

PRELIMINARY OFFICIAL STATEMENT DATED JULY 7, 2026

NEW ISSUE: BOOK-ENTRY ONLY

Rating: S&P: AA-
(See “MISCELLANEOUS – Rating” herein)



In the opinion of Bond Counsel, assuming continuing compliance by the City with certain covenants, interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2026 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the purpose of computing the alternative minimum tax imposed on corporations. See “TAX MATTERS” for a brief description of certain federal income tax consequences to certain recipients of interest on the Series 2026 Bonds. The Series 2026 Bonds and the interest thereon will also be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.



\$14,350,000*
CITY OF NORTH CHARLESTON, SOUTH CAROLINA
LIMITED OBLIGATION REFUNDING BONDS
(HOSPITALITY FEE PLEDGE)
SERIES 2026

Dated: Date of Delivery

Due: As shown on inside cover

The above-described Limited Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2026 (the “Series 2026 Bonds”) of the City of North Charleston, South Carolina (the “City”) are limited obligations of the City, and are being issued to refund all or a portion of the outstanding bonds of an original issue of \$24,880,000 Limited Obligation Bonds (Hospitality Fee Pledge), Tax-Exempt Series 2017A (the “Series 2017A Bonds”) dated February 18, 2017 and to pay related costs of issuance. The Series 2026 Bonds will be issued on a parity with any unrefunded Series 2017A Bonds remaining after the refunding, the outstanding \$41,605,000 of an original issue of \$55,120,000 Limited Obligation Bonds (Hospitality Fee Pledge), Taxable Series 2017B, of the City dated February 8, 2017 and outstanding \$6,185,000 of an original issue of \$20,550,000 Limited Obligation Bonds (Hospitality Fee Pledge), Series 2018, of the City dated July 10, 2018.

The Series 2026 Bonds will initially be issued to and registered only in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), which will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be available to purchasers under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the Series 2026 Bonds. For so long as any purchaser is the beneficial owner of a Series 2026 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on such Bond. See “THE SERIES 2026 BONDS – Book-Entry Only System” herein.

The Series 2026 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2026 Bonds (payable each April 1 and October 1, commencing October 1, 2026) will be payable (in the event the book-entry only system is discontinued) by check or draft mailed to the registered owners thereof, or each owner of \$1,000,000 or more in principal amount of Series 2026 Bonds may request payment by wire transfer. Principal of the Series 2026 Bonds, due October 1 and payable in the years and amounts set forth on the inside cover, will be payable at the designated corporate trust office of U.S. Bank Trust Company, National Association, as trustee, registrar and paying agent.

THE SERIES 2026 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR THE LAWS OF THE STATE OF SOUTH CAROLINA, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2026 BONDS AGAINST THE GENERAL FUND OF THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED PLEDGED TO THE PAYMENT OF THE SERIES 2026 BONDS.

The Series 2026 Bonds are subject to optional redemption as set forth herein.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2026 Bonds are offered when, as, and if issued and accepted by Raymond James & Associates, Inc. (the “Underwriter”), subject to the final approving opinion of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, bond counsel. Certain legal matters will be passed on for the City by the Office of the City Attorney. Haynsworth Sinkler Boyd, P.A., Greenville, South Carolina is serving as disclosure counsel. Burr & Forman LLP, Charleston, South Carolina, is serving as counsel to the Underwriter. It is expected that delivery of the Series 2026 Bonds will be made through the facilities of DTC on or about July 29, 2026, against payment therefor.

RAYMOND JAMES®

July __, 2026

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

<u>October 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2038	\$4,550,000			
2039	4,780,000			
2040	5,020,000			

*Preliminary; subject to change.

**CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor or the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2026 Bonds as a result of various subsequent actions.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2026 Bonds identified on the inside cover. No person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2026 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Information in this Official Statement has been obtained by the Underwriter from the City and other sources believed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, the Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

U.S. Bank Trust Company, National Association as Trustee, Registrar and Paying Agent has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2026 Bonds, or (iii) the tax-exempt status of the interest on the Series 2026 Bonds.

Upon execution and delivery, the Series 2026 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2026 Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2026 BONDS AT OR ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING MAY BE DISCONTINUED AT ANY TIME.

Certain information contained in this Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.



CITY OF NORTH CHARLESTON, SOUTH CAROLINA

Reginald Burgess..... Mayor

CITY COUNCIL

- Reginald Burgess, Mayor
- Greg Perry, District 1
- Rhonda Jerome, District 2
- Dr. Stephanie Ganaway-Pasley, District 3
- Dr. Charmaine Palmer-Roberts, District 4
- Christopher Emde, District 5
- Nefertiti Brown, District 6
- Michael A. Brown, Jr., District 7
- Brandon Hudson, District 8
- Kenny Skipper, District 9
- Michael Brown, District 10

Courtney Fields Clerk of Council

CITY OFFICIALS

Darbis Briggman Special Assistant to the Mayor

David Cheatele Special Assistant to the Mayor

Robert Jarrett Director of Finance

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- Appendix D – Copy of the Master Bond Ordinance
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OFFICIAL STATEMENT

\$14,350,000*

**CITY OF NORTH CHARLESTON, SOUTH CAROLINA
LIMITED OBLIGATION REFUNDING BONDS
(HOSPITALITY FEE PLEDGE)
SERIES 2026**

INTRODUCTION

This Official Statement, which includes the cover page hereof, the Table of Contents, and the Appendices hereto, is provided to furnish certain information in connection with the offer of \$14,350,000* aggregate principal amount of Limited Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2026 (the “Series 2026 Bonds”), originally dated the date of delivery, issued by the City of North Charleston, South Carolina (the “City”).

All information included herein has been provided by the City except where attributed to other sources. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the City that has been deemed final by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

THE SERIES 2026 BONDS

Purpose of the Issue

The Series 2026 Bonds are being issued to defray the costs of refunding certain outstanding bonds of an original issue of \$24,880,000 Limited Obligation Bonds (Hospitality Fee Pledge), Tax-Exempt Series 2017A (the “Series 2017A Bonds”) dated February 18, 2017, and to pay the costs of issuance related to the Series 2026 Bonds.

Authorization

The Series 2026 Bonds are issued in accordance with the provisions of Title 6, Chapter 1, Articles 5 and 7 of the Code of Laws of South Carolina, 1976, as amended, as well as other applicable laws (collectively, the “Act”) and pursuant to an Ordinance enacted on November 10, 2016 by the City Council of the City (the “City Council”), as amended by Ordinance 2017-003 enacted by City Council on January 12, 2017 (the “Master Bond Ordinance”). The Series 2026 Bonds are also issued pursuant to Ordinance No. 2026-018 enacted by the City Council on June 11, 2026 (the “Supplemental Ordinance” and together with the Master Bond Ordinance, the “Ordinance”). The Series 2026 Bonds will be issued on a parity with any unrefunded Series 2017A Bonds remaining after the refunding, the outstanding \$41,605,000 of an original issue of \$55,120,000 Limited Obligation Bonds (Hospitality Fee Pledge), Taxable Series 2017B, of the City dated February 8, 2017 (the “Series 2017B Bonds”) and the outstanding \$6,185,000 of an original issue of \$20,550,000 Limited Obligation Bonds (Hospitality Fee Pledge), Series 2018, of the City dated July 10, 2018 (the “Series 2018 Bonds” and together with any unrefunded Series 2017A Bonds and the Series 2017B Bonds, the “Prior Bonds”). A copy of the Master Bond Ordinance is attached hereto as Appendix D.

Terms and Form

The Series 2026 Bonds will be issued as registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Series 2026 Bonds will be dated as of the date of delivery, will mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereto, and will bear interest at the rates

*Preliminary, subject to change.

per annum set forth on the inside cover page hereto payable on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing October 1, 2026. The Series 2026 Bonds will initially be issued solely in book-entry form (see “Book-Entry Only System” below). In the event that the Series 2026 Bonds are no longer held in a book-entry only system, the principal and redemption premium, if any, on the Series 2026 Bonds will be payable at the designated office of U.S. Bank Trust Company, National Association (the “Trustee”), as paying agent (in such capacity, the “Paying Agent”), and interest on the Series 2026 Bonds will be paid by check or draft mailed by the Trustee, as Paying Agent, to the registered owner thereof as shown on the registration books (the “Books of Registry”) held by the Trustee, as registrar (in such capacity, the “Registrar”), on the 15th day of the month prior to each Interest Payment Date (each a “Record Date”), or each owner of \$1,000,000 or over in principal amount of Series 2026 Bond may require payment by wire transfer upon the request of such owner delivered to the Trustee at or prior to the Record Date for such payment.

Redemption Provisions

Optional Redemption

The Series 2026 Bonds maturing after October 1, 20__ may be redeemed in whole or in part at any time, on or after October 1, 20__, by the City at the redemption price of 100% of the principal amount thereof plus accrued interest to such redemption date.

