u>10,342,555</u>	<u>9,325,344</u>	<u>382,154,241</u>	<u>329,832,675</u>
Total assets	<u>491,583,237</u>	<u>442,381,843</u>	<u>15,410,049</u>	<u>14,859,831</u>	<u>506,993,286</u>	<u>457,241,674</u>
Total deferred outflows of resources	<u>10,015,018</u>	<u>2,513,282</u>	<u>1,637,055</u>	<u>1,734,266</u>	<u>11,652,073</u>	<u>4,247,548</u>
Long-term liabilities outstanding	170,635,051	167,030,880	7,377,130	7,486,457	178,012,181	174,517,337
Net pension liabilities	79,289,920	-	1,216,410	-	80,506,330	-
Other liabilities	<u>30,073,835</u>	<u>22,016,327</u>	<u>1,341,204</u>	<u>1,087,262</u>	<u>31,415,039</u>	<u>23,103,589</u>
Total liabilities	<u>279,998,806</u>	<u>189,047,207</u>	<u>9,934,744</u>	<u>8,573,719</u>	<u>289,933,550</u>	<u>197,620,926</u>
Total deferred inflows of resources	<u>7,971,236</u>	-	<u>102,552</u>	-	<u>8,073,788</u>	-
Net position:						
Net investment in capital assets	226,873,405	181,770,720	3,844,982	2,785,583	230,718,387	184,556,303
Restricted	21,681,183	21,721,357	-	-	21,681,183	21,721,357
Unrestricted	<u>(34,926,375)</u>	<u>52,355,841</u>	<u>3,164,826</u>	<u>5,234,795</u>	<u>(31,761,549)</u>	<u>57,590,636</u>
Total net position	<u>\$213,628,213</u>	<u>\$255,847,918</u>	<u>\$7,009,808</u>	<u>\$8,020,378</u>	<u>\$220,638,021</u>	<u>\$263,868,296</u>

1) The City implemented GASB #68/71 in FY 2015. See Financial Highlights section for more details.

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, 2015 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.

A portion of the City's net position is represented by resources that are subject to external restrictions on how they may be used and thus this portion of net position is restricted. This net position is restricted primarily for capital projects, debt service, tourism related and tax increment financing district expenditures, law enforcement grants, grant projects and victim assistance. Restricted net position of the governmental activities are represented by \$718,549 of seized and forfeited drug funds, \$239,785 held for victims advocate purposes, \$2,041,762 in grant funds, \$717,927 for other special revenue funds, \$9,206,464 held for redevelopment activities, \$2,739,782 in tax increment financing property tax revenues held for future debt service payments and \$6,016,914 held for debt service requirements.

Unrestricted net position of the governmental activities decreased \$87,282,216 and the business-type activities unrestricted net position decreased \$2,069,969, largely due to the implementation of GASB #68/71 for the fiscal year ended June 30, 2015. The \$49,751,612 increase in overall total assets is largely attributable to the increase in capital assets in the amount of \$52,321,566. The City's increase in total liabilities of \$92,312,624 is primarily due to the net pension liability of \$80,506,330 at June 30, 2015 compared to last year. The City of North Charleston also recognized a \$9,165,000 settlement agreement during the fiscal year ended June 30, 2015 relative to the exchange of property with Palmetto Railways (see notes to the financial statements, section III, B). The City also reached a public safety lawsuit settlement for the fiscal year ended June 30, 2015 in the net expense amount of \$5,500,000 (see notes to the financial statements, section IV, G).



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>2015 ⁽¹⁾</u>	<u>2014</u>	<u>2015 ⁽¹⁾</u>	<u>2014</u>	<u>2015 ⁽¹⁾</u>	<u>2014</u>
Program revenues:						
Charges for services	\$14,757,642	\$16,002,187	\$4,868,895	\$5,052,757	\$19,626,537	\$21,054,944
Operating grants and contributions	4,802,442	3,534,071	-	-	4,802,442	3,534,071
Capital grants and contributions	19,860,711	16,298,998	330,000	-	20,190,711	16,298,998
General revenues:						
Property taxes	53,869,578	52,566,263	-	-	53,869,578	52,566,263
Other taxes	55,375,986	54,543,794	-	-	55,375,986	54,543,794
Other	<u>3,863,775</u>	<u>4,403,569</u>	<u>65,331</u>	<u>25,336</u>	<u>3,929,106</u>	<u>4,428,905</u>
Total revenues	<u>152,530,134</u>	<u>147,348,882</u>	<u>5,264,226</u>	<u>5,078,093</u>	<u>157,794,360</u>	<u>152,426,975</u>
<u>Expenses:</u>						
General government	26,457,600	26,867,536	-	-	26,457,600	26,867,536
Public safety	58,491,261	54,457,376	-	-	58,491,261	54,457,376
Sanitation	6,129,667	6,389,844	-	-	6,129,667	6,389,844
Culture and recreation	16,495,636	15,489,110	-	-	16,495,636	15,489,110
Community development	5,174,995	4,709,825	-	-	5,174,995	4,709,825
Interest on long-term debt	5,888,319	7,649,242	-	-	5,888,319	7,649,242
Golf course expenses	-	-	2,321,730	2,561,377	2,321,730	2,561,377
Stormwater utility expenses	-	-	<u>3,693,146</u>	<u>3,829,193</u>	<u>3,693,146</u>	<u>3,829,193</u>
Total expenses	<u>118,637,478</u>	<u>115,562,933</u>	<u>6,014,876</u>	<u>6,390,570</u>	<u>124,652,354</u>	<u>121,953,503</u>
Increase in net position before transfers	33,892,656	31,785,949	(750,650)	(1,312,477)	33,142,006	30,473,472
Transfers in (out)	<u>(939,350)</u>	<u>(986,998)</u>	<u>939,350</u>	<u>986,998</u>	-	-
Inc/Dec in net position before special item	32,953,306	30,798,951	188,700	(325,479)	33,142,006	30,473,472
Special Items:						
Palmetto Railways settlement	9,165,000	-	-	-	9,165,000	-
Public safety settlement	<u>(5,500,000)</u>	-	-	-	<u>(5,500,000)</u>	-
Total special items	<u>3,665,000</u>	-	-	-	<u>3,665,000</u>	<u>121,953,503</u>
Increase/Decrease in net position	36,618,306	30,798,951	188,700	(325,479)	36,807,006	30,473,472
Net position at beginning of year	255,847,918	225,048,967	8,020,378	8,345,857	263,868,296	233,394,824
Restatement-Implementation of GASB#68	<u>(78,838,011)</u>	-	<u>(1,199,270)</u>	-	<u>(80,037,281)</u>	-
Net position at end of year	<u>\$213,628,213</u>	<u>\$255,847,918</u>	<u>\$7,009,808</u>	<u>\$8,020,378</u>	<u>\$220,638,021</u>	<u>\$263,868,296</u>

1) The City implemented GASB #68/71 in FY 2015. See Financial Highlights section for more details

Total government-wide revenues of \$157,794,360 were derived primarily from property taxes, business licenses and other taxes (69.3%) while charges for services, grants and other revenues made up the remaining revenues (30.7%). Revenues increased \$5,367,385 or 3.5% from the prior year. Total government-wide expenses of all programs were \$124,652,354, reflecting an increase of \$2,698,851 (2.2%) from the prior year. The expenses cover a wide range with public safety (police and fire) representing 46.9%, with general government and culture and recreation making up the next largest balances at 21.02% and 13.2%, respectively.

Governmental activities. Governmental activities increased the City of North Charleston's net position by \$36,618,306. Increases in property tax, other tax revenues, grant revenues from Charleston County, and special items were the major reasons for the increase in governmental net position.

Business-type activities. Business-type activities realized an increase in net position in the amount of \$188,700. 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 \$1,449,350.

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, 2015, the governmental funds of the City of North Charleston reported a combined fund balance of \$75,365,364, a decrease of \$9,372,548 in comparison with the prior year. Nonspendable, restricted, committed and assigned governmental fund balances decreased \$1,579,370 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 \$12,827,624 or 12.2% of the operating budget for the fiscal year ending June 30, 2015, while total fund balance is \$21,816,619. Unassigned fund balance at June 30, 2015 decreased by \$7,793,178, or 37.8% 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 11.5% of total General Fund expenditures including transfers to other funds, while total fund balance represents 19.6% of that same amount.

Key governmental revenue and expenditure highlights are as follows:

- Property taxes increased by \$1,369,350 or 2.6% over fiscal year ending June 30, 2014. Incremental assessed property value reductions due to condemnation resulted in a decrease of \$180,986 in property tax revenues in the three TIF areas. General Fund property tax revenues increased by \$1,550,336, which was the result of continued growth in the overall citywide assessed property value.
- Intergovernmental revenues increased by \$7,145,445 or 16.3% due largely to the \$4,631,144 increase in grant related revenues from Charleston County relative to a large road development project. Sales tax, hospitality and accommodation tax collections increased by \$1,860,324.
- Business licenses, franchise fees and permits increased by \$1,128,331 due to the continued strength in the local economy and commercial and industrial growth.
- Revenues from use of monies and property decreased \$1,588,887 or 14.9% largely due to the decrease in operating revenue generated by events held at the coliseum complex.
- General government expenditures increased by \$482,515 primarily due to unforeseen facilities maintenance related costs, higher health insurance expenses, additions of personnel positions, and funds spent on new software.
- Capital outlay expenditures increased by \$4,748,008 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, 2016.
- Public safety expenditures increased by \$1,509,025 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, 2015.

- Sanitation, culture and recreation, and community development expenditures increased by \$809,558 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 \$934,789 primarily due to the debt service associated with the larger year to year equipment leases entered into over the past couple of years and the issuance of \$16,000,000 in general obligation bonds during the fiscal year ended June 30, 2015.
- The City also reached a lawsuit settlement being shown as a special item-settlement agreement for the fiscal year ending June 30, 2015 in the net expense amount of \$5,500,000. Further information regarding this settlement can be found in the City's footnotes section IV.(G).

The Citywide Capital Improvements Fund has a total fund balance of \$17,221,682. The net increase in fund balance during the fiscal year ended June 30, 2015 was \$15,221,302 and resulted primarily from the issuance of \$16,000,000 in general obligation bonds for various citywide capital projects. The Tax Infrastructure Capital Projects Fund has a total fund balance of \$9,829,514. The net increase in fund balance during the fiscal year ending June 30, 2015 was \$1,357,395 and resulted from incremental property tax collections exceeding debt related expenditures. The Coliseum Operating Fund has a total fund balance of \$332,198, unchanged from the prior year due to the General Fund contributing \$957,795 and other capital projects funds contributing \$301,598 during the fiscal year ending June 30, 2015 to offset the \$1,259,393 deficiency of expenditures over revenues from operations. The Installment Purchase Revenue Bonds Capital Projects Fund has a total balance of \$13,571,520. The net decrease in fund balance during the fiscal year ending June 30, 2015 was \$19,242,502 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, 2015 was originally adopted at \$105,221,069, inclusive of transfers out to other funds, and represents an increase of 5.3% over the final fiscal year ending June 30, 2014 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, 2015 totals \$112,666,005.

Differences between the original budget and the final amended budget are represented by an increase in appropriations of \$7,444,936. The sanitation budget received an additional allocation of \$811,084 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 \$732,042 as a result of purchases of real property and increased health insurance costs. The public safety budget received an additional allocation of \$1,604,884 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

\$2,488,040 primarily for the purpose of increasing the capital projects funds for the various related improvement projects. The City also had to increase the budget for the public safety lawsuit settlement agreement in the amount of \$5,500,000 along with the \$2,000,000 Palmetto Railways settlement mentioned earlier.

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

- Property taxes were \$371,853 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 \$1,442,253 above the original budget primarily due to the economic growth reported by the commercial and industrial sectors.
- Intergovernmental revenues were \$2,149,086 above the original 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, 2015 was \$382,154,241 (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 \$52,321,566 or 15.9%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Construction in progress	\$ 89,673,972	\$ 48,753,443	\$ 754,480	\$ -	\$ 90,428,452	\$ 48,753,443
Land	58,751,354	46,067,546	1,397,188	1,397,188	60,148,542	47,464,734
Buildings	110,204,060	111,701,017	2,141,358	2,070,954	112,345,418	113,771,971
Infrastructure	29,285,266	30,041,204			29,285,266	30,041,204
Improvements	62,343,756	62,248,620	4,581,411	4,825,444	66,925,167	67,074,064
Machinery and equipment	<u>21,553,278</u>	<u>21,695,501</u>	<u>1,468,118</u>	<u>1,031,758</u>	<u>23,021,396</u>	<u>22,727,259</u>
Total Capital Assets	<u>\$371,811,686</u>	<u>\$320,507,331</u>	<u>\$10,342,555</u>	<u>\$ 9,325,344</u>	<u>\$382,154,241</u>	<u>\$329,832,675</u>

Major capital asset events during the fiscal year ending June 30, 2015 included the following:

- The City invested over \$4,000,000 during the fiscal year ending June 30, 2015 towards renovations to the Coliseum.
- The City expended over \$3,700,000 on parks and recreation facilities throughout the City during the fiscal year ending June 30, 2015.
- The City spent over \$15,000,000 on property where it plans to build a new public works facility.
- The City spent over \$18,000,000 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 40 of this report.

Long-term debt. As of June 30, 2015, the City of North Charleston had total bonded debt outstanding of \$160,316,996, which is net of \$6,816,996 in deferred amounts consisting of unamortized premiums and discounts. Of this amount, \$34,960,000 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Obligation Bonds	\$34,960,000	\$22,505,000	\$ -	\$ -	\$34,960,000	\$22,505,000
Certificates of Participation	42,535,000	47,920,000	-	-	42,535,000	47,920,000
Installment Purchase Rev. Bonds	48,650,000	49,935,000	-	-	48,650,000	49,935,000
Tax Increment Bonds	20,865,000	27,000,000	-	-	20,865,000	27,000,000
Revenue Bonds	-	-	6,490,000	7,085,000	6,490,000	7,085,000
Subtotal	147,010,000	147,360,000	6,490,000	7,085,000	153,500,000	154,445,000
Add (Less): Unamortized discounts, premiums and amounts on refunding	6,847,066	5,006,821	(30,070)	(33,830)	6,816,996	4,972,991
Total	<u>\$153,857,066</u>	<u>\$152,366,821</u>	<u>\$6,459,930</u>	<u>\$7,051,170</u>	<u>\$160,316,996</u>	<u>\$159,417,991</u>

The City of North Charleston's long-term debt increased by \$899,005 during the fiscal year ended June 30, 2015. The key factors in this overall increase was the principal reduction of \$16,945,000 in both governmental and business-type activity bonds during the fiscal year ending June 30, 2015 offset by the issuance of \$16,000,000 in general obligation bonds during the year that were issued at a premium.

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 \$46,657,058 and its legal debt margin or the amount available to issue under the legal debt limit is \$11,697,058.

Additional information on the City of North Charleston's long-term debt can be found in note III.F on pages 42-50 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, 2015 was 5.8%. The unemployment rate for the State of South Carolina was 6.7% and the National unemployment rate was 5.5% as of the same time period.
- Retail sales in the City decreased from \$7.21 billion in calendar year 2013 to \$6.86 billion in calendar year 2014.
- Spending in building permit construction dollar values remained relatively flat for the fiscal year ending June 30, 2015 compared to fiscal year ending June 30, 2014. Permit collections decreased slightly from \$2,327,417 in fiscal year ending June 30, 2014 to \$2,033,891 in fiscal year ending June 30, 2015.

