



**CITY OF NORTH CHARLESTON  
SOUTH CAROLINA**

**COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

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**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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## **INTRODUCTORY SECTION**

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October 31, 2017

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, 2017 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, 2017 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, 2017 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, 2017, and respective changes in financial position and cash flows, where applicable, for the year then ended.

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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, 2017, reflect an estimated North Charleston population of over 109,000.

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

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

The City provides services to its citizens in the following areas: police, fire, public works (sanitation), building inspections, parks and recreation, cultural arts, housing and community development, planning, zoning, 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.

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

**Local Economy.** North Charleston's diverse economy is attributed to its unique blend of trade, manufacturing and service businesses and government. Local industry is characterized by the production of a wide range of products, including: paper, automobile components, health care, housewares, tools, machinery and electronics equipment and airplane components. Major non-manufacturing employers include those providing aerospace, defense, education, financial, transportation, marine, health care, food distribution and retail sales services. Area businesses have experienced continuing growth and development in the past year. This continued growth is indicative of the excellent market location of this area, which is served by major highways including Interstate 26, the Mark Clark Expressway (I-526), and U.S. Highways 17, 52 and 78. The City is also served by The Port of Charleston, an international container cargo port terminal, that ranks in the top six busiest in the nation with cargo valued at more than \$75 billion in calendar year 2016 which represented over a 7 percent change from the prior year. International trade through the South Carolina ports facilitates over 190,000 jobs across the State of South Carolina in the maritime, transportation, distribution and manufacturing industries while providing an overall economic impact of over \$50 billion each year. The Port of Charleston is in the midst of spending over \$1.3 billion in port related infrastructure improvements by 2022 much of which will include construction of a new terminal on the former Navy Base property located in the City of North Charleston. The Charleston Harbor deepening project began in the fall of 2017 and expected to be completed by 2020 will allow it to be the deepest harbor on the East Coast

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 760,000 and a gross taxable sales estimate exceeding \$31 billion for the 2016 calendar year. North Charleston remains the State's municipal leader in retail sales for the past twenty-four years. In calendar year 2016, gross retail sales exceeded \$7.1 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 rose slightly in the City during the fiscal year ending June 30, 2017 compared to fiscal year ending June 30, 2016, while 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 2017. The region has an estimated civilian labor workforce exceeding 360,000, which has grown by over 20% for the last ten years. The local unemployment rate of 3.6% as of June 30, 2017 is below the State and National averages.



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Tourism remains a vital segment of the local MSA economy. Overall hotel/motel occupancy rates increased slightly from calendar year 2015 to 2016. Hotel/motel room inventory exceeds 7,500 rooms in the City of North Charleston as of the calendar year ending 2016. 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 1,800 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 July 2017, Frontier Airlines announced it will launch flights in the spring of 2018 between Denver and Charleston. 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 and St. Louis. Southwest currently enjoys over 17% of the air traffic market. American Airlines and United Airlines have also added daily nonstop flights. The Charleston International Airport saw its passenger load increase 11% in calendar year 2016 and its overall passenger load has increased over 65% from just 2010 and is expected to exceed 4 million in calendar year 2017. In March 2012, the Charleston Aviation Authority announced that the 27 year old terminal will get a makeover from a \$200 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 have been completed with other redevelopment plans underway that include a new parking garage, concourse and airline ticketing space. 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-four 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 included additions to the north and south entrances that provide new food court and concession areas designed to accommodate more patrons. These concession area changes are helping to spur along the renovation of existing concession areas into new corporate suites. Other improvements included 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

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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 \$10 million, was completed by late summer of 2016.

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 3,500 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 a \$9 million increase in annual property tax collections from Dorchester County over the past sixteen 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 senior citizens assisted living facility which was completed in the spring of 2017, 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 thirteen 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 \$1,500,000 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

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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.

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 was completed in the spring of 2016 which created the opening of more than 130 homesites to developers. As of the date of this report, over 80 homesites have already been sold 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 170 single family homes and over 80 townhomes, apartment complex units known as the Link Apartments 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

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III plans introduced in 2014 calling for a new three mile connection from Ashley Phosphate Road to Aviation Avenue as well as improvements to South Aviation Avenue which is designed to alleviate traffic on Dorchester Road, Rivers Avenue and the I-26 and I-526 interchange. Another major benefit of phase III is the ultimate connection of the Boeing main plants near the Charleston International Airport with businesses on Palmetto Commerce Parkway. The Palmetto Commerce Parkway expansion has already created significant interest in business construction and improvements, including Roper Saint Francis Healthcare, Charleston County government facilities, Morgan Olson, LLC, Cummins Turbo Technologies, Venture Aerobearings, Mercedes Benz 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. The project would allow trains from CSX Corporation and Norfolk Southern railroads access to the new cargo yard where containerized imports and exports would be loaded and unloaded. Palmetto Railways estimates the new rail yard facility, to be constructed at a cost over \$280 million and scheduled to open in 2019, will employ over 120 people and handle over 1 million cargo containers of merchandise each year.

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

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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. A memorandum of agreement was finalized in late 2016 between community groups within the City of North Charleston and Palmetto Railways that will channel \$4 million into these communities to offset the impacts of the proposed rail yard. The agreement calls for funds to be used to build new recreational facilities and pay for programs promoting affordable housing, job training, educational facilities, environmental research and youth initiatives.

In December 2009, Clemson University announced it had landed a \$45 million grant, set aside from the American Recovery and Reinvestment Act, to build a drivetrain and wind turbine testing facility on the former Navy Base. The grant was part of a \$98 million proposal organized by the Clemson University Restorative Institute and other State of South Carolina agencies described as the largest research effort in the university's history. Clemson broke ground in October 2010 on the facility that is housed in a former warehouse on deep waterfront property along the Cooper River adjacent to existing rail and ship-handling infrastructure. Construction was completed in the late 2013. The facility is equipped to test 7.5 and 15 megawatt drivetrains, which makes the institute the largest wind turbine testing facility in the world. In late 2013, the facility landed its first industry partner, General Electric, which began testing its next generation wind turbine drivetrain technology. In 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 was expected to cost roughly \$20 million. The Zucker Family Graduate Education Center opened in the fall 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, completed in 2016, connects U.S. Highway 78 to Ashley Phosphate Road while the new Weber Drive connects 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 2019.

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

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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. Previously, S.C. built Dreamliners had to be flown to one of four paint facility sites to complete their final phase of painting. However, ground was broken in 2014 to construct a 360,000 square foot new paint facility on its North Charleston campus large enough to paint all planes currently being built in North Charleston. It was completed in early 2017.

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. In late March 2017, the first 787-10 Dreamliner was rolled off the assembly line and took a test flight from the Charleston International Airport runway. The 787-10 model, which is made of parts from global suppliers, is assembled from start to finish in North Charleston. The first deliveries of the 787-10 to Boeing customers are scheduled to take place in the spring of 2018. 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 has announced it has raised the \$79 million needed for construction and equipment associated with the aeronautical training center on its North Charleston campus. The 224,000 square foot facility will accommodate up to 5,400 students each year and is set to open in 2019. 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 and employ an additional 1,300 individuals to operate this facility. In early 2017, Mercedes-Benz Vans purchased an additional 8 acres adjacent to their existing plant that currently houses a 75,000 square foot facility. Mercedes-Benz Vans plans to include the new site in its expansion plans to be used to house some of the logistical processes associated with the new Sprinter plant. 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.

To the Council and Citizens of the  
City of North Charleston

Another major area of redevelopment can be found in the old Park Circle area near the former site of the General Asbestos and Rubber Company (GARCO). A developer in the Charleston area, the Beach Company, is developing a mixed use project called the GARCO Park that will eventually include more than 270 apartments and various other residential and commercial sites on a 40 acrea tract. The first apartments opened in 2017.

Other announcements include a \$13.5 million expansion project by Trident Medical Center, designed to upgrade its emergency departments, outpatient services, operating rooms and other care units. Construction began in early 2017. Comcast announced in the spring of 2016 it will invest over \$21 million in a 80,000 square foot facility off of Highway 78 in North Charleston which will house customer service and technical support personnel and employ an additional 550 once completed. Construction was completed in the summer of 2017. T-Mobile announced in the summer of 2017 plans to renovate a facility in North Charleston at a cost of \$16.7 million that will become its largest call center employing over 1,200. Frontier Logistics, one of the nation's largest exporters of plastic resins made at refineries along the Gulf Coast, announced in the spring of 2017 plans to open a 100,000 square foot distribution center on a site near the planned rail yard in the old Navy Base. Wabco Holdings Inc. opened a \$20 million manufacturing facility in 2017 that builds advanced single-piston disc brakes for trucks and other commercial vehicles. A number of breweries have set up shop in the North Charleston Navy Base TIF area in an area known as the Garco Park development.

**Long-Term Financial Planning.** Unassigned fund balance in the General Fund (11.7% of the fiscal year 2017/2018 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 2017/2018 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. The City recently announced it has entered into negotiations for the sale of a portion of Shipwatch Square for development to include the establishment of a grocery store.

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 was the completion of the City's new Public Works facility housing all of its maintenance, sanitation, garage and administrative office needs at a cost of over \$40 million. Other projects include the completion of recreational parks, new community centers, senior citizens facilities and new fire stations.

The City, in Janaury 2017, issued \$80 million in limited obligation bonds to facilitate the construction of a new parking garage at the Coliseum/Convention Center/Performing Arts Center Complex, a new aquatics facility, additional parks and recreational facilities and other improvements to the Coliseum.



To the Council and Citizens of the  
City of North Charleston

The City, in January 2017, issued \$80 million in limited obligation bonds to facilitate the construction of a new parking garage at the Coliseum/Convention Center/Performing Arts Center Complex, a new aquatics facility, additional parks and recreational facilities and other improvements to the Coliseum.

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


**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Charleston for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2016. 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-nine fiscal years ended, from June 30, 1988 through 2016. 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, 2016**

Executive Director/CEO

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2017**

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

**Council Member.....Mike A. Brown**

**Council Member.....Rhonda Jerome**

**Council Member.....Virginia Jamison**

**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.....Kenny Skipper**

**Council Member.....Michael Brown**

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

**Special Assistant to Mayor.....Julie Elmore**

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

**Staff Attorney.....Frances Austin**

**Municipal Clerk of Council.....Ellen Clark**

**Fire Chief.....Greg Bulanow**

**Facilities Management Director.....Danny McJunkin**

**Public Works Director.....Jim Hutto**

**Human Resources Director.....Chris Ruth**

**Code Enforcement Director .....Angela McJunkin**

**Director of Information Systems.....David Dixon**

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

**Purchasing Director.....Denise Badillo**

**Building Official.....Darbis Briggman**

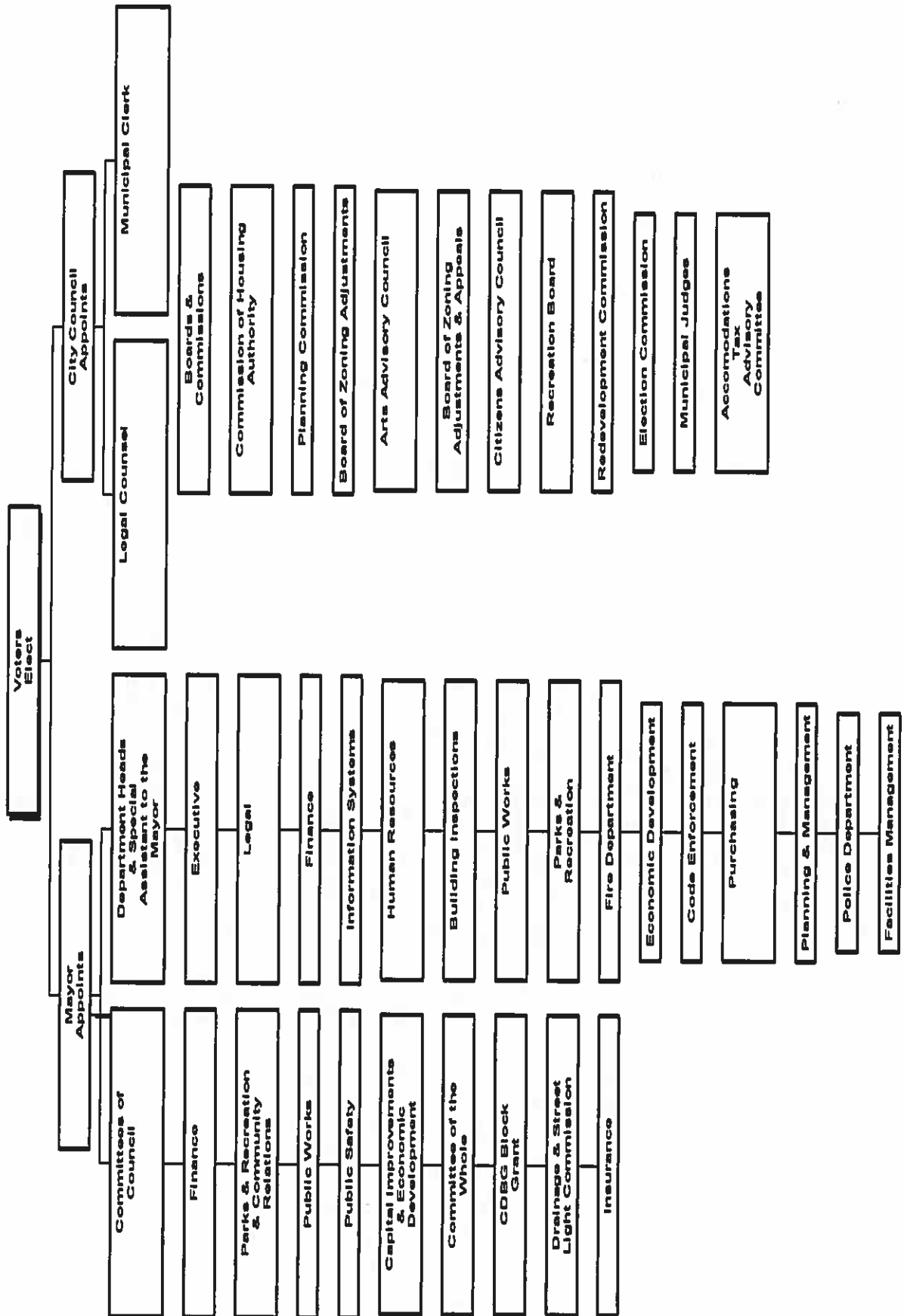
**Director of Zoning and Planning.....Gwen Moultrie**

**Cultural Arts Director.....Kyle Lahm**

**Police Chief.....Ely E. Driggers**

**Chief Administrative Judge.....Samuel Coleman**

# City of North Charleston



## **FINANCIAL SECTION**

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# Greene, Finney & Horton, LLP

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Report on Summarized Comparative Information

We have previously audited the City's 2016 financial statements and our report dated October 27, 2016 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Adoption of Accounting Principle***

As discussed in Note I.C., to the financial statements, for the year ended June 30, 2017 the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 77 "*Tax Abatement Disclosures*". Our opinion is not modified with respect to this matter.

### ***Pending Implementation of GASB Statement on "Postemployment Benefits Other Than Pensions"***

As discussed in Note IV.C., the GASB issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" ("Statement") in 2015. This Statement which will be adopted by the City for the year ended June 30, 2018, will require the City to report a net other postemployment benefit ("OPEB") liability on its applicable financial statements for its OPEB plan ("Plan").

Based on the Plan's latest actuarial valuation, it is anticipated that the City will need to record an additional net OPEB liability which will decrease its governmental activities beginning net position for the year ended June 30, 2018 by approximately \$18,572,000. 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
October 31, 2017

## 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, 2017. 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-xi* 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 \$251,068,814 (net position). Net position increased \$11,309,538, or 4.7%, for the fiscal year ending June 30, 2017.
  - Governmental activities net position was \$243,251,983, an increase of \$9,919,725, or 4.3%. Unrestricted net position decreased \$9,590,134 to a deficit of \$50,677,748 as of June 30, 2017.
  - Business-type net position amounted to \$7,816,831, an increase of \$1,389,813 or 21.6%. Unrestricted net position increased \$1,211,931 to \$3,481,903 as of June 30, 2017.
- ❖ At June 30, 2017, the total fund balance of the City's governmental funds was \$140,641,766, an increase of \$74,463,236, or 112.5%.
  - The fund balance of the General Fund increased \$2,461,050, or 11.3%, to \$24,285,789. \$13,972,612 of this fund balance was unassigned at year-end, an increase of \$1,257,800, or 9.9%, from the \$12,714,812 balance at June 30, 2016.
  - General Fund revenues exceeded expenditures by \$2,530,639 before other financing sources or uses and special items, an increase of \$2,731,410 from the prior year and a \$4,695,056 favorable variance to the final budget.
- ❖ Total capital assets (net of accumulated depreciation) for the City amounted to \$404,783,455 at June 30, 2017, an increase of \$7,011,061, or 1.8%.
  - Governmental activities capital assets (net of accumulated depreciation) amounted to \$394,701,338, an increase of \$7,035,451, or 1.8%.
  - Business-type capital assets (net of accumulated depreciation) amounted to \$10,082,117, a decrease of \$24,390, or .2%.
- ❖ At June 30, 2017, the City's total debt, including capital lease obligations and compensated absences was \$226,623,481 (net of unamortized premiums and discounts), an increase of \$65,500,592 or 40.7%.
  - Governmental funds total debt amounted to \$220,205,674, an increase of \$65,805,045, or 42.6%.
  - Business-type funds total debt amounted to \$6,417,807, a decrease of \$304,453, or 4.5%.



- ❖ 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 (Exhibits 3 through 9) are **fund financial statements** with necessary reconciliation information. These statements focus on the activities of the major funds and provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements, reported on a modified accrual basis; and 2) the proprietary fund statements, reported on a full accrual basis. The next section of the financial statements is the **notes to the financial statements**. The notes explain in detail some of the data contained in those statements.

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

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

Both of the government-wide financial statements distinguish functions of the City of North Charleston that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, street and drainage maintenance, sanitation, economic development, housing and community development, and culture and recreation. The business-type activities of the City include the golf course operations and the stormwater utility management program. The government-wide financial statements can be found on pages 14-16 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-seven 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 Limited Obligation Bonds Capital Projects Fund, all considered major funds. Data from the other twenty-two 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 17-20 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 21-23 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 24-62 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 63-69 of this report. The combining and individual funds 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 70-99 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 \$251,068,814 at June 30, 2017.

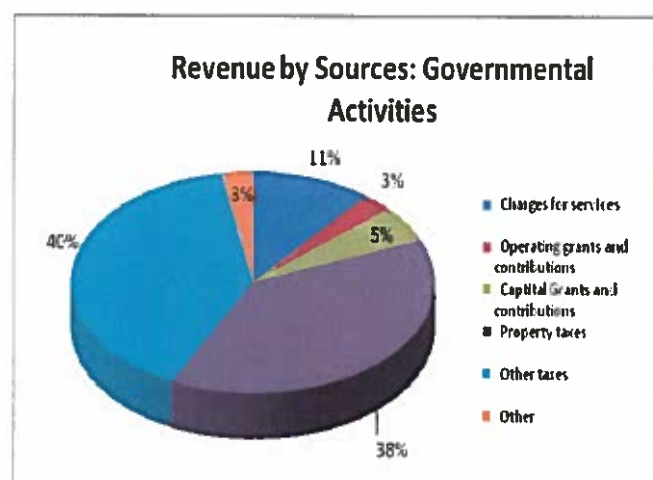
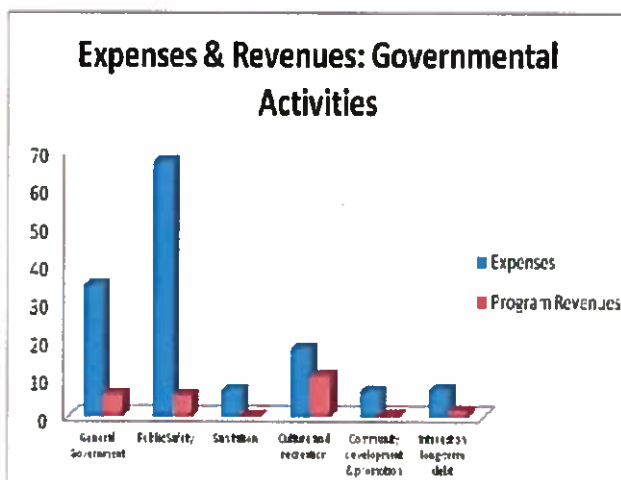
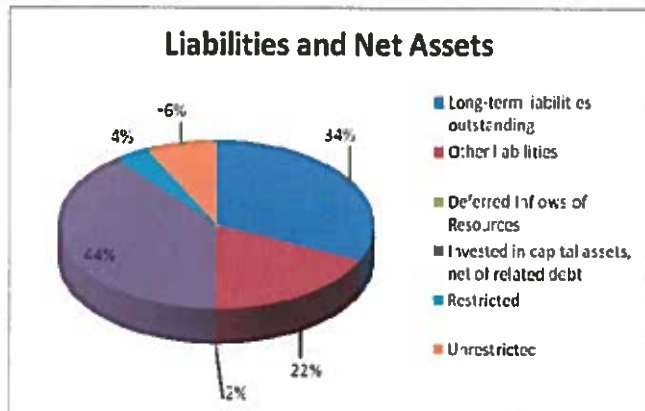
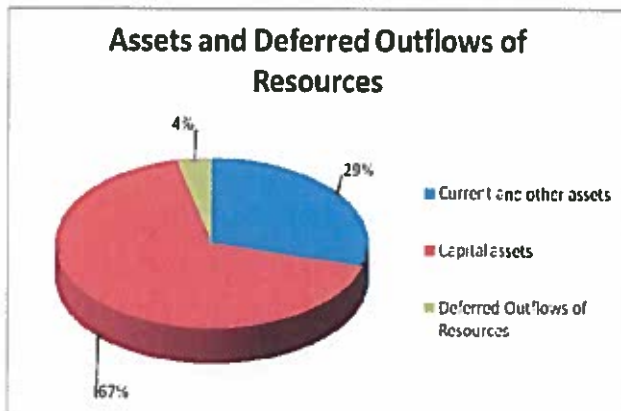
### **City of North Charleston's Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$172,209,470	\$ 95,093,780	\$ 4,376,378	\$ 3,979,317	\$176,585,848	\$ 99,073,097
Capital assets	<u>394,701,338</u>	<u>387,665,887</u>	<u>10,082,117</u>	<u>10,106,507</u>	<u>404,783,455</u>	<u>397,772,394</u>
Total assets	<u>566,910,808</u>	<u>482,759,667</u>	<u>14,458,495</u>	<u>14,085,824</u>	<u>581,369,303</u>	<u>496,845,491</u>
Total deferred outflows of resources	<u>21,690,330</u>	<u>11,230,619</u>	<u>1,346,380</u>	<u>1,680,439</u>	<u>23,036,710</u>	<u>12,911,058</u>
Long-term liabilities outstanding	220,205,674	154,400,629	6,417,807	6,722,260	226,623,481	161,122,889
Net pension liabilities	106,306,072	90,257,897	897,461	1,363,482	107,203,533	91,621,379
Other liabilities	<u>18,783,341</u>	<u>15,923,482</u>	<u>671,801</u>	<u>1,251,065</u>	<u>19,455,142</u>	<u>17,174,547</u>
Total liabilities	<u>345,295,087</u>	<u>260,582,008</u>	<u>7,987,069</u>	<u>9,336,807</u>	<u>353,282,156</u>	<u>269,918,815</u>
Total deferred inflows of resources	<u>54,068</u>	<u>76,020</u>	<u>975</u>	<u>2,438</u>	<u>55,043</u>	<u>78,458</u>
Net position:						
Net investment in capital assets	269,276,543	255,827,193	4,334,928	4,157,046	273,611,471	259,984,239
Restricted	24,653,188	18,592,679	-	-	24,653,188	18,592,679
Unrestricted	<u>(50,677,748)</u>	<u>(41,087,614)</u>	<u>3,481,903</u>	<u>2,269,972</u>	<u>(47,195,845)</u>	<u>(38,817,642)</u>
Total net position	<u>\$243,251,983</u>	<u>\$233,332,258</u>	<u>\$7,816,831</u>	<u>\$6,427,018</u>	<u>\$251,068,814</u>	<u>\$239,759,276</u>

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, 2017 was a result of the construction in progress relative to a new fire station and two new senior citizens centers, improvements 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 \$679,236 of seized and forfeited drug funds, \$3,005 held for victims advocate purposes, \$38,422 in grant funds, \$378,903 for other special revenue funds, \$9,083,213 held for redevelopment activities, \$254,445 in tax increment financing property tax revenues held for future debt service payments and \$14,215,964 held for debt service requirements.