Notice of Redemption

The notice of the call for redemption of Series 2026 Bonds will be given by the Trustee by first class mail, postage prepaid, at least 30 days, but not more than 60 days, prior to the date fixed for redemption to the registered owner of each Series 2026 Bond subject to redemption at such owner’s address shown on the registration books of the City on the 15th day preceding that mailing.

Book-Entry Only System

The Depository Trust Company (“DTC”) will initially act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC’s partnership nominee). Upon issuance of the Series 2026 Bonds, one fully registered bond will be issued for each maturity of the Series 2026 Bonds as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2026 Bonds references herein to the holders or registered owners (the “Holders”) of the Series 2026 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the Series 2026 Bonds.

The information under this caption concerning DTC and DTC’s book-entry system has been obtained from sources believed to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy or completeness thereof.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or

indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2026 Bond (“Beneficial Owner”) is in turn to be recorded on the DTC Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other names as may be requested by an authorized representative of DTC. The deposit of Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The City and the Trustee will recognize DTC or its nominee, Cede & Co., as the registered owner of the Series 2026 Bonds for all purposes. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2026 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the City and the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City acting through the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Registration and Transfer

Upon the discontinuance of the book-entry only system, Series 2026 Bonds shall be evidenced by bond certificates issued in the name of the registered owners thereof as set forth on the Books of Registry, and Series 2026 Bonds shall be transferable only upon the Books of Registry by the registered owner thereof in person or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, as Registrar, duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any Series 2026 Bond, the City shall execute and thereupon the Trustee, as Registrar, shall authenticate and deliver to the transferee a new fully registered Series 2026 Bond or Bonds, registered in the name of the transferee of the same aggregate principal amount, maturity and interest rate as the surrendered Series 2026 Bond.

The City and the Trustee, as Registrar, may deem and treat the person in whose name any Series 2026 Bond is registered as the absolute owner of such Series 2026 Bond for the purpose of receiving payment of the principal and redemption premium, if any, of, and interest on, such Series 2026 Bond and for all other purposes.

For every exchange or transfer of any Series 2026 Bond, whether temporary or definitive, the Trustee, as Registrar, may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer.

SECURITY FOR THE SERIES 2026 BONDS

Pledge of Hospitality Fees

The Prior Bonds and the Series 2026 Bonds and the interest thereon are secured by a pledge of Hospitality Fees (as defined below) senior to all other pledges and liens upon such Hospitality Fees. No additional bonds may be issued which are payable from or secured by a pledge of or lien against the Hospitality Fees prior or superior to the pledge and lien securing the Series 2026 Bonds. Pursuant to the Master Bond Ordinance, the City may issue Additional Bonds (as such term is defined in Appendix D) secured by a pledge of the Hospitality Fees on a parity with or junior to the Prior Bonds and the Series 2026 Bonds (see “Additional Bonds on a Parity with Series 2026 Bonds” below and Appendix D – “Copy of Master Bond Ordinance”).

For so long as the Series 2026 Bonds are Outstanding, the City has covenanted in the Master Bond Ordinance that it will, on or before the first day of each fiscal year, set aside and restrict in a segregated account Hospitality Fees or (but subject to the legislative discretion of the Council) other legally available moneys equal to the Debt Service (as defined in Appendix D) and other payments to become due and payable with respect to the Bonds during such fiscal year. To comply with this covenant the City, as a part of its annual budget process, shall determine the available Hospitality Fees on hand and, if insufficient to cover the debt service on the Bonds during the upcoming fiscal year, shall, subject to annual appropriation, include in its general fund budget an amount to cover such shortfall from any legally available moneys.

Additional Sources of Payment

In the Master Bond Ordinance, the City has pledged the amounts deposited on a monthly basis by the County directly with U.S. Bank Trust Company, National Association as successor to U.S. Bank National Association, as escrow agent (the “County Contribution”) pursuant to the Restated Intergovernmental Agreement, dated as of January 1, 2017, between the City and the County, to the payment of Debt Service on the Series 2017A Bonds, the Series 2017B Bonds and the Series 2026 Bonds (but not the Series 2018 Bonds or any Additional Bonds). The County Contribution is \$119,580 a month, less any interest credited to the escrow fund. The County Contribution is transferred semi-annually

one business day prior to each Interest Payment Date by U.S. Bank Trust Company, National Association, as escrow agent, into the Bond Fund, established pursuant to the Master Bond Ordinance and held by U.S. Bank Trust Company, National Association, as Trustee. The moneys in the Bond Fund secure the Prior Bonds, the Series 2026 Bonds and any Additional Bonds, and such moneys may only be used to make debt service payments on the Prior Bonds, the Series 2026 Bonds and any Additional Bonds. While the City has identified and pledged Hospitality Fees to allow the payment of the Bonds, the City may also make such payment from any other legally available funds, including its General Fund. The Master Bond Ordinance provides that the Trustee shall deposit to the Bond Fund, from amounts provided by the City, on the fifteenth day of the calendar month prior to an Interest Payment Date, Hospitality Fees or other legally available moneys, if any, which the Council in its sole discretion shall determine to apply for such purpose. Such other legally available moneys (other than Hospitality Fees and payments received from the County Contribution) are not pledged to the payment of the Prior Bonds or the Series 2026 Bonds. See “HOSPITALITY FEES – Historical Hospitality Fee Collections” herein for the Hospitality Fees and the County Contributions for Fiscal Years 2016-2025.

THE SERIES 2026 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR THE LAWS OF THE STATE OF SOUTH CAROLINA, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE. NO RECOURSE MAY BE HAD FOR THE PAYMENT OF THE SERIES 2026 BONDS AGAINST THE GENERAL FUND OF THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY SHALL BE DEEMED PLEDGED TO THE PAYMENT OF THE SERIES 2026 BONDS.

No 2026 Debt Service Reserve Fund

No debt service reserve fund has been established in connection with the issuance of the Series 2026 Bonds.

Additional Bonds on a Parity with Series 2026 Bonds

The City may issue from time to time Additional Bonds secured by a pledge of Hospitality Fees on a parity with the pledge securing the Prior Bonds and the Series 2026 Bonds, except as to the moneys deposited to an Interest Account, Principal Account, Bond Redemption Account or Construction Fund, if any, with respect to particular Bonds, notwithstanding that they may be in different form, and bear different dates, interest rates, number, date of issuance or date of execution; and in all such instances, the pledge of Hospitality Fees, and the covenants and remedies hereby granted shall be applicable and available to the holders. Additional Bonds may be issued provided:

- (a) the Additional Bonds shall have been authorized under and pursuant to a Supplemental Ordinance;
- (b) the Additional Bonds shall be issued to secure funds to defray any Costs of Acquisition and Construction of one or more Projects or to refund Bonds;
- (c) no Default (as defined in Appendix D) shall exist in the payment of the principal of or interest on any Bonds then outstanding and no other Event of Default (as defined in Appendix D) shall have occurred and be continuing; provided, however, if such Default shall have occurred and be continuing, it shall be cured at least six months prior to the issuance of the Additional Bonds;
- (d) the proceedings authorizing the issuance of any such Additional Bonds shall provide: (1) for the distinctive series designation, denominations, method of numbering, date, maturity date or dates, interest rate or rates which rates may, if permitted by law, be variable or floating rates, the first Interest Payment Date, Paying Agent, and Registrar; (2) for the form of such Additional Bonds; and (3) for the disposition of the proceeds of such Additional Bonds. Such proceedings may also prescribe any other provisions with respect to such Additional Bonds not consistent with the provisions of the Master Bond Ordinance; and
- (e) there shall have been issued either (i) a certificate of the Mayor or Finance Director of the City showing that the amount of Hospitality Fees received during the fiscal year preceding the issuance of any Additional Bonds shall be at least 1.20 times the Maximum Debt Service on the Bonds then to be Outstanding and the Additional Bonds then

proposed to be issued or (ii) a ratings letter from Moody's Investors Service, Inc. or S&P Global Ratings showing that such Additional Bonds are rated in the "A" category or higher.

Refunding Bonds Pursuant to the Master Bond Ordinance

The Master Bond Ordinance permits the City to issue Additional Bonds, without complying with the requirements summarized above, for the purpose of refunding Bonds upon compliance with the following conditions:

(a) If such refunding Bonds are being issued to refund Bonds which would otherwise mature within one year prior to maturity or prior to any sinking fund installment due date, and for which sufficient Hospitality Fees are not available, so as to avoid a default on such Bonds, only upon compliance with certain provisions of the Master Bond Ordinance; or

(b) If such refunding Bonds are being issued other than for the reason set forth in (a) above, (i) only upon compliance with certain provisions of the Master Bond Ordinance; and (ii) either (A) the aggregate Debt Service on all Bonds to be outstanding after the issuance of such refunding Bonds shall not be greater than would have been the aggregate Debt Service on all Bonds not then refunded and the Bonds to be refunded or (B) the certificate described under paragraph (c) under the heading "Additional Bonds on a Parity with Series 2026 Bonds" above is delivered; provided that Bonds issued pursuant to the provisions of the Master Bond Ordinance described in this paragraph (b) shall comply with this requirements set forth in the provisions of the Master Bond Ordinance described under paragraphs (a), (c) and (d) under the heading "Additional Bonds on a Parity with Series 2026 Bonds" above.