The City's adopted budget for the General Fund for the fiscal year ending June 30, 2016 increased 4.5% to \$110.4 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 \$4.2 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.

FINANCIAL STATEMENTS

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 32,473,891	\$ 4,873,516	\$ 37,347,407
Receivables (net of allowance for uncollectibles)	2,907,382	193,957	3,101,339
Due from other governments	21,608,056	-	21,608,056
Assets held for resale	6,215,723	-	6,215,723
Inventories, at cost	510,415	-	510,415
Other assets and prepaid items	4,358,578	21	4,358,599
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	51,697,506	-	51,697,506
Capital assets (not being depreciated):			
Construction in progress	89,673,972	754,480	90,428,452
Land	58,751,354	1,397,188	60,148,542
Capital assets (net of accumulated depreciation):			
Buildings	110,204,060	2,141,358	112,345,418
Infrastructure	29,285,266	-	29,285,266
Improvements	62,343,756	4,581,411	66,925,167
Equipment	21,553,278	1,468,118	23,021,396
Total assets	491,583,237	15,410,049	506,993,286
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated decrease in fair value of hedging derivatives	865,664	768,499	1,634,163
Deferred pension charges	8,109,265	107,236	8,216,501
Deferred loss on refunding	1,040,089	761,320	1,801,409
Total deferred outflows of resources	10,015,018	1,637,055	11,652,073

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	14,195,852	551,508	14,747,360
Other accrued liabilities	12,047,106	21,197	12,068,303
Escrow for seized funds	341,163	-	341,163
Unearned revenue	2,624,050	-	2,624,050
Derivative instrument	865,664	768,499	1,634,163
Net pension liability	79,289,920	1,216,410	80,506,330
Long-term obligations:			
Due within one year:			
General obligation bonds	2,285,000	-	2,285,000
Certificates of participation	5,795,000	-	5,795,000
Tax increment financing bonds	6,425,000	-	6,425,000
Installment purchase revenue bonds	1,350,000	-	1,350,000
Revenue bonds	-	620,000	620,000
Capital lease obligations	3,100,879	132,422	3,233,301
Compensated absences	4,041,955	106,413	4,148,368
Due in more than one year (noncurrent):			
General obligation bonds	35,107,770	-	35,107,770
Certificates of participation	37,298,211	-	37,298,211
Tax increment financing bonds	14,774,251	-	14,774,251
Installment purchase revenue bonds	50,821,834	-	50,821,834
Revenue bonds	-	5,839,930	5,839,930
Capital lease obligations	9,422,417	666,541	10,088,958
Compensated absences	212,734	11,824	224,558
Total liabilities	279,998,806	9,934,744	289,933,550
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pension credits	7,971,236	102,552	8,073,788
Total deferred inflows of resources	7,971,236	102,552	8,073,788
<u>NET POSITION</u>			
Net investment in capital assets	226,873,405	3,844,982	230,718,387
Restricted for:			
Redevelopment projects	9,206,464	-	9,206,464
Public safety and service	3,718,023	-	3,718,023
Debt service	8,756,696	-	8,756,696
Unrestricted	(34,926,375)	3,164,826	(31,761,549)
Total net position	213,628,213	7,009,808	220,638,021

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, 2015

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	\$ 26,457,600	\$ 3,002,029	\$ -	\$ 19,441,956	\$ (4,013,615)	\$ -
Public safety	58,491,261	3,974,967	2,367,523	157,557	(51,991,214)	-
Sanitation	6,129,667	58,175	-	-	(6,071,492)	-
Culture and recreation	16,495,636	7,722,471	28,992	-	(8,744,173)	-
Community development & promotion	5,174,995	-	763,228	261,198	(4,150,569)	-
Interest on long-term debt	5,888,319	-	1,642,699	-	(4,245,620)	-
Total governmental activities	118,637,478	14,757,642	4,802,442	19,860,711	(79,216,683)	-
Business-type activities:						
Golf course enterprise fund	2,321,730	1,144,490	-	-	-	(1,177,240)
Stormwater utility enterprise fund	3,693,146	3,724,405	-	330,000	-	361,259
Total business-type activities	6,014,876	4,868,895	-	330,000	(815,981)	(815,981)
Totals	\$ 124,652,354	\$ 19,626,537	\$ 4,802,442	\$ 20,190,711	(79,216,683)	(80,032,664)
General revenues:						
Property taxes					53,869,578	53,869,578
Business license taxes					22,931,298	22,931,298
Sales taxes					10,629,210	10,629,210
Franchise taxes					9,154,565	9,154,565
Alcoholic beverage taxes					294,013	294,013
Hospitality taxes					6,763,503	6,763,503
Accommodations taxes					5,603,398	5,603,398
State shared revenues, unrestricted					2,542,418	2,542,418
Investment earnings					454,004	9,449
Miscellaneous					867,353	55,882
Total general revenues before transfers					113,109,339	65,331
Transfers					(939,350)	939,350
Total general revenues and transfers					112,169,989	1,004,681
Special items:						
Public safety settlement agreement					(5,500,000)	-
Palmetto Railways settlement agreement					9,165,000	-
Total general revenues, transfers and special items					115,834,989	1,004,681
Change in net position					36,618,306	188,700
Net position at beginning of year - as previously reported					255,847,918	8,020,378
Cumulative change in accounting principle - GASB#68 and GASB#71					(78,838,011)	(1,199,270)
Net position at beginning of year - restated					177,009,907	6,821,108
Net position at end of year					\$ 213,628,213	\$ 7,009,808
						\$ 220,638,021

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, 2015

(With Comparative Totals at June 30, 2014)

	General	Colliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Installment Purchase Revenue Bonds Capital Projects	Other Governmental	Total Governmental Funds
	2015	2015	2015	2015	2015	2015	2015
Assets							
Cash and cash equivalents	\$ 26,610,595	\$ 3,109,984	\$ -	\$ 201,561	\$ -	\$ 2,551,751	\$ 29,230,838
Receivables, net of allowances:							
Property taxes	1,850,820	-	-	-	-	-	1,850,820
Accounts receivable	310,550	210,852	-	-	535,160	-	1,710,213
Due from other funds	492,901	-	-	-	-	-	9,674,895
Due from other governments	8,361,852	-	6,055,000	6,117,731	-	1,073,473	391,245
Assets held for resale	-	-	6,215,723	-	-	-	21,514,053
Inventories, at cost	510,415	-	-	-	-	-	4,810,940
Prepaid items	641,312	50,163	-	-	-	-	133,740
Restricted assets:							
Cash and cash equivalents	2,426,723	-	4,146,133	17,646,133	16,275,388	11,202,646	51,697,506
Total assets	\$ 41,205,168	\$ 3,370,999	\$ 16,416,856	\$ 23,965,908	\$ 16,810,548	\$ 14,827,870	\$ 119,498,898
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ 2,400,690	\$ 451,751	\$ 495,342	\$ 6,744,226	\$ 2,703,868	\$ 1,399,975	\$ 14,195,852
Other accrued liabilities	11,338,955	-	-	-	-	-	11,338,955
Escrow for seized funds	-	-	-	-	-	341,163	430,247
Due to other funds	-	-	-	-	-	492,901	391,245
Unearned revenue	-	2,587,050	37,000	-	-	-	2,624,050
Total liabilities	13,739,645	3,038,801	532,342	6,744,226	2,703,868	2,234,039	28,992,921
Deferred Inflows of Resources:							
Unavailable revenues	5,648,904	-	6,055,000	-	535,160	-	12,239,064
Total deferred inflows of resources	5,648,904	-	6,055,000	-	535,160	-	14,300,062
Fund balances:							
Nonspendable:							
Prepaid items	641,312	50,163	-	-	-	-	691,475
Inventories	510,415	-	-	-	-	-	510,415
Assets held for resale	-	-	6,215,723	-	-	-	6,215,723
Restricted for:							
Public safety and public service	-	-	-	-	-	3,718,023	3,718,023
Facility and infrastructure improvements	-	-	-	17,221,682	13,571,520	2,722,963	33,516,165
Debt service	-	-	2,739,782	-	-	6,016,914	8,756,696
Other capital projects	2,426,723	-	874,009	-	-	-	3,300,732
Committed for:							
Disaster funds	477,128	-	-	-	-	-	477,128
Assigned for:							
Community promotions	-	-	-	-	-	135,931	135,931
Facility operations	-	282,035	-	-	-	-	282,035
Education, boat landing, loans and other	4,933,417	-	-	-	-	-	4,933,417
Unassigned	12,827,624	-	-	-	-	-	12,827,624
Total fund balances	21,816,619	332,198	9,829,514	17,221,682	13,571,520	12,593,831	75,365,364
Total liabilities, deferred inflows of resources and fund balances	\$ 41,205,168	\$ 3,370,999	\$ 16,416,856	\$ 23,965,908	\$ 16,810,548	\$ 14,827,870	\$ 119,498,898

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, 2015

Total fund balances of Governmental Funds	\$ 75,365,364
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	\$ 491,208,686
Accumulated depreciation	<u>(119,397,000)</u>
Net carrying value of capital assets included in net position, not included in fund balances	371,811,686
Long-term liabilities are not due and payable in the current period and accordingly, are not reported as fund liabilities:	
General obligation bonds, including unamortized premiums of \$2,432,770	(37,392,770)
Certificates of participation, including unamortized premiums and/or discounts of \$558,211	(43,093,211)
Installment purchase revenue bonds, including unamortized premiums of \$3,521,834	(52,171,834)
Tax increment financing bonds, including unamortized premiums and/or discounts of \$334,251	(21,199,251)
Capital lease obligations	(12,523,296)
Compensated absences	(4,254,689)
Accrued interest on long-term debt	(708,151)
Pension liability, net of pension credits of \$7,971,236 and pension charges of \$8,109,265	<u>(79,151,891)</u>
Total liabilities included in Statement of Net Position, not included in fund liabilities	(250,495,093)
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	8,055,000
Accounts receivable for facility improvements and renovations	535,160
Hospitality taxes, accommodations taxes, state shared and other revenues due from other governments	2,626,921
Property taxes	1,021,983
OPEB net (obligation) asset	3,667,103
Unamortized loss on refunding, net of amortization	1,040,089
Total long-term assets included in net position, not included in fund balances	<u>16,946,256</u>
Total net position of Governmental Activities	\$ 213,628,213

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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	General	Coliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
							2015
Revenues:							2014
Property taxes	\$ 42,178,147	\$ -	\$ 8,101,050	\$ -	\$ -	\$ 3,500,000	\$ 53,779,197
Licenses and permits	34,119,753	-	-	-	-	-	34,119,753
Intergovernmental	18,372,394	-	359,033	18,988,307	-	13,266,815	50,986,549
Fines and forfeitures	1,315,774	-	-	-	-	693,915	2,009,689
Charges for services	1,761,270	-	-	-	-	-	1,761,270
Revenues from use of monies and property	2,692,061	5,205,013	16,520	20,611	272,017	872,297	9,078,519
Other revenues	856,157	-	-	-	-	-	856,157
Total revenues	101,295,555	5,205,013	8,476,603	19,008,918	272,017	18,333,027	152,591,133
Expenditures:							
Current:							
General government	26,374,210	-	-	-	-	-	26,374,210
Public safety	54,610,173	-	-	-	-	2,106,428	56,716,601
Sanitation	6,652,304	-	-	-	-	-	6,652,304
Culture and recreation	6,983,835	6,464,406	-	-	-	653,000	14,101,241
Community development and promotion	2,934,032	-	-	-	-	1,884,141	4,818,173
Capital outlay	-	-	245,446	24,211,467	19,514,519	3,267,377	47,238,809
Debt service:							
Principal	2,953,029	-	6,135,000	-	-	10,215,000	19,303,029
Interest and fiscal charges	248,701	-	738,762	-	-	5,249,767	6,237,230
Bond issuance costs	-	-	-	182,689	-	-	182,689
Total expenditures	100,756,284	6,464,406	7,119,208	24,394,156	19,514,519	23,375,713	181,624,286
Excess (deficiency) of revenues over expenditures	539,272	(1,259,393)	1,357,395	(5,385,238)	(19,242,502)	(5,042,686)	(29,033,152)
Other financing sources (uses):							
Transfers in	-	1,259,393	-	2,000,000	-	7,840,783	11,100,176
Transfers (out)	(7,883,590)	-	-	-	-	(4,155,936)	(12,039,526)
Proceeds from sale of property	525,415	-	-	-	-	-	525,415
Bonds issued	-	-	-	16,000,000	-	-	16,000,000
Premiums on bonds issued	-	-	-	2,606,540	-	-	2,606,540
Capital lease obligations	4,968,000	-	-	-	-	-	4,968,000
Total other financing sources (uses)	(2,390,175)	1,259,393	-	20,606,540	-	3,684,847	23,160,605
Special items:							
Palmetto Railways settlement agreement	2,000,000	-	-	-	-	-	2,000,000
Public safety settlement agreement	(5,500,000)	-	-	-	-	-	(5,500,000)
Total special items	(3,500,000)	-	-	-	-	-	(3,500,000)
Net changes in fund balances	(5,350,904)	-	1,357,395	15,221,302	(19,242,502)	(1,357,839)	(9,372,548)
Fund balances at beginning of year	27,167,523	332,198	8,472,119	2,000,380	32,814,022	13,951,670	84,737,912
Fund balances at end of year	\$ 21,816,619	\$ 332,198	\$ 9,829,514	\$ 17,221,682	\$ 13,571,520	\$ 12,593,831	\$ 75,365,364
							\$ 84,737,912

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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015

Net change in fund balances of Governmental Funds activities:		
Amounts reported for Governmental Activities in the Statement of Activities are different because:		\$ (9,372,548)
Capital outlays are reported as expenditures, whereas depreciation is not a change in fund balance. In the Statement of Activities the cost of capital outlays is capitalized and depreciation is expensed. Also capital assets contributed to the City and financed acquisitions are capitalized and recognized in the Statement of Net Position:		
Total capital asset additions	61,713,368	
Depreciation expense	<u>(9,695,852)</u>	
Net effect of capital asset acquisitions and depreciation expense		52,017,516
Proceeds from sale of capital assets are reported as a change in fund balance, whereas the gain (loss) on the sale or disposal of capital assets is reported in the Statement of Activities:		
Proceeds from sale of capital assets	(525,415)	
Gain (loss) on sale or disposal	<u>(187,746)</u>	
Net effect of capital assets sales and disposals		(713,161)
Long-term liability payments are recorded as expenditures and bond proceeds are recorded as other financing sources as changes in fund balances, whereas there is no effect on the Statement of Activities. Amortization of related premiums, discounts and deferred loss on refundings are expensed within the Statement of Activities, whereas these costs and receipts are expenditures and resources of fund balances when incurred:		
Payments of long-term debt - general obligation bonds, certificates of participation and tax increment financing bonds	16,350,000	
Amortization of premiums, discounts and refunding deferrals	518,366	
Bonds issued	<u>(16,000,000)</u>	
Premiums on bonds issued	(2,606,540)	
Capital lease payments	2,953,029	
Proceeds from capital leasing activities	<u>(4,968,000)</u>	
Net effect of long-term debt related activities		(3,753,145)
Revenues and expenses in the Statement of Activities, which do not represent or require the use of current financial resources and are reported in fund balances:		
Special item - Palmetto Railways settlement agreement	(2,000,000)	
Reimbursement of debt	(155,000)	
Accounts receivable for facility improvements and renovations	<u>(246,077)</u>	
Hospitality & accommodations taxes	181,729	
Property taxes	90,381	
State shared and other revenues due from other governments	67,970	
Accrued interest on borrowings	13,233	
Increase in net OPEB asset	900,244	
Pension expense	<u>(313,881)</u>	
Compensated absences	(98,955)	
Net effect of revenue and expense activities		(1,560,356)
Change in net position		<u>\$ 36,618,306</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
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2015
 (With Comparative Totals at June 30, 2014)