Unrestricted net position of the governmental activities decreased \$9,590,134 largely due to the rise in pension liability costs and the business-type activities unrestricted net position increased \$1,211,931, largely due to the collection efforts of prior year receivable balances fully reserved in the stormwater utility fund. The \$84,523,812 increase in overall total assets is largely attributable to the increase in restricted cash from unspent bond proceeds. The City's increase in total liabilities of \$83,363,341 is primarily due to the issuance of \$80,000,000 in limited obligation bonds and the rise in pension liabilities.



## 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$17,775,028	\$15,898,445	\$6,674,195	\$5,336,412	\$24,449,223	\$21,234,857
Operating grants and contributions	4,391,958	3,892,060	46,690	-	4,438,648	3,892,060
Capital grants and contributions	1,570,651	7,986,236	117,750	550,000	1,688,401	8,536,236
General revenues:						
Property taxes	61,028,053	57,252,351	-	-	61,028,053	57,252,351
Other taxes	61,193,038	59,117,171	-	-	61,193,038	59,117,171
Other	<u>4,953,009</u>	<u>4,213,741</u>	<u>47,186</u>	<u>84,041</u>	<u>5,001,195</u>	<u>4,297,782</u>
Total revenues	<u>150,911,737</u>	<u>148,360,004</u>	<u>6,885,821</u>	<u>5,970,453</u>	<u>157,797,558</u>	<u>154,330,457</u>
<u>Expenses:</u>						
General government	34,530,826	32,296,185	-	-	34,530,826	32,296,185
Public safety	67,170,655	61,633,465	-	-	67,170,655	61,633,465
Sanitation	7,000,290	6,306,562	-	-	7,000,290	6,306,562
Culture and recreation	17,925,304	17,469,972	-	-	17,925,304	17,469,972
Community development	6,679,525	4,709,983	-	-	6,679,525	4,709,983
Interest on long-term debt	7,178,924	5,488,761	-	-	7,178,924	5,488,761
Golf course expenses	-	-	2,619,428	2,237,278	2,619,428	2,237,278
Stormwater utility expenses	-	-	<u>3,383,068</u>	<u>5,066,996</u>	<u>3,383,068</u>	<u>5,066,996</u>
Total expenses	<u>140,485,524</u>	<u>127,904,928</u>	<u>6,002,496</u>	<u>7,304,274</u>	<u>146,488,020</u>	<u>135,209,202</u>
Increase in net position before transfers	10,426,213	20,455,076	883,325	(1,333,821)	11,309,538	19,121,255
Transfers in (out)	<u>(506,488)</u>	<u>(751,031)</u>	<u>506,488</u>	<u>751,031</u>	-	-
Increase/Decrease in net position	9,919,725	19,704,042	1,389,813	(582,790)	11,309,538	19,121,255
Net position at beginning of year	<u>233,332,258</u>	<u>213,628,213</u>	<u>6,427,018</u>	<u>7,009,808</u>	<u>239,759,276</u>	<u>220,638,021</u>
Net position at end of year	<u>\$243,251,983</u>	<u>\$233,332,258</u>	<u>\$7,816,831</u>	<u>\$6,427,018</u>	<u>\$251,068,814</u>	<u>\$239,759,276</u>

Total government-wide revenues of \$157,797,558 were derived primarily from property taxes, business licenses and other taxes (77.5%) while charges for services, grants and other revenues made up the remaining revenues (22.5%). Revenues increased \$3,467,101 or 2.2% primarily from the rise in various tax revenue collections. Total government-wide expenses of all programs were \$146,488,020, reflecting an increase of \$11,278,818 (8.3%) from the prior year. The expenses cover a wide range with public safety (police and fire) representing 45.9%, with general government and culture and recreation making up the next largest balances at 23.6% and 12.2%, respectively.

**Governmental activities.** Governmental activities increased the City of North Charleston's net position by \$9,919,725. Increases in property tax, other tax revenues and charges for revenues 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 \$1,389,813. The Stormwater Utility Enterprise Fund realized an increase in net position primarily as a result of improved revenue collection efforts on stormwater utility accounts previously fully reserved through an allowance for uncollectible accounts and a reduction in overall drainage project related costs. The Golf Course Enterprise Fund realized an increase in net position largely due to improved operational results.

### *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, 2017, the governmental funds of the City of North Charleston reported a combined fund balance of \$140,641,766, an increase of \$74,463,236 in comparison with the prior year. Nonspendable, restricted, committed and assigned governmental fund balances increased \$73,205,436 reflecting an increase in unspent bond proceeds held for capital improvements.

The General Fund is the chief operating fund of the City of North Charleston. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,972,612 or 12.1% of the operating budget for the fiscal year ending June 30, 2017, while total fund balance is \$24,285,789. Unassigned fund balance at June 30, 2017 increased by \$1,257,800 or 9.9% from prior year totals. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.1% of total General Fund expenditures including transfers to other funds, while total fund balance represents 20.9% of that same amount.

Key governmental revenue and expenditure highlights are as follows:

- Property taxes increased by \$3,751,197 or 6.6% over fiscal year ending June 30, 2016. Incremental assessed property value additions due to the growth in the three TIF areas resulted in an increase of \$897,967 in property tax revenues for the TIF funds. General Fund property tax revenues increased by \$2,703,230, which was the result of continued growth in the overall citywide assessed property value.
- Intergovernmental revenues decreased by \$3,233,040 or 8.1% due largely to the \$7,159,014 decrease in grant related revenues from Charleston County relative to a large road development project. Sales tax, hospitality and accommodation tax collections increased by \$1,224,013.
- Business licenses, franchise fees and permits increased by \$955,794 due to the continued strength in the local economy and commercial and industrial growth.
- Revenues from use of monies and property increased \$1,029,554 or 10.6% largely due to the increase in operating and parking revenue generated by events held at the coliseum complex and rents collected.
- General government expenditures increased by \$1,318,190 primarily due to unforeseen facilities maintenance related costs, higher health insurance expenses, additions of personnel positions, and an increase in retirement program related employer contribution rates.
- Capital outlay expenditures decreased by \$10,105,982 primarily due to less amounts spent on a road development project that is under construction and the construction in progress related to improvements to the coliseum facility which was completed in the fiscal year ended June 30, 2017.
- Public safety expenditures increased by \$852,047 as a result of additional personnel positions and the related equipment and supplies to support the new positions and the result of higher health insurance costs and retirement related costs.
- Sanitation, culture and recreation, and community development and promotion expenditures increased by \$3,343,321 largely due to an increase in sanitation operational costs and a one-time distribution of sub-grantee funds paid out of a mitigation grant special revenue fund.

- Debt service expenditures increased by \$1,792,792 primarily due to the debt service costs associated with the issuance of \$80,000,000 in limited obligation bonds during the fiscal year ended June 30, 2017.

The Citywide Capital Improvements Fund has a total fund balance of \$10,824,050. The net decrease in fund balance during the fiscal year ended June 30, 2017 was \$5,655,294 and resulted primarily from the expenditure of bond proceeds for various citywide capital projects. The Tax Infrastructure Capital Projects Fund has a total fund balance of \$9,337,658. The net increase in fund balance during the fiscal year ending June 30, 2017 was \$740,778 and resulted from an increase in incremental property tax revenues. The Coliseum Operating Fund has a total fund balance of \$332,198, unchanged from the prior year due to the General Fund contributing \$666,393 during the fiscal year ending June 30, 2017 to offset the \$666,393 deficiency of expenditures over revenues from operations. The Limited Obligation Bonds Capital Projects Fund has a total balance of \$74,608,248. The net increase in fund balance during the fiscal year ending June 30, 2017 was \$74,608,248 and resulted from unspent bond proceeds retained from the issuance of \$80,000,000 in limited obligation bonds.

**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, 2017 was originally adopted at \$115,410,157, inclusive of transfers out to other funds, and represents an increase of 4.6% over the final fiscal year ending June 30, 2016 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, 2017 totals \$120,290,299.

Differences between the original budget and the final amended budget are represented by an increase in appropriations of \$4,880,142. The sanitation budget received an additional allocation of \$817,041 largely due to an increase in emergency fleet related purchases as a result of vehicle failures. The general government budget received an additional allocation of \$2,219,345 as a result of purchases of real property and increased health insurance costs. The public safety budget received an additional allocation of \$1,950,252 for the purpose of hiring additional personnel, to account for increased health insurance costs and to cover the cost of supplying vehicles and equipment to those personnel.

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

- Property taxes were \$270,704 under the original 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 \$941,977 above the original budget primarily due to the economic growth reported by the commercial and industrial sectors.
- Intergovernmental revenues were \$1,241,469 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, 2017 was \$404,783,855 (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 \$7,011,461 or 1.8%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 61,116,403	\$ 63,139,062	\$ -	\$ -	\$ 61,116,403	\$ 63,139,062
Land	59,014,142	58,801,780	1,397,188	1,397,188	60,411,330	60,198,968
Buildings	161,247,454	152,775,333	2,030,640	2,109,592	163,278,094	154,884,925
Infrastructure	29,736,577	29,204,728	755,076	770,645	30,491,653	29,975,373
Improvements	60,107,893	61,355,141	4,227,502	4,394,892	64,335,395	65,750,033
Machinery and equipment	<u>23,478,869</u>	<u>22,389,843</u>	<u>1,671,711</u>	<u>1,434,190</u>	<u>25,150,580</u>	<u>23,824,033</u>
Total Capital Assets	<u>\$394,701,338</u>	<u>\$387,665,887</u>	<u>\$10,082,117</u>	<u>\$10,106,507</u>	<u>\$404,783,855</u>	<u>\$397,772,394</u>

Major capital asset events during the fiscal year ending June 30, 2017 included the following:

- The City invested over \$1,500,000 during the fiscal year ending June 30, 2017 towards renovations to the Coliseum.
- The City expended over \$10,000,000 on parks and recreation facilities throughout the City during the fiscal year ending June 30, 2017.
- The City spent over \$5,500,000 on a vehicle and heavy duty equipment replacements.

Additional information on the City of North Charleston's capital assets can be found in note III.C on pages 39-40 of this report.

**Long-term debt.** As of June 30, 2017, the City of North Charleston had total bonded debt outstanding of \$206,738,559, which is net of \$7,113,559 in deferred amounts consisting of unamortized premiums and discounts. Of this amount, \$30,280,000 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$30,280,000	\$32,675,000	\$ -	\$ -	\$30,280,000	\$32,675,000
Certificates of Participation	30,515,000	36,740,000	-	-	30,515,000	36,740,000
Limited Obligation Bonds	80,000,000	-	-	-	80,000,000	-
Installment Purchase Rev. Bonds	45,885,000	47,300,000	-	-	45,885,000	47,300,000
Tax Increment Bonds	7,715,000	14,440,000	-	-	7,715,000	14,440,000
Revenue Bonds	-	-	<u>5,230,000</u>	<u>5,870,000</u>	<u>5,230,000</u>	<u>5,870,000</u>
Subtotal	194,395,000	131,155,000	5,230,000	5,870,000	199,625,000	137,025,000
Add (Less): Unamortized discounts, premiums and amounts on refunding	<u>7,136,109</u>	<u>6,080,769</u>	<u>(22,550)</u>	<u>(26,310)</u>	<u>7,113,559</u>	<u>6,054,459</u>
Total	<u>\$201,531,109</u>	<u>\$137,235,769</u>	<u>\$5,207,450</u>	<u>\$5,843,690</u>	<u>\$206,738,559</u>	<u>\$143,079,459</u>

The City of North Charleston's long-term debt increased by \$63,659,100 during the fiscal year ended June 30, 2017. The key factor in this overall increase was the principal reduction of \$17,400,000 in both governmental and business-type activity bonds during the fiscal year ending June 30, 2017 and the issuance of \$80,000,000 in limited obligation bonds.

The City of North Charleston maintained its AA bond rating from Standard and Poor's and its Aa2 bond rating from Moody's Investors Services for its general obligation debt. The golf course revenue bonds have been rated AA- from Standard and Poor's. South Carolina statutes limit the amount of general obligation debt a government may issue to 8 percent of its total assessed valuation (in the absence of a referendum). The City's legal debt limit is \$54,960,617 and its legal debt margin or the amount available to issue under the legal debt limit is \$24,680,617.

Additional information on the City of North Charleston's long-term debt can be found in note III.F on pages 41-50 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, 2017 was 3.6%. For the same time period, the National unemployment rate was 4.5% while the unemployment rate for the State of South Carolina was 4.2%.
- Retail sales in the City remained relatively flat at \$7.1 billion for both the calendar years of 2016 and 2015.
- Spending in building permit construction dollar values increased for the fiscal year ending June 30, 2017 compared to fiscal year ending June 30, 2016 as permit collections increased from \$2,633,909 in fiscal year ending June 30, 2016 to \$2,697,234 in fiscal year ending June 30, 2017.

The City's adopted budget for the General Fund for the fiscal year ending June 30, 2018 increased 3.4% to \$119.4 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 \$2.0 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 \$4.6 million lease purchase contract.

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

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

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## **FINANCIAL STATEMENTS**

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
STATEMENT OF NET POSITION  
June 30, 2017

		Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$	33,250,675	\$ 4,187,860	\$ 37,438,535
Receivables (net of allowance for uncollectibles)		3,019,915	181,210	3,201,125
Due from other governments		13,616,420	-	13,616,420
Assets held for resale		2,713,984	-	2,713,984
Inventories, at cost		490,969	7,308	498,277
Other assets and prepaid items		4,756,605	-	4,756,605
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		114,360,902	-	114,360,902
Capital assets (not being depreciated):				
Construction in progress		61,116,403	-	61,116,403
Land		59,014,142	1,397,188	60,411,330
Capital assets (net of accumulated depreciation):				
Buildings		161,247,454	2,030,640	163,278,094
Infrastructure		29,736,577	755,076	30,491,653
Improvements		60,107,893	4,227,502	64,335,395
Equipment		23,478,869	1,671,711	25,150,580
<b>Total assets</b>		<b>566,910,808</b>	<b>14,458,495</b>	<b>581,369,303</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Accumulated decrease in fair value of hedging derivatives		266,555	481,432	747,987
Deferred pension charges		20,879,544	293,958	21,173,502
Deferred loss on refunding		544,231	570,990	1,115,221
<b>Total deferred outflows of resources</b>		<b>21,690,330</b>	<b>1,346,380</b>	<b>23,036,710</b>

(continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA  
STATEMENT OF NET POSITION  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	4,721,594	170,256	4,891,850
Other accrued liabilities	9,993,132	20,113	10,013,245
Escrow for seized funds	429,637	-	429,637
Unearned revenue	3,372,423	-	3,372,423
Derivative instrument	266,555	481,432	747,987
Net pension liability	106,306,072	897,461	107,203,533
Long-term obligations:			
Due within one year:			
General obligation bonds	2,465,000	-	2,465,000
Certificates of participation	6,685,000	-	6,685,000
Tax increment financing bonds	1,150,000	-	1,150,000
Installment purchase revenue bonds	1,485,000	-	1,485,000
Revenue bonds	-	665,000	665,000
Capital lease obligations	3,632,533	218,475	3,851,008
Compensated absences	4,622,521	89,665	4,712,186
Due in more than one year (noncurrent):			
General obligation bonds	29,900,230	-	29,900,230
Certificates of participation	24,211,337	-	24,211,337
Limited obligation bonds	81,472,755	-	81,472,755
Tax increment financing bonds	6,560,119	-	6,560,119
Installment purchase revenue bonds	47,601,668	-	47,601,668
Revenue bonds	-	4,542,450	4,542,450
Capital lease obligations	9,905,897	892,254	10,798,151
Compensated absences	513,614	9,963	523,577
Total liabilities	345,295,087	7,987,069	353,282,156
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension credits	54,068	975	55,043
Total deferred inflows of resources	54,068	975	55,043
<b>NET POSITION</b>			
Net investment in capital assets	269,276,543	4,334,928	273,611,471
Restricted for:			
Redevelopment projects	9,083,213	-	9,083,213
Public safety and service	1,099,566	-	1,099,566
Debt service	14,470,409	-	14,470,409
Unrestricted	(50,677,748)	3,481,903	(47,195,845)
Total net position	243,251,983	7,816,831	251,068,814

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, 2017

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	Total
<b>Governmental activities:</b>							
General government	\$ 34,530,826	\$ 4,151,146	\$ 492,095	\$ 1,020,096	\$ (28,867,489)	\$ -	\$ (28,867,489)
Public safety	67,170,655	3,089,174	2,189,694	137,030	(61,754,757)	-	(61,754,757)
Sanitation	7,000,290	82,601	-	-	(6,917,689)	-	(6,917,689)
Culture and recreation	17,925,304	10,452,107	116,901	-	(7,356,296)	-	(7,356,296)
Community development & promotion	6,679,525	-	17,011	413,525	(6,248,989)	-	(6,248,989)
Interest on long-term debt	7,178,924	-	1,576,257	-	(5,602,667)	-	(5,602,667)
<b>Total governmental activities</b>	<b>140,485,524</b>	<b>17,775,028</b>	<b>4,391,958</b>	<b>1,570,651</b>	<b>(116,747,887)</b>	<b>-</b>	<b>(116,747,887)</b>
<b>Business-type activities:</b>							
Golf course enterprise fund	2,619,428	1,818,460	46,690	-	-	(754,278)	(754,278)
Stormwater utility enterprise fund	3,383,068	4,855,735	-	117,750	-	1,590,417	1,590,417
<b>Total business-type activities</b>	<b>6,002,496</b>	<b>6,674,195</b>	<b>46,690</b>	<b>117,750</b>	<b>-</b>	<b>836,139</b>	<b>836,139</b>
<b>Totals</b>	<b>\$ 146,488,020</b>	<b>\$ 24,449,223</b>	<b>\$ 4,438,648</b>	<b>\$ 1,688,401</b>	<b>(116,747,887)</b>	<b>836,139</b>	<b>(115,911,748)</b>
General revenues:							
Property taxes					61,028,053	-	61,028,053
Business license taxes					26,306,512	-	26,306,512
Sales taxes					12,296,029	-	12,296,029
Franchise taxes					8,988,232	-	8,988,232
Alcoholic beverage taxes					203,053	-	203,053
Hospitality taxes					7,265,612	-	7,265,612
Accommodations taxes					6,133,600	-	6,133,600
State shared revenues, unrestricted					2,641,066	-	2,641,066
Investment earnings					970,842	29,822	1,000,664
Gain (loss) on sale of capital assets					321,358	-	321,358
Miscellaneous					1,019,743	17,364	1,037,107
Total general revenues before transfers					127,174,100	47,186	127,221,286
Transfers					(506,488)	506,488	-
Total general revenues and transfers					126,667,612	553,674	127,221,286
Change in net position					9,919,725	1,389,813	11,309,538
Net position at beginning of year					233,332,258	6,427,018	239,759,276
Net position at end of year					\$ 243,251,983	\$ 7,816,831	\$ 251,068,814

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, 2017**

(With Comparative Totals at June 30, 2016)