Junior Bonds

The City may issue Junior Bonds (as defined in Appendix D) payable from the Hospitality Fees, provided that the pledge of and lien on Hospitality Fees securing the Junior Bonds shall at all times be subordinate and inferior to the pledge of such Hospitality Fees securing the Bonds issued from time to time and provided further that such Junior Bonds are issued to secure funds to defray Costs of Acquisition and Construction of one or more Projects or to refund Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing Costs of Acquisition and Construction.

HOSPITALITY FEES

South Carolina law authorizes the governing bodies of counties and municipalities, upon compliance with certain terms, conditions and limitations, to impose a "local hospitality tax" on the sales of prepared meals and beverages sold in establishments or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. Pursuant to such authorization, the Council has, by ordinances enacted on June 27, 1996 and June 13, 2000 (together, the "Hospitality Fee Ordinances"), imposed uniform fees in the amount of 2% of all gross proceeds derived from (i) the rental or charges for any rooms, campground spaces, lodgings or sleeping accommodations furnished to transients by any hotel, motel, inn, condominium, bed and breakfast, residence or any other place in which rooms, lodgings or sleeping accommodations are furnished to transients for consideration, and (ii) the sale of all prepared meals and beverages sold in or by establishments located within the City (together with accommodations taxes received by the City from the State pursuant to Section 12-36-2630, Code of Laws of South Carolina, 1976, as amended, the "Hospitality Fees").

Payment of the Hospitality Fees is the liability of the consumer of the products to which the fee applies. The Hospitality Fees are to be paid at the time of delivery of the services or products to which the fee applies and shall be collected by the provider or seller of the services or products. Hospitality Fees collected by the seller or provider of the products shall be remitted to the City on a monthly basis along with such return or form as may be established by the City for such purpose; provided that when the total Hospitality Fees for which any person is liable does not exceed \$100 for any month and the person also submits sales tax returns to the State on a quarterly basis, a quarterly remittance may be made.

Any Hospitality Fees not timely remitted shall initially be subject to a penalty of 5% and after 30 days shall be subject to a penalty of 10%. In addition, the failure of any establishment to collect or timely remit the required Hospitality

Fees may result in the suspension and/or revocation of the offending establishment’s business license. The failure to collect from patrons the Hospitality Fees does not relieve any establishment from making the required remittance.

Any person violating the foregoing provisions shall be deemed guilty of an offense and shall be subject to punishment by a fine not exceeding \$500 or by imprisonment for a term not exceeding 30 days, or both, in the discretion of the judge of the municipal court, upon conviction. Each day of violation shall be considered a separate offense. Punishment for violation shall not relieve the offender of liability for delinquent fees, penalties and costs provided for in the Hospitality Fee Ordinances.

South Carolina law allows revenues generated by local hospitality taxes to be used for certain enumerated purposes. The Hospitality Fee Ordinances permit the funds collected from the imposition of the Hospitality Fees for the following purposes:

- (1) tourism-related buildings including, but not limited to, civic centers, coliseums and aquariums;
- (2) tourism-related cultural, recreational, or historic facilities;
- (3) beach access and renourishment;
- (4) highways, roads, streets and bridges providing access to tourist destinations;
- (5) advertisements and promotions related to tourism development; and
- (6) water and sewer infrastructure to service tourism-related demand.

Historical Hospitality Fee Collections

The City’s Hospitality Fees are collected by a large and diverse group of businesses including alternative accommodation platforms (such as Airbnb and Vrbo), online travel agencies, online food delivery platforms, national hotels, and both national and local restaurants. The following table sets forth the amount of the portion of Hospitality Fees pledged and collected by the City during the fiscal years 2016 through 2025. The amounts shown in the table are presented on a cash basis and may differ from the audited figures, which are presented on an accrual basis. The amounts may not total due to rounding.

<u>Fiscal Year Ended June 30</u>	<u>Accommodations Component</u>	<u>Hospitality Component</u>	<u>County Contribution</u>	<u>Total Hospitality Fees</u>
2016	\$3,451,543	\$3,533,891	\$1,428,806	\$ 8,414,240
2017	3,629,938	3,645,889	1,429,359	8,705,186
2018	3,903,744	3,890,870	1,431,576	9,226,190
2019	3,842,358	4,052,036	1,433,901	9,328,295
2020	3,541,375	3,934,122	1,434,959	8,910,456
2021	2,385,488	3,922,453	1,434,960	7,742,901
2022	3,990,765	4,606,715	1,434,960	10,032,440
2023	4,674,029	5,535,976	1,434,960	11,644,965
2024	4,948,378	5,760,078	1,434,960	12,143,416
2025	5,244,178	5,859,980	1,434,960	12,539,118

The following table sets forth the unaudited amount of the portion of Hospitality Fees pledged and collected by the City during the first ten months of fiscal years 2025 and 2026. The amounts shown in the table are presented on a cash basis and do not include the County Contribution of \$1,434,960. The amounts may not total due to rounding.

<u>First Ten Months of Fiscal Year</u>	<u>Accommodations Component</u>	<u>Hospitality Component</u>	<u>Total Hospitality Fees</u>
2025	\$4,516,065	\$4,674,671	\$9,190,735
2026	4,653,742	4,912,617	9,566,359

The City has covenanted in the Master Bond Ordinance that it will, on or before the first day of each fiscal year, set aside and restrict in a segregated account Hospitality Fees or (but subject to the legislative discretion of the Council) other legally available moneys equal to the Debt Service (as defined in Appendix D) and other payments to become due and payable with respect to Bonds during such fiscal year. To comply with this covenant the City, as a part of its annual budget process, shall determine the available Hospitality Fees on hand and, if insufficient to cover the debt service on the Bonds during the upcoming fiscal year, shall, subject to annual appropriation, include in its general fund budget an amount to cover such shortfall from any legally available moneys (see “SECURITY FOR THE SERIES 2026 BONDS – Pledge of Hospitality Fees”).

SOURCES AND USES OF FUNDS

The following table sets forth the sources of funds to be derived from the sale of the Series 2026 Bonds and the uses of such funds:

<u>Sources of Funds</u>	
Principal Amount of Series 2026 Bonds	\$ _____
[Net] Original Issue Premium	_____
City Contribution	_____
Total Sources	\$ _____
 <u>Uses of Funds</u>	
Escrow Fund	\$ _____
Costs of Issuance ¹	_____
Total Uses	\$ _____

¹Including Underwriter’s discount, legal, printing, consulting and miscellaneous fees.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2026 Bonds, together with other funds of the City, will be used to refund all or a portion of the Series 2017A Bonds (the “Refunded Bonds”). The Refunded Bonds will be redeemed on October 1, 2026, at a redemption price of par.

Prior to the delivery of the Series 2026 Bonds, the City will enter into an escrow deposit agreement with U.S. Bank Trust Company, National Association (the “Escrow Agent”), providing for the deposit of a portion of the proceeds of the Series 2026 Bonds into a special and irrevocable trust fund (the “Escrow Fund”) to provide for the redemption of the Refunded Bonds.

The proceeds of the Series 2026 Bonds deposited into the Escrow Fund to refund the Refunded Bonds will be applied to the purchase of U.S. Government Obligations, or be held in cash; the principal of and interest on such U.S. Government Obligations, when due, together with any cash deposited into the Escrow Fund, will provide for the payment by the Escrow Agent of the principal of and interest on the Refunded Bonds upon their redemption date.

Upon the making of the deposits referred to above, the City’s obligations with respect to the holders of the Refunded Bonds and with respect to the ordinances pursuant to which the Refunded Bonds were issued will be fully discharged, and such holders will be entitled to payments only from the cash and the proceeds of the U.S. Government Obligations deposited with the Escrow Agent.

CERTAIN RISKS OF BONDHOLDERS

Before making a decision to purchase the Series 2026 Bonds, prospective purchasers should consider the following factors, among others, set forth in this Official Statement. This list is not intended to be exhaustive.

Climate Change and Natural Disasters

The State is susceptible to the effects of extreme weather events and natural disasters including floods, droughts, earthquakes and hurricanes which could result in negative economic impacts on coastal areas like the City. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures, rainfall intensification and rising sea levels. The economic impacts resulting from such extreme weather events could include a loss of property values and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially impact the City. In connection with the development of the City’s capital improvement program and its building and zoning regulations, the City actively factors in environmental and resiliency considerations into its short and long-term planning efforts. The City has an Emergency Operations Plan, which is initiated when the City is threatened by a storm. This plan ensures that the City’s core services will continue to function in the event of a major hurricane or other weather-related catastrophe.