	Enterprise Funds			
	2015			2014
	Golf Course	Stormwater Utility	Total	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 140,038	\$ 4,733,478	\$ 4,873,516	\$ 5,248,786
Accounts receivable, net	13,779	180,178	193,957	285,701
Prepaid items	21	-	21	-
Total current assets	153,838	4,913,656	5,067,494	5,534,487
Noncurrent Assets:				
Capital assets:				
Land	1,397,188	-	1,397,188	1,397,188
Construction in progress	-	754,480	754,480	-
Buildings	3,484,971	-	3,484,971	3,322,113
Improvements	8,043,375	-	8,043,375	8,043,375
Machinery and equipment	1,446,099	3,398,304	4,844,403	4,198,611
Less accumulated depreciation	(6,057,961)	(2,123,901)	(8,181,862)	(7,635,943)
Total capital assets (net of accumulated depreciation)	8,313,672	2,028,883	10,342,555	9,325,344
Total noncurrent assets	8,313,672	2,028,883	10,342,555	9,325,344
Total assets	8,467,510	6,942,539	15,410,049	14,859,831
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension charges	-	107,236	107,236	-
Accumulated decrease in fair value of hedging derivatives	768,499	-	768,499	877,781
Deferred loss on refunding	761,320	-	761,320	856,485
Total deferred outflows of resources	1,529,819	107,236	1,637,055	1,734,266
LIABILITIES				
Current liabilities:				
Accounts payable	127,033	424,475	551,508	188,528
Accrued interest payable	19,153	2,044	21,197	20,953
Revenue bonds payable	620,000	-	620,000	595,000
Capital leases payable	7,059	125,363	132,422	87,047
Compensated absences	-	106,413	106,413	80,288
Total current liabilities	773,245	658,295	1,431,540	971,816
Noncurrent liabilities:				
Pension liability	-	1,216,410	1,216,410	-
Derivative instrument	768,499	-	768,499	877,781
Revenue bonds payable, net	5,839,930	-	5,839,930	6,456,170
Capital leases payable	-	666,541	666,541	258,029
Compensated absences	-	11,824	11,824	9,923
Total noncurrent liabilities	6,608,429	1,894,775	8,503,204	7,601,903
Total liabilities	7,381,674	2,553,070	9,934,744	8,573,719
DEFERRED INFLOWS OF RESOURCES				
Deferred pension credits	-	102,552	102,552	-
Total deferred inflows of resources	-	102,552	102,552	-
NET POSITION				
Net investment in capital assets	2,608,003	1,236,979	3,844,982	2,785,583
Unrestricted	7,652	3,157,174	3,164,826	5,234,795
Total net position	\$ 2,615,655	\$ 4,394,153	\$ 7,009,808	\$ 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
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Enterprise Funds			
	2015			2014
	Golf Course	Stormwater Utility	Total	Total
Operating revenues:				
Golf course fees	\$ 1,144,490	\$ -	\$ 1,144,490	\$ 1,215,060
Stormwater utility fees	-	3,724,405	3,724,405	3,793,027
Intergovernmental	-	330,000	330,000	-
Merchandise sales commissions	44,251	-	44,251	44,670
Miscellaneous revenues	11,631	-	11,631	16,873
Total operating revenues	1,200,372	4,054,405	5,254,777	5,069,630
Operating expenses:				
Contractual management services	1,490,215	-	1,490,215	1,627,110
Salaries and benefits	-	2,494,679	2,494,679	2,649,971
Repairs and maintenance	-	838,546	838,546	863,669
Supplies and materials	-	163,527	163,527	144,928
Administrative	18,031	55,010	73,041	68,810
Amortization expense	98,924	-	98,924	173,388
Depreciation expense	416,429	129,490	545,919	534,163
Total operating expenses	2,023,599	3,681,252	5,704,851	6,062,039
Operating income (loss)	(823,227)	373,153	(450,074)	(992,409)
Nonoperating revenues (expenses):				
Investment income	321	9,128	9,449	8,463
Interest expense:				
Revenue bonds	(286,631)	-	(286,631)	(314,297)
Equipment leases	(352)	(11,894)	(12,246)	(6,069)
Fiscal agent fees	(11,148)	-	(11,148)	(8,165)
Total nonoperating revenues (expenses)	(297,810)	(2,766)	(300,576)	(320,068)
Change in net position, before transfers	(1,121,037)	370,387	(750,650)	(1,312,477)
Transfers to IPRB Fund	-	(510,000)	(510,000)	(510,000)
Transfers from General Fund	1,449,350	-	1,449,350	1,496,998
Change in net position	328,313	(139,613)	188,700	(325,479)
Total net position at beginning of year, as previously reported	2,287,342	5,733,036	8,020,378	8,345,857
Cumulative change in accounting principle - GASB # 68 and GASB # 71	-	(1,199,270)	(1,199,270)	-
Total net position at beginning of year, restated	2,287,342	4,533,766	6,821,108	8,345,857
Total net position at end of year	\$ 2,615,655	\$ 4,394,153	\$ 7,009,808	\$ 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
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Enterprise Funds			
	2015			2014
	Golf Course	Stormwater Utility	Total	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,209,257	\$ 4,137,264	\$ 5,346,521	\$ 4,948,867
Payments to employees	-	(2,482,223)	(2,482,223)	(2,649,971)
Payments to suppliers and contractors	(1,542,725)	(631,375)	(2,174,100)	(2,785,049)
Net cash provided by (used for) operating activities	<u>(333,468)</u>	<u>1,023,666</u>	<u>690,198</u>	<u>(486,153)</u>
Cash flows from noncapital financing activities:				
Transfers to IPRB Fund	-	(510,000)	(510,000)	(510,000)
Transfers from General Fund	1,449,350	-	1,449,350	1,496,998
Net cash provided by (used for) noncapital financing activities	<u>1,449,350</u>	<u>(510,000)</u>	<u>939,350</u>	<u>986,998</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(219,614)	(1,343,515)	(1,563,129)	(458,916)
Principal paid on capital debt	(622,985)	(98,128)	(721,113)	(689,351)
Proceeds from lease purchase financing	-	580,000	580,000	330,000
Interest and fiscal charges paid on capital debt	(298,131)	(11,894)	(310,025)	(328,531)
Net cash provided by (used for) capital and related financing activities	<u>(1,140,730)</u>	<u>(873,537)</u>	<u>(2,014,267)</u>	<u>(1,146,798)</u>
Cash flows from investing activities:				
Interest received	321	9,128	9,449	8,463
Net cash provided by (used for) investing activities	<u>321</u>	<u>9,128</u>	<u>9,449</u>	<u>8,463</u>
Net increase (decrease) in cash and cash equivalents	(24,527)	(350,743)	(375,270)	(637,490)
Cash and cash equivalents at beginning of year	164,565	5,084,221	5,248,786	5,886,276
Cash and cash equivalents at end of year	\$ 140,038	\$ 4,733,478	\$ 4,873,516	\$ 5,248,786
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (823,227)	\$ 373,153	\$ (450,074)	\$ (992,409)
Adjustments:				
Increase (decrease) in operating payables	(34,458)	425,708	391,250	(82,410)
(Increase) decrease in accounts receivable	8,885	82,859	91,744	(120,763)
(Increase) decrease in prepaid items	(21)	-	(21)	1,878
Amortization expense	98,924	-	98,924	173,388
Depreciation expense	416,429	129,490	545,919	534,163
Non-cash pension expense	-	12,456	12,456	-
Net cash provided (used) by operating activities	<u>\$ (333,468)</u>	<u>\$ 1,023,666</u>	<u>\$ 690,198</u>	<u>\$ (486,153)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

INDEX

	Beginning Page
I. Summary of Significant Accounting Policies	
A. Reporting Entity.....	26
B. Government-wide and Fund Financial Statements	27
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation	27
D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, Net Position or Equity, Revenues and Expenditures/Expenses	
1. Cash and Cash Equivalents, Deposits and Investments	30
2. Receivables and Payables.....	31
3. Assets Held for Resale	31
4. Inventories and Prepaid Items	31
5. Restricted Assets	31
6. Capital Assets and Depreciation Expense	31
7. Compensated Absences.....	32
8. Deferred Outflows and Inflows of Resources	32
9. Short-term and Long-term Obligations and Interest Expense.....	33
10. Unearned and Unavailable Revenue	33
11. Fund Equity and Balance	34
12. Net Position.....	34
13. Pensions.....	35
14. Other Post-Employment Benefits (OPEB).....	35
15. Accounting Estimates.....	35
16. Operating Revenues and Expenses	36
17. Extraordinary and Special Items	36
18. Lease Accounting.....	36
19. Interfund Activity	36
20. Revenues and Contributions, Exchange and Non-Exchange Transactions.....	36
21. Reconciliation from Fund Balances to Net Position	37
22. Comparative Data/Reclassifications	37
II. Stewardship, Compliance and Accountability	
A. Budgetary Information.....	37
B. Fund Deficits and Excess Expenditures over Appropriations.....	38
III. Detailed Notes on All Funds	
A. Deposits and Investments.....	38
B. Receivables, Deferred Inflows of Resources and Unearned Revenue	39
C. Capital Assets, Depreciation Expense.....	40
D. Interfund Receivables, Payables and Transfers	41
E. Short-term Obligations.....	41
F. Long-term Obligations.....	42
G. Facility Rental Revenue	50
H. Net Position Classifications	50
IV. Other Information	
A. Risk Management	50
B. Deferred Compensation Plans, Pension Plans and Employee Retirement Systems.....	51
C. Other Post-employment Benefits	58
D. Contingent Liabilities and Litigation	60
E. Significant Long-term Management Contracts	61
F. Commitments and Contingencies	61
G. Subsequent Events	61

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 reports two blended component units but has no component units to discretely present. Neither of the blended component units issue separate financial statements.

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. Since the corporation is governed by a board of directors appointed by City Council and solely exists for the benefit of the City, then the data of the component unit are blended with the data 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. Since there exists a financial benefit and burden relationship, the data of the component unit are blended with the data of the City. Through June 30, 2015, 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.

Significant New Accounting Standards Adopted – Change in Accounting Principle

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB #68”) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (“GASB #71” and collectively “Statements”) in the year ended June 30, 2015. The primary objective of these

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB's intention that these Statements 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, these Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System ("Plans"), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statements of Net Position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the City's governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority ("PEBA") who administers the Plans. However, the adoption has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide and Stormwater Utility Enterprise Fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide and Stormwater Utility Enterprise Fund financial statements as of July 1, 2014 was decreased by \$80,037,281 and \$1,199,270, respectively, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B for more information regarding the City's retirement plans.

The City of North Charleston also 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 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, Specialized Enforcement Grant, Victims Advocate, State Ports Authority Mitigation Grant, Community Policing Grant, School Resource Officer Grant, Port Security 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.

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.

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)

1. Cash and Cash Equivalents, Deposits and Investments (continued)

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 \$811,842.

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, 2015, the City maintained approximately 57 acres in the Century Oaks TIF district.

4. Inventories and Prepaid Items

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

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)

6. Capital Assets and Depreciation Expense (continued)

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 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

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has three types of deferred outflows of resources: (1) The City reports a *deferred loss on refunding* in its government-wide Statement of Net Position. *Deferred loss on refunding*, which is the difference between the reacquisition price and the net carrying amount of the defeased debt, is deferred and amortized over the life of the refunding bonds. Amortization of the *deferred loss on refunding* is included in interest expense in the Statement of Activities. (2) The City reports *accumulated decrease in fair value of hedging derivative* in its Statements of Net Position in connection with the fair value position of its interest rate swaps associated with the certificates of participation debt and the golf course enterprise fund debt. (3) The City also reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

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)

8. Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenues* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (various revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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 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.

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

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, 2016 is \$110,378,849, thus \$11,037,885 is the minimum amount to be set aside as the unassigned General Fund balance. As of June 30, 2015, the City's unassigned fund balance for the General Fund was \$12,827,624.

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.

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)

12. Net Position (continued)

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. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

14. Other Post-Employment Benefits

Other post-employment benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.C for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GASB Statement No. 45.

15. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

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)

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

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)

20. Revenues and Contributions, Exchange and Non-Exchange Transactions (continued)

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.

21. 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.

22. 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 GAAP 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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

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 \$3,537,411 in encumbrances assigned in fund balances; \$3,119,445 is assigned in the General Fund, \$282,035 is assigned in the Coliseum Fund and \$135,931 is assigned in all the other nonmajor funds.

B. Fund Deficits and Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2015, 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, 2015, the City had the following cash and investment balances:

Cash on hand	\$ 68,861
Carrying amount of deposits	9,120,122
Carrying amount of investments	79,855,930
Total	<u>\$ 89,044,913</u>
Statement of Net Position balances:	
Cash and cash equivalents	\$ 37,347,407
Cash and cash equivalents – restricted	51,697,506
Total	<u>\$ 89,044,913</u>

Investments are categorized as follows:	Fair Value	Weighted Average Maturity (Years)
Governmental money market funds	\$ 4,725,108	.25
State Treasurer's Local Government Investment Pool	75,130,822	.25
Total	<u>\$ 79,855,930</u>	
Portfolio weighted average maturity		.25

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

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

Concentration of Credit Risk - The City does not have a policy for the concentration of credit risk. The City has restricted its investments to the state law requirements and has generally had the bulk of its investments in 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, 2015, the City was exposed to custodial credit risk in the amount of \$198,935 as it was uninsured and uncollateralized. The City had \$8,921,187 in deposits either covered by depository insurance or collateralized by securities.

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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, 2015, 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 2015, the City applied for and received funds from HOME grants totaling \$5,707,612 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, 2015 was \$1,590,505.

Property taxes receivables of \$1,850,820 represent total receivables of \$2,662,662 less an estimated allowance for uncollectibles of \$811,842. User fees receivable of \$193,957 represents delinquent stormwater utility fees billed of \$2,293,763 and golf course user fees of \$13,779 less an estimated allowance for uncollectibles of \$2,113,585. Governmental and business-type activities receivables and amounts due from other governments as of June 30, 2015 in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities	Business-Type Activities	Total
Notes receivable – restricted	\$ 1,590,505	\$ -	\$ 1,590,505
Property taxes	2,662,662	-	2,662,662
Sales, accommodation & hospitality taxes	4,223,903	-	4,223,903
State aid to subdivision	969,092	-	969,092
Business licenses	651,582	-	651,582
Franchise fees	287,049	-	287,049
Grant income	577,862	-	577,862
Palmetto Railways settlement agreement	8,055,000	-	8,055,000
Project reimbursement	6,117,731	-	6,117,731
Rents & other receivables	1,782,399	-	1,782,399
User fees	-	2,307,542	2,307,542
Gross receivables	26,917,785	2,307,542	29,225,327
Less: allowance for uncollectibles	(2,402,347)	(2,113,585)	(4,515,932)
Net total receivables	<u>\$ 24,515,438</u>	<u>\$ 193,957</u>	<u>\$ 24,709,395</u>

As of June 30, 2015, the City reported the following for the governmental activities in the Statement of Net Position:

Receivables, net	\$ 2,907,382
Due from other governments	21,608,056
Total	<u>\$24,515,438</u>

Special item – Palmetto Railways settlement agreement - In February 2013, the City of North Charleston and the S.C Department of Commerce, through its division known as Palmetto 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, \$9,165,000 of which was recognized in the fiscal year ended June 30, 2015. Additional terms of the agreement state that Palmetto 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 \$6,055,000 as of June 30, 2015. See Section IV.G., Subsequent Events, for a description of the other special item settlement agreement that represents a net \$5,500,000 public safety lawsuit settlement.