	General	Coliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Limited Obligation Bonds Capital Projects	Other Governmental	Total Governmental Funds 2017	Total Governmental Funds 2016
<b>Assets</b>								
Cash and cash equivalents	\$ 25,975,819	\$ 3,981,186	\$ -	\$ 2,030,478	\$ -	\$ 1,263,192	\$ 33,250,675	\$ 27,698,351
Receivables, net of allowances:								
Property taxes	2,343,205	-	-	-	-	-	2,343,205	2,169,586
Accounts receivable	310,940	241,461	12,497	-	70,064	41,748	676,710	1,068,939
Due from other funds	256,444	-	-	-	-	-	256,444	400,033
Due from other governments	7,020,667	-	5,730,000	1,539	-	864,214	13,616,420	13,479,254
Assets held for resale	-	-	2,713,984	-	-	-	2,713,984	7,478,274
Inventories, at cost	490,969	-	-	-	-	-	490,969	521,569
Prepaid items	-	55,046	-	-	-	-	55,046	384,727
Restricted assets:								
Cash and cash equivalents	2,163,335	-	7,452,587	8,967,398	74,750,878	21,026,704	114,360,902	37,848,978
<b>Total assets</b>	<b>\$ 38,561,379</b>	<b>\$ 4,277,693</b>	<b>\$ 15,909,068</b>	<b>\$ 10,999,415</b>	<b>\$ 74,820,942</b>	<b>\$ 23,195,858</b>	<b>\$ 167,764,355</b>	<b>\$ 91,049,711</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 2,279,654	\$ 76,765	\$ 762,910	\$ 175,365	\$ 212,694	\$ 1,214,206	\$ 4,721,594	\$ 3,884,787
Other accrued liabilities	7,988,097	574,807	-	-	-	-	8,562,904	7,001,034
Escrow for seized funds	-	-	-	-	-	429,637	257,238	257,238
Due to other funds	-	-	-	-	-	256,444	256,444	400,033
Unearned revenue	-	3,293,923	78,500	-	-	-	3,372,423	3,475,090
<b>Total liabilities</b>	<b>10,267,751</b>	<b>3,945,495</b>	<b>841,410</b>	<b>175,365</b>	<b>212,694</b>	<b>1,900,287</b>	<b>17,343,002</b>	<b>15,018,182</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable revenues	4,007,839	-	5,730,000	-	-	41,748	9,779,587	9,852,999
<b>Total deferred inflows of resources</b>	<b>4,007,839</b>	<b>-</b>	<b>5,730,000</b>	<b>-</b>	<b>-</b>	<b>41,748</b>	<b>9,779,587</b>	<b>9,852,999</b>
<b>Fund balances:</b>								
Nonspendable:								
Prepaid items	-	55,046	-	-	-	-	55,046	384,727
Inventories	490,969	-	-	-	-	-	490,969	521,569
Assets held for resale	-	-	2,713,984	-	-	-	2,713,984	7,478,274
Restricted for:								
Public safety and public service	-	-	-	-	-	1,099,566	1,099,566	3,430,479
Facility and infrastructure improvements	-	-	-	10,824,050	74,608,248	5,691,175	91,123,473	25,225,714
Debt service	-	-	254,445	-	-	14,215,964	14,470,409	6,772,222
Other capital projects	1,537,879	-	6,369,229	-	-	-	7,907,108	4,406,876
Committed for:								
Disaster funds	1,212,749	-	-	-	-	-	1,212,749	641,611
Assigned for:								
Community promotions	-	-	-	-	-	247,118	247,118	203,200
Facility operations	-	277,152	-	-	-	-	277,152	285,959
Education, boat landing, loans and other	7,071,580	-	-	-	-	-	7,071,580	4,113,187
Unassigned	13,972,612	-	-	-	-	-	13,972,612	12,714,812
<b>Total fund balances</b>	<b>24,285,789</b>	<b>332,198</b>	<b>9,337,658</b>	<b>10,824,050</b>	<b>74,608,248</b>	<b>21,253,823</b>	<b>140,641,766</b>	<b>66,178,530</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 38,561,379</b>	<b>\$ 4,277,693</b>	<b>\$ 15,909,068</b>	<b>\$ 10,999,415</b>	<b>\$ 74,820,942</b>	<b>\$ 23,195,858</b>	<b>\$ 167,764,355</b>	<b>\$ 91,049,711</b>

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, 2017**

Total fund balances of Governmental Funds	\$ 140,641,766
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	\$ 533,655,399
Accumulated depreciation	<u>(138,954,061)</u>
Net carrying value of capital assets included in net position, not included in fund balances	394,701,338
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 \$2,085,230	(32,365,230)
Certificates of participation, including unamortized premiums and/or discounts of \$381,337	(30,896,337)
Limited obligation bonds, including unamortized premiums of \$1,472,755	(81,472,755)
Installment purchase revenue bonds, including unamortized premiums of \$3,201,668	(49,086,668)
Tax increment financing bonds, including unamortized discounts of \$4,881	(7,710,119)
Capital lease obligations	(13,538,430)
Compensated absences	(5,136,135)
Accrued interest on long-term debt	(1,430,228)
Pension liability, net of pension credits of \$54,068 and pension charges of \$20,879,544	<u>(85,480,596)</u>
Total liabilities included in Statement of Net Position, not included in fund liabilities	(307,116,498)
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	5,730,000
Accounts receivable for facility improvements and renovations	41,748
Hospitality taxes, accommodations taxes, state shared and other revenues due from other governments	2,540,917
Property taxes	1,466,922
OPEB net (obligation) asset	4,701,559
Unamortized loss on refunding, net of amortization	544,231
Total long-term assets included in net position, not included in fund balances	<u>15,025,377</u>
Total net position of Governmental Activities	<u>\$ 243,251,983</u>

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

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

	General	Coliseum Operating	Tax Infrastructure	Citywide Capital Improvements	Limited Obligation Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds 2017	2016
<b>Revenues:</b>								
Property taxes	\$ 46,679,296	\$ -	\$ 10,464,035	\$ -	\$ -	\$ 3,650,000	\$ 60,793,331	\$ 57,042,134
Licenses and permits	37,991,977	-	-	-	-	-	37,991,977	37,036,183
Intergovernmental	22,596,178	-	597,106	228,795	70,064	13,299,061	36,791,204	40,024,244
Fines and forfeitures	848,550	-	-	-	-	263,159	1,111,709	1,678,485
Charges for services	2,238,554	-	-	-	-	-	2,238,554	2,175,807
Revenues from use of monies and property	2,598,807	5,968,267	200,841	122,588	292,968	1,592,752	10,776,223	9,746,669
Other revenues	960,793	-	-	-	-	-	960,793	1,042,547
<b>Total revenues</b>	<b>113,914,155</b>	<b>5,968,267</b>	<b>11,261,982</b>	<b>351,383</b>	<b>363,032</b>	<b>18,804,972</b>	<b>150,663,791</b>	<b>148,746,069</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	30,221,023	-	-	-	-	-	30,221,023	28,902,833
Public safety	60,218,239	-	-	-	-	2,569,002	62,787,241	61,935,194
Sanitation	6,732,214	-	-	-	-	-	6,732,214	6,038,348
Culture and recreation	7,316,701	6,634,660	-	-	-	801,769	14,753,130	14,499,420
Community development and promotion	2,914,215	-	-	-	-	3,911,692	6,825,907	4,430,162
Capital outlay	-	-	3,504,881	3,506,677	289,765	5,944,129	13,245,452	23,351,434
Debt service:								
Principal	3,730,579	-	6,725,000	-	-	10,035,000	20,490,579	19,277,787
Interest and fiscal charges	250,545	-	245,889	-	-	5,419,629	5,916,063	6,026,731
Bond issuance costs	-	-	-	-	690,668	-	690,668	-
<b>Total expenditures</b>	<b>111,383,516</b>	<b>6,634,660</b>	<b>10,475,770</b>	<b>3,506,677</b>	<b>980,433</b>	<b>28,681,221</b>	<b>161,662,277</b>	<b>164,461,909</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,530,639</b>	<b>(666,393)</b>	<b>786,212</b>	<b>(3,155,294)</b>	<b>(617,401)</b>	<b>(9,876,249)</b>	<b>(10,998,486)</b>	<b>(15,715,840)</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	666,393	-	-	-	9,567,535	10,233,928	15,663,023
Transfers (out)	(4,565,044)	-	(45,434)	(2,500,000)	-	(3,629,938)	(10,740,416)	(16,414,054)
Proceeds from sale of property	413,455	-	-	-	-	-	413,455	1,193,537
Bonds issued	-	-	-	-	73,752,894	6,247,106	80,000,000	-
Premiums on bonds issued	-	-	-	-	1,472,755	-	1,472,755	-
Capital lease obligations	4,082,000	-	-	-	-	-	4,082,000	4,086,500
<b>Total other financing sources (uses)</b>	<b>(69,589)</b>	<b>666,393</b>	<b>(45,434)</b>	<b>(2,500,000)</b>	<b>75,225,649</b>	<b>12,184,703</b>	<b>85,461,722</b>	<b>4,529,006</b>
<b>Special items:</b>								
Palmetto Railways settlement agreement	-	-	-	-	-	-	-	2,000,000
<b>Total special items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>
<b>Net changes in fund balances</b>	<b>2,461,050</b>	<b>-</b>	<b>740,778</b>	<b>(5,655,294)</b>	<b>74,608,248</b>	<b>2,308,454</b>	<b>74,463,236</b>	<b>(9,186,834)</b>
<b>Fund balances at beginning of year</b>	<b>21,824,739</b>	<b>332,198</b>	<b>8,596,880</b>	<b>16,479,344</b>	<b>-</b>	<b>18,945,369</b>	<b>66,178,530</b>	<b>75,365,364</b>
<b>Fund balances at end of year</b>	<b>\$ 24,285,789</b>	<b>\$ 332,198</b>	<b>\$ 9,337,658</b>	<b>\$ 10,824,050</b>	<b>\$ 74,608,248</b>	<b>\$ 21,253,823</b>	<b>\$ 140,641,766</b>	<b>\$ 66,178,530</b>

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, 2017

Net change in fund balances of Governmental Funds activities:		\$ 74,463,236
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures, whereas depreciation is not a change in fund balance. In the Statement of Activities the cost of capital outlays is capitalized and depreciation is expensed. Also capital assets contributed to the City and financed acquisitions are capitalized and recognized in the Statement of Net Position:		
Total capital asset additions	18,450,175	
Depreciation expense	<u>(11,322,627)</u>	
Net effect of capital asset acquisitions and depreciation expense		7,127,548
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	(413,455)	
Gain (loss) on sale or disposal	<u>321,358</u>	
Net effect of capital assets sales and disposals		(92,097)
Long-term liability payments are recorded as expenditures and bond proceeds are recorded as other financing sources, 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	16,760,000	
Amortization of premiums, discounts and refunding deferrals	169,486	
Bonds issued	<u>(80,000,000)</u>	
Premiums on bonds issued	(1,472,755)	
Capital lease payments	3,730,579	
Proceeds from capital leasing activities	<u>(4,082,000)</u>	
Net effect of long-term debt related activities		(64,894,690)
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:		
Reimbursement of debt	(165,000)	
Accounts receivable for facility improvements and renovations	(246,706)	
Hospitality & accommodations taxes	78,848	
Property taxes	234,722	
State shared and other revenues due from other governments	24,724	
Accrued interest on borrowings	(741,679)	
Increase in net OPEB asset	257,457	
Pension expense	(4,968,354)	
Compensated absences	<u>(1,158,284)</u>	
Net effect of revenue and expense activities		(6,684,272)
Change in net position		<u>\$ 9,919,725</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, 2017**  
**(With Comparative Totals at June 30, 2016)**

	Enterprise Funds			
	2017			2016
	Golf Course	Stormwater Utility	Total	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 204,902	\$ 3,982,958	\$ 4,187,860	\$ 3,798,914
Accounts receivable, net	1,822	179,388	181,210	171,756
Inventories, at cost	7,308	-	7,308	-
Prepaid items	-	-	-	8,647
<b>Total current assets</b>	<b>214,032</b>	<b>4,162,346</b>	<b>4,376,378</b>	<b>3,979,317</b>
<b>Noncurrent Assets:</b>				
<b>Capital assets:</b>				
Land	1,397,188	-	1,397,188	1,397,188
Buildings	3,561,488	-	3,561,488	3,549,828
Infrastructure	-	778,429	778,429	778,429
Improvements	8,076,863	-	8,076,863	8,076,863
Machinery and equipment	1,557,625	4,040,245	5,597,870	5,074,819
Less accumulated depreciation	(6,800,098)	(2,529,623)	(9,329,721)	(8,770,620)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>7,793,066</b>	<b>2,289,051</b>	<b>10,082,117</b>	<b>10,106,507</b>
<b>Total noncurrent assets</b>	<b>7,793,066</b>	<b>2,289,051</b>	<b>10,082,117</b>	<b>10,106,507</b>
<b>Total assets</b>	<b>8,007,098</b>	<b>6,451,397</b>	<b>14,458,495</b>	<b>14,085,824</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension charges	-	293,958	293,958	228,139
Accumulated decrease in fair value of hedging derivatives	481,432	-	481,432	786,145
Deferred loss on refunding	570,990	-	570,990	666,155
<b>Total deferred outflows of resources</b>	<b>1,052,422</b>	<b>293,958</b>	<b>1,346,380</b>	<b>1,680,439</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	129,187	41,069	170,256	443,157
Accrued interest payable	15,765	4,348	20,113	21,763
Revenue bonds payable	665,000	-	665,000	640,000
Capital leases payable	-	218,475	218,475	143,026
Compensated absences	-	89,665	89,665	95,980
<b>Total current liabilities</b>	<b>809,952</b>	<b>353,557</b>	<b>1,163,509</b>	<b>1,343,926</b>
<b>Noncurrent liabilities:</b>				
Pension liability	-	897,461	897,461	1,363,482
Derivative instrument	481,432	-	481,432	786,145
Revenue bonds payable, net	4,542,450	-	4,542,450	5,203,690
Capital leases payable	-	892,254	892,254	628,900
Compensated absences	-	9,963	9,963	10,664
<b>Total noncurrent liabilities</b>	<b>5,023,882</b>	<b>1,799,678</b>	<b>6,823,560</b>	<b>7,992,881</b>
<b>Total liabilities</b>	<b>5,833,834</b>	<b>2,153,235</b>	<b>7,987,069</b>	<b>9,336,807</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension credits	-	975	975	2,438
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>975</b>	<b>975</b>	<b>2,438</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,156,606	1,178,322	4,334,928	4,157,046
Unrestricted	69,080	3,412,823	3,481,903	2,269,972
<b>Total net position</b>	<b>\$ 3,225,686</b>	<b>\$ 4,591,145</b>	<b>\$ 7,816,831</b>	<b>\$ 6,427,018</b>

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, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

	<b>Enterprise Funds</b>			
	<b>2017</b>			<b>2016</b>
	<b>Golf Course</b>	<b>Stormwater Utility</b>	<b>Total</b>	<b>Total</b>
<b>Operating revenues:</b>				
Golf course fees	\$ 1,382,379	\$ -	\$ 1,382,379	\$ 1,241,324
Food & beverage sales	436,081	-	436,081	-
Stormwater utility fees	-	4,855,735	4,855,735	4,095,088
Intergovernmental	46,690	117,750	164,440	550,000
Merchandise sales commissions	3,717	-	3,717	45,131
Miscellaneous revenues	13,647	-	13,647	19,599
<b>Total operating revenues</b>	<b>1,882,514</b>	<b>4,973,485</b>	<b>6,855,999</b>	<b>5,951,142</b>
<b>Operating expenses:</b>				
Contractual management services	1,516,214	-	1,516,214	1,451,831
Food & beverage expenses	386,187	-	386,187	-
Salaries and benefits	-	2,090,203	2,090,203	2,609,951
Repairs and maintenance	-	818,126	818,126	2,011,671
Supplies and materials	-	174,401	174,401	186,304
Administrative	18,000	67,140	85,140	72,656
Amortization expense	98,925	-	98,925	98,925
Depreciation expense	343,083	216,018	559,101	588,758
<b>Total operating expenses</b>	<b>2,362,409</b>	<b>3,365,888</b>	<b>5,728,297</b>	<b>7,020,096</b>
<b>Operating income (loss)</b>	<b>(479,895)</b>	<b>1,607,597</b>	<b>1,127,702</b>	<b>(1,068,954)</b>
<b>Nonoperating revenues (expenses):</b>				
Investment income	207	29,615	29,822	19,311
Interest expense:				
Revenue bonds	(250,871)	-	(250,871)	(261,264)
Equipment leases	-	(17,180)	(17,180)	(14,766)
Fiscal agent fees	(6,148)	-	(6,148)	(8,148)
<b>Total nonoperating revenues (expenses)</b>	<b>(256,812)</b>	<b>12,435</b>	<b>(244,377)</b>	<b>(264,867)</b>
<b>Change in net position, before transfers</b>	<b>(736,707)</b>	<b>1,620,032</b>	<b>883,325</b>	<b>(1,333,821)</b>
Transfers to IPRB Fund	-	(510,000)	(510,000)	(510,000)
Transfers from General Fund	1,016,488	-	1,016,488	1,261,031
<b>Change in net position</b>	<b>279,781</b>	<b>1,110,032</b>	<b>1,389,813</b>	<b>(582,790)</b>
<b>Total net position at beginning of year</b>	<b>2,945,905</b>	<b>3,481,113</b>	<b>6,427,018</b>	<b>7,009,808</b>
<b>Total net position at end of year</b>	<b>\$ 3,225,686</b>	<b>\$ 4,591,145</b>	<b>\$ 7,816,831</b>	<b>\$ 6,427,018</b>

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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	Enterprise Funds			2016 Total
	2017 Golf Course	2017 Stormwater Utility	2017 Total	
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,896,841	\$ 4,949,704	\$ 6,846,545	\$ 5,973,343
Payments to employees	-	(2,623,506)	(2,623,506)	(2,683,896)
Payments to suppliers and contractors	(1,904,585)	(1,355,711)	(3,260,296)	(3,850,466)
Net cash provided by (used for) operating activities	(7,744)	970,487	962,743	(561,019)
<b>Cash flows from noncapital financing activities:</b>				
Transfers to IPRB Fund	-	(510,000)	(510,000)	(510,000)
Transfers from General Fund	1,016,488	-	1,016,488	1,261,031
Net cash provided by (used for) noncapital financing activities	1,016,488	(510,000)	506,488	751,031
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(17,410)	(517,301)	(534,711)	(352,710)
Principal paid on capital debt	(640,000)	(179,197)	(819,197)	(760,537)
Proceeds from lease purchase financing	-	518,000	518,000	113,500
Interest and fiscal charges paid on capital debt	(257,019)	(17,180)	(274,199)	(284,178)
Net cash provided by (used for) capital and related financing activities	(914,429)	(195,678)	(1,110,107)	(1,283,925)
<b>Cash flows from investing activities:</b>				
Interest received	207	29,615	29,822	19,311
Net cash provided by (used for) investing activities	207	29,615	29,822	19,311
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>94,522</b>	<b>294,424</b>	<b>388,946</b>	<b>(1,074,602)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>110,380</b>	<b>3,688,534</b>	<b>3,798,914</b>	<b>4,873,516</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 204,902</b>	<b>\$ 3,982,958</b>	<b>\$ 4,187,860</b>	<b>\$ 3,798,914</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (479,895)	\$ 1,607,597	\$ 1,127,702	\$ (1,068,954)
Adjustments:				
Increase (decrease) in operating payables	23,061	(304,628)	(281,567)	(119,378)
(Increase) decrease in accounts receivable	14,327	(23,781)	(9,454)	22,201
(Increase) decrease in inventories, at cost	(7,308)	-	(7,308)	-
(Increase) decrease in prepaid items	63	8,584	8,647	(8,626)
Amortization expense	98,925	-	98,925	98,925
Depreciation expense	343,083	216,018	559,101	588,758
Non-cash pension expense	-	(533,303)	(533,303)	(73,945)
Net cash provided (used) by operating activities	\$ (7,744)	\$ 970,487	\$ 962,743	\$ (561,019)

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

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**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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, limited obligation bonds 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 and Limited Obligation Bonds Debt Service Fund, the Installment Purchase Revenue Bonds Debt Service Fund and the Installment Purchase Revenue Bonds Capital Projects 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, 2017, 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 of North Charleston implemented GASB Statement No. 77 "*Tax Abatement Disclosures*" ("GASB #77") for the year ended June 30, 2017. The primary objective of GASB #77 was to provide tax abatement information to financial statement users so that they could more readily evaluate the government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that are beneficial to the government or

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

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

its citizens. Although many governments offer tax abatements, the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future, is lacking. GASB #77 requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available, or when susceptible to accrual. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes and sales taxes associated with the current year to be available if they are collected within 60 days after year-end. The City generally considers hospitality and accommodations taxes, state aid to subdivisions, business licenses and franchise fees to be available if received within 30 days after year-end. Grant revenues and proceeds from the sale of properties earned during the year are considered available if received within one year after year-end. All other revenue items are recognized when cash is received, unless they are subject to deferral to a future period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

**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

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

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

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.

**Limited Obligation Bonds Capital Projects Fund** – The Limited Obligation 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 limited obligation bonds to fund expenditures associated with the purchase of and improvements made to City owned facilities.

The City reports the following major proprietary funds:

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

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

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

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. The City of North Charleston has the following nonmajor special revenue funds: Accommodations Tax, City Accommodations Tax, CDBG, 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, COPS Hiring Grant, Criminal Domestic Violence 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 Installment Purchase Revenue Bonds 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.

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

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

**Certificates of Participation and Limited Obligation Bonds Debt Service Fund** – The Certificates of Participation and Limited Obligation 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 certificates of participation and limited obligation bonds 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 three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, United States Treasury obligations, United States Agencies, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments for the City are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the position in the State Treasurer's Local Government Investment Pool is the same as the value of the pool shares.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-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 \$566,137.

**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, 2017, 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 food and beverage items at the golf course, Fire Museum gift shop items for sale and the Public Works Shop/Garage Department 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.

## **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)**

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

Certain proceeds of the City's revenue, general obligation, limited obligation, certificates of participation and installment purchase revenue bonds, and also 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, donated works of art and similar items and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Major outlays for capital assets and improvements are capitalized as projects when constructed and completed. Historically, for business-type capital assets, interest incurred (net of interest earned for tax exempt debt) is capitalized during the construction phase for qualifying assets.

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

Depreciation expense of capital assets that can be specifically identified with a function or program is included in such captions in the Statement of Activities. Depreciation expense related to shared capital assets, such as City Hall, is reported as part of the "general government" function in the Statement of Activities. Depreciation expense for infrastructure assets is reported as a direct expense of the "general government" function, where maintenance is located. Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives: buildings, 50 years; improvements, 20-50 years; infrastructure, 20-50 years; equipment, 5-20 years; and vehicles, 5-10 years.

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

It is the City's policy to permit employees to accumulate earned but unused sick leave and vacation benefits. There is no liability reported for the 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.

## **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**

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.

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.

## **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)**

#### **9. Short-Term and Long-Term Obligations and Interest Expense (continued)**

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.

#### **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.



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

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

#### **11. Fund Equity and Balance (continued)**

**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, 2018 is \$119,372,352, thus \$11,937,352 is the minimum amount to be set aside as the unassigned General Fund balance. As of June 30, 2017, the City's unassigned fund balance for the General Fund was \$13,972,612.

#### **12. Net Position**

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

**Net Investment in Capital Assets** is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt (i.e., bonds, leases, notes). Debt for this purpose is reduced by any unspent debt proceeds. Net related debt includes debt applicable to capital assets, net of unamortized discounts, premiums and refunding amounts.