Cyber Security Management

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cyber security threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). As a recipient and provider of sensitive information, the City may be the target of cyber security incidents that could result in adverse consequences to the City and its Systems Technology, requiring a response action to mitigate the consequences.

Cyber security incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. The City has implemented certain controls, including data and network security measures, malware protection, security configuration, website filtering and protection, and user training, to mitigate the risk of cyber security breaches from internal sources or activities.

DEBT SERVICE REQUIREMENTS

Debt service on the outstanding Prior Bonds and the Series 2026 Bonds is set forth in the following table:

<u>Fiscal Year</u>	<u>Prior Bonds*</u>	<u>Series 2026 Bonds</u>		<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	
2027	\$6,412,662.88			
2028	6,410,935.78			
2029	6,409,993.58			
2030	6,407,772.63			
2031	6,410,503.03			
2032	6,414,186.13			
2033	6,408,107.00			
2034	6,409,174.25			
2035	6,412,699.75			
2036	6,407,202.95			
2037	6,410,538.45			
2038	6,405,470.85			
2039	6,413,362.50			
2040	5,815,125.00			
2041	5,814,250.00			
2042	5,814,000.00			
Totals	\$100,775,984.78			

*Includes the Series 2017A Bonds to be refunded with the Series 2026 Bonds.

TAX MATTERS

Federal Income Tax Generally

On the date of issuance of the Series 2026 Bonds, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina (“Bond Counsel”), will render an opinion that, assuming continuing compliance by the City with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations promulgated thereunder (the “Regulations”) and further subject to certain considerations described in “Collateral Federal Tax Considerations” below, under existing statutes, regulations and judicial decisions, interest on the Series 2026 Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the Series 2026 Bonds will not be treated as an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2026 Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2026 Bonds and the tax-exempt status of interest on the Series 2026 Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2026 Bonds for federal income tax purposes. Bond Counsel’s opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof which have not been independently verified by Bond Counsel. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result and are not binding on the Internal Revenue Service (the “IRS”) or the courts; rather, such opinions represent Bond Counsel’s professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that the City comply with all requirements of the Code and the Regulations, including, without limitation, certain restrictions on the use, expenditure and investment of the gross proceeds of the Series 2026 Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2026 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026 Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2026 Bonds is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2026 Bonds.

Collateral Federal Tax Considerations

Prospective purchasers of the Series 2026 Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The Series 2026 Bonds have not been designated “bank qualified tax exempt obligations” under Section 265(b)(3) of the Code. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of the Series 2026 Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2026 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2026 Bonds. Bond Counsel's engagement with respect to the Series 2026 Bonds ends with the issuance of the Series 2026 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Owners regarding the tax-exempt status of the Series 2026 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the issuer and their appointed counsel, including the owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2026 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2026 Bonds, and may cause the City or the owners to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the City may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein.

[Original Issue Discount

Certain of the Series 2026 Bonds have been sold at initial public offering prices which are less than the amount payable at maturity (the "Discount Bonds"). The difference between the initial public offering prices to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2026 Bonds. As discount is accrued, the purchaser's basis in such Discount Bond is increased by a corresponding amount, resulting in a decrease in the gain (or an increase in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Discount Bond prior to its maturity.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who may acquire Series 2026 Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Series 2026 Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.]

[Original Issue Premium

Certain of the Series 2026 Bonds have been sold at an initial public offering price which is greater than the amount payable at maturity (the "Premium Bonds"). An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption prices at maturity constitutes premium on such Series 2026 Bonds. A purchaser of a Premium Bond must amortize any premium over the earlier of (i) such Series 2026 Bond's term or (ii) the first optional redemption date for such Premium Bonds using constant yield principles, based on the purchaser's yield to maturity or earlier redemption, as applicable. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2026 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own

tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2026 Bonds.]

State Tax Exemption

Bond Counsel is of the further opinion that the Series 2026 Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Series 2026 Bonds is currently subject to the tax imposed on banks by Section 12-11-20 of the Code of Laws of South Carolina, 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2026 Bonds or the interest thereon under the laws of any other jurisdiction.

LEGAL MATTERS

Litigation

The City experiences routine litigation and claims incidental to the conduct of its affairs. As of the date of issuance and delivery of the Series 2026 Bonds, the City Attorney will deliver his opinion to the effect that there is no litigation pending or threatened contesting the creation, organization, or existence of the City or that seeks to restrain or enjoin the issuance or delivery of the Series 2026 Bonds or the proceedings or authority under which they are to be issued or delivered or which in any manner questions the authority of the City to pledge the Hospitality Fees to the payment of the Series 2026 Bonds and the interest thereon. The opinion of the City Attorney will also state that, except as described herein, there is no litigation pending or threatened, to his knowledge, which would have a material adverse effect upon the City's financial condition.

Other Legal Matters

Certain legal matters incident to the authorization, issuance and sale of the Series 2026 Bonds are subject to the approval of the legality of issuance thereof by Haynsworth Sinkler Boyd, P.A., as bond counsel. Certain legal matters will be passed upon on for the City by the Office of the City Attorney. Haynsworth Sinkler Boyd, P.A. is serving as disclosure counsel. Burr & Forman LLP is serving as counsel to the Underwriter.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2026 Bonds upon an event of default under the Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Ordinance and the Series 2026 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

CONTINUING DISCLOSURE

The City will covenant in the Disclosure Dissemination Agent Agreement entered into by the City with Digital Assurance Certification, L.L.C. ("DAC") in connection with the issuance of the Series 2026 Bonds (the "Continuing Disclosure Agreement"), for the benefit of the registered owners and the "Holders" (as defined in the Continuing Disclosure Agreement) of the Series 2026 Bonds, to provide certain financial information and operating data relating to the City by no later than seven months after the end of each of the City's fiscal years, commencing with the report for the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the Series 2026 Bonds, in accordance with Rule 15c-12(b)(5) (the "Rule")

under the Securities Exchange Act of 1934, as amended. The Annual Report and the notices of certain enumerated events will be filed on behalf of the City by DAC, as dissemination agent, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org, or through such successor system. The specific nature of the information to be contained in the Annual Report and the event notices is set forth in Appendix E. These covenants have been made in order to assist the Underwriter of the Series 2026 Bonds in complying with the Rule.

As provided in the Continuing Disclosure Agreement, if the City fails to comply with any provision of the Continuing Disclosure Agreement, any registered owner or “Holder” of the Series 2026 Bonds may take such actions as may be necessary and appropriate, including seeking injunctive relief or specific performance by court order, to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure Agreement. If any person seeks to cause the City to comply with its continuing disclosure obligations under the Continuing Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a “Holder” within the meaning of the Continuing Disclosure Agreement.

MISCELLANEOUS

Rating

S&P Global Ratings has assigned a municipal bond rating of “AA-” to the Series 2026 Bonds. The definition of this rating and any explanation of the significance of the rating may be obtained only from S&P Global Ratings. There is no assurance that the rating will remain in effect for any given period of time or that such rating may not be lowered or withdrawn entirely by S&P Global Ratings, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Series 2026 Bonds.

Underwriting

The Series 2026 Bonds will be purchased for reoffering by Raymond James & Associates, Inc. (the “Underwriter”) from the City at an aggregate purchase price of \$ _____, representing the par amount of the Series 2026 Bonds plus [net] original issue premium of \$ _____ and less Underwriter’s discount of \$ _____. The Underwriter has entered into a Bond Purchase Agreement, which provides that the Underwriter will purchase all of the Series 2026 Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2026 Bonds will be subject to various conditions contained in the Bond Purchase Agreement.

The Underwriter intends to offer the Series 2026 Bonds to the public initially at the offering yields set forth on the inside cover of this Official Statement, which offering yields may subsequently be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter may offer and sell the Series 2026 Bonds to certain dealers (including dealers depositing Series 2026 Bonds into investment trusts) at yields lower than the public offering yields set forth on the inside cover of this Official Statement.

Municipal Advisor

First Tryon Advisors has served as municipal advisor (the “Municipal Advisor”) to the City with respect to the sale of the Series 2026 Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2026 Bonds is contingent on the issuance and delivery of the Series 2026 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendixes thereto.

Concluding Statement

All summaries of the provisions of the Act, the Series 2026 Bonds, the Ordinance and all summaries and references to other documents, instruments and materials not purported to be quoted in full are only brief outlines of certain provisions thereof and are not intended to be and do not constitute complete statements of the Act or such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete

terms and provisions thereof, or for the information contained therein. The attached Appendices A through E are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

Certain of the information set forth in this Official Statement and in the appendices hereto has been obtained from sources other than the City that are believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriter or the City.