III. DETAILED NOTES ON ALL FUNDS (continued)

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

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, 2015, the various components of unavailable/unearned revenue were as follows:

<u>Governmental Funds:</u>	<u>Fund</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	General	\$ 1,020,928	\$ -	\$ 1,020,928
Due from other governments:				
Other taxes	General	2,627,976	-	2,627,976
Settlement agreement	General	2,000,000	-	2,000,000
Settlement agreement	Tax Infrastructure	6,055,000	-	6,055,000
Deposits	Tax Infrastructure	-	71,381	71,381
Ticket sales and deposits	Coliseum	-	2,552,669	2,552,669
Facility improvements receivable	IPRB Cap. Projects.	535,160	-	535,160
Total Unavailable/Unearned Revenue		<u>\$12,239,064</u>	<u>\$ 2,624,050</u>	<u>\$14,863,114</u>

C. Capital Assets, Depreciation Expense

Capital asset activity for the year ending June 30, 2015 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	\$46,067,546	\$13,330,202	\$ 646,394	\$ -	\$58,751,354
Construction in progress	48,753,443	41,253,112	-	(332,583)	89,673,972
Total assets not being depreciated	94,820,989	54,583,314	646,394	(332,583)	148,425,326
Capital assets being depreciated:					
Buildings	150,817,463	783,377	67,400	-	151,533,440
Infrastructure	40,004,121	282,523	-	-	40,286,644
Improvements other than buildings	79,226,258	2,185,538	-	332,583	81,744,379
Machinery and equipment	66,411,233	3,878,616	1,070,952	-	69,218,897
Total capital assets being depreciated	336,459,075	7,130,054	1,138,352	332,583	342,783,360
Less accumulated depreciation for:					
Buildings	39,116,446	2,213,567	633	-	41,329,380
Infrastructure	9,962,917	1,038,461	-	-	11,001,378
Improvements other than buildings	16,977,638	2,422,985	-	-	19,400,623
Machinery and equipment	44,715,732	4,020,839	1,070,952	-	47,665,619
Total accumulated depreciation	110,772,733	9,695,852	1,071,585	-	119,397,000
Total capital assets being depreciated, net	225,686,342	(2,565,798)	66,767	332,583	223,386,360
Governmental activities capital assets, net	<u>\$320,507,331</u>	<u>\$52,017,516</u>	<u>\$ 713,161</u>	<u>\$ -</u>	<u>\$371,811,686</u>

<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
Construction in progress	-	754,480	-	754,480
Total assets not being depreciated	1,397,188	754,480	-	2,151,668
Capital assets being depreciated:				
Buildings	3,322,113	162,858	-	3,484,971
Improvements	8,043,375	-	-	8,043,375
Machinery and equipment	4,198,611	645,792	-	4,844,403
Total capital assets being depreciated	15,564,099	808,650	-	16,372,749
Less accumulated depreciation for:				
Buildings	1,251,159	92,454	-	1,343,613
Improvements	3,217,931	244,033	-	3,461,964
Machinery and equipment	3,166,853	209,432	-	3,376,285
Total accumulated depreciation	7,635,943	545,919	-	8,181,862
Total capital assets being depreciated, net	7,928,156	262,731	-	8,190,887
Business-type activities capital assets, net	<u>\$ 9,325,344</u>	<u>\$ 1,017,211</u>	<u>\$ -</u>	<u>\$10,342,555</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets, Depreciation Expense (continued)

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	\$ 2,248,933	\$ -
Public safety	3,064,066	-
Sanitation	616,643	-
Culture and recreation	3,102,270	-
Community development	663,940	-
Stormwater utility	-	129,490
Golf course	-	416,429
Total Depreciation Expense	<u>\$ 9,695,852</u>	<u>\$ 545,919</u>

D. Interfund Receivables, Payables and Transfers

The following is a schedule of interfund balances at June 30, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant	\$ 13,999
	Specialized Enforcement Grant	123,615
	SAFER Hiring Grant	199,096
	Anti-Drug	35,640
	HOME Grant	10,320
	Port Security Grant	104,234
	Justice Assistance Grant	5,997
Total due General Fund /due from all other funds		<u>\$ 492,901</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.

The following is a schedule of interfund transfers for the fiscal year ending June 30, 2015:

<u>Transfers In:</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Proprietary Funds</u>	<u>Nonmajor Governmental Funds</u>	
Citywide Cap. Improvements Fund	\$2,000,000	\$ -	\$ -	\$2,000,000
Coliseum Operating Fund	957,795	-	301,598	1,259,393
Proprietary Funds	1,449,350	-	-	1,449,350
Nonmajor Governmental Funds	<u>3,476,445</u>	<u>510,000</u>	<u>3,854,338</u>	<u>7,840,783</u>
Total Transfers Out	<u>\$7,883,590</u>	<u>\$ 510,000</u>	<u>\$ 4,155,936</u>	<u>\$12,549,526</u>

E. Short-term Obligations

The City of North Charleston did not issue any short-term debt during the fiscal year ending June 30, 2015 and, therefore, there was no short-term debt outstanding as of June 30, 2015.

III. DETAILED NOTES ON ALL FUNDS (continued)

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, 2015 are as follows:

\$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%	\$ 355,000
\$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%	1,165,000
\$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%	17,440,000
\$16,000,000 serial bonds issued in February 2015 due in annual installments of \$400,000 to \$1,630,000 through June 2029, with semi-annual interest at 3% to 5%	<u>16,000,000</u>
Total General Obligation Bonds	34,960,000
Add: Unamortized premiums	<u>2,432,770</u>
Net General Obligation Bonds	<u>\$ 37,392,770</u>

In December 2010, the City of North Charleston issued \$22,500,000 in general obligation bonds to defray the costs of designing, acquiring, constructing and expanding various capital improvements. \$16,460,000 of this Series 2010 issue represents taxable Build America Bonds that yield a 35% interest payment subsidy from the United States Federal Government. \$6,040,000 of this Series 2010 issue represents taxable Recovery Zone Economic Development Bonds that yield a 45% interest payment subsidy from the United States Federal Government. In the fiscal year ended June 30, 2015, the City of North Charleston received \$317,763 in interest payment subsidies to help offset the \$894,140 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>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2016	\$ 2,285,000	\$ 1,578,121	\$ 3,863,121
2017	2,395,000	1,471,422	3,866,422
2018	2,465,000	1,365,350	3,830,350
2019	2,540,000	1,262,256	3,802,256
2020	2,625,000	1,145,539	3,770,539
2021-2025	14,655,000	3,712,396	18,367,396
2026-2029	<u>7,995,000</u>	<u>657,501</u>	<u>8,652,501</u>
Total	<u>\$34,960,000</u>	<u>\$ 11,192,585</u>	<u>\$46,152,585</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.

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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 (TIF) 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 TIF 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.

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, 2015 totaled \$9,600,000.

Certificates of participation outstanding as of June 30, 2015:

\$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 (.08% at June 30, 2015) fixed at 3.27% by an interest rate swap	\$16,575,000
\$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>25,960,000</u>
Total Certificates of Participation	42,535,000
Add: Unamortized premiums	585,792
Less: Unamortized discounts	<u>(27,581)</u>
Net Certificates of Participation	<u>\$43,093,211</u>

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

Year Ending	Governmental Activities		
	Principal	Interest	Total
June 30			
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	7,640,000	515,212	8,155,212
2021-2022	<u>9,030,000</u>	<u>286,294</u>	<u>9,316,294</u>
Total	<u>\$42,535,000</u>	<u>\$ 5,572,601</u>	<u>\$48,107,601</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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, 2015:

\$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%	\$48,650,000
Add: Unamortized premiums	<u>3,521,834</u>
Net Installment Purchase Revenue Bonds	<u>\$52,171,834</u>

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

Year Ending	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
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	1,615,000	1,880,363	3,495,363
2021-2025	9,310,000	8,178,562	17,488,562
2026-2030	11,315,000	6,169,113	17,484,113
2031-2035	14,005,000	3,489,000	17,494,000
2036-2037	<u>6,600,000</u>	<u>398,600</u>	<u>6,998,600</u>
Total	<u>\$48,650,000</u>	<u>\$ 28,299,638</u>	<u>\$76,949,638</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, 2015 was \$10,975,000, plus \$348,888 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

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

Infrastructure Capital Projects Fund. Principal is payable in annual installments beginning December 1, 2006 through 2018 with variable interest (.11% at June 30, 2015) 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, 2015 was \$3,835,000 less \$14,637 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 (.11% at June 30, 2015), 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, 2015 was \$6,055,000. As discussed in Note III.B, Palmetto Railways has assumed responsibility for the debt service payments on these bonds.

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	Governmental Activities		
	Principal	Interest	Total
June 30			
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	190,000	207,968	397,968
2021-2025	1,075,000	912,476	1,987,476
2026-2030	1,325,000	667,367	1,992,367
2031-2035	1,630,000	367,238	1,997,238
2036-2038	<u>1,155,000</u>	<u>47,486</u>	<u>1,202,486</u>
Total	<u>\$20,865,000</u>	<u>\$ 3,879,178</u>	<u>\$24,744,178</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, 2015 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 (.11% at June 30, 2015) 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

\$	6,490,000
	(30,070)
\$	<u>6,459,930</u>

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

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, 2015 as the refunded debt has been paid off prior to maturity when the call feature was exercised.

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

Year Ending	Business-Type Activities		
	Principal	Interest	Total
June 30			
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	715,000	138,725	853,725
2021-2024	<u>3,160,000</u>	<u>288,190</u>	<u>3,448,190</u>
Total	<u>\$6,490,000</u>	<u>\$1,220,064</u>	<u>\$7,710,064</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, 2015 are as follows:

\$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% 20,023

\$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% 124,855

\$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% 293,092

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term Obligations (continued)

\$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%	551,947
\$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%	679,511
\$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%	190,308
\$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%	1,116,545
\$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%	1,728,739
\$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%	304,081
\$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%	3,233,666
\$5,548,000 ten-year lease agreement with First Citizens Bank & Trust Company, Inc., dated October 2014, in 4 separate amortization schedules of \$1,200,000 (10 yrs), \$1,552,000 (7yrs), \$2,216,000 (5yrs) and \$580,000 (3 yrs) payable 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%	5,079,492
Total Lease Obligations	<u>\$13,322,259</u>

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

Year Ending	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
June 30					
2016	\$ 3,100,879	\$ 199,380	\$ 132,422	\$ 12,967	\$ 3,445,648
2017	2,764,794	145,834	127,544	10,762	3,048,934
2018	2,305,946	99,805	129,762	8,543	2,544,056
2019	1,538,345	64,796	132,018	6,287	1,741,446
2020	1,103,658	42,400	134,314	3,990	1,284,362
2021-2025	1,709,674	51,720	142,903	2,152	1,906,449
Total	<u>\$12,523,296</u>	<u>\$ 603,935</u>	<u>\$798,963</u>	<u>\$ 44,701</u>	<u>\$13,970,895</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, 2015 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations bonds	\$ 22,505,000	\$ 16,000,000	\$ 3,545,000	\$ 34,960,000	\$ 2,285,000
Certificates of participation	47,920,000	-	5,385,000	42,535,000	5,795,000
Inst. purchase revenue bonds	49,935,000	-	1,285,000	48,650,000	1,350,000
Tax increment bonds	<u>27,000,000</u>	<u>-</u>	<u>6,135,000</u>	<u>20,865,000</u>	<u>6,425,000</u>
Total bonds payable	147,360,000	16,000,000	16,350,000	147,010,000	15,855,000
Premiums	5,063,114	2,606,540	780,370	6,889,284	-
Discounts	<u>(56,293)</u>	<u>-</u>	<u>(14,075)</u>	<u>(42,218)</u>	<u>-</u>
Total bonds payable, net	152,366,821	18,606,540	17,116,295	153,857,066	15,855,000
Capital lease obligations	10,508,325	4,968,000	2,953,029	12,523,296	3,100,879
Compensated absences	<u>4,155,734</u>	<u>4,998,609</u>	<u>4,899,654</u>	<u>4,254,689</u>	<u>4,041,955</u>
Total governmental activities	<u>\$167,030,880</u>	<u>\$ 28,573,149</u>	<u>\$24,968,978</u>	<u>\$170,635,051</u>	<u>\$22,997,834</u>
Business-type Activities:					
Bonds payable	\$ 7,085,000	\$ -	\$ 595,000	\$ 6,490,000	\$ 620,000
Discounts	<u>(33,830)</u>	<u>-</u>	<u>(3,760)</u>	<u>(30,070)</u>	<u>-</u>
Total bonds payable, net	7,051,170	-	591,240	6,459,930	620,000
Capital lease obligations	345,076	580,000	126,113	798,963	132,422
Compensated absences	<u>90,211</u>	<u>180,111</u>	<u>152,085</u>	<u>118,237</u>	<u>106,413</u>
Total business-type activities	<u>\$ 7,486,457</u>	<u>\$ 760,111</u>	<u>\$ 869,438</u>	<u>\$ 7,377,130</u>	<u>\$ 858,835</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, 2015 for the interest rate swaps are as follows:

Reported in:	Changes in Fair Values		Fair Values at June 30, 2015		Notional Amount at 6/30/2015
Reported as	Reported as	Amount	Reported as	Amount	
Governmental Activities					
Cash Flow Hedges	Deferred outflow	\$(359,600)	Derivative Instrument	\$(865,664)	\$16,575,000
Interest Rate Swaps	of resources		Liability		
Business-type Activities					
Cash Flow Hedges	Deferred outflow	\$(109,282)	Derivative Instrument	\$(768,499)	\$ 6,490,000
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, 2015, 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, 2015, the City had a negative fair value of \$1,634,163 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.

Variable-Rate Bond Disclosures - 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, 2015, debt service requirements of the variable-rate bonds including the effects of the interest rate swap agreements, assuming current interest rates remain the same for their term, were as follows:

<u>FYE June 30</u>	<u>Variable-Rate Bonds</u>			<u>Adjustment to Current</u>	<u>Net Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Variable Rates</u>	
2016	\$ 4,770,000	\$ 1,064,063	\$ 5,834,063	\$ (393,032)	\$ 5,441,031
2017	4,940,000	903,406	5,843,406	(346,569)	5,496,837
2018	5,125,000	737,990	5,862,990	(299,422)	5,563,568
2019	5,315,000	566,333	5,881,333	(250,462)	5,630,871
2020	4,460,000	404,817	4,864,817	(216,111)	4,648,706
2021-2025	4,235,000	1,200,666	5,435,666	(887,394)	4,548,272
2026-2030	1,325,000	667,367	1,992,367	(647,567)	1,344,800
2031-2035	1,630,000	367,238	1,997,238	(355,353)	1,641,885
2036-2038	<u>1,155,000</u>	<u>47,486</u>	<u>1,202,486</u>	<u>(44,912)</u>	<u>1,157,574</u>
Total	<u>\$32,955,000</u>	<u>\$5,959,366</u>	<u>\$38,914,366</u>	<u>\$ (3,440,822)</u>	<u>\$35,473,544</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, 2015 amounted to \$4,372,926, \$4,254,689 of which relates to governmental activities and \$118,237 of which relates to business-type activities. City employees had accumulated sick leave benefits of \$9,296,210 at June 30, 2015, 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, 2015 was \$535,160.