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

**Unrestricted Net Position** represents net position that does not meet the definitions of restricted or net investment in capital assets. Unrestricted net position may be designated for management's specific purposes.

#### **13. 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

## **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)**

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.

#### **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

## **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)**

#### **19. Interfund Activity (continued)**

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.

**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. Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

## **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)**

#### **22. Fair Value (continued)**

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

#### **23. 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 budget year and added to the budget adopted by the City Council.

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

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

### A. Budgetary Information (continued)

appropriated as necessary with Council's approval to achieve the goals of the budget. Expenditures may not exceed budgeted appropriations at the departmental level without Council's approval. The City's policy is to adopt balanced revenue and expenditure budgets. Prior year fund balances may be appropriated as resources. However, these appropriated fund balances are not reported as revenues in budgetary data within their financial statements. City Council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as an assignment of the fund balance since they do not constitute expenditures or liabilities and are appropriated in the ensuing year's budget, which is formally adopted by City Council for that year. The City reports \$2,373,589 in encumbrances assigned in fund balances; \$2,126,471 is assigned in the General Fund and \$247,118 is assigned in all the other nonmajor funds.

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

For the fiscal year ended June 30, 2017, 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, 2017, the City had the following cash and investment balances:

Cash on hand	\$ 62,252
Carrying amount of deposits	23,388,218
Carrying amount of investments	128,348,967
Total	<u>\$ 151,799,437</u>
Statement of Net Position balances:	
Cash and cash equivalents	\$ 37,438,535
Cash and cash equivalents – restricted	114,360,902
Total	<u>\$ 151,799,437</u>

Investment Type	Fair Value Level <sup>(1)</sup>	Credit Rating <sup>^</sup>	Fair Value	Weighted Average Maturity
Governmental Money Market Funds	Level 1	*	56,616,053	< 1 year
SC Local Government Investment Pool	N/A	NR	71,732,914	< 1 year
Total			<u>\$ 128,348,967</u>	

\* U.S. government securities are not considered to have credit risk. Credit ratings for these investments have not been disclosed.

<sup>(1)</sup> See Note I.D.22 for details of the City's fair value hierarchy.

N/A - The SCLGIP operates in conformity with all requirements of the SEC Rule 2a7 promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value)

NR – Not rated.

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

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

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

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

**Concentration of Credit Risk** - The City does not have a policy for the concentration of credit risk. The City has restricted its investments to the state law requirements and has generally had the bulk of its investments in the State Treasurer's Local Government Investment Pool, which limits its investments to the same state law requirements. No rating for the investment pool is available as it is unrated.

**Custodial Credit Risk for Deposits** - In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to have its deposits covered by depository insurance or to have them collateralized with securities held by the pledging financial institution's trust department in the City's name.

**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, 2017, 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 2017, the City applied for and received funds from HOME grants totaling \$5,855,758 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, 2017 was \$1,784,580.

Property taxes receivables of \$2,343,205 represent total receivables of \$2,909,342 less an estimated allowance for uncollectibles of \$566,137. User fees receivable of \$181,210 represents delinquent stormwater utility fees billed of \$1,545,464 and golf course user fees of \$1,822 less an estimated allowance for uncollectibles of \$1,366,076. Governmental and business-type activities receivables and amounts due from other governments as of June 30, 2017 in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities	Business-Type Activities	Total
Notes receivable – restricted	\$ 1,784,580	\$ -	\$ 1,784,580
Property taxes	2,909,342	-	2,909,342
Sales, accommodation & hospitality taxes	4,090,511	-	4,090,511
State aid to subdivision	652,602	-	652,602
Business licenses	917,888	-	917,888
Franchise fees	288,101	-	288,101
Grant income	1,891,594	-	1,891,594
Palmetto Railways settlement agreement	5,730,000	-	5,730,000
Project reimbursement	111,812	-	111,812
Rents & other receivables	610,622	-	610,622
User fees	-	1,547,286	1,547,286
Gross receivables	18,987,052	1,547,286	20,534,338
Less: allowance for uncollectibles	(2,350,717)	(1,366,076)	(3,716,793)
Net total receivables	<u>\$ 16,636,335</u>	<u>\$ 181,210</u>	<u>\$ 16,817,545</u>

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

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

As of June 30, 2017, the City reported the following for the governmental activities in the Statement of Net Position:

Receivables, net	\$ 3,019,915
Due from other governments	<u>13,616,420</u>
Total	<u>\$16,636,335</u>

**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. Palmetto 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 \$5,730,000 as of June 30, 2017.

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, 2017, 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	\$ 1,466,922	\$ -	\$ 1,466,922
Due from other governments:				
Other taxes	General	2,540,917	-	2,540,917
Settlement agreement	Tax Infrastructure	5,730,000	-	5,730,000
Deposits	Tax Infrastructure	-	78,500	78,500
Ticket sales and deposits	Coliseum	-	3,293,923	3,293,923
Facility improvements receivable	IPRB Cap. Projects.	41,748	-	41,748
Total Unavailable/Unearned Revenue		<u>\$9,779,587</u>	<u>\$ 3,372,423</u>	<u>\$13,152,010</u>

#### C. Capital Assets, Depreciation Expense

Capital asset activity for the year ending June 30, 2017 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	\$58,801,780	\$ 304,459	\$ 92,097	\$ -	\$59,014,142
Construction in progress	<u>63,139,062</u>	<u>7,916,268</u>	<u>-</u>	<u>(9,938,927)</u>	<u>61,116,403</u>
Total assets not being depreciated	<u>121,940,842</u>	<u>8,220,727</u>	<u>92,097</u>	<u>(9,938,927)</u>	<u>120,130,545</u>
Capital assets being depreciated:					
Buildings	196,339,899	1,666,962	-	9,938,927	207,945,788
Infrastructure	41,257,010	1,611,258	-	-	42,868,268
Improvements other than buildings	83,256,453	1,309,282	-	-	84,565,735
Machinery and equipment	<u>73,720,246</u>	<u>5,641,946</u>	<u>1,217,129</u>	<u>-</u>	<u>78,145,063</u>
Total capital assets being depreciated	<u>394,573,608</u>	<u>10,229,448</u>	<u>1,217,129</u>	<u>9,938,927</u>	<u>413,524,854</u>
Less accumulated depreciation for:					
Buildings	43,564,566	3,133,768	-	-	46,698,334
Infrastructure	12,052,282	1,079,409	-	-	13,131,691
Improvements other than buildings	21,901,312	2,556,530	-	-	24,457,842
Machinery and equipment	<u>51,330,403</u>	<u>4,552,920</u>	<u>1,217,129</u>	<u>-</u>	<u>54,666,194</u>
Total accumulated depreciation	<u>128,848,563</u>	<u>11,322,627</u>	<u>1,217,129</u>	<u>-</u>	<u>138,954,061</u>
Total capital assets being depreciated, net	<u>265,725,045</u>	<u>(1,093,179)</u>	<u>-</u>	<u>9,938,927</u>	<u>274,570,793</u>
Governmental activities capital assets, net	<u>\$387,665,887</u>	<u>\$ 7,127,548</u>	<u>\$ 92,097</u>	<u>\$ -</u>	<u>\$394,701,338</u>

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

#### C. Capital Assets, Depreciation Expense (continued)

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	<u>\$1,397,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,397,188</u>
Total assets not being depreciated	<u>1,397,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,397,188</u>
Capital assets being depreciated:					
Buildings	3,549,828	11,660	-	-	3,561,488
Infrastructure	778,429	-	-	-	778,429
Improvements	8,076,863	-	-	-	8,076,863
Machinery and equipment	<u>5,074,819</u>	<u>523,051</u>	<u>-</u>	<u>-</u>	<u>5,597,870</u>
Total capital assets being depreciated	<u>17,479,939</u>	<u>534,711</u>	<u>-</u>	<u>-</u>	<u>18,014,650</u>
Less accumulated depreciation for:					
Buildings	1,440,236	90,612	-	-	1,530,848
Infrastructure	7,784	15,569	-	-	23,353
Improvements	3,681,970	167,391	-	-	3,849,361
Machinery and equipment	<u>3,640,630</u>	<u>285,529</u>	<u>-</u>	<u>-</u>	<u>3,926,159</u>
Total accumulated depreciation	<u>8,770,620</u>	<u>559,101</u>	<u>-</u>	<u>-</u>	<u>9,329,721</u>
Total capital assets being depreciated, net	<u>8,709,319</u>	<u>(24,390)</u>	<u>-</u>	<u>-</u>	<u>8,684,929</u>
Business-type activities capital assets, net	<u>\$10,106,507</u>	<u>\$ (24,390)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,082,117</u>

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

<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 3,329,626	\$ -
Public safety	3,460,587	-
Sanitation	748,544	-
Culture and recreation	3,106,201	-
Community development	677,669	-
Stormwater utility	-	216,018
Golf course	-	343,083
Total Depreciation Expense	<u>\$11,322,627</u>	<u>\$ 559,101</u>

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

The following is a schedule of interfund balances at June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Community Development Block Grant	\$ 2,053
	Specialized Enforcement Grant	36,703
	Domestic Violence Grant	40,651
	Anti-Drug	18,322
	COPS Hiring Grant	146,686
	Justice Assistance Grant	12,029
Total due General Fund /due from all other funds		<u>\$ 256,444</u>

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

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



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

#### D. Interfund Receivables, Payables and Transfers (continued)

The following is a schedule of interfund transfers for the fiscal year ending June 30, 2017:

	<u>Transfers Out</u>					
<u>Transfers In:</u>	<u>General Fund</u>	<u>Tax Inf. Fund</u>	<u>Proprietary Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Citywide Cap. Imp. Fund</u>	<u>Total</u>
Coliseum Operating Fund	\$ 666,393	\$ -	\$ -	\$ -	\$ -	\$ 666,393
Proprietary Funds	1,016,488	-	-	-	-	1,016,488
Nonmajor Governmental Funds	<u>2,882,163</u>	<u>45,434</u>	<u>510,000</u>	<u>3,629,938</u>	<u>2,500,000</u>	<u>9,567,535</u>
Total Transfers Out	<u>\$4,565,044</u>	<u>\$ 45,434</u>	<u>\$ 510,000</u>	<u>\$ 3,629,938</u>	<u>\$2,500,000</u>	<u>\$11,250,416</u>

#### E. Short-term Obligations

The City of North Charleston did not issue any short-term debt during the fiscal year ending June 30, 2017 and, therefore, there was no short-term debt outstanding as of June 30, 2017.

#### F. Long-term Obligations

Long-term debt of the City of North Charleston consists of general obligation bonds, certificates of participation, limited obligation bonds, 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, 2017 are as follows:

\$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%	14,680,000
\$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>15,600,000</u>
Total General Obligation Bonds	30,280,000
Add: Unamortized premiums	<u>2,085,230</u>
Net General Obligation Bonds	<u>\$ 32,365,230</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, 2017, the City of North Charleston received \$275,351 in interest payment subsidies to help offset the \$827,944 in annual interest payments due on the Series 2010 general obligation bonds.

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

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

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

Year Ending	Governmental Activities		
	Principal	Interest	Total
June 30			
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	2,715,000	1,024,998	3,739,998
2022	2,820,000	889,085	3,709,085
2023-2027	13,920,000	2,262,815	16,182,815
2028-2032	<u>3,195,000</u>	<u>193,000</u>	<u>3,388,000</u>
Total	<u>\$30,280,000</u>	<u>\$ 8,143,043</u>	<u>\$38,423,043</u>

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

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

In September 2008, the Corporation issued \$43,850,000 in Series 2008 Certificates (i) for an advance refunding of the remaining \$16,500,000 of the Series 1997 Certificates; (ii) for an advance refunding of the \$14,750,000 in City Center Tax Increment Financing (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 outstanding amount of defeased Series 1997 Certificates at June 30, 2017 totaled \$7,845,000. 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.

Certificates of participation outstanding as of June 30, 2017:

\$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 (.90% at June 30, 2017) fixed at 3.27% by an interest rate swap	\$10,300,000
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### III. DETAILED NOTES ON ALL FUNDS (continued)

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

\$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%

20,215,000

Total Certificates of Participation	30,515,000
Add: Unamortized premiums	390,530
Less: Unamortized discounts	(9,193)
Net Certificates of Participation	<u>\$30,896,337</u>

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
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	6,710,000	236,994	6,946,994
2022	<u>2,320,000</u>	<u>49,300</u>	<u>2,369,300</u>
Total	<u>\$30,515,000</u>	<u>\$ 2,659,908</u>	<u>\$33,174,908</u>

**Installment Purchase Revenue Bonds** - Installment purchase revenue bonds relate to debt issued by the Corporation. The Corporation issued in June 2012 \$52,520,000 in installment purchase revenue bonds with the proceeds being used to construct, acquire or renovate certain buildings and facilities on City owned property for use by the City and to acquire and install certain equipment. The City leases the assets acquired with the proceeds from the installment purchase revenue bonds under a Base Lease Agreement and Municipal Facilities Purchase and Occupancy Agreement. For financial reporting purposes, the City accounts for the installment purchase revenue bonds as its own debt.

Installment purchase revenue bonds outstanding as of June 30, 2017:

\$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%	\$45,885,000
Add: Unamortized premiums	<u>3,201,668</u>
Net Installment Purchase Revenue Bonds	<u>\$49,086,668</u>

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
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	1,700,000	1,799,613	3,499,613
2022	1,765,000	1,731,612	3,496,612
2023-2027	10,130,000	7,355,075	17,485,075
2028-2032	12,225,000	5,263,125	17,488,125
2032-2037	<u>15,410,000</u>	<u>2,085,850</u>	<u>17,495,850</u>
Total	<u>\$45,885,000</u>	<u>\$ 24,069,013</u>	<u>\$69,954,013</u>

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

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

**Limited Obligation Bonds** – The City issued in January 2017 \$80,000,000 in Tax-Exempt Series 2017A and Taxable Series 2017B Limited Obligation Bonds for the purpose of constructing and/or improving various tourism related facilities throughout the City. These bonds are supported by a hospitality fee pledge to cover annual debt service. Since the debt service on the Certificates of Participation are also supported by a similar hospitality fee pledge, the debt service on the Limited Obligation Bonds will be accounted for in the Certificates of Participation and Limited Obligations Bonds Debt Service Fund. \$6,247,106 was placed in a capitalized interest fund to assist with paying interest on these bonds for the first few years with no principal payments until fiscal year ending June 2022.

Limited obligation bonds outstanding as of June 30, 2017:

\$80,000,000 in limited obligation bonds issued in January 2017, due in annual installments of \$2,545,000 to \$5,700,000 through October 2041, with semi-annual interest ranging from 2.60% to 5.0%

Add: Unamortized premiums

Net Limited Obligation Bonds

\$80,000,000

1,472,755

\$81,472,755

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

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ -	\$ 3,304,931	\$ 3,304,931
2019	-	3,304,931	3,304,931
2020	-	3,304,931	3,304,931
2021	-	3,304,931	3,304,931
2022	2,545,000	3,271,744	5,816,744
2023-2027	13,955,000	15,130,733	29,085,733
2028-2032	16,775,000	12,306,879	29,081,879
2033-2037	20,740,000	8,342,704	29,082,704
2038-2042	<u>25,985,000</u>	<u>3,090,296</u>	<u>29,075,296</u>
Total	<u>\$80,000,000</u>	<u>\$55,362,080</u>	<u>\$135,362,080</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. These bonds matured during the fiscal year ending June 30, 2017.

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 publicly owned improvements within the project area. Proceeds and expenditures are reported in the Tax Infrastructure Capital

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

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

Projects Fund. Principal is payable in annual installments beginning December 1, 2006 through 2018 with variable interest (.92% at June 30, 2017) 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, 2017 was \$1,985,000 less \$4,881 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 (.92% at June 30, 2017), 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, 2017 was \$5,730,000. 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 <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	195,000	199,600	394,600
2022	205,000	191,400	396,400
2023-2027	1,175,000	820,476	1,995,476
2028-2032	1,435,000	555,005	1,990,005
2033-2037	1,775,000	225,486	2,000,486
2038-2042	<u>400,000</u>	<u>2,600</u>	<u>402,600</u>
Total	<u>\$ 7,715,000</u>	<u>\$ 2,701,094</u>	<u>\$10,416,094</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, 2017 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 (.92% at June 30, 2017) 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

\$	5,230,000
	<u>( 22,550)</u>
\$	<u>5,207,450</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 Series 1998 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. There is no outstanding amount of defeased Series 1998 golf course mortgage revenue bonds at June 30, 2017 as the refunded debt has been paid off prior to maturity when the call feature was exercised. 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.

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.

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 665,000	\$ 187,234	\$ 852,234
2019	690,000	163,427	853,427
2020	715,000	138,725	853,725
2021	745,000	113,128	858,128
2022	775,000	86,457	861,457
2023-2027	<u>1,640,000</u>	<u>88,605</u>	<u>1,728,605</u>
Total	<u>\$5,230,000</u>	<u>\$ 777,576</u>	<u>\$6,007,576</u>

**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 2027. 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, 2017 are as follows:

\$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%	33,911
\$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%	217,477
\$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%	281,770

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

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

\$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%	698,267
\$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%	876,687
\$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%	84,077
\$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 (10yrs), \$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%	1,833,882
\$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%	3,169,172
\$4,205,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated October 2015, in 3 separate amortization schedules of \$1,195,000 (10 yrs), \$1,077,000 (7yrs) and \$1,928,000 (5yrs) payable 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%	3,236,659
\$4,600,000 ten-year lease agreement with Bank of America Leasing & Capital, LLC, dated October 2016, in 4 separate amortization schedules of \$1,250,000 (10 yrs), \$1,160,000 (7yrs), \$1,690,000 (5 yrs) and \$500,000 (3yrs) payable in quarterly installments of \$207,826 for 12 quarters, \$165,267 for 20 quarters, \$77,615 for 28 quarters and \$42,559 for 40 quarters, including interest ranging from 1.345% to 1.635%	4,217,257
Total Lease Obligations	<u>\$14,649,159</u>

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 3,632,523	\$ 201,911	\$ 218,475	\$ 16,800	\$ 4,069,709
2019	2,885,091	146,733	222,096	13,179	3,267,099
2020	2,385,583	104,001	225,776	9,499	2,724,859
2021	1,730,612	69,055	191,895	5,909	1,997,471
2022	1,141,585	43,426	135,052	2,975	1,323,038
2023-2027	<u>1,763,036</u>	<u>53,741</u>	<u>117,435</u>	<u>1,513</u>	<u>1,935,725</u>
Total	<u>\$13,538,430</u>	<u>\$ 618,867</u>	<u>\$1,110,729</u>	<u>\$ 49,875</u>	<u>\$15,317,901</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, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligations bonds	\$ 32,675,000	\$ -	\$ 2,395,000	\$ 30,280,000	\$ 2,465,000
Certificates of participation	36,740,000	-	6,225,000	30,515,000	6,685,000
Limited obligation bonds	-	80,000,000	-	80,000,000	-
Inst. purchase revenue bonds	47,300,000	-	1,415,000	45,885,000	1,485,000
Tax increment bonds	14,440,000	-	6,725,000	7,715,000	1,150,000
Total bonds payable	131,155,000	80,000,000	16,760,000	194,395,000	11,785,000
Premiums	6,108,912	1,472,755	431,484	7,150,183	-
Discounts	(28,143)	-	(14,069)	(14,074)	-
Total bonds payable, net	137,235,769	81,472,755	17,177,415	201,531,109	11,785,000
Capital lease obligations	13,187,009	4,082,000	3,730,579	13,538,430	3,632,533
Compensated absences	3,977,851	5,182,633	4,024,349	5,136,135	4,622,521
Total governmental activities	<u>\$154,400,629</u>	<u>\$90,737,388</u>	<u>\$24,932,343</u>	<u>\$220,205,674</u>	<u>\$20,040,054</u>
<b>Business-type Activities:</b>					
Bonds payable	\$ 5,870,000	\$ -	\$ 640,000	\$ 5,230,000	\$ 665,000
Discounts	(26,310)	-	(3,760)	(22,550)	-
Total bonds payable, net	5,843,690	-	636,240	5,207,450	665,000
Capital lease obligations	771,926	518,000	179,197	1,110,729	218,475
Compensated absences	106,644	95,980	102,996	99,628	89,665
Total business-type activities	<u>\$ 6,722,260</u>	<u>\$ 613,980</u>	<u>\$ 918,433</u>	<u>\$ 6,417,807</u>	<u>\$ 973,140</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, 2017 for the interest rate swaps are as follows:

<u>Reported in:</u>	<u>Changes in Fair Values</u>		<u>Fair Values at June 30, 2017</u>		<u>Notional Amount at 6/30/2017</u>
	<u>Reported as</u>	<u>Amount</u>	<u>Reported as</u>	<u>Amount</u>	
Governmental Activities					
Cash Flow Hedges	Deferred outflow	\$350,229	Derivative Instrument	\$(266,555)	\$10,300,000
Interest Rate Swaps	of resources		Liability		
Business-type Activities					
Cash Flow Hedges	Deferred outflow	\$304,713	Derivative Instrument	\$(481,432)	\$ 5,230,000
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, 2017, 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, 2017, the City had a negative fair value of \$747,987 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, 2017, 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>Principal</u>	<u>Variable-Rate Bonds</u>		<u>Adjustment to Current Variable Rates</u>	<u>Net Debt Service</u>
		<u>Interest</u>	<u>Total</u>		
2018	\$ 5,125,000	\$ 737,990	\$ 5,862,990	\$ (202,802)	\$ 5,660,188
2019	5,315,000	566,333	5,881,333	(172,354)	5,708,979
2020	4,460,000	404,817	4,864,817	(157,185)	4,707,632
2021	940,000	312,728	1,252,728	(146,851)	1,105,877
2022	980,000	277,857	1,257,857	(141,635)	1,116,222
2023-2027	2,815,000	909,081	3,724,081	(617,113)	3,106,968
2028-2032	1,435,000	555,005	1,990,005	(414,291)	1,575,714
2033-2037	1,775,000	225,486	2,000,486	(156,716)	1,843,170
2038-2042	400,000	2,600	402,600	(1,080)	401,520
Total	<u>\$23,245,000</u>	<u>\$3,991,897</u>	<u>\$27,236,897</u>	<u>\$ (2,010,027)</u>	<u>\$25,226,870</u>

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

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

**Annual Leave and Sick Leave** - The City's policy permits employees to accumulate up to seven weeks of earned but unused annual leave, which would be paid to employees upon separation from the City. Accumulated annual leave at June 30, 2017 amounted to \$5,235,763, \$5,136,135 of which relates to governmental activities and \$99,628 of which relates to business-type activities. City employees had accumulated sick leave benefits of \$12,363,278 at June 30, 2017, based on compensation rates in effect at that date. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual has been made for sick leave.