The agreement between the City and Holders of the Series 2026 Bonds is fully set forth in the Ordinance, and neither any advertisement for the Series 2026 Bonds nor this Official Statement is to be construed as constituting an agreement with the Holders of the Series 2026 Bonds.

The delivery of this Official Statement has been duly authorized by the City.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

By: _____
Mayor

APPENDIX A
GENERAL INFORMATION REGARDING
THE CITY OF NORTH CHARLESTON

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DESCRIPTION OF THE CITY OF NORTH CHARLESTON

Description of the City of North Charleston

The City is located in Charleston and Dorchester Counties, in the southeastern part of South Carolina. It is northwest of the City of Charleston and was incorporated in 1972. In the past 5 decades, the City has experienced rapid growth, with the effect that the metropolitan area (including the City of Charleston and the City) is among the fastest growing sunbelt areas. According to the 2020 Census, the City had a population of 114,852 and covered approximately 77 square miles. The City is the State’s third largest municipality in population and in area. Because the City is bounded by rivers on the east and west, and by the City of Charleston on the south, the City has been growing to the west and the north into Dorchester County. Dorchester County is one of the fastest growing counties in South Carolina. Annexation has allowed the extension of infrastructure. This, along with the City being located in the geographic and population center of the metropolitan area and its position as the transportation hub of the region, has contributed to significant growth.

The largest employers located within the Charleston Metropolitan Statistical Area and the approximate number of employees are listed below.

<u>Company</u>	<u>Product or Service</u>	<u>Employees</u>
Joint Base Charleston	Area U.S. military commands	36,000
Medical University of South Carolina (MUSC)	Hospital, post-secondary education, research	13,000
Boeing Company	Commercial jetliner manufacturer	7,300
Berkeley County School District	Education/public schools	5,000-6,999
Charleston County School District	Education/public schools	5,000-6,999
Roper St. Francis Healthcare	Hospital system	5,000-6,999
Dorchester County School District II	Education/public schools	3,000-4,999
Charleston County	Local government	2,000-2,999
Trident Health System	Hospital system	2,000-2,999
Walmart Inc.	Retail merchandise	2,000-2,999
Robert Bosch Corporation	Antilock brake systems, fuel injection	2,000-2,999
U.S. Postal Service	Postal service	2,000-2,999
College of Charleston	Post-secondary education	2,000-2,200
Volvo Car USA LLC	Manufacture Volvo S60 sedans	1,000-1,999
City of Charleston	Local government	1,000-1,999
Mercedes-Benz Vans, LLC	Assembly of Sprinter vans	1,000-1,999
Kiawah Island Golf Resort/The Sanctuary	Resort	1,000-1,999
Blackbaud, Inc.	Specialty computer software development	1,000-1,999
Santee Cooper	Electric and water utility	1,000-1,999
Trident Technical College	Post-secondary & continuing education	1,000-1,999
City of North Charleston	Local government	1,000-1,999
Berkeley County	Local government	1,000-1,999
IQor	Inbound/outbound customer service call center	1,000-1,999
Publix Supermarkets	Retail grocery stores	1,000-1,999
Nucor Steel	Manufacture of carbon and alloy steel	1,000-1,999
BenefitFocus	Cloud-based benefits management software and support	1,000-1,999
JEM Restaurant Group	More than 100 Taco Bell and Pizza Hut franchises	1,000-1,999
Harris Teeter	Retail grocery stores	1,000-1,999

Source: Center for Business Research, Charleston Metro Chamber of Commerce.

Government of the City

The City operates under the mayor-council form of government. The City Council is composed of a Mayor elected at large and ten Council members elected from ten single-member districts. Current members of the City

Council are serving terms of office expiring in November 2027. The names and occupations of the Mayor and Council members are as follows:

<u>Council Member</u>	<u>Occupation</u>
Reginald Burgess	Mayor
Greg Perry, District 1	Program & Partnership Manager
Rhonda Jerome, District 2	Retired
Dr. Stephanie Ganaway-Pasley, District 3	Civil Mediator
Dr. Charmaine Palmer-Roberts, District 4	Chief Operating Officer
Christopher Emde, District 5	Small Business Owner
Nefertiti Brown, District 6	Consultant
Michael A. Brown, Jr, District 7	Entrepreneur
Brandon Hudson, District 8	Computer Engineer
Kenny Skipper, District 9	Logistics
Michael Brown, District 10	Retired

The Mayor is the chief executive and administrative officer of the City and serves as the presiding officer of the City Council. The Mayor has no veto power but votes in the same manner as the other members of Council. Regular meetings open to the public are held twice in each month during the year. Special meetings may be called by the Mayor or upon petition of a majority of the members of the City Council.

The responsibilities of the City Council include establishment of basic legislative policies for the City through the enactment of ordinances and resolutions governing all City affairs; establishment of guidelines and standards to govern all administrative decisions and procedures; action upon and approval of the annual operating budget and proposed capital improvements program of the City for the ensuing fiscal year; and appointment and removal of the municipal court judges and clerk of council.

The Mayor has the same rights, powers, duties and responsibilities as any member of the City Council with regard to matters coming before the City Council. Additionally, specific powers, duties, and responsibilities of the Mayor are to preside at meetings of the City Council; serve as the official head and ceremonial officer of the City; appoint and, when he deems it necessary for the good of the municipality, suspend or remove all municipal employees and appointive administrative officers; direct and supervise the administration of all departments, offices and agencies of the municipality; sign contracts, deeds, resolutions and proclamations on behalf of the City after approval by the City Council; act to ensure that all laws and ordinances, subject to enforcement by him or by officers subject to his direction and supervision, are faithfully executed; call special meetings of the City Council; keep informed about the financial and other City affairs and present information and recommendations to the citizens; prepare and submit the annual budget and capital program to the City Council; notify and confirm persons appointed by City Council to boards, commissions, and special committees; represent the City at meetings and in matters of intergovernmental relations in which the City has an interest; and perform such other duties as are consistent with the law and as required by the City Council.

Budget

The City's fiscal affairs are budgeted annually. The Director of Finance obtains in writing from each department head an estimate of the need of such department for the ensuing year. Thereafter, the department heads meet with the Mayor and the Director of Finance and prepare a budget. This budget is then presented to the Finance Committee (composed of the entire City Council), for extensive review, after which a public hearing is held on the proposed budget. After the public hearing is held the proposed budget is presented to City Council for review and approval. Under South Carolina law, the budgets of the municipalities of the State must be adopted at public meetings by ordinance which requires two readings with an interval of not less than six days between readings. At the request of a department or a particular agency, line items may be changed by the Mayor, although the total appropriation for such department or agency may not be exceeded. In order to modify the original ordinance adopting the budget, formal action must be again taken by the City Council. The Director of Finance is Rob Jarrett, who has been in the position since 2022.

Article X of the South Carolina Constitution mandates a balanced budget for the City. It prescribes that:

Each political subdivision of the State...shall prepare and maintain annual budgets which provide for sufficient income to meet its estimated expenses for each year. Whenever it shall happen that the ordinary expenses of a political subdivision for any year shall exceed the income for such political subdivision, the governing body of such political subdivision shall provide for levying a tax in the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses for each ensuing year.

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General Fund Budgets

<i>Anticipated Revenues</i>	Fiscal Year 2026	Fiscal Year 2027
Ad Valorem Property Taxes	\$76,315,300	\$81,839,921
Licenses & Permits	53,370,500	56,540,000
Federal Revenue	29,000	283,000
State Shared Revenue	28,530,511	30,764,856
Fines & Forfeitures	425,000	450,000
Interest & Rent	3,812,671	4,091,371
Charges for Services	4,589,314	5,163,014
Other Revenues	2,709,000	3,167,838
Fund Balance Appropriation	<u>3,200,000</u>	<u>--</u>
Total Revenues:	\$172,981,296	\$182,300,000
<i>Anticipated Expenditures</i>		
Executive	\$ 3,888,914	\$ 4,182,824
Facilities	8,676,805	9,077,030
City Council	738,210	807,589
Finance	1,513,609	1,786,095
Procurement	3,614,762	3,925,357
MIS	3,285,861	4,217,544
GIS	885,771	935,114
Municipal Court	1,513,524	1,687,436
Human Resources	1,495,120	1,667,366
Legal	1,252,493	1,443,138
Planning & Zoning	1,692,943	2,010,695
Code Enforcement	1,706,769	1,556,011
Police	49,645,753	54,384,448
Fire	35,078,309	35,225,024
Building Inspection	2,120,490	2,331,138
Public Works Administration	1,386,077	1,475,839
Public Works Maintenance	4,096,376	4,367,980
Public Works Shop	2,240,826	2,506,639
Public Works Sanitation	8,521,309	8,559,507
Recreation	12,060,102	11,640,065
Senior Centers	--	1,707,240
Cultural Arts	1,503,060	1,621,825
Fire Museum	542,792	--
Naval Base Complex	1,340,199	1,458,878
Special Projects	23,931,223	23,475,219
Contingency	<u>250,000</u>	<u>250,000</u>
Total Expenditures:	\$172,981,296	\$182,300,000

*The amounts may not total due to rounding.