Estimated future annual lease income for the long-term lease in effect as of June 30, 2015 is as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30</u>	
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, 2015:

Capital assets, net of accumulated depreciation	\$ 371,811,686
Less: 1) Capital related debt, net of unamortized discounts, amounts on refunding, plus premiums	(165,340,273)
2) Retainage payable	(3,693,964)
Add capital debt unspent proceeds:	
Bonds and capital leases	<u>24,095,956</u>
Net investment in capital assets	<u>\$ 226,873,405</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 \$15,758,200, 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, 2015. At June 30, 2015, the amount of this liability is the City's best estimate, based on the available information. Changes in the reported liability since July 1, 2010 resulted from the following:

Year Ended <u>June 30</u>	Liability at Beginning of <u>Year</u>	Current Year Claims and Changes in Estimates	Claim Payments	Liability at Year End
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
2015	4,174,663	14,797,773	(14,906,456)	4,065,980

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 \$7,582,084 of \$49,611,932 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 \$18,000, 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 \$334,428. There were no changes in plan provisions during the year and, as of June 30, 2015, 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 \$18,000 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 \$188,515 during fiscal year ending June 30, 2015.

State Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the PEBA, which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor

IV. OTHER INFORMATION (continued)

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

and General Assembly leadership, which serves as co-trustee and co-fiduciary of the pension systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board ("Board") decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' pension trust funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the CAFR of the State.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

IV. OTHER INFORMATION (continued)

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

Plan Benefits (continued)

- **SCRS** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- **PORS** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted above, 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 eligible compensation as follows for the past three years:

IV. OTHER INFORMATION (continued)

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

Plan Contributions (continued)

	SCRS Rates			PORS Rates		
	2013	2014	2015	2013	2014	2015
Employer Rate:						
Retirement	10.45%	10.45%	10.75%	11.90%	12.44%	13.01%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>12.30%</u>	<u>12.84%</u>	<u>13.41%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>7.00%</u>	<u>7.84%</u>	<u>8.41%</u>

The required contributions and percentages of amounts contributed by the City to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2015	\$ 2,365,022	100%	\$ 3,637,882	100%
2014	2,209,815	100%	3,305,104	100%
2013	2,106,722	100%	2,916,196	100%

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2015	\$ 21,697,445	27,128,131	\$ 48,825,576
2014	20,846,552	25,727,728	46,574,280
2013	19,874,740	23,708,912	43,583,652

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

IV. OTHER INFORMATION (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$ 42,955,205,796	25,738,521,026	\$ 17,216,684,770	59.92%
PORS	\$ 5,899,529,434	3,985,101,996	\$ 1,914,427,438	67.55%

At June 30, 2015, the City reported liabilities of \$39,534,501 and \$40,971,829 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2013 that was projected forward to the measurement date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2014, the City's SCRS proportion was .230 percent, which was equal to its proportion measured as of June 30, 2013. At June 30, 2014, the City's PORS proportion was 2.140 percent, which was equal to its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$2,770,919 and \$3,584,529 for the SCRS and PORS, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 1,120,241	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Inves	-	3,333,047
City's Contributions Subsequent to the Measurement Date	2,365,022	-
Total SCRS	3,485,263	3,333,047
PORS		
Differences Between Expected and Actual Experience	1,093,356	-
Net Difference Between Projected and Actual Earnings on Pension Plan Inves	-	4,740,741
City's Contributions Subsequent to the Measurement Date	3,637,882	-
Total PORS	\$ 4,731,238	\$ 4,740,741

\$2,365,022 and \$3,637,882 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as reductions of the net pension liabilities in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

IV. OTHER INFORMATION (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Year Ended June 30,	SCRS	PORS	Total
2016	\$ (486,760)	(901,639)	\$ (1,388,399)
2017	(486,760)	(901,639)	(1,388,399)
2018	(486,760)	(901,639)	(1,388,399)
2019	(752,526)	(942,468)	(1,694,994)
Total	<u>\$ (2,212,806)</u>	<u>\$ (3,647,385)</u>	<u>\$ (5,860,191)</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

IV. OTHER INFORMATION (continued)

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

Actuarial Assumptions and Methods (continued)

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as consensus economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the pension systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.80%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation	10%	5.10%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	100%		5.88%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.63%

IV. OTHER INFORMATION (continued)

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

Actuarial Assumptions and Methods (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the City's proportionate share of the net pension liability of the Plans as of June 30, 2014 to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability of the SCRS	\$ 51,160,091	\$ 39,534,501	\$ 29,835,425
City's proportionate share of the net pension liability of the PORS	\$ 57,257,068	\$ 40,971,829	\$ 27,497,148

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the pension trust funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payable to Plans

The City reported payables of \$343,446 and \$470,573 to the PEBA as of June 30, 2015, representing required employer and employee contributions for the month of June 2015 for the SCRS and PORS, respectively. These amounts are included in Accounts Payable on the financial statements and were paid in July 2015.

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.

IV. OTHER INFORMATION (continued)

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

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, 2015, the City contributed \$2,028,798, which includes \$1,174,717 for retiree health care claims, to the plan while total member contributions were \$207,814.

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>\$(2,766,859)</u>
Interest on Net OPEB Obligation (Asset)	(138,343)
Annual Required Contribution	1,598,781
Adjustment to Annual Required Contribution	<u>(124,070)</u>
Annual OPEB Cost	1,336,368
Contributions made for the plan year	<u>(2,236,612)</u>
Increase (Decrease) in Net OPEB Obligation	<u>(900,244)</u>
Net OPEB Obligation (Asset)–End of Plan Year	<u>\$ (3,667,103)</u>

IV. OTHER INFORMATION (continued)

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

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:

<u>Schedule of Employer Contributions</u>					
<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Contributed</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>	<u>Applicable to Fiscal Year Ending</u>
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
July 1, 2013	\$ 1,336,368	\$ 2,236,612	167.4%	\$ (3,667,103)	June 30, 2015

Contributions include \$854,081 paid by the City of North Charleston to the OPEB Plan Trust to fund the June 30, 2015 net OPEB obligation and \$1,382,531 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 Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL Percentage of Covered Payroll ((b-a)/c)</u>
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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, 2015, assets in the City's OPEB Plan Trust at June 30, 2015 were \$10,760,200.

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.

IV. OTHER INFORMATION

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.

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 2015, total monthly fees paid were \$343,810. 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, 2015 as follows:

Governmental funds:

Special revenue and capital projects funds	<u>\$ 26,225,794</u>
Total governmental funds	<u>\$ 26,225,794</u>

G. Subsequent Events

In October 2015, the City entered into a lease agreement with Bank of America Leasing & Capital, LLC related to the purchase of \$4,200,000 in vehicles and equipment. The lease is a ten year lease with separate amortization schedules of \$1,928,000 (5 yrs), \$1,077,000 (7 yrs) and \$1,195,000 (10 yrs) in quarterly installments of \$199,776 for 20 quarters, \$81,480 for 28 quarters and \$66,084 for 40 quarters, including interest ranging from 1.435% to 1.973%.

Special item – Public safety settlement agreement - The City settled for \$6,500,000 on October 8, 2015 a potential claim that would have been captioned the Estate of Walter Scott v. City of North Charleston, et al, arising from the shooting of Walter Scott by a police officer on April 4, 2015. The City's insurance policy will cover \$1,000,000 of the settlement resulting in a net settlement liability of \$5,500,000.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Property taxes	\$ 44,950,000	\$ 42,550,000	\$ 42,178,147	\$ (371,853)	\$ 40,627,811
Licenses and permits	32,677,500	34,117,500	34,119,753	2,253	32,991,422
Intergovernmental	16,223,308	18,370,308	18,372,394	2,086	17,667,548
Fines and forfeitures	1,500,000	1,500,000	1,315,774	(184,226)	1,374,321
Charges for services	1,820,000	1,820,000	1,761,270	(58,730)	1,611,405
Revenues from use of monies and property	2,371,500	2,691,500	2,692,061	561	2,445,904
Other revenues	478,761	854,697	856,157	1,460	883,983
Total revenues	<u>100,021,069</u>	<u>101,904,005</u>	<u>101,295,556</u>	<u>(608,451)</u>	<u>97,602,394</u>
Expenditures:					
General government:					
Executive	2,253,675	2,449,269	2,445,548	3,721	2,051,461
Facilities	4,859,050	4,861,320	4,507,888	353,432	4,661,035
City Council	494,351	494,741	489,932	4,809	455,831
Finance	932,645	952,969	950,105	2,864	901,018
Purchasing	485,813	490,813	487,534	3,279	479,400
Information systems	2,144,475	2,147,631	2,102,471	45,160	1,704,588
Municipal court	1,287,148	1,287,148	1,280,583	6,565	1,169,982
Human resources	2,029,095	2,029,095	1,585,222	443,873	1,771,374
Legal	1,136,006	1,136,006	943,338	192,668	1,358,007
Maintenance	11,099,241	11,604,549	11,581,589	22,960	11,338,999
Total general government	<u>26,721,499</u>	<u>27,453,541</u>	<u>26,374,210</u>	<u>1,079,331</u>	<u>25,891,695</u>
Public safety:					
Police	34,070,574	34,611,759	34,040,826	570,933	33,877,087
Fire	18,720,474	19,784,173	19,163,406	620,767	18,420,670
Building inspections	1,422,396	1,422,396	1,405,941	16,455	1,402,924
Total public safety	<u>54,213,444</u>	<u>55,818,328</u>	<u>54,610,173</u>	<u>1,208,155</u>	<u>53,700,681</u>
Sanitation:					
Sanitation	5,931,715	6,742,799	6,652,304	90,495	6,099,718
Total sanitation	<u>5,931,715</u>	<u>6,742,799</u>	<u>6,652,304</u>	<u>90,495</u>	<u>6,099,718</u>

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)
(continued)

	2015				
	Budgeted Amounts		Actual	Variance with	2014
	Original	Final	Amounts	Final Budget -	Actual
				Positive	
				(Negative)	
Community promotion:					
Community promotion	535,500	535,500	497,000	38,500	498,772
Total community promotion	535,500	535,500	497,000	38,500	498,772
Culture and recreation:					
Fire museum	638,553	657,795	538,942	118,853	525,488
Recreation and parks	5,252,848	5,518,382	5,513,105	5,277	5,404,130
Cultural arts	936,279	942,980	931,788	11,192	887,670
Total culture and recreation	6,827,680	7,119,157	6,983,835	135,322	6,817,288
Community development:					
Planning & zoning	1,061,741	1,201,741	1,197,572	4,169	1,083,524
Code enforcement	1,243,666	1,321,311	1,239,460	81,851	1,168,979
Total community development	2,305,407	2,523,052	2,437,032	86,020	2,252,503
Debt Service:					
Principal	3,016,021	3,016,021	2,953,029	62,992	2,529,793
Interest and fiscal charges	249,793	249,793	248,701	1,092	246,209
Total debt service	3,265,814	3,265,814	3,201,730	64,084	2,776,002
Total expenditures	99,801,059	103,458,191	100,756,285	2,701,906	98,036,659
Excess (deficiency) of revenues over expenditures	220,010	(1,554,186)	539,271	2,093,457	(434,265)
Other financing sources (uses):					
Transfers (out)	(5,420,010)	(7,908,050)	(7,883,590)	24,460	(7,714,963)
Proceeds from sale of property	230,000	547,300	525,415	(21,885)	3,596,512
Capital lease obligations	4,970,000	4,970,000	4,968,000	(2,000)	4,095,000
Total other financing sources (uses)	(220,010)	(2,390,750)	(2,390,175)	(23,885)	(23,451)
Special items:					
Palmetto Railways settlement agreement	-	2,000,000	2,000,000	-	2,000,000
Public safety settlement agreement	-	(5,500,000)	(5,500,000)	-	-
Total special items	-	(3,500,000)	(3,500,000)	-	2,000,000
Net change in fund balance	-	(7,444,936)	(5,350,904)	2,069,572	1,542,284
Fund balance at beginning of year	27,167,523	27,167,523	27,167,523	-	25,625,239
Fund balance at end of year	\$ 27,167,523	\$ 19,722,587	\$ 21,816,619	\$ 2,069,572	\$ 27,167,523

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			Variance with Final Budget- Positive (Negative)	2014 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Revenues from use of monies and property	\$ 5,039,358	\$ 5,204,358	\$ 5,205,013	\$ 655	\$ 5,774,814
Total revenues	5,039,358	5,204,358	5,205,013	655	5,774,814
Expenditures:					
Culture and recreation:					
Insurance	100,000	100,000	111,302	(11,302)	111,116
Contractual services:					
Operating	5,332,567	5,497,567	5,584,759	(87,192)	5,814,606
Management and administration	639,335	639,335	651,877	(12,542)	678,622
Capital outlay	240,000	240,000	116,468	123,532	89,547
Total expenditures	6,311,902	6,476,902	6,464,406	12,496	6,693,891
Excess (deficiency) of revenues over expenditures	(1,272,544)	(1,272,544)	(1,259,393)	13,151	(919,077)
Other financing sources (uses):					
Transfers in	1,272,544	1,272,544	1,259,393	(13,151)	919,077
Total other financing sources (uses)	1,272,544	1,272,544	1,259,393	(13,151)	919,077
Net change in fund balance		-	-		
Fund balance at beginning of year	332,198	332,198	332,198	-	332,198
Fund balance at end of year	\$ 332,198	\$ 332,198	\$ 332,198	\$ -	\$ 332,198

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

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY OF NORTH CHARLESTON'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SOUTH CAROLINA RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
City of North Charleston's Proportion of the Net Pension Liability	0.22963%	0.22963%
City of North Charleston's Proportionate Share of the Net Pension Liability	\$39,534,501	41,187,251
City of North Charleston's Covered-Employee Payroll	\$20,846,552	19,874,740
City of North Charleston's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.65%	207.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF NORTH CHARLESTON'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 2,365,022	2,209,815
Contributions in Relation to the Contractually Required Contribution	\$ 2,365,022	2,209,815
Contribution Deficiency (Excess)	\$ -	-
City of North Charleston's Covered-Employee Payroll	\$ 21,697,445	20,846,552
Contributions as a Percentage of Covered-Employee Payroll	10.90%	10.60%

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY OF NORTH CHARLESTON'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Year Ended June 30,	
	2015	2014
City of North Charleston's Proportion of the Net Pension Liability	2.14016%	2.14016%
City of North Charleston's Proportionate Share of the Net Pension Liability	\$ 40,971,829	44,364,949
City of North Charleston's Covered-Employee Payroll	\$ 25,727,728	23,708,912
City of North Charleston's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	159.25%	187.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF NORTH CHARLESTON'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2015	2014
Contractually Required Contribution	\$ 3,637,882	3,305,104
Contributions in Relation to the Contractually Required Contribution	\$ 3,637,882	3,305,104
Contribution Deficiency (Excess)	\$ -	-
City of North Charleston's Covered-Employee Payroll	\$ 27,128,131	25,727,728
Contributions as a Percentage of Covered-Employee Payroll	13.41%	12.85%

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.

SCDPS Specialized Enforcement Grant accounts for State funds received for the purpose of hiring police officers assigned to the traffic unit to increase awareness through public safety checkpoints and educational efforts.

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

(continued)

Community Policing Grant Fund accounts for State funds received for the purpose of improving community relationships through patrolling and protection efforts.