#### G. 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, 2017 was \$41,748.

Estimated future annual lease income for the long-term lease in effect as of June 30, 2018 is as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2018	\$145,927

#### H. Net Position Classification

Net investment in capital assets for governmental activities as of June 30, 2017:

Capital assets, net of accumulated depreciation	\$ 394,701,338
Less: 1) Capital related debt , net of unamortized discounts, amounts on refunding, plus premiums	(214,525,308)
2) Retainage payable	(686,006)
Add capital debt unspent proceeds:	
Bonds and capital leases	<u>89,786,519</u>
Net investment in capital assets	<u>\$ 269,276,543</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.

#### IV. OTHER INFORMATION (continued)

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

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

The City has been self-insured for health insurance since its incorporation in June 1972 but only became self-insured for workers compensation coverage effective January 1, 2005. The City has contracted with plan administrators that directly handle the settlement of all claims. The City is insured through third parties for health insurance individual stop losses over \$175,000 and aggregate stop-losses over \$17,965,381, while for workers compensation, the individual stop losses must exceed \$1,000,000 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, 2017. At June 30, 2017, the amount of this liability is the City's best estimate, based on the available information. Changes in the reported liability since July 1, 2012 resulted from the following:

Year Ended June 30	Liability at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability at Year End
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
2016	4,065,980	16,888,506	(16,559,961)	4,394,525
2017	4,394,525	16,915,311	(16,776,806)	4,533,030

##### 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 \$8,374,437 of \$53,567,560 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 \$390,993. There were no changes in plan provisions during the year and, as of June 30, 2017, 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 \$189,522 during fiscal year ending June 30, 2017.

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

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

###### **State Retirement Plans**

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("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 ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The 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 comprehensive annual financial report 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.

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

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

###### **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.

- **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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS and PORS ("Plans") employer and employee contribution rate that exceeds 2.9 percent of the earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA 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 PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA 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.

#### IV. OTHER INFORMATION (continued)

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

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:

Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rate			PORS Rates		
	2015	2016	2017	2015	2016	2017
Employer Contribution Rate: <sup>^</sup>						
Retirement	10.75%	10.91%	11.41%	13.01%	13.34%	13.84%
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>10.90%</u>	<u>11.06%</u>	<u>11.56%</u>	<u>13.41%</u>	<u>13.74%</u>	<u>14.24%</u>
Employee Contribution Rate	<u>8.00%</u>	<u>8.16%</u>	<u>8.66%</u>	<u>8.41%</u>	<u>8.74%</u>	<u>9.24%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

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
2017	\$ 2,732,570	100%	\$ 4,178,591	100%
2016	2,541,305	100%	3,902,203	100%
2015	\$ 2,365,022	100%	\$ 3,637,882	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
2017	\$ 23,638,152	29,344,035	\$ 52,982,187
2016	22,977,442	28,400,316	51,377,758
2015	\$ 21,697,445	27,128,131	\$ 48,825,576

##### 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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed

#### IV. OTHER INFORMATION (continued)

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

annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016 actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017 measurement date.

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2015 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.75%.

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. Assumptions used in the July 1, 2015 valuations for the SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	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 and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

##### Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments as used in the July 1, 2015 actuarial valuations was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach based on consensus expectations and market based inputs. Expected returns are net of investment fees.

#### IV. OTHER INFORMATION (continued)

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

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and 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
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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

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. NPL totals, as of June 30, 2016 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	23,996,362,354	\$ 21,359,852,398	52.9%
PORS	\$ 6,412,510,458	3,876,035,732	\$ 2,536,474,726	60.4%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.



#### IV. OTHER INFORMATION (continued)

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

At June 30, 2017, the City reported liabilities of \$50,683,000 and \$56,521,000 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, 2016, 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 as of July 1, 2015 that was projected forward to the measurement date. The City's proportion of the net pension liabilities was 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 the June 30, 2016 measurement date, the City's SCRS proportion was 0.23728 percent, which was an increase of 0.00595 percent from its proportion measured as of June 30, 2015. At the June 30, 2016 measurement date, the City's PORS proportion was 2.22832 percent, which was an increase of 0.03750 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$4,853,000 and \$6,494,000 for the SCRS and PORS, respectively. At June 30, 2017, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 525,385	\$ 55,043
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,264,040	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	992,204	-
City Contributions Subsequent to the Measurement Date	2,732,570	-
<b>Total SCRS</b>	<b>8,514,199</b>	<b>55,043</b>
<b>PORS</b>		
Differences Between Expected and Actual Experience	838,662	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,408,970	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	1,233,080	-
City Contributions Subsequent to the Measurement Date	4,178,591	-
<b>Total PORS</b>	<b>12,659,303</b>	<b>-</b>
<b>Total SCRS and PORS</b>	<b>\$ 21,173,502</b>	<b>\$ 55,043</b>

Approximately \$2,733,000 and \$4,179,000 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 a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2018	\$ 1,516,314	2,020,157	\$ 3,536,471
2019	1,241,691	1,977,644	3,219,335
2020	1,978,759	2,907,891	4,886,650
2021	989,822	1,575,020	2,564,842
<b>Total</b>	<b>\$ 5,726,586</b>	<b>8,480,712</b>	<b>\$ 14,207,298</b>

#### IV. OTHER INFORMATION (continued)

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

###### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. 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 to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
The City's proportionate share of the net pension liability of the SCRS	\$ 63,225,228	50,682,658	\$ 40,241,441
The City's proportionate share of the net pension liability of the PORS	74,075,448	56,520,875	40,744,799
Total Pension Liability	<u>\$ 137,300,676</u>	<u>107,203,533</u>	<u>\$ 80,986,240</u>

###### Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

###### Payable to Plans

The City reported payables of \$365,000 and \$529,000 to the PEBA as of June 30, 2017, representing required employer and employee contributions for the month of June 2017 for the SCRS and PORS, respectively. These amounts are included in Accounts Payable on the financial statements and were paid in July 2017.

###### Plan Developments

House Bill 3726 was signed by the Governor of the State on April 25, 2017 and is effective immediately. This new law increases the employer SCRS and PORS contribution rates to 13.56% and 16.24%, respectively, beginning July 1, 2017. Employer rates will continue to increase annually by 1% through July 1, 2022, which would result in the SCRS and PORS employer rate totaling 18.56% and 21.24%, respectively, for fiscal year 2023 and thereafter. The legislation (a) increases and caps the employee SCRS and PORS contribution rates to 9.00% and 9.75%, respectively, and provides after June 30, 2027 for a decrease in employer and employee contribution rates in equal amounts if the ratio between the actuarial value of assets and the actuarial value of liabilities is equal to or greater than 85%, (b) lowers the assumed annual rate of return on pension investments from 7.50% to 7.25%, and (c) for some years reduces the funding period of unfunded liabilities from 30 years to 20 years.

#### IV. OTHER INFORMATION (continued)

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

**Pending Implementation of GASB Statement on OPEB** – GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*” (“Statement”), which was issued by GASB in June 2015, is required to be implemented by the City of North Charleston for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local government employers about financial support for OPEB that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net OPEB liability of the plan. It is GASB’s intention that this new statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City of North Charleston’s financial obligations to current and former employees for past services rendered.

In particular, this Statement will require the City of North Charleston to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its OPEB Plan on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. It is anticipated that its implementation will not have a significant impact on the City’s governmental funds.

**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 January 1, 2017, the measurement date, there were 1,114 covered participants; 83 members are retirees and 1,031 are active participants. The OPEB Health Plan does not issue a publicly available financial report.

**Funding Policy** - Benefits and contribution requirements are established and amended by the Mayor and City Council and are neither guaranteed nor mandatory. Retirees with less than 20 years of service pay 100% of the cost of current-year premiums for eligible retirees, while retirees with 20-24 years of service pay 50%; with 25-29 years 33 1/3% and with 30 or more years 25%. Retirees pay 100% of the cost of current-year premiums for dependent coverage. COBRA employees also pay 100% of cost of current-year premiums. In the fiscal year ending June 30, 2017, the City contributed \$1,965,966 to the plan, which includes \$851,506 for retiree health care claims while total member contributions were \$217,041.

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 2.25%.

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

#### IV. OTHER INFORMATION (continued)

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

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

In the January 1, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 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 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 2.25 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>\$( 4,444,102)</u>
Interest on Net OPEB Obligation (Asset)	(222,205)
Annual Required Contribution	1,731,434
Adjustment to Annual Required Contribution	<u>199,280</u>
Annual OPEB Cost	1,708,509
Contributions made for the plan year	<u>(1,965,966)</u>
Increase (Decrease) in Net OPEB Obligation	<u>(257,457)</u>
Net OPEB Obligation (Asset)–End of Plan Year	<u><u>\$ (4,701,559)</u></u>

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

<u>Schedule of Employer Contributions</u>					
<u>Actuarial</u> <u>Valuation Date</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Annual OPEB</u> <u>Contributed</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u> <u>(Asset)</u>	<u>Applicable to</u> <u>Fiscal Year</u> <u>Ending</u>
July 1, 2013	\$ 1,336,378	\$ 2,236,612	167.4%	\$ (3,667,103)	June 30, 2015
July 1, 2015	\$ 1,656,676	\$ 2,433,675	146.9%	\$ (4,444,102)	June 30, 2016
January 1, 2017	\$ 1,708,509	\$ 1,965,966	114.9%	\$ (4,701,559)	June 30, 2017

Contributions include \$897,419 paid by the City of North Charleston to the OPEB Plan Trust to fund the June 30, 2017 net OPEB obligation and \$1,068,547 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, 2015 is as follows:

#### IV. OTHER INFORMATION (continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	<u>Schedule of Funding Progress</u>		Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
			Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		
July 1, 2013	\$ 8,886,271	\$ 20,356,830	\$ 11,470,559	43.65%	\$43,239,053	26.5%
July 1, 2015	\$11,328,698	\$ 23,276,934	\$ 11,948,236	48.67%	\$44,457,286	26.9%
January 1, 2017	\$12,700,117	\$ 31,272,106	\$ 18,571,989	40.61%	\$48,049,795	38.7%

After the City's contributions for fiscal year ending June 30, 2017, assets in the City's OPEB Plan Trust at June 30, 2017 were \$13,075,247.

##### 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 amounts, if any, to be immaterial.

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

##### E. Tax Abatements

The City is subject to tax abatements entered into by Charleston County, who enters into property tax abatement agreements with local businesses through various abatement programs. For the fiscal year ended June 30, 2017, the City's property tax abated by agreements entered into by Charleston County totaled approximately \$14,480,000. The City has not entered into any of its own tax abatement programs.

##### F. 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 August 2019. The facilities management agreement states that Classic Golf Management provides personnel to operate these facilities and furnish certain clubhouse furniture and equipment with a value of \$75,000. 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 is \$7,000 through August 2019. Contingent fees may be earned at the rate of 15% of the net operational profit generated, determined by the City's audited annual operational revenues exceeding annual operational expenses.

**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 2017, total monthly fees paid were \$347,248. Ogden was acquired by ARAMARK during June 2000 and has assigned management rights of the facilities to SMG. The City consented to the transfer of ARAMARK's rights in an agreement signed February 2002.

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

##### **G. 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 entered into an intergovernmental agreement with the Charleston Area Regional Transportation Authority (CARTA) to design and construct a new multi-modal transportation facility at a cost of over \$12 million. The City has purchased the land on which the facility will be situated. The improvements will consist of a station building, platforms and a parking area for station patrons. The facility will also be the hub for Southeastern Stages, Inc. (Greyhound) and Amtrak providing intercity bus and rail service. It is expected that the facility will be complete in 2019. Once complete, the City will pay all costs of ownership, operation and maintenance of the facility although a majority of the construction cost will be borne by CARTA through borrowed funds and/or grants.

The City has entered into an intergovernmental agreement with the Dorchester County School District No. 2 (District) to design, construct and operate an aquatics facility located in the City limits and in the School District territory. The City is utilizing a portion of the \$80,000,000 in limited obligation bonds it issued in 2017 as its contribution into the over \$20 million project and the District has agreed to contribute \$7,500,000 towards the project expected to be completed in 2019. Once complete, the City will pay all costs of operation and maintenance of the facility.

The City has construction contract commitments on capital projects at June 30, 2017 as follows:

Governmental funds:

Special revenue and capital projects funds	<u>\$ 13,700,838</u>
Total governmental funds	<u>\$ 13,700,838</u>

##### **H. Subsequent Events**

In September 2017, the City entered into a lease agreement with Bank of America Leasing & Capital, LLC related to the purchase of \$4,678,000 in vehicles and equipment. The lease is a ten year lease with separate amortization schedules of \$2,461,500 (5 yrs), \$1,318,500 (7 yrs) and \$898,000 (10 yrs) in quarterly installments of \$128,437 for 20 quarters, \$75,144 for 28 quarters and \$24,862 for 40 quarters, including interest ranging from 1.7515% to 2.1008%.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
<b>Revenues:</b>					
Property taxes	\$ 46,950,000	\$ 46,450,000	\$ 46,679,296	\$ 229,296	\$ 43,976,066
Licenses and permits	37,050,000	37,950,000	37,991,977	41,977	37,036,183
Intergovernmental	19,892,808	21,354,709	22,596,178	1,241,469	19,514,258
Fines and forfeitures	1,300,000	1,300,000	848,550	(451,450)	1,143,626
Charges for services	2,111,000	2,111,000	2,238,554	127,554	2,175,807
Revenues from use of monies and property	2,342,950	2,442,950	2,598,807	155,857	2,812,220
Other revenues	944,399	990,802	960,793	(30,009)	1,042,547
<b>Total revenues</b>	<b>110,591,157</b>	<b>112,599,461</b>	<b>113,914,155</b>	<b>1,314,694</b>	<b>107,700,707</b>
<b>Expenditures:</b>					
<b>General government:</b>					
Executive	2,207,707	2,422,707	2,418,357	4,350	2,363,822
Facilities	5,441,199	5,452,591	5,195,584	257,007	5,223,708
City Council	550,854	595,854	591,938	3,916	552,901
Finance	1,106,404	1,131,404	1,131,330	74	1,006,337
Purchasing	405,985	421,053	419,222	1,831	405,934
Information systems	2,370,359	2,403,489	2,351,137	52,352	1,973,058
Municipal court	1,317,683	1,317,683	1,156,482	161,201	1,421,199
Human resources	3,033,258	3,033,561	2,060,676	972,885	1,983,738
Legal	1,148,872	1,148,872	1,043,261	105,611	1,241,439
Maintenance	12,072,958	13,947,410	13,853,036	94,374	12,730,697
<b>Total general government</b>	<b>29,655,279</b>	<b>31,874,624</b>	<b>30,221,023</b>	<b>1,653,601</b>	<b>28,902,833</b>
<b>Public safety:</b>					
Police	36,137,230	37,390,316	36,381,624	1,008,692	35,694,285
Fire	21,839,288	22,496,203	22,219,564	276,639	21,783,276
Building inspections	1,579,933	1,620,184	1,617,051	3,133	1,607,222
<b>Total public safety</b>	<b>59,556,451</b>	<b>61,506,703</b>	<b>60,218,239</b>	<b>1,288,464</b>	<b>59,084,783</b>
<b>Sanitation:</b>					
Sanitation	5,915,630	6,732,671	6,732,214	457	6,038,348
<b>Total sanitation</b>	<b>5,915,630</b>	<b>6,732,671</b>	<b>6,732,214</b>	<b>457</b>	<b>6,038,348</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**  
**(continued)**

	2017			Variance with Final Budget - Positive (Negative)	2016 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Community promotion:					
Community promotion	300,000	370,000	370,000	-	341,733
Total community promotion	300,000	370,000	370,000	-	341,733
Culture and recreation:					
Fire museum	532,363	533,773	483,491	50,282	483,449
Recreation and parks	5,954,981	5,972,808	5,971,188	1,620	5,959,084
Cultural arts	904,353	915,615	862,022	53,593	866,540
Total culture and recreation	7,391,697	7,422,196	7,316,701	105,495	7,309,073
Community development:					
Planning & zoning	1,331,256	1,331,256	1,264,075	67,181	1,338,460
Code enforcement	1,258,961	1,302,666	1,280,140	22,526	1,227,485
Total community development	2,590,217	2,633,922	2,544,215	89,707	2,565,945
Debt Service:					
Principal	3,952,573	3,952,573	3,730,579	221,994	3,422,787
Interest and fiscal charges	271,189	271,189	250,545	20,644	235,976
Total debt service	4,223,762	4,223,762	3,981,124	242,638	3,658,763
Total expenditures	109,633,036	114,763,878	111,383,516	3,380,362	107,901,478
Excess (deficiency) of revenues over expenditures	958,121	(2,164,417)	2,530,639	4,695,056	(200,771)
Other financing sources (uses):					
Transfers (out)	(5,527,121)	(5,527,121)	(4,565,044)	962,077	(7,071,146)
Proceeds from sale of property	500,000	500,000	413,455	(86,545)	1,193,537
Capital lease obligations	4,069,000	4,069,000	4,082,000	13,000	4,086,500
Total other financing sources (uses)	(958,121)	(958,121)	(69,589)	888,532	(1,791,109)
Special item:					
Palmetto Railways settlement agreement	-	-	-	-	2,000,000
Total special item	-	-	-	-	2,000,000
Net change in fund balance	-	(3,122,538)	2,461,050	5,583,588	8,120
Fund balance at beginning of year	21,824,739	21,824,739	21,824,739	-	21,816,619
Fund balance at end of year	\$ 21,824,739	\$ 18,702,201	\$ 24,285,789	\$ 5,583,588	\$ 21,824,739

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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016 Actual
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Revenues from use of monies and property	\$ 5,201,108	\$ 5,351,108	\$ 5,968,267	\$ 617,159	\$ 5,291,195
Total revenues	5,201,108	5,351,108	5,968,267	617,159	5,291,195
Expenditures:					
Culture and recreation:					
Insurance	100,000	100,000	100,000	-	100,000
Contractual services:					
Operating	5,721,099	5,846,099	5,838,405	7,694	5,595,558
Management and administration	675,275	700,275	696,255	4,020	649,447
Capital outlay	-	-	-	-	276,750
Total expenditures	6,496,374	6,646,374	6,634,660	11,714	6,621,755
Excess (deficiency) of revenues over expenditures	(1,295,266)	(1,295,266)	(666,393)	628,873	(1,330,560)
Other financing sources (uses):					
Transfers in	1,295,266	1,295,266	666,393	(628,873)	1,330,560
Total other financing sources (uses)	1,295,266	1,295,266	666,393	(628,873)	1,330,560
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 FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
City of North Charleston's Proportion of the Net Pension Liability	0.237280%	0.231328%	0.229629%	0.229629%
City of North Charleston's Proportionate Share of the Net Pension Liability	\$ 50,682,658	\$ 43,872,471	\$ 39,534,501	\$ 41,187,251
City of North Charleston's Covered-Employee Payroll	\$ 22,977,442	\$ 21,697,445	\$ 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	220.58%	202.20%	189.65%	207.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.906%	56.992%	59.919%	56.388%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of data were available; thus, only four years were presented.

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

**LAST FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 2,732,570	\$ 2,541,305	\$ 2,365,022	\$ 2,209,815
Contributions in Relation to the Contractually Required Contribution	\$ 2,732,570	\$ 2,541,305	\$ 2,365,022	\$ 2,209,815
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City of North Charleston's Covered-Employee Payroll	\$ 23,638,152	\$ 22,977,442	\$ 21,697,445	20,846,552
Contributions as a Percentage of Covered-Employee Payroll	11.56%	11.06%	10.90%	10.60%

**Notes to Schedule:**

Only four years of data were available; thus, only four years were presented.

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 FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
City of North Charleston's Proportion of the Net Pension Liability	2.22832%	2.19082%	2.14016%	2.14016%
City of North Charleston's Proportionate Share of the Net Pension Liability	\$ 56,520,875	\$ 47,748,908	\$ 40,971,829	\$ 44,364,949
City of North Charleston's Covered-Employee Payroll	\$ 28,400,316	\$ 27,128,131	\$ 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	199.01%	176.01%	159.25%	187.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.44%	64.57%	67.55%	62.98%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only four years of data were available; thus, only four years were presented.

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

**LAST FOUR FISCAL YEARS**

	Year Ended June 30,			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 4,178,591	\$ 3,902,203	\$ 3,637,882	\$ 3,305,104
Contributions in Relation to the Contractually Required Contribution	\$ 4,178,591	\$ 3,902,203	\$ 3,637,882	\$ 3,305,104
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
City of North Charleston's Covered-Employee Payroll	\$ 29,344,035	\$ 28,400,316	\$ 27,128,131	25,727,728
Contributions as a Percentage of Covered-Employee Payroll	14.24%	13.74%	13.41%	12.85%

**Notes to Schedule:**

Only four years of data were available; thus, only four years were presented.

## **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.

**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

**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.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

(continued)

**COPS Hiring Grant Fund** accounts for Federal funds received from the U.S. Department of Justice for the purpose of hiring 15 police officers in an effort to increase community policing capacity and crime prevention efforts.

**Domestic Violence Grant Fund** accounts for State funds received for the purpose of hiring a victims advocate as part of a Domestic Abuse Response Team to work to insure that victims receive the necessary support and services.

### **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 and Limited Obligation Bonds** account for funding the accumulation of resources for, and the retirement of, the certificates of participation and limited obligation bonds 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, installment purchase revenue bonds, limited obligation bonds and certificates of participation, grants, contributions, property taxes and settlements from private sources. The City has the following capital project funds:

**Installment Purchase Revenue Bonds Capital Project Fund** accounts for 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.