Five Year Summary of General Fund Revenues, Expenditures and Changes in Fund Balances

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
REVENUES:					
Property Taxes	\$ 60,632,246	\$ 60,583,641	\$ 64,865,484	\$ 70,776,774	\$ 75,649,611
Licenses and Permits	38,327,902	41,517,125	44,764,030	49,671,713	52,387,782
Intergovernmental	24,557,521	27,175,575	29,380,779	30,347,624	31,269,221
Fines and Forfeitures	454,701	374,915	394,050	417,396	465,172
Charges for Services	2,748,142	3,012,030	3,235,035	3,120,907	3,166,641
Revenues from use of monies & property	2,009,838	2,640,012	4,328,948	5,716,176	5,942,128
Other Revenues	<u>779,597</u>	<u>783,550</u>	<u>1,854,998</u>	<u>2,240,672</u>	<u>3,624,707</u>
TOTAL REVENUES	\$129,509,947	\$136,086,848	\$148,823,324	\$162,291,262	\$172,505,262
EXPENDITURES:					
General Government	\$ 30,302,381	\$ 32,935,229	\$ 38,835,031	\$ 40,510,149	\$ 41,271,008
Public Safety	64,411,304	69,649,473	74,237,344	77,176,864	85,768,452
Sanitation	5,370,606	6,290,646	7,520,778	7,964,848	8,964,801
Culture and Recreation	6,923,729	8,647,173	10,084,502	10,862,143	14,207,757
Community Development & Promotion	2,361,115	2,565,253	2,645,768	2,744,276	3,046,201
Debt Service	<u>3,774,259</u>	<u>4,032,364</u>	<u>5,014,979</u>	<u>4,804,600</u>	<u>5,535,571</u>
TOTAL EXPENDITURES	\$113,143,394	\$124,120,138	\$138,338,402	\$144,062,880	\$158,793,790
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 16,366,553	\$ 11,966,710	\$ 10,484,922	\$ 18,228,382	\$ 13,711,472
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	--	--
Transfers Out	\$ (7,250,137)	\$ (3,894,113)	\$ (1,515,377)	\$ (1,093,667)	\$ (5,123,603)
Proceeds from sale of property	3,466,417	232,375	265,220	400,232	632,079
Capital Lease Obligations	<u>656,500</u>	<u>5,598,000</u>	<u>5,946,200</u>	<u>6,035,432</u>	<u>1,730,714</u>
TOTAL OTHER FINANCING SOURCES(USES)	\$ (3,127,220)	\$ 1,936,262	\$ 4,696,043	\$ 5,341,997	\$ (2,760,810)
Net Change In Fund Balances	\$ 13,239,333	\$ 13,902,972	\$ 15,180,965	\$ 23,570,379	\$ 10,950,662
Fund Balances – Beginning of Year	\$ 41,484,420	\$ 54,723,753	\$ 68,626,725	\$ 83,807,690	\$107,378,069
Fund Balances – End of Year	\$ 54,723,753	\$ 68,626,725	\$ 83,807,690	\$107,378,069	\$118,328,731

Management Discussion

At June 30, 2025, the total fund balance of all the City’s governmental funds was \$320,618,434, an increase of \$39,709,741, or 14.1% over the prior fiscal year. \$93,790,330 of such combined fund balance was unassigned at year-end, an increase of \$7,217,546, or 8.3%, from the \$86,572,784 unassigned balance at June 30, 2024. For Fiscal Year 2025, the fund balance of the General Fund increased \$10,950,662, or 10.2%, to \$118,328,731. General Fund revenues for Fiscal Year 2025 exceeded expenditures by \$13,711,472 before other financing sources or uses are applied. Through May 31, 2026 revenues and expenses are tracking with the budget. The City expects total revenues to exceed the budgeted amounts for Fiscal Year 2026.

CERTAIN FISCAL MATTERS

Assessment of Property in Charleston and Dorchester Counties

Article X, Section 1 of the State Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

- (1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business – 10.5% of fair market value. Certain real property owned by or leased to manufacturers for use in “research and development,” office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Pursuant to Act No. 228 of 2022, certain property of manufacturers is subject to a 42.8571% credit. Political subdivisions and school districts are required to be fully reimbursed by the State for this exemption, which is not to exceed \$170 million per year, in the same manner as from the Trust Fund for Property Tax Relief. Certain new industrial facilities may be entitled to pay a “fee-in-lieu-of-taxes” computed on an assessment ratio of not less than 6% (4% for investments exceeding \$400 million) of original cost less depreciation;
- (2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business – 9.5% of fair market value;
- (3) Legal residence and not more than five contiguous acres – 4% of fair market value (if the property owner makes proper application and qualifies);
- (4) Agricultural real property used for such purposes owned by individuals and certain corporations – 4% of use value (if the property owner makes proper application and qualifies);
- (5) Agricultural property and timberlands belonging to corporations having more than ten shareholders – 6% of use value (if property owner makes proper application and qualifies);
- (6) All other real property – 6% of fair market value;
- (7) Business inventories – 6% of fair market value (as of 1988, an exemption is available from taxation of property in this category, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit);
- (8) (A) Except as set forth in (B) below, all other personal property – 10.5% of fair market value; and
(B) Personal motor vehicles – 6.00%.

The South Carolina Department of Revenue (“DOR”) has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within a county. Every fifth year counties and the State are required by law to effect an appraisal of all property within the county and to implement that appraisal as a new assessment in the following year. Charleston County implemented its latest reassessment in Fiscal Year 2026, and Dorchester County implemented its latest reassessment in Fiscal Year 2025. Regulations adopted by the DOR also require that a reappraisal program must be instituted by a county if the median appraisal for all property in such county (as a whole or for any class of property) is higher than 105% or lower than 80% of fair market value.

The Comptroller General of the State may extend the time for assessment and collection of taxes by county officials. Unpaid property taxes, both real and personal, constitute a first lien against the property taxed.

The County Assessor appraises and assesses all the real property and mobile homes located within such county and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The DOR furnishes guides for use by the counties in the

assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

Each year the DOR certifies its assessments to the County Auditors each of whom prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

Homestead Exemption

South Carolina provides, among other exemptions, an exemption for homesteads. This is a general exemption from all ad valorem property taxes and applies to the first \$50,000 of value of the dwelling place of persons who are over 65 years of age, totally and permanently disabled or legally blind (the “Homestead Exemption”). The revenues that would have been received by various taxing entities but for the exemptions are replaced by funds from the State. The State pays each taxing entity the amount to which it is entitled by April 15 of each year from the State’s general fund. The Homestead Exemption reimbursement to the City for Fiscal Year 2025 amounted to \$604,854 in Charleston County and \$246,378 in Dorchester County.

State Tax Reform

Pursuant to Act 388, an additional one percent sales tax was imposed State-wide. The additional tax does not apply to certain items, including certain accommodations (e.g., hotels, motels, campgrounds and the like), items taxed at a defined maximum tax (e.g., automobiles, taxed at a maximum of \$500, regardless of sales price), and unprepared food. Receipts from this one percent sales tax must be credited to the “Homestead Exemption Fund” created pursuant to Act 388.

All owner-occupied real property in the State are exempted from *ad valorem* taxes levied for school district operations (the “New Homestead Exemption”). Proceeds of the sales tax deposited in the Homestead Exemption Fund are distributed to all school districts of the State in substitution for the *ad valorem* taxes not collected as a consequence of the New Homestead Exemption, provided, however, that in no event shall the amount of sales taxes distributed to the school district or districts within one county be less than \$2,500,000 in the aggregate.

As described above, the New Homestead Exemption is for owner-occupied real property. Commercial property and other non-owner-occupied residences continue to be subject to *ad valorem* taxes, including for school district operations. See “CERTAIN FISCAL MATTERS – *Local Option Sales Tax for Additional Tax Relief*.”

Act 388 provides that the aggregate reimbursement for amounts not collected by reason of the New Homestead Exemption will increase by an amount equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Fiscal Accountability Authority. The aggregate amount of the reimbursement increase in any year will be distributed among the school districts of the State proportionately based on each school district’s weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the State’s “Education Finance Act.”

Any amounts remaining in the Homestead Exemption Fund after the distribution of moneys as described in the preceding paragraphs must be distributed to all of the counties of the State, proportionately based upon population, and applied as a credit against *ad valorem* taxes levied against, first, owner-occupied real property, and, thereafter, to all other classes of taxable property, for county operating purposes.

To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to the school districts of the State as described above, the difference must be paid from the State’s general fund. Enforcement of the requirement described in the preceding sentence is not self-executing, and will in each applicable year be subject to the appropriation of the necessary amounts by the General Assembly.