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, 2015
(With Comparative Totals at June 30, 2014)

	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	
						2015	2014
Assets							
Cash and cash equivalents	\$ 453,499	\$ 1,212,302	\$ -	\$ -	\$ 885,950	\$ 2,551,751	\$ 2,878,407
Accounts receivable	-	-	-	-	-	-	6,130
Due from other funds	-	-	-	-	-	-	6,022
Due from other governments	577,862	41,708	453,903	-	-	1,073,473	884,318
Restricted assets:							
Cash and cash equivalents	3,887,556	-	4,329,860	-	2,985,230	11,202,646	11,386,497
Total assets	\$ 4,918,917	\$ 1,254,010	\$ 4,783,763	\$ -	\$ 3,871,180	\$ 14,827,870	\$ 15,161,374
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 230,899	\$ 500	\$ 20,359	\$ -	\$ 1,148,217	\$ 1,399,975	\$ 394,234
Escrow for seized funds	341,163	-	-	-	-	341,163	430,247
Due to other funds	492,901	-	-	-	-	492,901	385,223
Total liabilities	1,064,963	500	20,359	-	1,148,217	2,234,039	1,209,704
Fund balances:							
Restricted for:							
Public safety and public service	3,718,023	-	-	-	-	3,718,023	2,944,057
Facility and infrastructure improvements	-	-	-	-	2,722,963	2,722,963	5,428,580
Debt service	-	1,253,510	4,763,404	-	-	6,016,914	5,498,859
Assigned for:							
Community promotions	135,931	-	-	-	-	135,931	80,174
Total fund balances	3,853,954	1,253,510	4,763,404	-	2,722,963	12,593,831	13,951,670
Total liabilities and fund balances	\$ 4,918,917	\$ 1,254,010	\$ 4,783,763	\$ -	\$ 3,871,180	\$ 14,827,870	\$ 15,161,374

72

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015
(With Comparative Totals at June 30, 2014)

	<u>Tax Fund Types</u>			<u>Public Safety and</u>		
	<u>City</u>			<u>Service Fund Types</u>		
	<u>Accommo-</u>	<u>Accommo-</u>		<u>Port</u>	<u>Security</u>	<u>SRO</u>
	<u>dations</u>	<u>dations</u>		<u>Grant</u>	<u>Grant</u>	<u>Grant</u>
	<u>Tax</u>	<u>Tax</u>				
Assets						
Cash and cash equivalents	\$ 135,931	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	46,554	105,390	-	-
Restricted assets:						
Cash and cash equivalents	-	-	-	-	-	-
Total assets	\$ 135,931	\$ -	\$ 46,554	\$ 105,390	\$ -	\$ -
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	32,555	84,546	1,156	\$ -
Escrow for seized funds	-	-	-	-	-	-
Due to other funds	-	-	13,999	10,320	104,234	-
Total liabilities	\$ -	\$ -	46,554	94,866	105,390	\$ -
Fund balances:						
Restricted for:						
Public safety and public service	-	-	-	-	-	-
Assigned for:						
Community promotions	135,931	-	-	-	-	-
Total fund balances	135,931	-	-	-	-	-
Total liabilities and fund balances	\$ 135,931	\$ -	\$ 46,554	\$ 94,866	\$ 105,390	\$ -

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015
(With Comparative Totals at June 30, 2014)

	Public Safety and Service Types				
	Anti-Drug	Justice Assistance Grant	Specialized Enforcement Grant	Victims Advocate	SPA Mitigation Grant
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-
Due from other governments	-	5,997	125,959	-	-
Restricted assets:					
Cash and cash equivalents	1,100,532	-	-	240,623	2,042,167
Total assets	\$ 1,100,532	\$ 5,997	\$ 125,959	\$ 240,623	\$ 2,042,167
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 5,180	\$ -	2,344	838	405
Escrow for seized funds	341,163	-	-	-	-
Due to other funds	35,640	5,997	123,615	-	-
Total liabilities	\$ 381,983	\$ 5,997	\$ 125,959	\$ 838	\$ 405
Fund balances:					
Restricted for:					
Public safety and public service	718,549	-	-	239,785	2,041,762
Assigned for:					
Community promotions	-	-	-	-	-
Total fund balances	\$ 718,549	\$ -	\$ -	\$ 239,785	\$ 2,041,762
Total liabilities and fund balances	\$ 1,100,532	\$ 5,997	\$ 125,959	\$ 240,623	\$ 2,042,167

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015
(With Comparative Totals at June 30, 2014)

	<u>Public Safety and Service Types</u>				<u>Total Nonmajor Special Revenue Funds</u>	
	<u>Community Policing Grant</u>	<u>SAFER Hiring Grant</u>	<u>Firemen's Insurance & Inspection</u>	<u>Parking</u>	<u>2015</u>	<u>2014</u>
Assets						
Cash and cash equivalents	\$ 260,320	\$ -	\$ -	\$ 57,248	\$ 453,499	\$ 149,681
Due from other funds	-	-	-	-	-	6,022
Due from other governments	-	199,096	-	-	577,862	463,953
Restricted assets:						
Cash and cash equivalents	-	-	504,234	-	3,887,556	3,536,639
Total assets	\$ 260,320	\$ 199,096	\$ 504,234	\$ 57,248	\$ 4,918,917	\$ 4,156,295
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 45,453	\$ -	1,174	\$ 57,248	\$ 230,899	\$ 316,594
Escrow for seized funds	-	-	-	-	341,163	430,247
Due to other funds	-	199,096	-	-	492,901	385,223
Total liabilities	\$ 45,453	\$ 199,096	\$ 1,174	\$ 57,248	\$ 1,064,963	\$ 1,132,064
Fund balances:						
Restricted for:						
Public safety and public service	214,867	-	503,060	-	3,718,023	2,944,057
Assigned for:						
Community promotions	-	-	-	-	135,931	80,174
Total fund balances	\$ 214,867	\$ -	\$ 503,060	\$ -	\$ 3,853,954	\$ 3,024,231
Total liabilities and fund balances	\$ 260,320	\$ 199,096	\$ 504,234	\$ 57,248	\$ 4,918,917	\$ 4,156,295

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, 2015
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Tax Fund Types			Public Safety and Service Fund Types		
	City			Port		
	Accommo- dations Tax	Accommo- dations Tax	Community Development CDBG HOME	Security Grant	SRO Grant	
Revenues:						
Intergovernmental	\$ 2,454,829	\$ 1,762,300	\$ 538,089	\$ 114,864	\$ 47,555	
Fines and forfeitures	-	-	-	-	-	
Revenues from the use of monies and property	291	-	-	-	-	
Total revenues	<u>2,455,120</u>	<u>1,762,300</u>	<u>538,089</u>	<u>114,864</u>	<u>47,555</u>	
Expenditures:						
Public safety:						
Police department	-	-	-	-	47,555	
Fire department	-	-	-	153,152	-	
Community promotion:						
Community promotion	858,116	-	-	-	-	
Culture and recreation:						
Special projects	-	-	-	-	-	
Community development:						
Community development	-	-	538,089	-	-	
HOME program	858,116	-	-	-	-	
Total expenditures	<u>1,597,004</u>	<u>1,762,300</u>	<u>538,089</u>	<u>153,152</u>	<u>47,555</u>	
Excess (deficiency) of revenues over expenditures				<u>(38,288)</u>		
Other financing sources (uses):						
Transfers in	-	-	-	38,288	-	
Transfers (out)	(1,541,247)	(1,762,300)	-	-	-	
Total other financing sources (uses)	<u>(1,541,247)</u>	<u>(1,762,300)</u>	<u>-</u>	<u>38,288</u>	<u>-</u>	
Net change in fund balances	<u>55,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances at beginning of year	80,174	-	-	-	-	
Fund balances at end of year	<u>\$ 135,931</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, 2015
 (With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Public Safety and Service Fund Types				
	Anti-Drug	Justice Assistance Grant	Specialized Enforcement Grant	Victims Advocate	SPA Mitigation Grant
Revenues:					
Intergovernmental	\$ -	\$ 74,602	\$ 178,932	\$ -	\$ 300,000
Fines and forfeitures	487,660	-	-	206,255	-
Revenues from the use of monies and property	8,385	-	-	646	11,847
Total revenues	<u>496,045</u>	<u>74,602</u>	<u>178,932</u>	<u>206,901</u>	<u>311,847</u>
Expenditures:					
Public safety:					
Police department	259,693	74,602	178,932	335,297	-
Fire department	-	-	-	-	-
Community promotion:					
Community promotion	-	-	-	-	1,599
Culture and recreation:					
Special projects	-	-	-	-	-
Community development:					
Community development	-	-	-	-	-
HOME program	-	-	-	-	-
Total expenditures	<u>259,693</u>	<u>74,602</u>	<u>178,932</u>	<u>335,297</u>	<u>1,599</u>
Excess (deficiency) of revenues over expenditures	<u>236,352</u>	<u>-</u>	<u>-</u>	<u>(128,396)</u>	<u>310,248</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>236,352</u>	<u>-</u>	<u>-</u>	<u>(128,396)</u>	<u>310,248</u>
Fund balances at beginning of year	482,197	-	-	368,181	1,731,514
Fund balances at end of year	<u>\$ 718,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,785</u>	<u>\$ 2,041,762</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Public Safety and Service Fund Types				Total Nonmajor	
	Community Policing Grant	SAFER Hiring Grant	Firemen's Insurance & Inspection	Parking	Special Revenue Funds	2014
Revenues:						
Intergovernmental	\$ 275,000	\$ 816,040	\$ 376,498	\$ -	\$ 7,425,046	\$ 6,004,273
Fines and forfeitures	-	-	-	-	693,915	543,859
Revenues from the use of monies and property	-	-	1,356	589,048	611,573	725,987
Total revenues	<u>275,000</u>	<u>816,040</u>	<u>377,854</u>	<u>589,048</u>	<u>8,730,534</u>	<u>7,274,119</u>
Expenditures:						
Public safety:						
Police department	60,133	-	-	-	956,212	1,068,239
Fire department	-	816,040	181,024	-	1,150,216	438,656
Community promotion:						
Community promotion	-	-	-	-	859,715	811,732
Culture and recreation:						
Special projects	-	-	-	653,000	653,000	654,552
Community development:						
Community development	-	-	-	-	538,089	743,018
HOME program	-	-	-	-	486,337	190,686
Total expenditures	<u>60,133</u>	<u>816,040</u>	<u>181,024</u>	<u>653,000</u>	<u>4,643,569</u>	<u>3,906,883</u>
Excess (deficiency) of revenues over expenditures	<u>214,867</u>	<u>-</u>	<u>196,830</u>	<u>(63,952)</u>	<u>4,086,965</u>	<u>3,367,236</u>
Other financing sources (uses):						
Transfers in	-	-	-	8,017	46,305	46,391
Transfers (out)	-	-	-	-	(3,303,547)	(3,057,860)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,017</u>	<u>(3,257,242)</u>	<u>(3,011,469)</u>
Net change in fund balances	<u>214,867</u>	<u>-</u>	<u>196,830</u>	<u>(55,935)</u>	<u>829,723</u>	<u>355,767</u>
Fund balances at beginning of year	-	-	306,230	55,935	3,024,231	2,668,464
Fund balances at end of year	<u>214,867</u>	<u>-</u>	<u>503,060</u>	<u>-</u>	<u>3,853,954</u>	<u>3,024,231</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
COMBINING BALANCE SHEET**

NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2015

(With Comparative Totals at June 30, 2014)

	Convention		Street		Total Nonmajor Capital Project Funds	
	Center Complex	Naval Base & Riverfront Park	Light & Drainage		2015	2014
<u>Assets</u>						
Cash and cash equivalents	\$ 279,719	\$ -	\$ 606,231	\$	885,950	\$ 622,828
Restricted assets:						
Cash & cash equivalents	-	2,985,230	-		2,985,230	4,878,465
Total assets	\$ 279,719	\$ 2,985,230	\$ 606,231	\$	3,871,180	\$ 5,501,293
<u>Liabilities and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts payable	\$ 279,719	\$ 868,498	\$ -	\$	1,148,217	\$ 72,713
Total liabilities	279,719	868,498	-	-	1,148,217	72,713
<u>Fund balances:</u>						
Restricted for:						
Facility and infrastructure improvements	-	2,116,732	606,231		2,722,963	5,428,580
Total fund balances	-	2,116,732	606,231		2,722,963	5,428,580
Total liabilities and fund balances	\$ 279,719	\$ 2,985,230	\$ 606,231	\$	3,871,180	\$ 5,501,293