**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, 2017**  
**(With Comparative Totals at June 30, 2016)**

	Special Revenue Funds	General Obligation Bonds Debt Service Fund	Certificates of Participation and Limited Obligation Bonds Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
						2017
						2016
<b>Assets</b>						
Cash and cash equivalents	\$ 368,930	\$ 299,339	\$ -	\$ -	\$ 594,923	\$ 1,263,192
Accounts receivable	-	-	-	-	41,748	\$ 1,106,428
Due from other governments	241,250	38,918	584,046	-	-	288,454
Restricted assets:						979,170
Cash and cash equivalents	1,477,174	-	13,296,811	-	6,252,719	18,321,671
<b>Total assets</b>	<b>\$ 2,087,354</b>	<b>\$ 338,257</b>	<b>\$ 13,880,857</b>	<b>\$ -</b>	<b>\$ 6,889,390</b>	<b>\$ 20,695,723</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 54,589	\$ -	\$ 3,150	\$ -	\$ 1,156,467	\$ 804,629
Escrow for seized funds	429,637	-	-	-	-	257,238
Due to other funds	256,444	-	-	-	-	400,033
<b>Total liabilities</b>	<b>740,670</b>	<b>-</b>	<b>3,150</b>	<b>-</b>	<b>1,156,467</b>	<b>1,461,900</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue	-	-	-	-	41,748	288,454
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,748</b>	<b>288,454</b>
<b>Fund balances:</b>						
Restricted for:						
Public safety and public service	1,099,566	-	-	-	-	3,430,479
Facility and infrastructure improvements	-	-	-	-	5,691,175	8,746,370
Debt service	-	338,257	13,877,707	-	-	6,565,320
Assigned for:						
Community promotions	247,118	-	-	-	-	203,200
<b>Total fund balances</b>	<b>1,346,684</b>	<b>338,257</b>	<b>13,877,707</b>	<b>-</b>	<b>5,691,175</b>	<b>18,945,369</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,087,354</b>	<b>\$ 338,257</b>	<b>\$ 13,880,857</b>	<b>\$ -</b>	<b>\$ 6,889,390</b>	<b>\$ 20,695,723</b>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

	Special Revenue Funds	General Obligation Bonds Debt Service Fund	Certificates of Participation and Limited Obligation Bonds Debt Service Fund	Installment Purchase Revenue Bonds Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds 2017	2016
<b>Revenues:</b>							
Property taxes	\$ -	\$ 1,650,000	\$ -	\$ 2,000,000	\$ -	\$ 3,650,000	\$ 3,500,000
Intergovernmental	7,261,439	759,321	5,278,301	-	-	13,299,061	12,919,770
Fines and forfeitures	263,159	-	-	-	-	263,159	534,859
Revenues from the use of monies and property	856,208	487	392,557	-	343,500	1,592,752	1,379,115
<b>Total revenues</b>	<u>8,380,806</u>	<u>2,409,808</u>	<u>5,670,858</u>	<u>2,000,000</u>	<u>343,500</u>	<u>18,804,972</u>	<u>18,333,744</u>
<b>Expenditures:</b>							
<b>Public safety:</b>							
Police department	1,564,468	-	-	-	-	1,564,468	1,321,909
Fire department	1,004,534	-	-	-	-	1,004,534	1,528,502
<b>Community promotion:</b>							
Community promotion	3,481,156	-	-	-	-	3,481,156	973,358
<b>Culture and recreation:</b>							
Special projects	801,769	-	-	-	-	801,769	800,751
<b>Community development:</b>							
Community development	430,536	-	-	-	-	430,536	400,980
HOME program	-	-	-	-	-	-	148,146
<b>Capital outlay:</b>							
Parking, walkways and infrastructure	-	-	-	-	5,944,129	5,944,129	12,743,000
<b>Debt service:</b>							
Principal	-	2,395,000	6,225,000	1,415,000	-	10,035,000	9,430,000
Interest and fiscal charges	-	1,474,096	1,862,970	2,082,563	-	5,419,629	5,318,112
<b>Total expenditures</b>	<u>7,282,463</u>	<u>3,869,096</u>	<u>8,087,970</u>	<u>3,497,563</u>	<u>5,944,129</u>	<u>28,681,221</u>	<u>32,664,758</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,098,343</u>	<u>(1,459,288)</u>	<u>(2,417,112)</u>	<u>(1,497,563)</u>	<u>(5,600,629)</u>	<u>(9,876,249)</u>	<u>(14,331,014)</u>
<b>Other financing sources (uses):</b>							
Transfers in	244,600	1,650,000	3,629,938	1,497,563	2,545,434	9,567,535	11,668,540
Transfers (out)	(3,629,938)	-	-	-	-	(3,629,938)	(4,557,508)
Bonds issued	-	-	6,247,106	-	-	6,247,106	-
<b>Total other financing sources (uses)</b>	<u>(3,385,338)</u>	<u>1,650,000</u>	<u>9,877,044</u>	<u>1,497,563</u>	<u>2,545,434</u>	<u>12,184,703</u>	<u>7,111,032</u>
<b>Net change in fund balances</b>	<u>(2,286,995)</u>	<u>190,712</u>	<u>7,459,932</u>	<u>-</u>	<u>(3,055,195)</u>	<u>2,308,454</u>	<u>(7,219,982)</u>
<b>Fund balances at beginning of year</b>	<u>3,633,679</u>	<u>147,545</u>	<u>6,417,775</u>	<u>-</u>	<u>8,746,370</u>	<u>18,945,369</u>	<u>26,165,351</u>
<b>Fund balances at end of year</b>	<u>\$ 1,346,684</u>	<u>\$ 338,257</u>	<u>\$ 13,877,707</u>	<u>\$ -</u>	<u>\$ 5,691,175</u>	<u>\$ 21,253,823</u>	<u>\$ 18,945,369</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**  
**(With Comparative Totals at June 30, 2016)**

	Tax Fund Types			Public Safety and Service Fund Types			
	City			Port			
	Accommo- dations Tax	Accommo- dations Tax	CDBG	Domestic Violence Grant	Security Grant	SRO Grant	
<b>Assets</b>							
Cash and cash equivalents	\$ 261,136	\$ -	\$ -	\$ -	\$ -	\$ -	-
Due from other governments	-	-	5,181	40,651	-	-	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 261,136</b>	<b>\$ -</b>	<b>\$ 5,181</b>	<b>\$ 40,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 14,018	\$ -	\$ 3,128	\$ -	\$ -	\$ -	-
Escrow for seized funds	-	-	-	-	-	-	-
Due to other funds	-	-	2,053	40,651	-	-	-
<b>Total liabilities</b>	<b>14,018</b>	<b>-</b>	<b>5,181</b>	<b>40,651</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>							
Restricted for:							
Public safety and public service	-	-	-	-	-	-	-
Assigned for:							
Community promotions	247,118	-	-	-	-	-	-
<b>Total fund balances</b>	<b>247,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 261,136</b>	<b>\$ -</b>	<b>\$ 5,181</b>	<b>\$ 40,651</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**  
**(With Comparative Totals at June 30, 2016)**

	Public Safety and Service Types					
	Anti-Drug	Justice Assistance Grant	Specialized Enforcement Grant	Victims Advocate	COPS Hiring Grant	SPA Mitigation Grant
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	12,029	36,703	-	146,686	-
Restricted assets:						
Cash and cash equivalents	1,129,191	-	-	3,270	-	-
<b>Total assets</b>	<b>\$ 1,129,191</b>	<b>\$ 12,029</b>	<b>\$ 36,703</b>	<b>\$ 3,270</b>	<b>\$ 146,686</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,996	\$ -	\$ -	265	\$ -	\$ -
Escrow for seized funds	429,637	-	-	-	-	-
Due to other funds	18,322	12,029	36,703	-	146,686	-
<b>Total liabilities</b>	<b>449,955</b>	<b>12,029</b>	<b>36,703</b>	<b>265</b>	<b>146,686</b>	<b>-</b>
<b>Fund balances:</b>						
Restricted for:						
Public safety and public service	679,236	-	-	3,005	-	-
Assigned for:						
Community promotions	-	-	-	-	-	-
<b>Total fund balances</b>	<b>679,236</b>	<b>-</b>	<b>-</b>	<b>3,005</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,129,191</b>	<b>\$ 12,029</b>	<b>\$ 36,703</b>	<b>\$ 3,270</b>	<b>\$ 146,686</b>	<b>\$ -</b>

(continued)

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2017**  
**(With Comparative Totals at June 30, 2016)**

	<u>Public Safety and Service Types</u>				<u>Total Nonmajor</u>	
	<u>Community</u>	<u>SAFER</u>	<u>Firemen's</u>		<u>Special Revenue Funds</u>	
	<u>Policing</u>	<u>Hiring</u>	<u>Insurance &amp;</u>	<u>Parking</u>	<u>2017</u>	<u>2016</u>
	<u>Grant</u>	<u>Grant</u>	<u>Inspection</u>			
<u>Assets</u>						
Cash and cash equivalents	\$ 38,422	\$ -	\$ -	\$ 69,372	\$ 368,930	\$ 392,871
Due from other governments	-	-	-	-	241,250	399,766
Restricted assets:						
Cash and cash equivalents	-	-	344,713	-	1,477,174	3,628,626
<b>Total assets</b>	<b>\$ 38,422</b>	<b>\$ -</b>	<b>\$ 344,713</b>	<b>\$ 69,372</b>	<b>\$ 2,087,354</b>	<b>\$ 4,421,263</b>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts payable	\$ -	\$ -	1,413	\$ 33,769	\$ 54,589	\$ 130,313
Escrow for seized funds	-	-	-	-	429,637	257,238
Due to other funds	-	-	-	-	256,444	400,033
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,413</b>	<b>33,769</b>	<b>740,670</b>	<b>787,584</b>
<u>Fund balances:</u>						
Restricted for:						
Public safety and public service	38,422	-	343,300	35,603	1,099,566	3,430,479
Assigned for:						
Community promotions	-	-	-	-	247,118	203,200
<b>Total fund balances</b>	<b>38,422</b>	<b>-</b>	<b>343,300</b>	<b>35,603</b>	<b>1,346,684</b>	<b>3,633,679</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,422</b>	<b>\$ -</b>	<b>\$ 344,713</b>	<b>\$ 69,372</b>	<b>\$ 2,087,354</b>	<b>\$ 4,421,263</b>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	Tax Fund Types			Public Safety and Service Fund Types			
	City		CDBG	Domestic Violence Grant		Port Security Grant	
	Accommodations Tax	Accommodations Tax		Grant	Grant	Grant	SRO Grant
<b>Revenues:</b>							
Intergovernmental	\$ 2,802,408	\$ 1,999,231	\$ 430,536	\$ 48,650	\$ 95,213	\$ 60,000	-
Fines and forfeitures	-	-	-	-	-	-	-
Revenues from the use of monies and property	1,849	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,804,257</b>	<b>1,999,231</b>	<b>430,536</b>	<b>48,650</b>	<b>95,213</b>	<b>60,000</b>	<b>-</b>
<b>Expenditures:</b>							
<b>Public safety:</b>							
Police department	-	-	-	63,055	-	60,000	-
Fire department	-	-	-	-	127,000	-	-
<b>Community promotion:</b>							
Community promotion	1,129,632	-	-	-	-	-	-
<b>Culture and recreation:</b>							
Special projects	-	-	-	-	-	-	-
<b>Community development:</b>							
Community development	-	-	430,536	-	-	-	-
HOME program	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,129,632</b>	<b>-</b>	<b>430,536</b>	<b>63,055</b>	<b>127,000</b>	<b>60,000</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,674,625</b>	<b>1,999,231</b>	<b>-</b>	<b>(14,405)</b>	<b>(31,787)</b>	<b>-</b>	<b>-</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	14,405	31,787	-	-
Transfers (out)	(1,630,707)	(1,999,231)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,630,707)</b>	<b>(1,999,231)</b>	<b>-</b>	<b>14,405</b>	<b>31,787</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>43,918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances at beginning of year</b>	<b>203,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 247,118</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(continued)



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	Public Safety and Service Fund Types					
	Anti-Drug	Justice Assistance Grant	Specialized Enforcement Grant	Victims Advocate	COPS Hiring Grant	SPA Mitigation Grant
<b>Revenues:</b>						
Intergovernmental	\$ -	\$ 12,029	\$ 141,749	\$ -	\$ 563,030	\$ -
Fines and forfeitures	133,163	-	-	129,996	-	-
Revenues from the use of monies and property	2,922	-	-	199	-	10,406
<b>Total revenues</b>	<u>136,085</u>	<u>12,029</u>	<u>141,749</u>	<u>130,195</u>	<u>563,030</u>	<u>10,406</u>
<b>Expenditures:</b>						
<b>Public safety:</b>						
Police department	282,647	12,029	141,749	185,839	761,438	-
Fire department	-	-	-	-	-	-
Community promotion:	-	-	-	-	-	2,351,524
Community promotion	-	-	-	-	-	-
Culture and recreation:	-	-	-	-	-	-
Special projects	-	-	-	-	-	-
Community development:	-	-	-	-	-	-
Community development	-	-	-	-	-	-
HOME program	-	-	-	-	-	-
<b>Total expenditures</b>	<u>282,647</u>	<u>12,029</u>	<u>141,749</u>	<u>185,839</u>	<u>761,438</u>	<u>2,351,524</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(146,562)</u>	<u>-</u>	<u>-</u>	<u>(55,644)</u>	<u>(198,408)</u>	<u>(2,341,118)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	198,408	-
Transfers (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,408</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(146,562)</u>	<u>-</u>	<u>-</u>	<u>(55,644)</u>	<u>-</u>	<u>(2,341,118)</u>
<b>Fund balances at beginning of year</b>	825,798	-	-	58,649	-	2,341,118
<b>Fund balances at end of year</b>	<u>\$ 679,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,005</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

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

For the Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	Public Safety and Service Fund Types				Total Nonmajor Special Revenue Funds	
	Community Policing Grant	SAFER Hiring Grant	Firemen's Insurance & Inspection	Parking	2017	2016
<b>Revenues:</b>						
Intergovernmental	\$ -	\$ 728,553	\$ 380,040	\$ -	\$ 7,261,439	\$ 6,924,366
Fines and forfeitures	-	-	-	-	263,159	534,859
Revenues from the use of monies and property	568	-	2,892	837,372	856,208	726,723
<b>Total revenues</b>	<u>568</u>	<u>728,553</u>	<u>382,932</u>	<u>837,372</u>	<u>8,380,806</u>	<u>8,185,948</u>
<b>Expenditures:</b>						
<b>Public safety:</b>						
Police department	57,711	-	-	-	1,564,468	1,321,909
Fire department	-	728,553	148,981	-	1,004,534	1,528,502
<b>Community promotion:</b>						
Community promotion	-	-	-	-	3,481,156	973,358
<b>Culture and recreation:</b>						
Special projects	-	-	-	801,769	801,769	800,751
<b>Community development:</b>						
Community development	-	-	-	-	430,536	400,980
HOME program	-	-	-	-	-	148,146
<b>Total expenditures</b>	<u>57,711</u>	<u>728,553</u>	<u>148,981</u>	<u>801,769</u>	<u>7,282,463</u>	<u>5,173,646</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(57,143)</u>	<u>-</u>	<u>233,951</u>	<u>35,603</u>	<u>1,098,343</u>	<u>3,012,302</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	244,600	218,966
Transfers (out)	-	-	-	-	(3,629,938)	(3,451,543)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,385,338)</u>	<u>(3,232,577)</u>
<b>Net change in fund balances</b>	<u>(57,143)</u>	<u>-</u>	<u>233,951</u>	<u>35,603</u>	<u>(2,286,995)</u>	<u>(220,275)</u>
<b>Fund balances at beginning of year</b>	95,565	-	109,349	-	3,633,679	3,853,954
<b>Fund balances at end of year</b>	<u>\$ 38,422</u>	<u>\$ -</u>	<u>\$ 343,300</u>	<u>\$ 35,603</u>	<u>\$ 1,346,684</u>	<u>\$ 3,633,679</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**

June 30, 2017

(With Comparative Totals at June 30, 2016)

	Installment Purchase Revenue Bonds	Naval Base & Riverfront Park	Street Light & Drainage	Total Nonmajor Capital Project Funds
				2017      2016
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 594,923	\$ 606,838
Accounts receivable	41,748	-	-	288,454
Restricted assets:				
Cash & cash equivalents	6,252,719	-	-	8,813,848
<b>Total assets</b>	<b>\$ 6,294,467</b>	<b>\$ -</b>	<b>\$ 594,923</b>	<b>\$ 9,709,140</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,156,467	\$ -	\$ -	\$ 674,316
<b>Total liabilities</b>	<b>1,156,467</b>	<b>-</b>	<b>-</b>	<b>674,316</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	\$ 41,748	\$ -	\$ -	\$ 288,454
<b>Total deferred inflows of resources</b>	<b>41,748</b>	<b>-</b>	<b>-</b>	<b>288,454</b>
<b>Fund balances:</b>				
Restricted for:				
Facility and infrastructure improvements	5,096,252	-	594,923	8,746,370
<b>Total fund balances</b>	<b>5,096,252</b>	<b>-</b>	<b>594,923</b>	<b>8,746,370</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,294,467</b>	<b>\$ -</b>	<b>\$ 594,923</b>	<b>\$ 9,709,140</b>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	Installment Purchase Revenue Bonds	Naval Base & Riverfront Park	Street Light & Drainage	Total Nonmajor Capital Project Funds
				2017      2016
<b>Revenues:</b>				
Revenues from use of monies and property	\$ 337,799	\$ 405	\$ 5,296	\$ 343,500
<b>Total revenues</b>	<u>337,799</u>	<u>405</u>	<u>5,296</u>	<u>343,500</u>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Engineering, infrastructure and other	5,881,079	45,839	17,211	5,944,129
<b>Total expenditures</b>	<u>5,881,079</u>	<u>45,839</u>	<u>17,211</u>	<u>5,944,129</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(5,543,280)</u>	<u>(45,434)</u>	<u>(11,915)</u>	<u>(12,439,478)</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,500,000	45,434	-	2,545,434
<b>Total other financing sources (uses)</b>	<u>2,500,000</u>	<u>45,434</u>	<u>-</u>	<u>2,545,434</u>
<b>Net change in fund balance</b>	<u>(3,043,280)</u>	<u>-</u>	<u>(11,915)</u>	<u>(7,548,113)</u>
<b>Fund balance at beginning of year</b>	8,139,532	-	606,838	8,746,370
<b>Fund balance at end of year</b>	<u>\$ 5,096,252</u>	<u>\$ -</u>	<u>\$ 594,923</u>	<u>\$ 5,691,175</u>
				<u>\$ 8,746,370</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2016 Actual</b>
<b>Revenues:</b>				
Intergovernmental - State	\$ 2,536,500	\$ 2,383,342	\$ (153,158)	\$ 2,343,642
Intergovernmental - Local	548,980	419,066	(129,914)	281,000
Revenues from use of monies and property	-	1,849	1,849	1,015
<b>Total revenues</b>	<u>3,085,480</u>	<u>2,804,257</u>	<u>(281,223)</u>	<u>2,625,657</u>
<b>Expenditures:</b>				
Community promotion:				
Community promotion	1,349,980	1,129,632	(220,348)	954,843
<b>Total expenditures</b>	<u>1,349,980</u>	<u>1,129,632</u>	<u>(220,348)</u>	<u>954,843</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,735,500</u>	<u>1,674,625</u>	<u>(60,875)</u>	<u>1,670,814</u>
<b>Other financing sources (uses):</b>				
Transfers to Debt Service Fund	(1,735,500)	(1,630,707)	(104,793)	(1,603,545)
<b>Total other financing sources (uses)</b>	<u>(1,735,500)</u>	<u>(1,630,707)</u>	<u>(104,793)</u>	<u>(1,603,545)</u>
<b>Net change in fund balance</b>	-	43,918	43,918	67,269
<b>Fund balance at beginning of year</b>	<u>203,200</u>	<u>203,200</u>	<u>-</u>	<u>135,931</u>
<b>Fund balance at end of year</b>	<u>\$ 203,200</u>	<u>\$ 247,118</u>	<u>\$ 43,918</u>	<u>\$ 203,200</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			
	Final Budget	Actual	Variance Over (Under)	2016 Actual
<b>Revenues:</b>				
Intergovernmental - State	\$ 1,950,000	\$ 1,999,231	\$ 49,231	\$ 1,847,998
<b>Total revenues</b>	<u>1,950,000</u>	<u>1,999,231</u>	<u>49,231</u>	<u>1,847,998</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,950,000</u>	<u>1,999,231</u>	<u>49,231</u>	<u>1,847,998</u>
<b>Other financing sources (uses):</b>				
Transfers to Debt Service Fund	(1,950,000)	(1,999,231)	49,231	(1,847,998)
<b>Total other financing sources (uses)</b>	<u>(1,950,000)</u>	<u>(1,999,231)</u>	<u>49,231</u>	<u>(1,847,998)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			
	Final Budget	Actual	Variance Over (Under)	2016 Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 1,106,514	\$ 430,536	\$ (675,978)	\$ 400,980
<b>Total revenues</b>	<u>1,106,514</u>	<u>430,536</u>	<u>(675,978)</u>	<u>400,980</u>
<b>Expenditures:</b>				
Community development:				
Housing and infrastructure	1,106,514	430,536	(675,978)	400,980
<b>Total expenditures</b>	<u>1,106,514</u>	<u>430,536</u>	<u>(675,978)</u>	<u>400,980</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCDPS CRIMINAL DOMESTIC VIOLENCE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
			<b>2016 Actual</b>
<b>Revenues:</b>			
Intergovernmental - State	\$ 64,292	\$ 48,650	\$ (15,642)
<b>Total revenues</b>	<u>64,292</u>	<u>48,650</u>	<u>(15,642)</u>
<b>Expenditures:</b>			
<b>Public safety:</b>			
Police department	78,794	63,055	(15,739)
<b>Total expenditures</b>	<u>78,794</u>	<u>63,055</u>	<u>(15,739)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(14,502)</u>	<u>(14,405)</u>	<u>(97)</u>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	14,502	14,405	(97)
<b>Total other financing sources (uses)</b>	<u>14,502</u>	<u>14,405</u>	<u>(97)</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**JUSTICE ASSISTANCE GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			
	Final Budget	Actual	Variance Over (Under)	2016 Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 109,600	\$ 12,029	\$ (97,571)	\$ 3,130
<b>Total revenues</b>	<u>109,600</u>	<u>12,029</u>	<u>(97,571)</u>	<u>3,130</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	109,600	12,029	(97,571)	3,130
<b>Total expenditures</b>	<u>109,600</u>	<u>12,029</u>	<u>(97,571)</u>	<u>3,130</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**VICTIMS ADVOCATE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			2016
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Fines and forfeitures	\$ 206,110	\$ 129,996	\$ (76,114)	\$ 146,736
Revenues from use of monies and property	-	199	199	691
<b>Total revenues</b>	<u>206,110</u>	<u>130,195</u>	<u>(75,915)</u>	<u>147,427</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	264,759	185,839	(78,920)	328,563
<b>Total expenditures</b>	<u>264,759</u>	<u>185,839</u>	<u>(78,920)</u>	<u>328,563</u>
<b>Net change in fund balance</b>	(58,649)	(55,644)	3,005	(181,136)
<b>Fund balance at beginning of year</b>	58,649	58,649	-	239,785
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ 3,005</u>	<u>\$ 3,005</u>	<u>\$ 58,649</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
			<b>2016 Actual</b>
<b>Revenues:</b>			
Intergovernmental - Federal	\$ 95,000	\$ 95,213	\$ 213
<b>Total revenues</b>	<u>95,000</u>	<u>95,213</u>	<u>213</u>
<b>Expenditures:</b>			
<b>Public safety:</b>			
Fire department	127,000	127,000	-
<b>Total expenditures</b>	<u>127,000</u>	<u>127,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(32,000)</u>	<u>(31,787)</u>	<u>(213)</u>
<b>Other financing sources (uses):</b>			
Transfer from General Fund	32,000	31,787	(213)
<b>Total other financing sources (uses)</b>	<u>32,000</u>	<u>31,787</u>	<u>(213)</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SPECIALIZED ENFORCEMENT TEAM GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**