Limitation on Millage Increases

Act 388, as amended, also imposes a limitation on increases in the rate of millage levied for operational purposes by all political subdivisions and school districts. The annual millage rate for operations may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the rate of population growth of the political subdivision or school district, plus (c) the operating millage increase allowed by operation of clauses (a) and (b) above, but not previously imposed, for the three property tax years preceding the year to which the current limit applies. This limitation does not apply to millage that is levied to pay bonded indebtedness. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision or school district, as applicable, but only for the following purposes and only in a year in which such condition exists:

- (1) a deficiency of the preceding year;
- (2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;
- (3) compliance with a court order or decree;
- (4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year;
- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of Act 388 for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government;
- (6) certain purchases of undeveloped real property or of the residential redevelopment rights in undeveloped real property near an operating United States Military base; or
- (7) to purchase capital equipment and make expenditures related to the installation, operation, and purchase of the capital equipment, in a county having a population of less than one hundred thousand persons and having at least 40,000 acres of state forest land.

Local Option Sales Tax for Additional Tax Relief

Act 388 further authorizes the imposition within a county, subject to approval by referendum, of a local sales tax to provide additional property tax relief. The local sales tax authorized by Act 388 may only be imposed to the extent necessary to provide a 100% credit to all classes of taxable property against (a) county operating taxes, (b) school operating taxes, or (c) both, as set forth on the referendum ballot. In no event, however, may the rate of such local sales tax exceed one percent. Act 388 also provides a procedure for rescinding this local sales tax, as well as any other local sales taxes in force as of June 1, 2006. See “CERTAIN FISCAL MATTERS – *Local Option Sales Tax and Effective Millage*” herein.

Act 388 further provides that if a municipality or county has enacted a tax increment financing redevelopment plan, or other financing plan that relies upon property tax for its funding to retire indebtedness or pay for project costs, the rate of the local option sales tax must be set in an amount that considers the full funding for the project or retirement of indebtedness, which includes compliance with any covenants in the governing documents authorizing the indebtedness. The revenues of such tax attributable to the funding replacement for a tax increment redevelopment financing plan or other plan that relies upon property tax for its funding must be distributed by the county treasurer pursuant to Title 4, Chapter 10 of the Code of Laws of South Carolina, 1976, as amended.

Reassessment Valuations Limited

Act 388 also provides that the growth in valuation of real property attributable to reassessment may not exceed 15% for each five-year reassessment cycle. Growth in valuation resulting from improvements to real property is exempt from this restriction. Moreover, upon the sale (or other “assessable transfer of interest” including long-term leases, conveyances out of trusts, and other defined events, but excluding transfers between spouses) of any parcel of real

property (“ATI Transfer”), such parcel will generally be reassessed to its then-current market value at the time of the ATI Transfer (“Market Value”). Act No. 57 adopted by the South Carolina General Assembly on June 8, 2011 (“Act 57”) provides that real property subject to property tax at an assessment ratio of 6% which undergoes an ATI Transfer after 2010 will be valued for property tax purposes using an “exemption value” instead of the real property’s Market Value if the property is be subject to a 6% assessment ratio when held by the purchaser, unless the Market Value is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer (in which case the Market Value will be the value for property tax purposes). The “exemption value” is calculated by reducing the market value of property at the time of an ATI Transfer by twenty-five percent of the “ATI fair market value” of the property. “ATI fair market value” is the real property’s fair market value as determined at the time the property last underwent an ATI Transfer. If the twenty-five percent reduction in market value results in a value which is lower than the value of the property reflected on the books of the property tax assessor at the time of the ATI Transfer, then the value of the property reflected on the books of the property will be the “exemption value.”

Payments in Lieu of Taxes

The State has adopted an array of property tax inducements and incentives to promote investment in the State. Qualifying investments of \$2.5 million (\$1 million in some counties and for certain “brownfield” sites) or more may be negotiated for payments in lieu of taxes for periods up to 30 years (up to 40 years for certain large investments) using assessment ratios of as little as 6% and using millage rates that are either fixed for the term of the incentive or adjusted every fifth year. In some cases, owners of projects may also design a payment schedule so long as the present value of the payments under the schedule are equal to the present value of the payments that would have been made without the schedule. The State also provides a more generous inducement for enhanced investments, that is, those projects creating at least 125 new jobs and providing new invested capital of not less than \$150 million, projects with a total investment of \$400 million by a single sponsor and certain defined economic development projects. For these enhanced investments the fee-in-lieu of tax payments may be negotiated based on assessment ratios as low as 4% and for a term up to 50 years.

The State provides alternative provisions respecting the distribution of payments in lieu of taxes to entities having taxing jurisdiction at the location of the investment: (i) revenues received in respect of property that is not included in a multicounty or business industrial park (“MCIP”) are allocated annually in proportion to the amounts that would have been received by the taxing entities if the payments were taxes, based on the relative millage rates of overlapping taxing entities in a given year and (ii) revenues received from property that is in an MCIP, however, is distributed in accordance with the agreement creating the park; the amount of the distribution to each taxing entity is, for all practical purposes, controlled by the county. Property may be included in an MCIP under terms of agreements between two or more contiguous counties with individual sites being determined primarily by the county in which the site is located. Payments in lieu of taxes may be diverted from taxing entities to fund projects which support economic development activities, including projects that are used solely by a single enterprise, either directly or through the issuance of special source revenue bonds secured by payments in lieu of taxes. A county government may also divert payments in lieu of taxes derived from an MCIP to its own corporate purposes or those of other taxing entities in that county.

Several of the largest taxpayers in Charleston County pay a “fee-in-lieu of taxes” with respect to new manufacturing projects, and each year new fee-in-lieu of tax arrangements are made with other new manufacturing investments.

Projects on which these payments in lieu of taxes are made are considered taxable property at the level of the negotiated payment for purposes of calculating bonded indebtedness limits and for purposes of computing the index of taxpaying ability pursuant to the South Carolina Education Finance Act. If the property is situated in an MCIP, the calculation of assessed value for debt limit purposes is based upon the relative share of payments received by all taxing entities which overlap the MCIP. Accordingly, a recipient of payments from an MCIP is able to include only a fraction of the assessed value of property therein in calculating its debt limit.

If a county, municipality or special purpose district pledges to the repayment of special source revenue bonds any portion of the revenues received by it from a payment in lieu of taxes, it may not include in the calculation of its general obligation debt limit the value of the property that is the basis of the pledged portion of revenues. If such political subdivision, prior to pledging revenues to secure a special source revenue bond, has included an amount

representing the value of a parcel or item of property that is the subject of a payment in lieu of taxes in the assessed value of taxable property located in the political subdivision and has issued general obligation debt within a debt limit calculated on the basis of such assessed value, then it may not pledge revenues based on the item or parcel of property, to the extent that the amount representing its value is necessary to permit the outstanding general obligation debt to not exceed the debt limit of the political subdivision.

As an alternative to the issuance of special source revenue bonds, the owners of qualifying projects may receive a credit against payments in lieu of taxes due from the project as a means for the owner to pay for costs incurred from economic development activities. If a county, municipality or special purpose district agrees to allow a credit against the payments in lieu of taxes it would otherwise receive, it is subject to the same limitations on calculation of its debt limit as described in the preceding paragraph.

History of Assessed Values of the City of North Charleston

<u>Fiscal Year Ended June 30</u>	<u>Assessed Value of Real Property</u>	<u>Assessed Value of Personal Property*</u>	<u>Total</u>
2025	\$895,126,239	\$208,094,243	\$1,103,220,482
2024	838,474,849	194,628,393	1,033,103,242
2023	785,821,658	169,574,392	955,396,050
2022	727,031,843	168,395,329	895,427,172
2021	676,749,425	171,273,289	848,022,714

*Includes Vehicles

Source: Charleston and Dorchester County Assessors

City of North Charleston Tax Levy

As described under the heading “Local Option Sales Tax and Effective Millage” below, the amount the City receives from this revenue source is shown as a credit on a taxpayer’s bill to be applied to ad valorem taxes. The following table shows total millage before calculation of the credit arising by virtue of the Local Option Sales Tax. The effective millage resulting from the calculation is shown in the table in the next succeeding section.

<u>Fiscal Year Ended June 30</u>	<u>Mills Levied for City Operations & Debt</u>
2027	91.5
2026	91.5
2025	95.0
2024	95.0
2023	95.0

Local Option Sales Tax and Effective Millage

At the general election held on November 6, 1990, each county in the State voted on an initiative to levy an additional 1% to the then 5% sales tax, which additional 1% would be used by counties and municipalities located in counties which approved imposition of the Local Option Sales Tax at that time. Charleston County approved imposition of Local Option Sales Taxes. The additional 1% sales tax was imposed in 1991. Based on the formula for distribution of funds generated by such levy which will be supplied to participating local governments retroactively on a monthly basis, the City estimates receipt of approximately \$18.55 million during the fiscal year ending June 30, 2026. City Council has historically applied 55% of this amount to a reduction of property taxes.