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	Convention Center Complex	Naval Base & Riverfront Park	Street Light & Drainage	Total Nonmajor Capital Project Funds
				2015 2014
Revenues:				
Intergovernmental revenues-State	\$ -	\$ -	\$ -	\$ 37,168
Revenues from use of monies and property	-	9,615	1,354	22,670
Total revenues	<u>-</u>	<u>9,615</u>	<u>1,354</u>	<u>59,838</u>
Expenditures:				
Capital outlay:				
Engineering, infrastructure and other	550,791	2,699,205	17,381	2,263,117
Total expenditures	<u>550,791</u>	<u>2,699,205</u>	<u>17,381</u>	<u>2,263,117</u>
Excess (deficiency) of revenues over expenditures	<u>(550,791)</u>	<u>(2,689,590)</u>	<u>(16,027)</u>	<u>(2,203,279)</u>
Other financing sources (uses):				
Transfers in	550,791	-	-	1,951,502
Transfers (out)	-	-	-	(9,573,058)
Total other financing sources (uses)	<u>550,791</u>	<u>-</u>	<u>-</u>	<u>(7,621,556)</u>
Net change in fund balance	<u>-</u>	<u>(2,689,590)</u>	<u>(16,027)</u>	<u>(9,824,835)</u>
Fund balance at beginning of year	-	4,806,322	622,258	15,253,415
Fund balance at end of year	<u>-</u>	<u>2,116,732</u>	<u>606,231</u>	<u>5,428,580</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014 Actual
	Final Budget	Actual	Variance Over (Under)	
Revenues:				
Intergovernmental - State	\$ 2,203,750	\$ 2,252,592	\$ 48,842	\$ 2,044,475
Intergovernmental - Local	200,000	202,237	2,237	119,762
Revenues from use of monies and property	-	291	291	201
Total revenues	<u>2,403,750</u>	<u>2,455,120</u>	<u>51,370</u>	<u>2,164,438</u>
Expenditures:				
Community promotion:				
Community promotion	862,500	858,116	(4,384)	790,831
Total expenditures	<u>862,500</u>	<u>858,116</u>	<u>(4,384)</u>	<u>790,831</u>
Excess (deficiency) of revenues over expenditures	<u>1,541,250</u>	<u>1,597,004</u>	<u>55,754</u>	<u>1,373,607</u>
Other financing sources (uses):				
Transfers to Debt Service Fund	(1,541,250)	(1,541,247)	(3)	(1,398,851)
Total other financing sources (uses)	<u>(1,541,250)</u>	<u>(1,541,247)</u>	<u>(3)</u>	<u>(1,398,851)</u>
Net change in fund balance	-	55,757	55,757	(25,244)
Fund balance at beginning of year	<u>80,174</u>	<u>80,174</u>	-	<u>105,418</u>
Fund balance at end of year	<u>\$ 80,174</u>	<u>\$ 135,931</u>	<u>\$ 55,757</u>	<u>\$ 80,174</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - State	\$ 1,762,500	\$ 1,762,300	\$ (200)	\$ 1,648,634
Total revenues	<u>1,762,500</u>	<u>1,762,300</u>	<u>(200)</u>	<u>1,648,634</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,762,500</u>	<u>1,762,300</u>	<u>(200)</u>	<u>1,648,634</u>
Other financing sources (uses):				
Transfers to Debt Service Fund	(1,762,500)	(1,762,300)	(200)	(1,648,634)
Total other financing sources (uses)	<u>(1,762,500)</u>	<u>(1,762,300)</u>	<u>(200)</u>	<u>(1,648,634)</u>
Net change in fund balance	-	-	-	-
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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance Over (Under)	2014 Actual
	Final Budget	Actual		
Revenues:				
Intergovernmental - Federal	\$ 1,663,280	\$ 538,089	\$ (1,125,191)	\$ 743,018
Total revenues	<u>1,663,280</u>	<u>538,089</u>	<u>(1,125,191)</u>	<u>743,018</u>
Expenditures:				
Community development:				
Housing and infrastructure	1,584,100	458,913	(1,125,187)	564,432
Planning and administration	79,180	79,176	(4)	178,586
Total expenditures	<u>1,663,280</u>	<u>538,089</u>	<u>(1,125,191)</u>	<u>743,018</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - Federal	\$ 725,713	\$ 486,337	\$ (239,376)	\$ 190,686
Total revenues	<u>725,713</u>	<u>486,337</u>	<u>(239,376)</u>	<u>190,686</u>
Expenditures:				
Community development:				
Housing and infrastructure	703,380	476,661	(226,719)	180,018
Planning and administrative	22,333	9,676	(12,657)	10,668
Total expenditures	<u>725,713</u>	<u>486,337</u>	<u>(239,376)</u>	<u>190,686</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
JUSTICE ASSISTANCE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - Federal	\$ 78,186	\$ 74,602	\$ (3,584)	\$ 120,134
Total revenues	<u>78,186</u>	<u>74,602</u>	<u>(3,584)</u>	<u>120,134</u>
Expenditures:				
Public safety:				
Police department	78,186	74,602	(3,584)	120,134
Total expenditures	<u>78,186</u>	<u>74,602</u>	<u>(3,584)</u>	<u>120,134</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Fines and forfeitures	\$ 207,854	\$ 206,255	\$ (1,599)	\$ 215,482
Revenues from use of monies and property	-	646	646	600
Total revenues	<u>207,854</u>	<u>206,901</u>	<u>(953)</u>	<u>216,082</u>
Expenditures:				
Public safety:				
Police department	352,854	335,297	(17,557)	225,825
Total expenditures	<u>352,854</u>	<u>335,297</u>	<u>(17,557)</u>	<u>225,825</u>
Excess (deficiency) of revenues over expenditures	<u>(145,000)</u>	<u>(128,396)</u>	<u>16,604</u>	<u>(9,743)</u>
Other financing sources (uses):				
Transfer to SCDPS Hispanic Victim Advocate Grant	-	-	-	(10,375)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,375)</u>
Net change in fund balance	(145,000)	(128,396)	16,604	(20,118)
Fund balance at beginning of year	<u>368,181</u>	<u>368,181</u>	<u>-</u>	<u>388,299</u>
Fund balance at end of year	<u>\$ 223,181</u>	<u>\$ 239,785</u>	<u>\$ 16,604</u>	<u>\$ 368,181</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - Federal	\$ 264,122	\$ 114,864	\$ (149,258)	\$ 72,714
Total revenues	<u>264,122</u>	<u>114,864</u>	<u>(149,258)</u>	<u>72,714</u>
Expenditures:				
Public safety:				
Fire department	352,162	153,152	(199,010)	100,038
Total expenditures	<u>352,162</u>	<u>153,152</u>	<u>(199,010)</u>	<u>100,038</u>
Excess (deficiency) of revenues over expenditures	<u>(88,040)</u>	<u>(38,288)</u>	<u>(49,752)</u>	<u>(27,324)</u>
Other financing sources (uses):				
Transfer from General Fund	88,040	38,288	(49,752)	27,324
Total other financing sources (uses)	<u>88,040</u>	<u>38,288</u>	<u>(49,752)</u>	<u>27,324</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
SPECIALIZED ENFORCEMENT TEAM GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - State	\$ 261,236	\$ 178,932	\$ (82,304)	\$ -
Total revenues	<u>261,236</u>	<u>178,932</u>	<u>(82,304)</u>	<u>-</u>
Expenditures:				
Public safety:				
Police department	261,236	178,932	(82,304)	-
Total expenditures	<u>261,236</u>	<u>178,932</u>	<u>(82,304)</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
PARKING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Revenues from use of monies and property	\$ 645,036	\$ 589,048	\$ (55,988)	\$ 710,487
Total revenues	<u>645,036</u>	<u>589,048</u>	<u>(55,988)</u>	<u>710,487</u>
Expenditures:				
Culture and recreation:				
Special projects	655,656	653,000	(2,656)	654,552
Total expenditures	<u>655,656</u>	<u>653,000</u>	<u>(2,656)</u>	<u>654,552</u>
Excess (deficiency) of revenues over expenditures	<u>(10,620)</u>	<u>(63,952)</u>	<u>(53,332)</u>	<u>55,935</u>
Other financing sources (uses):				
Transfers from General Fund	10,000	8,017	(1,983)	-
Total other financing sources (uses)	<u>10,000</u>	<u>8,017</u>	<u>(1,983)</u>	<u>-</u>
Net change in fund balance	<u>(620)</u>	<u>(55,935)</u>	<u>(55,315)</u>	<u>55,935</u>
Fund balance at beginning of year	<u>55,935</u>	<u>55,935</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 55,315</u>	<u>\$ -</u>	<u>\$ (55,315)</u>	<u>\$ 55,935</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - State	\$ 468,272	\$ 300,000	\$ (168,272)	\$ 300,000
Revenues from use of monies and property	-	11,847	11,847	10,806
Total revenues	<u>468,272</u>	<u>311,847</u>	<u>(156,425)</u>	<u>310,806</u>
Expenditures:				
Community promotion:				
Community promotion	468,272	1,599	(466,673)	20,901
Total expenditures	<u>468,272</u>	<u>1,599</u>	<u>(466,673)</u>	<u>20,901</u>
Net change in fund balance	-	310,248	310,248	289,905
Fund balance at beginning of year	<u>1,731,514</u>	<u>1,731,514</u>	-	<u>1,441,609</u>
Fund balance at end of year	<u>\$ 1,731,514</u>	<u>\$ 2,041,762</u>	<u>\$ 310,248</u>	<u>\$ 1,731,514</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - Federal	\$ 884,790	\$ 816,040	\$ (68,750)	\$ 108,914
Total revenues	<u>884,790</u>	<u>816,040</u>	<u>(68,750)</u>	<u>108,914</u>
Expenditures:				
Public safety:				
Fire department	884,790	816,040	(68,750)	108,914
Total expenditures	<u>884,790</u>	<u>816,040</u>	<u>(68,750)</u>	<u>108,914</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 LOCAL COMMUNITY POLICING GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - State	\$ 275,000	\$ 275,000	\$ -	\$ -
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public safety:				
Police department	275,000	60,133	(214,867)	-
Total expenditures	<u>275,000</u>	<u>60,133</u>	<u>(214,867)</u>	<u>-</u>
Net change in fund balance	-	214,867	214,867	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 214,867</u>	<u>\$ 214,867</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Intergovernmental - Local	\$ 79,604	\$ 47,555	\$ (32,049)	\$ 60,000
Total revenues	<u>79,604</u>	<u>47,555</u>	<u>(32,049)</u>	<u>60,000</u>
Expenditures:				
Public safety:				
Police department	79,604	47,555	(32,049)	60,000
Total expenditures	<u>79,604</u>	<u>47,555</u>	<u>(32,049)</u>	<u>60,000</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		Variance	
	Final Budget	Actual	Over (Under)	2014 Actual
Revenues:				
Property taxes	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000
Intergovernmental - Local	807,000	809,226	2,226	717,005
Revenues from use of monies and property	5,000	2,868	(2,132)	4,073
Total revenues	<u>2,312,000</u>	<u>2,312,094</u>	<u>94</u>	<u>2,221,078</u>
Expenditures:				
Debt Service:				
Principal	3,545,000	3,545,000	-	3,415,000
Interest and fiscal charges	1,212,000	1,207,695	(4,305)	1,170,830
Total expenditures	<u>4,757,000</u>	<u>4,752,695</u>	<u>(4,305)</u>	<u>4,585,830</u>
Excess (deficiency) of revenues over expenditures	(2,445,000)	(2,440,601)	4,399	(2,364,752)
Other financing sources (uses):				
Transfers in	2,445,000	2,440,602	(4,398)	2,364,752
Transfers (out)	(855,000)	(852,389)	(2,611)	(2,041,049)
Total other financing sources (uses)	<u>1,590,000</u>	<u>1,588,213</u>	<u>(7,009)</u>	<u>323,703</u>
Net change in fund balance	(855,000)	(852,388)	(2,610)	(2,041,049)
Fund balance at beginning of year	2,105,898	2,105,898	-	4,146,947
Fund balance at end of year	<u>\$ 1,250,898</u>	<u>\$ 1,253,510</u>	<u>\$ (2,610)</u>	<u>\$ 2,105,898</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Final Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Intergovernmental - State	\$ 3,135,000	\$ 3,606,486	\$ 471,486	\$ 3,198,257
Intergovernmental - Local	1,426,000	1,426,057	57	1,424,616
Revenues from use of monies and property	280,500	246,887	(33,613)	299,781
Total revenues	<u>4,841,500</u>	<u>5,279,430</u>	<u>437,930</u>	<u>4,922,654</u>
Expenditures:				
Debt Service:				
Principal	5,385,000	5,385,000	-	5,015,000
Interest and fiscal charges	2,365,250	1,827,534	(537,716)	2,069,097
Total expenditures	<u>7,750,250</u>	<u>7,212,534</u>	<u>(537,716)</u>	<u>7,084,097</u>
Excess (deficiency) of revenues over expenditures	(2,908,750)	(1,933,104)	975,646	(2,161,443)
Other financing sources (uses):				
Transfers in	2,908,750	3,303,547	394,797	3,047,485
Total other financing sources (uses)	<u>2,908,750</u>	<u>3,303,547</u>	<u>394,797</u>	<u>3,047,485</u>
Net change in fund balance		1,370,443	1,370,443	886,042
Fund balance at beginning of year	3,392,961	3,392,961	-	2,506,919
Fund balance at end of year	<u>\$ 3,392,961</u>	<u>\$ 4,763,404</u>	<u>\$ 1,370,443</u>	<u>\$ 3,392,961</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			
	Final Budget	Actual	Variance Over (Under)	2014 Actual
Revenues:				
Property taxes	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000
Revenues from use of monies and property	-	-	-	166
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,166</u>
Expenditures:				
Debt Service:				
Principal	1,285,000	1,285,000	-	1,245,000
Interest and fiscal charges	2,225,000	2,214,538	(10,462)	2,252,833
Total expenditures	<u>3,510,000</u>	<u>3,499,538</u>	<u>(10,462)</u>	<u>3,497,833</u>
Excess (deficiency) of revenues over expenditures	(1,510,000)	(1,499,538)	10,462	(1,497,667)
Other financing sources (uses):				
Transfers in	1,510,000	1,499,538	(10,462)	1,497,667
Total other financing sources (uses)	<u>1,510,000</u>	<u>1,499,538</u>	<u>(10,462)</u>	<u>1,497,667</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
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Governmental funds capital assets:</u>		
Land	\$ 58,751,354	\$ 46,067,546
Construction in progress	89,673,972	48,753,443
Buildings	151,533,440	150,817,463
Infrastructure	40,286,644	40,004,121
Furniture, fixtures and improvements	81,744,379	79,226,258
Equipment	69,218,897	66,411,233
Total governmental funds capital assets	\$ <u>491,208,686</u>	\$ <u>431,280,064</u>
<u>Investment in governmental funds capital assets by source:</u>		
Capital project funds	\$ 310,493,082	\$ 263,594,486
Governmental funds revenues	126,869,483	123,469,902
Federal and State grants	33,332,646	32,867,201
Donations and other	20,513,475	11,348,475
Total governmental funds capital assets	\$ <u>491,208,686</u>	\$ <u>431,280,064</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.	98
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, principally the property tax.	103
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.	109
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.	113
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.	115

Table 1

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 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	\$ 226,873,405
Restricted	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	21,681,183
Unrestricted	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	(34,926,375)
Total governmental activities net position	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	213,628,213
Business-type activities										
Net investment in capital assets	\$ 1,913,805	\$ 1,965,234	\$ 2,110,244	\$ 2,164,399	\$ 2,195,372	\$ 2,140,348	\$ 2,353,851	\$ 2,600,404	\$ 2,785,583	\$ 3,844,982
Unrestricted	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	3,164,826
Total business-type activities net position	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	7,009,808
Primary government										
Net investment in capital assets	\$ 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	\$ 230,718,387
Restricted	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	21,681,183
Unrestricted	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	(31,761,549)
Total primary government net position	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	220,638,021

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Expenses										
General government	\$ 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	\$ 26,457,600
Public safety	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	58,491,261
Sanitation	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	6,129,667
Culture and recreation	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	16,495,636
Community development and promotion	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	5,174,995
Interest on long-term debt	4,380,925	4,646,387	4,818,241	5,862,444	5,315,770	5,460,165	5,518,173	7,098,192	7,649,242	5,888,319
Total governmental activities expenses	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	118,637,478
Program revenues										
Charges for services:										
General government	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	3,002,029
Public safety	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	3,974,967
Sanitation	147,906	111,800	120,330	392,147	110,411	70,103	64,447	67,556	74,729	58,175
Culture and recreation	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	7,722,471
Operating grants and contributions	5,858,236	4,672,882	5,385,682	7,401,261	12,120,428	10,109,870	5,419,156	4,831,230	3,534,071	4,802,442
Capital grants and contributions						2,869,607	9,870,180	1,244,990	16,298,998	19,860,711
Total governmental activities program revenues	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	39,420,795
Total Governmental Activities Net Program Expense	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	79,216,683

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities (continued):										
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	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	53,869,578
Business license taxes	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	22,931,298
Sales taxes	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	10,629,210
Franchise taxes	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	9,154,565
Hospitality taxes	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	6,763,503
Accommodations taxes	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	5,603,398
Other taxes	325,652	339,718	209,589	155,780	297,477	179,705	239,877	178,530	219,857	294,013
State shared revenues	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	2,542,418
Investment earnings	3,021,489	3,164,823	2,999,765	1,198,488	447,328	457,231	584,740	859,341	213,490	454,003
Miscellaneous	87,352	553,318	1,222,513	1,581,390	795,230	525,876	889,355	1,351,728	4,190,079	867,353
Donation & Contributions	-	509,509	-	-	-	-	-	-	-	-
Special item-contributed capital assets, net	11,017,850	-	-	-	-	-	-	14,360,000	-	9,165,000
Special item-settlement agreement (Note 1)	-	-	-	-	-	-	-	-	-	(5,500,000)
Special item-settlement agreement (Note 2)	-	-	-	-	-	-	-	-	-	(939,350)
Transfers	(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 general revenues and other changes in net position	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	115,834,989
Total Governmental Activities Change in Net Position	\$ 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	\$ 36,618,306

Note (1): The special item - settlement agreement represents amounts owed from Palmetto Railways as a result of an agreement dated in February 2013 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). In September 2014, Palmetto Railways and the City reached a settlement that resulted in the exchange of property that amounted to an increase of \$9,165,000 in capital asset value.