**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2016 Actual</b>
<b>Revenues:</b>				
Intergovernmental - State	\$ 142,684	\$ 141,749	\$ (935)	\$ 137,336
<b>Total revenues</b>	<u>142,684</u>	<u>141,749</u>	<u>(935)</u>	<u>137,336</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	142,684	141,749	(935)	137,336
<b>Total expenditures</b>	<u>142,684</u>	<u>141,749</u>	<u>(935)</u>	<u>137,336</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**PARKING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			2016
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Revenues from use of monies and property	\$ 840,536	\$ 837,372	\$ (3,164)	\$ 695,765
Total revenues	<u>840,536</u>	<u>837,372</u>	<u>(3,164)</u>	<u>695,765</u>
<b>Expenditures:</b>				
Culture and recreation:				
Special projects	840,536	801,769	(38,767)	800,751
Total expenditures	<u>840,536</u>	<u>801,769</u>	<u>(38,767)</u>	<u>800,751</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>35,603</u>	<u>35,603</u>	<u>(104,986)</u>
<b>Other financing sources (uses):</b>				
Transfers from General Fund	-	-	-	104,986
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,986</u>
Net change in fund balance	-	35,603	35,603	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 35,603</u>	<u>\$ 35,603</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**STATE PORTS AUTHORITY MITIGATION GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>		<b>Variance</b>	<b>2016</b>
	<b>Final</b>	<b>Actual</b>	<b>Over</b>	<b>Actual</b>
	<b>Budget</b>		<b>(Under)</b>	
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ 300,000
Revenues from use of monies and property	11,000	10,406	(594)	17,871
<b>Total revenues</b>	<u>11,000</u>	<u>10,406</u>	<u>(594)</u>	<u>317,871</u>
<b>Expenditures:</b>				
<b>Community promotion:</b>				
Community promotion	2,352,118	2,351,524	(594)	18,515
<b>Total expenditures</b>	<u>2,352,118</u>	<u>2,351,524</u>	<u>(594)</u>	<u>18,515</u>
<b>Net change in fund balance</b>	(2,341,118)	(2,341,118)	-	299,356
<b>Fund balance at beginning of year</b>	<u>2,341,118</u>	<u>2,341,118</u>	<u>-</u>	<u>2,041,762</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,341,118</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			2016
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 729,984	\$ 728,553	\$ (1,431)	\$ 692,285
<b>Total revenues</b>	<u>729,984</u>	<u>728,553</u>	<u>(1,431)</u>	<u>692,285</u>
<b>Expenditures:</b>				
Public safety:				
Fire department	729,984	728,553	(1,431)	692,285
<b>Total expenditures</b>	<u>729,984</u>	<u>728,553</u>	<u>(1,431)</u>	<u>692,285</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**SCDPS LOCAL COMMUNITY POLICING GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>2016</u> <u>Actual</u>
<b>Revenues:</b>				
Revenues from the use of monies and property	\$ -	\$ 568	\$ 568	\$ 755
<b>Total revenues</b>	<u>-</u>	<u>568</u>	<u>568</u>	<u>755</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	95,565	57,711	(37,854)	120,057
<b>Total expenditures</b>	<u>95,565</u>	<u>57,711</u>	<u>(37,854)</u>	<u>120,057</u>
<b>Net change in fund balance</b>	(95,565)	(57,143)	38,422	(119,302)
<b>Fund balance at beginning of year</b>	95,565	95,565	-	214,867
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ 38,422</u>	<u>\$ 38,422</u>	<u>\$ 95,565</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, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			2016
	Final Budget	Actual	Variance Over (Under)	Actual
<b>Revenues:</b>				
Intergovernmental - Local	\$ 65,191	\$ 60,000	\$ (5,191)	\$ 34,500
<b>Total revenues</b>	<u>65,191</u>	<u>60,000</u>	<u>(5,191)</u>	<u>34,500</u>
<b>Expenditures:</b>				
<b>Public safety:</b>				
Police department	65,191	60,000	(5,191)	34,500
<b>Total expenditures</b>	<u>65,191</u>	<u>60,000</u>	<u>(5,191)</u>	<u>34,500</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**SPECIAL REVENUE FUNDS**  
**COMMUNITY ORIENTED POLICE HIRING GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	2017			
	Final Budget	Actual	Variance Over (Under)	2016 Actual
<b>Revenues:</b>				
Intergovernmental - Federal	\$ 708,728	\$ 563,030	\$ (145,698)	\$ 280,406
<b>Total revenues</b>	<u>708,728</u>	<u>563,030</u>	<u>(145,698)</u>	<u>280,406</u>
<b>Expenditures:</b>				
Public safety:				
Police department	944,971	761,438	(183,533)	367,308
<b>Total expenditures</b>	<u>944,971</u>	<u>761,438</u>	<u>(183,533)</u>	<u>367,308</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(236,243)</u>	<u>(198,408)</u>	<u>(37,835)</u>	<u>(86,902)</u>
<b>Other financing sources (uses):</b>				
Transfer from General Fund	236,243	198,408	(37,835)	86,902
<b>Total other financing sources (uses)</b>	<u>236,243</u>	<u>198,408</u>	<u>(37,835)</u>	<u>86,902</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**DEBT SERVICE FUNDS**  
**GENERAL OBLIGATION BONDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**

**For the Year Ended June 30, 2017**

**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>		<b>Variance</b>	
	<b>Final</b>	<b>Actual</b>	<b>Over</b>	<b>2016</b>
	<b>Budget</b>		<b>(Under)</b>	<b>Actual</b>
<b>Revenues:</b>				
Property taxes	\$ 1,500,000	\$ 1,650,000	\$ 150,000	\$ 1,500,000
Intergovernmental - Local	745,000	759,321	14,321	755,266
Revenues from use of monies and property	3,000	487	(2,513)	3,001
<b>Total revenues</b>	<u>2,248,000</u>	<u>2,409,808</u>	<u>161,808</u>	<u>2,258,267</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	2,395,000	2,395,000	-	2,285,000
Interest and fiscal charges	1,481,500	1,474,096	(7,404)	1,580,870
<b>Total expenditures</b>	<u>3,876,500</u>	<u>3,869,096</u>	<u>(7,404)</u>	<u>3,865,870</u>
<b>Excess (deficiency) of revenues</b>				
<b>over expenditures</b>	(1,628,500)	(1,459,288)	169,212	(1,607,603)
<b>Other financing sources (uses):</b>				
Transfers in	1,903,500	1,650,000	(253,500)	1,607,603
Transfers (out)	(275,000)	-	(275,000)	(1,105,965)
<b>Total other financing sources (uses)</b>	<u>1,628,500</u>	<u>1,650,000</u>	<u>21,500</u>	<u>501,638</u>
<b>Net change in fund balance</b>	-	190,712	190,712	(1,105,965)
<b>Fund balance at beginning of year</b>	147,545	147,545	-	1,253,510
<b>Fund balance at end of year</b>	<u>\$ 147,545</u>	<u>\$ 338,257</u>	<u>\$ 190,712</u>	<u>\$ 147,545</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**DEBT SERVICE FUNDS**  
**CERTIFICATES OF PARTICIPATION & LIMITED OBLIGATION BONDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**

**For the Year Ended June 30, 2017**

**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>		<b>Variance Over (Under)</b>	<b>2016 Actual</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues:</b>				
Intergovernmental - State	\$ 3,902,500	\$ 3,848,942	\$ (53,558)	\$ 3,811,332
Intergovernmental - Local	1,425,000	1,429,359	4,359	1,428,806
Revenues from use of monies and property	282,000	392,557	110,557	345,869
<b>Total revenues</b>	<u>5,609,500</u>	<u>5,670,858</u>	<u>61,358</u>	<u>5,586,007</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	6,225,000	6,225,000	-	5,795,000
Interest and fiscal charges	3,070,000	1,862,970	(1,207,030)	1,588,179
<b>Total expenditures</b>	<u>9,295,000</u>	<u>8,087,970</u>	<u>(1,207,030)</u>	<u>7,383,179</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(3,685,500)	(2,417,112)	1,268,388	(1,797,172)
<b>Other financing sources (uses):</b>				
Transfers in	3,685,500	3,629,938	(55,562)	3,451,543
Bonds issued	-	6,247,106	6,247,106	-
<b>Total other financing sources (uses)</b>	<u>3,685,500</u>	<u>9,877,044</u>	<u>6,191,544</u>	<u>3,451,543</u>
<b>Net change in fund balance</b>	-	7,459,932	7,459,932	1,654,371
<b>Fund balance at beginning of year</b>	6,417,775	6,417,775	-	4,763,404
<b>Fund balance at end of year</b>	<u>\$ 6,417,775</u>	<u>\$ 13,877,707</u>	<u>\$ 7,459,932</u>	<u>\$ 6,417,775</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, 2017**

**(With Comparative Actual Amounts for the Year Ended June 30, 2016)**

	<b>2017</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>	<b>2016 Actual</b>
<b>Revenues:</b>				
Property taxes	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000
<b>Total revenues</b>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	1,415,000	1,415,000	-	1,350,000
Interest and fiscal charges	2,095,000	2,082,563	(12,437)	2,149,063
<b>Total expenditures</b>	<u>3,510,000</u>	<u>3,497,563</u>	<u>(12,437)</u>	<u>3,499,538</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,510,000)	(1,497,563)	12,437	(1,499,063)
<b>Other financing sources (uses):</b>				
Transfers in	1,510,000	1,497,563	(12,437)	1,499,063
<b>Total other financing sources (uses)</b>	<u>1,510,000</u>	<u>1,497,563</u>	<u>(12,437)</u>	<u>1,499,063</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULE BY SOURCE**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Governmental funds capital assets:</u></b>		
Land	\$ 59,014,142	\$ 58,801,780
Construction in progress	61,116,403	63,139,062
Buildings	207,945,788	196,339,899
Infrastructure	42,868,268	41,257,010
Furniture, fixtures and improvements	84,565,735	83,256,453
Equipment	78,145,063	73,720,246
<b>Total governmental funds capital assets</b>	<b>\$ <u>533,655,399</u></b>	<b>\$ <u>516,514,450</u></b>
<b><u>Investment in governmental funds capital assets by source:</u></b>		
Capital project funds	\$ 342,433,464	\$ 331,373,612
Governmental funds revenues	136,202,390	130,761,561
Federal and State grants	34,506,070	33,865,802
Donations and other	20,513,475	20,513,475
<b>Total governmental funds capital assets</b>	<b>\$ <u>533,655,399</u></b>	<b>\$ <u>516,514,450</u></b>

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## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	101
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, principally the property tax.	106
<b>Debt Capacity</b> 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.	112
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	116
<b>Operating Information</b> 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.	118



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 73,188,579	\$ 62,157,903	\$ 98,526,284	\$ 121,497,861	\$ 138,891,514	\$ 155,168,837	\$ 181,770,720	\$ 226,873,405	\$ 255,827,193	\$ 269,276,543
Restricted	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666	27,866,231	21,721,357	21,681,183	18,592,679	24,653,188
Unrestricted	42,506,554	51,243,542	38,156,130	21,866,469	26,553,409	42,013,899	52,355,841	(34,926,375)	(41,087,614)	(50,677,748)
<b>Total governmental activities net position</b>	<b>135,939,825</b>	<b>140,233,138</b>	<b>158,375,142</b>	<b>174,109,308</b>	<b>195,868,589</b>	<b>225,048,967</b>	<b>255,847,918</b>	<b>213,628,213</b>	<b>233,332,258</b>	<b>243,251,983</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 2,110,244	\$ 2,164,399	\$ 2,195,372	\$ 2,140,348	\$ 2,353,851	\$ 2,600,404	\$ 2,785,583	\$ 3,844,982	\$ 4,157,046	\$ 4,334,928
Unrestricted	4,033,176	3,775,392	4,587,428	5,061,043	5,982,041	5,745,453	5,234,795	3,164,826	2,269,972	3,481,903
<b>Total business-type activities net position</b>	<b>6,143,420</b>	<b>5,939,791</b>	<b>6,782,800</b>	<b>7,201,391</b>	<b>8,335,892</b>	<b>8,345,857</b>	<b>8,020,378</b>	<b>7,009,808</b>	<b>6,427,018</b>	<b>7,816,831</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 75,298,823	\$ 64,322,302	\$ 100,721,656	\$ 123,638,209	\$ 141,245,365	\$ 157,769,241	\$ 184,556,303	\$ 230,718,387	\$ 259,984,239	\$ 273,611,471
Restricted	20,244,692	26,831,693	21,692,728	30,744,978	30,423,666	27,866,231	21,721,357	21,681,183	18,592,679	24,653,188
Unrestricted	46,539,730	55,018,934	42,743,558	26,927,512	32,535,450	47,759,352	57,590,636	(31,761,549)	(38,817,642)	(47,195,845)
<b>Total primary government net position</b>	<b>142,083,245</b>	<b>146,172,929</b>	<b>165,157,942</b>	<b>181,310,699</b>	<b>204,204,481</b>	<b>233,394,824</b>	<b>263,868,296</b>	<b>220,638,021</b>	<b>239,759,276</b>	<b>251,068,814</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
<b>Expenses</b>										
General government	\$ 17,280,897	\$ 27,747,576	\$ 19,217,901	\$ 25,371,323	\$ 23,230,770	\$ 27,445,090	\$ 26,867,536	\$ 26,457,600	\$ 32,296,185	\$ 34,530,826
Public safety	41,928,776	45,302,069	45,713,483	46,170,085	48,393,769	51,619,681	54,457,376	58,491,261	61,633,465	67,170,655
Sanitation	5,377,391	5,179,985	5,419,033	5,455,504	5,595,353	6,011,879	6,389,844	6,129,667	6,306,562	7,000,290
Culture and recreation	16,903,156	15,910,929	14,674,112	13,738,220	14,883,727	14,148,047	15,489,110	16,495,636	17,469,972	17,925,304
Community development and promotion	4,469,444	4,436,051	4,753,317	5,860,846	4,754,853	4,906,786	4,709,825	5,174,995	4,709,983	6,679,525
Interest on long-term debt	4,818,241	5,862,444	5,315,770	5,460,165	5,518,173	7,098,192	7,649,242	5,888,319	5,488,761	7,178,924
<b>Total governmental activities expenses</b>	<b>90,777,905</b>	<b>104,439,054</b>	<b>95,093,616</b>	<b>102,056,143</b>	<b>102,376,645</b>	<b>111,229,675</b>	<b>115,562,933</b>	<b>118,637,478</b>	<b>127,904,928</b>	<b>140,485,524</b>
<b>Program revenues</b>										
Charges for services:										
General government	2,536,166	1,503,072	1,928,740	2,163,813	2,451,952	3,952,793	3,204,897	3,002,029	3,922,073	4,151,146
Public safety	4,326,639	4,471,230	4,427,829	4,141,790	3,611,583	3,872,664	3,688,314	3,974,967	3,590,404	3,089,174
Sanitation	120,330	392,147	110,411	70,103	64,447	67,556	74,729	58,175	83,800	82,601
Culture and recreation	7,068,086	7,047,609	6,708,758	5,595,582	6,770,787	7,216,389	9,034,247	7,722,471	8,293,168	10,452,107
Operating grants and contributions	5,385,682	7,401,261	12,120,428	10,109,870	5,419,156	4,831,230	3,534,071	4,802,442	3,892,060	4,391,958
Capital grants and contributions	-	-	-	2,869,607	9,870,180	1,244,990	16,298,998	19,860,711	7,986,236	1,570,651
<b>Total governmental activities program revenues</b>	<b>19,436,903</b>	<b>20,815,319</b>	<b>25,296,166</b>	<b>24,950,765</b>	<b>28,188,105</b>	<b>21,185,622</b>	<b>35,835,256</b>	<b>39,420,795</b>	<b>27,776,741</b>	<b>23,737,637</b>
<b>Total Governmental Activities Net Program Expense</b>	<b>71,341,002</b>	<b>83,623,735</b>	<b>69,797,450</b>	<b>77,105,378</b>	<b>74,188,540</b>	<b>90,044,053</b>	<b>79,727,677</b>	<b>79,216,683</b>	<b>100,128,187</b>	<b>116,747,887</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities (continued):</b>										
<b>General Revenues and Other Changes in Net Position</b>										
<b>Taxes</b>										
Property taxes	38,365,055	42,837,216	44,462,806	47,021,601	48,913,271	52,270,893	52,566,263	53,869,578	57,252,351	61,028,053
Business license taxes	18,226,480	17,654,794	17,243,307	17,861,972	19,994,477	21,421,988	22,249,041	22,931,298	24,692,314	26,306,512
Sales taxes	8,940,402	8,708,984	8,228,989	8,238,669	8,649,499	8,940,463	10,151,006	10,629,210	11,759,175	12,296,029
Franchise taxes	6,139,932	6,958,772	7,509,798	8,119,607	7,786,661	8,051,475	8,415,235	9,154,565	9,676,988	8,988,232
Hospitality taxes	4,807,458	4,719,666	4,723,496	4,942,144	5,317,448	5,679,436	5,961,759	6,763,503	7,077,470	7,265,612
Accommodations taxes	3,457,861	3,405,819	3,141,873	4,108,465	3,700,989	4,372,821	5,021,022	5,603,398	5,633,783	6,133,600
Other taxes	209,589	155,780	297,477	179,705	239,877	178,530	219,857	294,013	277,442	203,053
State shared revenues	2,964,905	2,964,905	2,600,459	2,945,823	2,191,105	2,511,770	2,523,874	2,542,418	2,542,418	2,641,066
Investment earnings	2,999,765	1,198,488	447,328	457,231	584,740	859,341	213,490	454,003	563,372	970,842
Miscellaneous	1,222,513	1,581,390	795,230	525,876	889,355	1,351,728	4,190,079	867,353	1,107,950	1,341,101
Donation & Contributions	-	-	-	-	-	-	-	-	-	-
Special item-contributed capital assets, net	-	-	-	-	-	-	-	-	-	-
Special item-settlement agreement (Note 1)	-	-	-	-	-	14,360,000	-	9,165,000	-	-
Special item-settlement agreement (Note 2)	-	-	-	-	-	-	-	(5,500,000)	-	-
Transfers	(2,761,367)	(2,268,766)	(1,511,309)	(1,561,549)	(1,463,690)	(774,014)	(986,998)	(939,350)	(751,031)	(506,488)
<b>Total general revenues and other changes in net position</b>	<b>84,572,513</b>	<b>87,917,048</b>	<b>87,939,454</b>	<b>92,839,544</b>	<b>96,803,732</b>	<b>119,224,431</b>	<b>110,526,628</b>	<b>115,834,989</b>	<b>119,832,232</b>	<b>126,667,612</b>
<b>Total Governmental Activities Change in Net Position</b>	<b>\$ 948,778</b>	<b>\$ 18,119,598</b>	<b>\$ 10,834,076</b>	<b>\$ 18,651,004</b>	<b>\$ 22,615,192</b>	<b>\$ 29,180,378</b>	<b>\$ 30,798,951</b>	<b>\$ 36,618,306</b>	<b>\$ 19,704,045</b>	<b>\$ 9,919,725</b>

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. 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business-type Activities:</b>										
Expenses										
Golf course enterprise fund	\$ 2,619,642	\$ 2,511,544	\$ 2,577,247	\$ 2,582,577	\$ 2,594,030	\$ 2,408,010	\$ 2,561,377	\$ 2,321,730	\$ 2,237,278	\$ 2,619,428
Stormwater utility enterprise fund	2,375,913	2,636,311	2,605,965	2,822,335	2,946,972	3,262,117	3,829,193	3,693,146	5,066,996	3,383,068
Total business-type activities expenses	4,995,555	5,147,855	5,183,212	5,404,912	5,541,002	5,670,127	6,390,570	6,014,876	7,304,274	6,002,496
Program revenues										
Charges for services:										
Golf course enterprise fund	1,272,233	1,126,830	1,096,204	1,033,552	1,152,487	1,284,175	1,259,730	1,144,490	1,241,324	1,818,460
Stormwater utility enterprise fund	1,151,300	1,490,860	3,380,163	3,191,083	4,013,656	3,556,993	3,793,027	3,724,405	4,095,088	4,855,735
Operating grants and contributions	-	-	-	-	-	-	-	-	-	46,690
Capital grants and contributions	-	-	-	-	-	-	-	330,000	550,000	117,750
Total business-type activities revenues	2,423,533	2,617,690	4,476,367	4,224,635	5,166,143	4,841,168	5,052,757	5,198,895	5,886,412	6,838,635
Total Business-type Activities Net Program Expense	2,572,022	2,530,165	706,845	1,180,277	374,859	828,959	1,337,813	815,981	1,417,862	(836,139)
Other Changes in Net Position										
Miscellaneous	120,414	57,770	38,545	37,319	45,670	64,910	25,336	65,331	84,041	47,186
Transfers, net	2,761,367	2,268,766	1,511,309	1,561,549	1,463,690	774,014	986,998	939,350	751,031	506,488
Total Business-type Activities Change in Net Position	309,759	(203,629)	843,009	418,591	1,134,501	9,965	(325,479)	188,700	(582,790)	1,389,813
Total Primary Government Change in Net Position	18,429,357	10,630,447	19,494,013	23,033,783	30,314,879	29,190,343	30,473,472	36,807,006	19,121,255	11,309,538