Note (2): The special item-settlement agreement represents a lawsuit settlement on October 8, 2015 resulting from a potential claim that would have been captioned the Estate of Walter Scott v. The City of North Charleston, et.al.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type Activities:										
Expenses										
Golf course enterprise fund	\$ 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	\$ 2,321,730
Stormwater utility enterprise fund	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	3,693,146
Total business-type activities expenses	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	6,014,876
Program revenues										
Charges for services:										
Golf course enterprise fund	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	1,144,490
Stormwater utility enterprise fund	1,502,372	1,437,995	1,151,300	1,490,860	3,380,163	3,191,083	4,013,656	3,556,993	3,793,027	3,724,405
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	330,000
Total business-type activities revenues	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	5,198,895
Total Business-type Activities Net Program Expense	1,887,448	2,060,090	2,572,022	2,530,165	706,845	1,180,277	374,859	828,959	1,337,813	815,981
Other Changes in Net Position										
Miscellaneous	74,185	126,908	120,414	57,770	38,545	37,319	45,670	64,910	25,336	65,331
Transfers, net	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	939,350
Total Business-type Activities Change in Net Position	\$ 1,390,937	\$ 395,707	\$ 309,759	\$ (203,629)	\$ 843,009	\$ 418,591	\$ 1,134,501	\$ 9,965	\$ (325,479)	\$ 188,700
Total Primary Government Change in Net Position	\$ 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	\$ 36,807,006

Table 3

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Pre-GASB #54 (Note 1)										
Reserved	\$ 3,991,403	\$ 4,316,879	\$ 5,830,209	\$ 5,108,379	\$ 3,774,666	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	1,151,727
Restricted	-	-	-	-	-	-	-	-	827,268	2,426,723
Committed	-	-	-	-	-	409,827	411,021	412,023	412,694	477,128
Assigned	-	-	-	-	-	3,791,705	4,044,976	4,452,826	5,069,487	4,933,417
Unassigned	-	-	-	-	-	18,039,621	20,009,645	20,485,406	20,620,802	12,827,624
Total General Fund	\$ 19,593,442	\$ 25,387,111	\$ 18,918,008	\$ 16,354,645	\$ 17,936,656	\$ 22,308,974	\$ 24,536,841	\$ 25,625,239	\$ 27,167,523	\$ 21,816,619
All Other Governmental Funds										
Pre-GASB #54 (Note 1)										
Reserved	\$ 46,326,920	\$ 43,761,917	\$ 44,508,226	\$ 56,576,262	\$ 39,928,511	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,703,092	4,511,211	3,939,803	3,225,437	4,243,001	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	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	6,265,886
Restricted	-	-	-	-	-	52,519,152	96,946,387	70,692,322	52,347,077	46,864,893
Assigned	-	-	-	-	-	409,156	369,277	384,680	369,852	417,966
Total All Other Governmental Funds	\$ 56,337,152	\$ 55,903,834	\$ 56,427,814	\$ 74,837,934	\$ 51,229,109	\$ 59,165,315	\$ 102,782,788	\$ 77,225,203	\$ 57,570,389	\$ 53,548,745

Note 1:

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

Table 4

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Property taxes	\$ 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	\$ 53,779,197
Licenses and permits	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	34,119,753
Intergovernmental	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	50,986,549
Fines and forfeitures	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	2,009,689
Charges for services	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	1,761,270
Investment/property earnings	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	9,078,518
Other revenues	336,425	802,159	1,037,952	585,783	416,426	513,826	757,106	442,195	883,983	856,157
Total revenues	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	152,591,133
Expenditures										
General government	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	26,374,210
Public safety	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	56,716,601
Sanitation	4,628,508	4,839,990	5,436,012	5,253,786	4,599,528	5,143,935	5,321,461	5,756,066	6,099,718	6,652,304
Culture and recreation	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	14,101,241
Community development and promotion	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	4,818,173
Capital outlay	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	47,238,809
Debt service										
Principal	11,104,612	8,840,161	11,761,633	11,894,719	16,520,938	15,167,373	15,189,314	17,207,010	18,069,793	19,303,029
Interest	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	6,237,230
Bond issuance costs	-	-	148,462	899,978	-	-	598,293	34,000	-	182,689
Total expenditures	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	181,624,286
Excess (deficiency) of revenues over expenditures	(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)	(29,033,153)
Other financing sources (uses)										
Transfers in	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	11,100,176
Transfers out	(9,321,507)	(9,026,043)	(17,180,114)	(15,909,609)	(15,554,482)	(19,883,182)	(12,247,626)	(8,900,510)	(25,186,930)	(12,039,526)
Proceeds from sale of property	3,000,740	320,596	379,654	962,321	303,904	1,535,770	154,601	186,676	5,596,512	525,415
Bonds issued	11,565,000	5,000,000	7,020,000	48,175,000	-	24,600,000	52,520,000	-	-	16,000,000
Premiums/Discounts on bonds	-	-	-	4,060,299	-	-	4,002,083	-	-	2,606,540
Refunding bonds issued	-	-	-	31,850,000	-	-	-	-	-	-
Payments to escrow agent	-	-	-	(32,533,969)	-	-	-	-	-	-
Capital lease obligations	2,000,000	2,865,000	2,480,000	3,400,000	107,213	3,574,000	1,906,000	3,409,447	4,095,000	4,968,000
Total other financing sources (uses)	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	23,160,605
Special item										
Palmetto Railway settlement agreement	-	-	-	-	-	-	-	2,000,000	2,000,000	2,000,000
Public safety settlement agreement	-	-	-	-	-	-	-	-	-	(5,500,000)
Donation of capital assets	11,017,850	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 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)	\$ (9,372,548)
Debt service as a percentage of noncapital expenditures	18.72%	16.38%	17.22%	16.94%	20.94%	19.42%	19.89%	20.31%	20.02%	19.93%

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</u> <u>Year</u>	<u>Property</u>	<u>Business</u> <u>License</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hospitality</u>	<u>Accommodations</u>	<u>Other</u>	<u>Total</u>
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
2015	53,779,197	22,931,298	10,629,210	9,154,565	6,763,503	5,603,398	294,013	109,155,184

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>
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%
2015	453,258,440	80,527,770	49,427,010	583,213,220	95.0	8,453,128,499	6.90%

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
	Operating Millage	Debt Millage	Service Millage	City Millage	Total	Operating Millage	Debt Millage	Service Millage	County Millage	Total	Operating Millage	Debt Millage	Service Millage	School District Millage	Total	
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	
2015	88.0	7.0	95.0			46.7	8.4	55.1			100.5	26.0	126.5		276.6	

Fiscal Year	City of North Charleston					County of Dorchester					Dorchester County School District (3)					Total Dorchester County Direct & Overlapping Rates
	Operating Millage	Debt Millage	Service Millage	City Millage	Total	Operating Millage	Debt Millage	Service Millage	County Millage	Total	Operating Millage	Debt Millage	Service Millage	School District Millage	Total	
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	
2015	88.0	7.0	95.0			78.1	6.5	84.6			168.6	53.0	221.6		401.2	

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>	2015			2006		
	<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	\$ 48,282,731	8.28%		\$ -		
South Carolina Electric & Gas	17,493,484	3.00%		8,362,190	2.35%	
Kapstone	13,961,286	2.39%		20,674,539	5.81%	
North Charleston Joint Venture	5,428,950	0.93%		4,464,660	1.26%	
Tanger Properties	4,632,450	0.79%		-		
Olfell Terminals Charleston	4,616,147	0.79%				
Cummins	4,372,883	0.75%		3,528,016	0.99%	
Charleston/North Charleston MSA LP	4,223,800	0.72%		2,114,340	0.59%	
Mead Westvaco	3,499,564	0.60%		-		
Leeds Park Associates	3,360,000	0.58%		-		
Total	\$ 109,871,295	18.84%		\$ 39,143,745	11.01%	

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	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%	1,668,805	46,515,501	97.77%
2015	49,462,096	46,631,464	94.28%		46,631,464	94.28%

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		Restricted Accumulated Resources (4)	Net General Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)	Other Governmental Activities Debt		
	General Obligation Bonds	Capital Leases					Tax Increment Bonds	Certificates of Participation	Installment Purchase Rev. Bonds
Fiscal Year	Business-type Activities Debt		Capital Leases	Total Primary Government (3)	Restricted Accumulated Resources (5)	Net Primary Government (3)	Percentage of Personal Income (2)	Per Capita (2)	
	Golf Course Revenue Bonds	Capital Leases							
2006	11,036,088	389,144		113,601,862	2,622,975	110,978,887	0.56%	1,305.63	
2007	10,604,850	241,318		115,583,142	5,514,210	110,068,932	0.51%	1,258.05	
2008	10,153,610	445,871		114,276,215	9,079,983	105,196,232	0.45%	1,150.68	
2009	9,682,370	525,362		158,176,921	10,084,501	148,092,420	0.64%	1,568.66	
2010	9,196,130	361,034		140,873,187	9,016,581	131,856,606	0.53%	1,379.24	
2011	8,689,890	240,752		152,834,338	5,125,489	147,708,849	0.56%	1,515.41	
2012	8,168,650	222,730		195,256,936	6,016,687	189,240,249	0.69%	1,897.58	
2013	7,622,410	129,427		181,047,354	5,394,365	175,652,989	0.60%	1,722.27	
2014	7,051,170	345,076		168,165,494	4,677,043	163,488,451	N/A	1,571.19	
2015	6,459,930	798,963		172,385,745	7,503,186	164,882,559	N/A	1,544.58	

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

The amounts presented above are net of related premiums, discounts and adjustments.

(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.

(4) Represents accumulated resources restricted to repaying the principal of general obligation debt

(5) Represents accumulated resources restricted to repaying the principal of all other debt

Table 11

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015**

Governmental Unit	Net Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Overlapping Debt:			
Charleston County	\$ 546,680,970	20.54%	\$ 112,271,798
Charleston County Parks & Recreation Commission	32,344,490	20.54%	6,642,584
Charleston County School District	206,449,441	20.54%	42,398,494
Charleston County Aviation Authority	174,485,000	20.54%	35,833,961
North Charleston Sewer District	14,845,000	20.54%	3,048,716
Dorchester County	127,962,275	19.20%	24,563,544
Dorchester County School District	168,671,347	19.20%	32,378,028
Subtotal Overlapping Debt			\$ 257,137,125
City Direct Debt			166,380,362
Total Direct and Overlapping Debt			\$ 423,517,487

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Property Value	\$ 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	\$ 583,213,220
Debt Limit (8% of assessed value)	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	46,657,058
Net debt applicable to limit:										
General obligation bonds	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	34,960,000
Legal debt margin	\$ 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	\$ 11,697,058

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

49.08% 56.96% 48.08% 38.09% 31.20% 84.00% 75.67% 59.52% 49.97% 74.93%

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

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

Fiscal Year	Tax Increment Bonds (1)				Golf Course Mortgage Revenue Bonds							
	Property Tax Increment	Debt Service		Coverage	Golf Course Operating Revenue	Transfers	Less:		Net Available Revenues	Debt Service		Coverage
		Principal	Interest				Operating Expenses	Principal		Interest		
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	
2015	8,101,050	6,135,000	738,762	1.18	1,200,372	1,449,350	1,508,246	1,141,476	595,000	286,631	1.29	

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**

<u>Fiscal Year</u>	<u>(In thousands of dollars)</u>				<u>Unemployment Rate</u>
	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	
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	29,167,000	40,953	23,513	7.3%
2014	104,054	**	**	23,902	5.1%
2015	106,749	**	**	24,273	5.8%

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

	2015		2006	
	<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	20.61%	21,800	25.65%
Boeing	6,500	6.09%	-	-
Trident Regional, LLC	2,000	1.87%	2,000	2.35%
U.S. Postal Service	1,200	1.12%	1,200	1.41%
City of North Charleston	1,091	1.02%	921	1.08%
Verizon Wireless Call Center	1,050	0.98%	-	-
Kapstone	1,000	0.94%	1,600	1.88%
South Carolina Electric & Gas	850	0.80%	1,000	1.18%
Deydens Shipyard	800	0.75%	500	0.59%
Cummins	700	0.66%	300	0.35%
Total	37,191	34.84%	29,321	34.50%

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Executive	11	14	17	19	20	20	20	21	21	21
Facilities Management	7	6	6	6	6	6	6	5	5	5
City Council	12	12	12	12	12	12	12	12	12	12
Finance	11	12	11	10	10	10	10	10	10	10
Purchasing	4	4	4	4	4	4	4	5	6	5
Information Systems	6	7	7	9	9	10	10	10	10	11
Municipal Court	14	15	16	18	22	22	20	19	19	19
Human Resources	6	6	7	7	7	7	8	7	7	7
Legal	3	3	3	4	4	4	4	5	5	5
Public Safety										
Police	371	382	399	424	448	426	417	419	420	420
Fire	209	217	218	220	220	229	229	241	242	257
Building Inspections	14	16	17	17	17	17	17	18	18	19
Culture & Recreation										
Parks and Recreation	28	30	35	37	37	35	36	36	38	44
Cultural Arts	5	6	6	7	7	7	7	7	7	7
Community Development										
Planning	17	18	20	20	18	18	18	17	15	15
Code Enforcement	14	14	14	14	14	14	15	15	15	15
Public Works										
Administration	10	10	10	10	10	10	10	10	10	10
Maintenance	65	70	73	77	77	78	77	73	75	88
Sanitation	74	75	78	78	78	77	77	75	75	74
Stormwater Maintenance	40	42	45	45	45	46	46	46	46	47
Total	921	959	998	1,038	1,065	1,052	1,043	1,051	1,056	1,091

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Building permits issued	2,628	2,584	2,402	2,059	1,836	1,912	1,546	1,884	1,626	1,650
Business licenses issued	7,158	7,342	7,516	7,451	7,286	7,357	7,122	7,300	7,656	7,550
Police										
Physical arrests	8,838	8,942	9,972	10,455	10,946	11,500	12,939	13,000	13,636	14,000
Traffic violations	32,315	34,102	37,951	38,466	40,122	42,500	43,000	44,000	45,001	45,500
Fire										
Fire responses	4,060	4,943	5,262	5,950	7,389	7,500	10,046	15,055	17,890	18,500
Inspections	5,444	5,701	6,027	5,777	4,690	5,000	6,124	6,404	6,788	7,200
Refuse collection										
Garbage collection (annual tons)	30,311	29,778	31,177	29,234	29,282	29,057	28,311	29,542	24,670	28,000
Trash collection (annual tons)	23,086	23,010	23,579	23,047	20,456	20,523	19,745	19,563	20,817	21,500
Golf course										
Rounds played	41,657	42,808	40,692	35,514	35,375	34,855	38,397	42,081	41,100	36,113
Stormwater utility										
Accounts billed	22,540	22,646	22,362	22,645	22,625	23,976	23,209	23,951	23,370	24,141

Source: Various City departments.

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police stations	5	5	6	6	7	7	7	7	7	7
Fire stations	11	11	11	11	12	12	12	12	12	12
Public Works										
Collection trucks	33	34	35	35	35	33	35	35	33	35
Streetlights	7,003	7,081	7,122	7,152	7,239	7,300	7,350	7,500	7,600	7,700
Traffic signals	96	98	102	105	108	110	101	119	120	125
Parks and Recreation										
Playgrounds	20	23	26	28	30	30	30	30	30	30
Baseball/softball diamonds	28	28	28	28	28	28	28	31	31	31
Football/soccer fields	8	8	10	11	11	11	11	11	11	11
Community centers	20	20	20	20	19	19	20	20	20	20

Source: Various City departments.