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

General Fund	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Pre-GASB #54 (Note 1)</b>											
Reserved	\$ 4,316,879	\$ 5,830,209	\$ 5,108,379	\$ 3,774,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	21,070,232	13,087,799	11,246,266	14,161,990	-	-	-	-	-	-	-
<b>Post-GASB #54 (Note 1)</b>											
Nonspendable	-	-	-	-	67,821	71,199	274,984	237,272	1,151,727	859,957	490,969
Restricted	-	-	-	-	-	-	-	827,268	2,426,723	3,495,172	1,537,879
Committed	-	-	-	-	409,827	411,021	412,023	412,694	477,128	641,611	1,212,749
Assigned	-	-	-	-	3,791,705	4,044,976	4,452,826	5,069,487	4,933,417	4,113,187	7,071,580
Unassigned	-	-	-	-	18,039,621	20,009,645	20,485,406	20,620,802	12,827,624	12,714,812	13,972,612
<b>Total General Fund</b>	<b>\$ 25,387,111</b>	<b>\$ 18,918,008</b>	<b>\$ 16,354,645</b>	<b>\$ 17,936,656</b>	<b>\$ 22,308,974</b>	<b>\$ 24,536,841</b>	<b>\$ 25,625,239</b>	<b>\$ 27,167,523</b>	<b>\$ 21,816,619</b>	<b>\$ 21,824,739</b>	<b>\$ 24,285,789</b>
<b>All Other Governmental Funds</b>											
<b>Pre-GASB #54 (Note 1)</b>											
Reserved	\$ 43,761,917	\$ 44,508,226	\$ 56,576,262	\$ 39,928,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:											
Special revenue funds	4,511,211	3,939,803	3,225,437	4,243,001	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-
Debt service funds	7,630,706	7,979,785	15,036,235	7,057,597	-	-	-	-	-	-	-
<b>Post-GASB #54 (Note 1)</b>											
Nonspendable	-	-	-	-	6,237,007	5,467,124	6,148,201	4,853,460	6,265,886	7,665,915	2,769,030
Restricted	-	-	-	-	52,519,152	96,946,387	70,692,322	52,347,077	46,864,893	36,340,119	113,339,829
Assigned	-	-	-	-	409,156	369,277	384,680	369,852	417,966	347,757	247,118
<b>Total All Other Governmental Funds</b>	<b>\$ 55,903,834</b>	<b>\$ 56,427,814</b>	<b>\$ 74,837,934</b>	<b>\$ 51,229,109</b>	<b>\$ 59,165,315</b>	<b>\$ 102,782,788</b>	<b>\$ 77,225,203</b>	<b>\$ 57,570,389</b>	<b>\$ 53,548,745</b>	<b>\$ 44,353,791</b>	<b>\$ 116,355,977</b>

## Note 1:

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Property taxes	\$ 38,365,055	\$ 42,837,216	\$ 44,462,806	\$ 46,798,627	\$ 48,259,447	\$ 51,516,594	\$ 52,409,847	\$ 53,779,197	\$ 57,042,134	\$ 60,793,331
Licenses and permits	26,202,367	25,946,508	26,359,628	27,599,742	29,670,187	31,420,738	32,991,422	34,119,753	37,036,183	37,991,977
Intergovernmental	25,909,333	27,663,823	30,391,586	30,766,054	29,976,800	27,652,503	43,841,104	50,986,549	40,024,244	36,791,204
Fines and forfeitures	2,410,539	2,531,235	2,547,312	2,333,498	1,867,687	1,826,523	1,918,180	2,009,689	1,678,485	1,111,709
Charges for services	2,142,213	2,513,102	1,814,955	1,695,599	1,601,380	1,918,865	1,611,405	1,761,270	2,175,807	2,238,554
Investment/property earnings	10,342,477	8,136,365	8,473,290	6,523,787	7,945,094	9,708,023	10,667,406	9,078,518	9,746,669	10,776,223
Other revenues	1,037,952	585,783	416,426	513,826	757,106	442,195	883,983	856,157	1,042,547	960,793
<b>Total revenues</b>	<b>106,409,936</b>	<b>110,214,032</b>	<b>114,466,003</b>	<b>116,231,133</b>	<b>120,077,701</b>	<b>124,485,441</b>	<b>144,323,347</b>	<b>152,591,133</b>	<b>148,746,069</b>	<b>150,663,791</b>
<b>Expenditures</b>										
General government	25,593,128	21,750,683	18,663,683	21,463,825	22,506,209	23,929,383	25,891,695	26,374,210	28,902,833	30,221,023
Public safety	42,433,943	47,529,207	43,738,022	47,963,669	48,428,219	52,819,352	55,207,576	56,716,601	61,935,194	62,787,241
Sanitation	5,436,012	5,253,786	4,599,528	5,143,935	5,321,461	5,756,066	6,099,718	6,652,304	6,038,348	6,732,214
Culture and recreation	12,879,310	12,846,603	12,581,354	11,369,459	12,565,625	13,135,932	14,165,731	14,101,241	14,499,420	14,753,130
Community development and promotion	4,572,783	4,559,812	4,087,388	5,204,591	4,087,855	4,250,510	4,496,711	4,818,173	4,430,162	6,825,907
Capital outlay	12,125,999	33,160,626	29,758,910	20,254,916	17,104,210	29,465,729	42,490,801	47,238,809	23,351,434	13,245,452
Debt service	11,761,633	11,894,719	16,520,938	15,167,373	15,189,314	17,207,010	18,069,793	19,303,029	19,277,287	20,490,579
Principal	4,522,076	5,687,731	5,442,802	5,503,062	5,550,169	7,178,755	6,718,366	6,237,230	6,026,731	5,916,063
Interest	148,462	899,978	-	-	598,293	34,000	-	182,689	-	690,668
Bond issuance costs	119,473,346	143,583,145	135,392,625	132,070,830	131,351,355	153,776,737	173,140,391	181,624,286	164,461,409	161,662,277
<b>Total expenditures</b>	<b>(13,063,410)</b>	<b>(33,369,113)</b>	<b>(20,926,622)</b>	<b>(15,839,697)</b>	<b>(11,273,654)</b>	<b>(29,291,296)</b>	<b>(28,817,044)</b>	<b>(29,033,153)</b>	<b>(15,715,340)</b>	<b>(10,998,486)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>119,473,346</b>	<b>143,583,145</b>	<b>135,392,625</b>	<b>132,070,830</b>	<b>131,351,355</b>	<b>153,776,737</b>	<b>173,140,391</b>	<b>181,624,286</b>	<b>164,461,409</b>	<b>161,662,277</b>
<b>Other financing sources (uses)</b>										
Transfers in	14,418,747	13,640,843	14,043,173	18,323,633	10,783,936	8,126,496	24,199,932	11,100,176	15,663,023	10,233,928
Transfers out	(17,180,114)	(15,909,609)	(15,554,482)	(19,885,182)	(12,247,626)	(8,900,510)	(25,186,930)	(12,039,526)	(16,414,054)	(10,740,416)
Proceeds from sale of property	379,654	962,321	303,904	1,535,770	154,601	186,676	5,596,512	525,415	1,193,537	413,455
Bonds issued	7,020,000	48,175,000	-	24,600,000	52,520,000	-	-	16,000,000	-	80,000,000
Premiums/Discounts on bonds	-	4,060,299	-	-	4,002,083	-	-	2,606,540	-	1,472,755
Refunding bonds issued	-	31,850,000	-	-	-	-	-	-	-	-
Payments to escrow agent	-	(32,533,969)	-	-	-	-	-	-	-	-
Capital lease obligations	2,480,000	3,400,000	107,213	3,574,000	1,906,000	3,409,447	4,095,000	4,968,000	4,086,500	4,082,000
<b>Total other financing sources (uses)</b>	<b>7,118,287</b>	<b>53,644,885</b>	<b>(1,100,192)</b>	<b>28,148,221</b>	<b>57,118,994</b>	<b>2,822,109</b>	<b>8,704,514</b>	<b>23,160,605</b>	<b>4,529,006</b>	<b>85,461,722</b>
<b>Special item</b>										
Palmetto Railway settlement agreement	-	-	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	-
Public safety settlement agreement	-	-	-	-	-	-	-	(5,500,000)	-	-
<b>Net change in fund balances</b>	<b>\$ (5,945,123)</b>	<b>\$ 20,275,772</b>	<b>\$ (22,026,814)</b>	<b>\$ 12,308,524</b>	<b>\$ 45,845,340</b>	<b>\$ (24,469,187)</b>	<b>\$ (18,112,530)</b>	<b>\$ (9,372,548)</b>	<b>\$ (9,186,334)</b>	<b>\$ 74,463,236</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>17.22%</b>	<b>16.94%</b>	<b>20.94%</b>	<b>19.42%</b>	<b>19.89%</b>	<b>20.31%</b>	<b>20.02%</b>	<b>21.45%</b>	<b>18.51%</b>	<b>18.92%</b>

Table 5

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Business License</u>	<u>Sales</u>	<u>Franchise</u>	<u>Hospitality</u>	<u>Accommodations</u>	<u>Other</u>	<u>Total</u>
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
2016	57,042,134	24,692,314	11,759,175	9,676,988	7,077,470	5,633,783	277,442	116,159,306
2017	60,793,331	26,306,512	12,296,029	8,988,232	7,265,612	6,133,600	203,053	121,986,369

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>
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%
2016	484,484,213	83,986,320	51,947,391	620,417,924	95.0	8,795,399,100	7.05%
2017	536,000,515	92,269,430	58,737,763	687,007,708	95.0	9,283,031,806	7.40%

Source: Charleston County and Dorchester County Assessor's Offices

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



Table 7

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

Fiscal Year	(2) City of North Charleston				(2)(3) County of Charleston				Charleston County School District (3)				Total Charleston County Direct & Overlapping Rates
	Direct Operating Millage	Debt Service Millage	City Millage	Total	Direct Operating Millage	Debt Service Millage	County Millage	Total	Direct Operating Millage	Debt Service Millage	School District Millage	Total	
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
2016	88.0	7.0	95.0		50.9	8.4	59.3		100.7	26.0	126.7		281.0
2017	88.0	7.0	95.0		50.9	8.9	59.8		116.3	20.0	136.3		291.1

Fiscal Year	City of North Charleston				County of Dorchester				Dorchester County School District (3)				Total Dorchester County Direct & Overlapping Rates
	Direct Operating Millage	Debt Service Millage	City Millage	Total	Direct Operating Millage	Debt Service Millage	County Millage	Total	Direct Operating Millage	Debt Service Millage	School District Millage	Total	
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
2016	88.0	7.0	95.0		82.9	6.2	89.1		169.9	53.0	222.9		407.0
2017	88.0	7.0	95.0		83.5	6.2	89.7		169.9	53.0	222.9		407.6

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>	<b>2017</b>			<b>2008</b>		
	<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 (Note 1)	\$ 64,984,531	9.46%		\$ -	-	
Kapstone	17,223,608	2.51%		23,957,285	5.85%	
South Carolina Electric & Gas	15,334,030	2.23%		8,297,410	2.03%	
North Charleston Joint Venture	5,915,360	0.86%		4,897,680	1.20%	
Tanger Properties	5,525,820	0.80%		-	-	
Charleston/North Charleston MSA LP	4,815,250	0.70%		2,182,830	0.53%	
Ingevity	4,231,834	0.62%		-	-	
Odfjell Terminals Charleston	4,205,621	0.61%		-	-	
Cummins	4,126,161	0.60%		1,995,000	0.49%	
Trident Medical Center	3,906,070	0.57%		3,399,960	0.83%	
<b>Total</b>	<b>\$ 130,268,285</b>	<b>18.96%</b>		<b>\$ 44,730,165</b>	<b>10.93%</b>	

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

Note 1: Taxable assessed value shown for Boeing represents the total of Charleston County's taxable assessment for Boeing. However, due to the fee-in-lieu agreement with Boeing, the net property tax revenues derived from Boeing are greatly reduced as a result of tax abatements.

Table 9

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

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections</b>	<b>Total Property Tax Collections</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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%	1,545,818	48,177,282	97.40%
2016	51,523,304	49,000,660	95.10%	1,430,618	50,431,278	97.88%
2017	54,465,561	52,067,162	95.60%	-	52,067,162	95.60%

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.

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

Fiscal Year	General Bonded Debt		Net General Bonded Debt	Percentage of Actual Taxable Value of Property (1)	Other Governmental Activities Debt		Capital Leases
	General Obligation Bonds	Restricted Accumulated Resources (4)			Tax Increment Bonds	Certificates of Participation	
				Per Capita (2)	Installment Purchase Rev. Bonds	Limited Obligation Bonds	
2008	22,212,864	5,726,198	16,486,666	0.26%	31,086,196	45,648,061	10,455,811
2009	18,170,000	5,329,016	12,840,984	0.19%	54,118,281	70,783,833	10,226,091
2010	14,020,000	5,136,016	8,883,984	0.13%	48,664,276	66,970,396	6,797,367
2011	32,395,000	5,122,528	27,272,472	0.39%	45,545,271	62,861,959	8,223,994
2012	29,215,000	4,966,996	24,248,004	0.33%	39,821,266	58,438,522	7,835,681
2013	25,920,000	4,146,947	21,773,053	0.28%	33,887,261	53,670,085	8,943,118
2014	22,505,000	2,105,898	20,399,102	0.24%	27,678,256	48,566,648	10,508,325
2015	37,392,770	1,253,510	36,139,260	0.43%	21,199,251	43,093,211	12,523,296
2016	34,934,000	147,545	34,786,455	0.40%	14,430,244	37,209,774	13,187,009
2017	32,365,230	299,339	32,065,891	0.35%	7,710,119	30,896,337	13,538,430

Fiscal Year	Business-type Activities Debt		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					
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	0.53%	1,571.19
2015	6,459,930	798,963	172,385,745	7,503,186	164,882,559	0.51%	1,544.58
2016	5,843,690	771,926	156,890,849	6,772,222	150,118,627	N/A	1,386.09
2017	5,207,450	1,110,729	221,088,379	14,171,070	206,917,309	N/A	1,893.15

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, 2017**

<b>Governmental Unit</b>	<b>Net Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Direct and Overlapping Debt</b>
<b>Overlapping Debt:</b>			
Charleston County	\$ 554,250,000	20.00%	\$ 110,851,677
Charleston County Parks & Recreation Commission	25,911,226	20.00%	5,182,324
Charleston County School District	165,735,000	20.00%	33,147,502
Charleston County Aviation Authority	171,435,000	20.00%	34,287,519
North Charleston Sewer District	13,145,000	20.00%	2,629,040
Dorchester County	39,658,301	19.51%	7,737,048
Dorchester County School District	333,614,230	19.51%	65,085,723
<b>Subtotal Overlapping Debt</b>			\$ 258,920,832
<b>City Direct Debt</b>			215,069,539
<b>Total Direct and Overlapping Debt</b>			<u>\$ 473,990,371</u>

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed Property Value	\$ 409,372,827	\$ 453,086,903	\$ 472,390,739	\$ 482,635,109	\$ 482,635,109	\$ 544,332,564	\$ 562,969,371	\$ 583,213,220	\$ 620,417,924	\$ 687,007,708
Debt Limit (8% of assessed value)	32,749,826	36,246,952	37,791,259	38,565,479	38,610,809	43,546,605	45,037,550	46,657,058	49,633,434	54,960,617
Net debt applicable to limit:										
General obligation bonds	15,745,000	13,805,000	11,790,000	32,395,000	29,215,000	25,920,000	22,505,000	34,960,000	32,675,000	30,280,000
Legal debt margin	\$ 17,004,826	\$ 22,441,952	\$ 26,001,259	\$ 6,170,479	\$ 9,395,809	\$ 17,626,605	\$ 22,532,550	\$ 11,697,058	\$ 16,958,434	\$ 24,680,617
Total net debt applicable to the limit as a percentage of debt limit	48.08%	38.09%	31.20%	84.00%	75.67%	59.52%	49.97%	74.93%	65.83%	55.09%

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

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

Fiscal Year	Tax Increment Bonds (1)				Golf Course Mortgage Revenue Bonds						
	Property Tax Increment	Debt Service		Coverage	Golf Course Operating Revenue	Transfers	Less: Operating Expenses		Net Available Revenues	Debt Service	
		Principal	Interest							Principal	Interest
2008	5,264,170	1,615,000	1,170,056	1.89	1,294,342	1,557,527	1,661,874	1,189,995	1,189,995	455,000	447,593
2009	6,452,508	840,000	1,634,536	2.61	1,155,150	1,333,086	1,521,494	966,742	966,742	475,000	424,197
2010	6,999,379	5,110,000	1,803,695	1.01	1,119,444	1,511,309	1,673,214	957,539	957,539	490,000	379,740
2011	7,060,373	4,875,000	1,590,994	1.09	1,056,645	1,561,549	1,576,658	1,041,536	1,041,536	510,000	448,313
2012	7,733,308	5,380,000	1,422,351	1.14	1,175,405	1,463,690	1,613,767	1,025,328	1,025,328	525,000	417,326
2013	8,073,564	5,590,000	1,209,490	1.19	1,337,345	1,274,014	1,543,771	1,067,588	1,067,588	550,000	345,574
2014	8,282,036	5,865,000	979,397	1.21	1,276,603	1,496,998	1,644,505	1,129,096	1,129,096	575,000	314,297
2015	8,101,050	6,135,000	738,762	1.18	1,200,372	1,449,350	1,508,246	1,141,476	1,141,476	595,000	286,631
2016	9,566,068	6,425,000	472,643	1.39	1,306,054	1,261,031	1,451,831	1,115,254	1,115,254	620,000	261,264
2017	10,464,035	6,725,000	245,889	1.50	1,882,514	1,016,488	1,920,401	978,601	978,601	640,000	250,871

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>Population</u>	<u>(In thousands of dollars)</u>		<u>School Enrollment</u>	<u>Unemployment Rate</u>
		<u>Personal Income</u>	<u>Per Capita Personal Income</u>		
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	39,853	23,513	7.3%
2014	104,054	30,861,000	42,038	23,902	5.1%
2015	106,749	32,307,000	43,393	24,273	5.8%
2016	108,304	**	**	24,625	4.9%
2017	109,298	**	**	24,850	4.2%

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

\*\* No data yet available.



Table 15

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

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<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	20.13%	21,800	25.65%
Bocing	7,400	6.77%	-	
Trident Regional, LLC	2,500	2.29%	2,000	2.35%
U.S. Postal Service	2,000	1.83%	1,200	1.41%
Verizon Wireless Call Center	1,200	1.10%	-	
City of North Charleston	1,114	1.02%	959	1.13%
Kapstone	1,000	0.91%	1,500	1.76%
South Carolina Electric & Gas	850	0.78%	1,000	1.18%
Deytens Shipyard	800	0.73%	500	0.59%
Cummins	600	0.55%	300	0.35%
<b>Total</b>	<b>39,464</b>	<b>36.11%</b>	<b>29,259</b>	<b>34.42%</b>

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

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General government</b>										
Executive	17	19	20	20	20	21	21	21	21	20
Facilities Management	6	6	6	6	6	5	5	5	5	5
City Council	12	12	12	12	12	12	12	12	12	12
Finance	11	10	10	10	10	10	10	10	10	12
Purchasing	4	4	4	4	4	5	6	5	5	5
Information Systems	7	9	9	10	10	10	10	11	11	11
Municipal Court	16	18	22	22	20	19	19	19	19	19
Human Resources	7	7	7	7	8	7	7	7	7	10
Legal	3	4	4	4	4	5	5	5	5	5
<b>Public Safety</b>										
Police	399	424	448	426	417	419	420	420	423	440
Fire	218	220	220	229	229	241	242	257	257	257
Building Inspections	17	17	17	17	17	18	18	19	19	19
<b>Culture &amp; Recreation</b>										
Parks and Recreation	35	37	37	35	36	36	38	44	44	43
Cultural Arts	6	7	7	7	7	7	7	7	7	7
<b>Community Development</b>										
Planning	20	20	18	18	18	17	15	15	15	15
Code Enforcement	14	14	14	14	15	15	15	15	15	15
<b>Public Works</b>										
Administration	10	10	10	10	10	10	10	10	10	11
Maintenance	73	77	77	78	77	73	75	88	88	88
Sanitation	78	78	78	77	77	75	75	74	74	74
Stormwater Maintenance	45	45	45	46	46	46	46	47	47	46
<b>Total</b>	<b>998</b>	<b>1,038</b>	<b>1,065</b>	<b>1,052</b>	<b>1,043</b>	<b>1,051</b>	<b>1,056</b>	<b>1,091</b>	<b>1,094</b>	<b>1,114</b>

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Building permits issued	2,402	2,059	1,836	1,912	1,546	1,884	1,626	1,650	1,725	1,750
Business licenses issued	7,516	7,451	7,286	7,357	7,122	7,300	7,656	7,550	7,675	7,750
Police										
Physical arrests	9,972	10,455	10,946	11,500	12,939	13,000	13,636	14,000	12,500	11,750
Traffic violations	37,951	38,466	40,122	42,500	43,000	44,000	45,001	45,500	37,500	38,500
Fire										
Fire responses	5,262	5,950	7,389	7,500	10,046	15,055	17,890	18,500	19,500	19,750
Inspections	6,027	5,777	4,690	5,000	6,124	6,404	6,788	7,200	7,500	7,700
Refuse collection										
Garbage collection (annual tons)	31,177	29,234	29,282	29,057	28,311	29,542	24,670	28,000	29,000	29,500
Trash collection (annual tons)	23,579	23,047	20,456	20,523	19,745	19,563	20,817	21,500	22,500	23,250
Golf course										
Rounds played	40,692	35,514	35,375	34,855	38,397	42,081	41,100	36,113	38,401	43,035
Stormwater utility										
Accounts billed	22,362	22,645	22,625	23,976	23,209	23,951	28,370	29,141	29,343	29,436

Source: Various City departments.

Table 18

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police stations	6	6	7	7	7	7	7	7	7	7
Fire stations	11	11	12	12	12	12	12	12	11	11
Public Works										
Collection trucks	35	35	35	33	35	35	33	35	36	37
Streetlights	7,122	7,152	7,239	7,300	7,350	7,500	7,600	7,700	7,800	7,900
Traffic signals	102	105	108	110	101	119	120	125	130	135
Parks and Recreation										
Playgrounds	26	28	30	30	30	30	30	30	30	30
Baseball/softball diamonds	28	28	28	28	28	31	31	31	31	31
Football/soccer fields	10	11	11	11	11	11	11	11	11	11
Community centers	20	20	19	19	20	20	20	20	20	20

Source: Various City departments.