The effective millage rates following application of local option sales tax revenues for homeowners in the City whose property is assessed at 4%, as well as those properties assessed at 6% and 10.5%, are shown in the following table:

Fiscal Year Ended <u>June 30</u>	Effective Millage after Local Option Sales Tax Credit (4%) Applied to Ad Valorem Tax	Effective Millage after Local Option Sales Tax Credit (6%) Applied to Ad Valorem Tax	Effective Millage after Local Option Sales Tax Credit (10.5%) Applied to Ad Valorem Tax
2025	73.25	79.33	84.55
2024	75.50	82.00	87.57
2023	74.25	81.17	87.10
2022	74.75	81.50	87.29
2021	75.75	82.17	87.67

State law provides that a petition signed by 15% of the qualified electors in a county may place before the voters at a subsequent election an initiative to rescind the Local Option Sales Tax.

Retirement Plans

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. Fiscal Year 2025 payroll covered under the 401(k) Plan was \$10,021,588 of \$70,772,265 total payroll for all City employees.

Employees may also defer the less of 100% of eligible compensation or \$24,500 per year. 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 during Fiscal Year 2025 were \$394,945. There were no changes in plan provisions during the year and, as of June 30, 2025, 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 \$24,500 per year. A fiduciary relationship between the City and the 457 deferred compensation plan does not exist, therefore under GASB 32 (Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans), the City does not report the balances and activities of the 457 plan in the financial statements. Employee contributions were \$415,253 during fiscal year ending June 30, 2025.

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

Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plans’ provisions are established under Title 9 of the South Carolina Code of Laws and are administered by the South Carolina Public Employee Benefit Authority (“PEBA”). PEBA has the authority to establish and amend benefits and funding policy. An annual comprehensive financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and made publicly available by PEBA.

Both employees and the City are required to contribute to the plans at rates established and as amended by PEBA. The City’s contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees’ annual earnings. Employees covered under the plans are required to contribute 9.00% or 9.75% of salary for the SCRS and SCPORS, respectively. The City is required to contribute 21.24% of gross earnings under SCPORS and 18.56% under SCRS. Fiscal Year 2025 payrolls covered under SCRS and SCPORS were

\$29,899,261 and \$39,091,947, respectively. Actual retirement contributions made during Fiscal Years 2023-2025 were as follows:

<u>Retirement Plan Costs</u>			
<u>Pension System</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
SC Retirement System (SCRS)	\$ 4,472,076	\$ 4,967,906	\$ 5,549,303
SC Police Officers' Retirement System (SCPORS)	<u>\$ 7,118,476</u>	<u>\$ 7,806,899</u>	<u>\$ 8,303,130</u>
Total Pension Payments	\$11,590,552	\$12,774,805	\$13,852,433

GASB 75

Governmental Accounting Standards Board Statement No. 75 ("GASB 75") requires the City to recognize a net OPEB (other post-employment benefits) liability and any related deferred outflows and inflows of resources along with a more comprehensive measure of OPEB expense for the City's 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 requires more extensive note disclosures. The City's OPEB expense for 2025 was \$3,672,000 and the City's contribution was \$5,670,214. The adoption of GASB 75 had no impact on the City's government fund financial statements, which continue to report expenditures in the amount of the contributions made to the City's OPEB plan. Changes in the City's net OPEB liability for Fiscal Year 2025 are shown in the following table.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability*</u>
Balances as of December 31, 2023	\$43,886,935	\$24,408,503	\$19,478,432
Charges for the year:			
Service Cost	\$ 1,526,894	-	\$ 1,526,894
Interest	2,038,380	-	2,038,380
Net Investment Income	-	521,556	(521,556)
Experience Differences	359,458	-	359,458
Change of Assumptions	109,860	-	109,860
Contributions – Employer	-	5,670,214	(5,670,214)
Benefit Payments	(1,970,214)	(1,970,214)	-
Administrative Expense	<u>-</u>	<u>(1,000)</u>	<u>1,000</u>
Net Changes	\$ 2,064,378	\$ 4,220,556	\$ (2,156,178)
Balances as of December 31, 2024	\$45,951,313	\$28,629,059	\$17,322,254

*The amounts presented for Fiscal Year 2025 were determined as of December 31, 2024.

Method by Which Tax Levy is Made

In South Carolina local taxes for counties, schools and special purpose districts are levied as a single tax bill which each taxpayer must pay in full. The County Treasurer collects all current taxes. Delinquent tax collections are made through the County Delinquent Tax Office.

Notices are mailed in October of each year or as soon thereafter as is practicable. All taxes may be paid without penalty through January 15. A 3% penalty plus costs is added on January 16. An additional 7% penalty is added on February 2 and an additional 5% penalty is added on March 17, at which time delinquent taxes are forwarded to the Delinquent Tax Office.

Tax Collection Record of the City of North Charleston

As of June 30, 2025, tax collections for the years indicated are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxes Levied</u>	<u>Current Taxes Collected</u>	<u>Delinquent Taxes Collected</u>	<u>Total Taxes Collected</u>	<u>Total % Collected</u>
2025	\$92,218,500	\$88,221,907	N/A	\$88,221,907	95.67%
2024	87,158,854	82,391,172	\$1,546,570	83,937,742	96.30
2023	79,137,447	75,592,142	1,542,140	77,134,282	97.47
2022	73,730,581	70,064,519	1,977,089	72,041,608	97.71
2021	71,131,101	67,658,806	1,520,316	69,179,122	97.26

Largest Taxpayers in the City of North Charleston

The largest taxpayers in the City for the fiscal year ending June 30, 2025 are as follows:

<u>Name</u>	<u>Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Boeing*	\$61,682,420	5.59%
Dominion Energy SC	19,969,620	1.81
Trident Medical Center LLC	16,747,580	1.52
Westrock Charleston Kraft LLC	14,189,302	1.29
Mercedes Benz Vans LLC	14,032,487	1.27
Dogwood Holdings LP	6,562,375	0.59
Tanger Charleston LLC	6,354,690	0.58
Ingevity Corp	6,064,534	0.55
Cummins Inc	4,985,054	0.45
Northwoods Mall CMBS LLC	4,805,750	0.44

*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.

DEBT STRUCTURE

Outstanding General Obligation Debt

As of June 30, 2026, the City had \$13,195,000 principal amount of general obligation bonds outstanding.

The City has not issued any refunding bonds for the purpose of preventing a default in the payment of principal of or interest on securities (bonds, notes, or other certificates of indebtedness) then outstanding, nor have securities of the City been in default as to the payment of principal or interest, or any other material respect at any time. The City has not used the proceeds of the sale of securities for operating expenses of the City.

Other Short Term and Long Term Obligations of the City

In September 2007, the City issued \$7,020,000 of Tax Increment Financing Bonds for the purpose of funding public improvements for the Navy Base Redevelopment Project, of which \$3,865,000 was outstanding as of June 30, 2026.

In February 2017, the City issued \$80,000,000 Limited Obligation Bonds (Hospitality Fee Pledge) Tax-Exempt Series 2017A and Taxable Series 2017B to facilitate the construction of a new parking garage at the Coliseum/Convention Center/Performing Arts Center Complex, a new aquatics facility, a new three-gym athletic

complex and additional parks and recreational facilities, of which \$66,485,000 was outstanding as of June 30, 2026. All or a portion of such bonds are being refunded with proceeds of the Series 2026 Bonds described in the body of this Official Statement.

In July 2018, the City issued \$20,550,000 Limited Obligation Refunding and Improvement Bonds (Hospitality Fee Pledge), Series 2018 for the purpose of constructing and/or improving various facilities throughout the City, for other improvements to the coliseum complex and to refund the remaining Series 2008 Certificates of Participation, of which \$6,185,000 was outstanding as of June 30, 2026.

In June 2019, the City issued \$13,120,000 Limited Obligation Bonds (Tax Increment Pledge), Series 2019 for the purpose of defraying the costs of certain publicly owned infrastructure improvements in the Charleston Naval Complex Redevelopment Project Area, including, but not limited to, a pedestrian bridge over Noisette Creek, Navy Base Memorial improvements, street and sidewalk improvements for housing master plan development, shoreline improvements and other Riverfront Park improvements, of which \$11,365,000 was outstanding as of June 30, 2026.

In October 2019, the City issued \$19,915,000 Limited Obligation Bonds (Tax Increment Pledge), Series 2019B for the purpose of defraying the costs of certain publicly owned infrastructure improvements in the Noisette Community Redevelopment Project Area, including, but not limited to, acquiring and constructing certain publicly-owned improvements within the Redevelopment Project Area, including without limitation road, streetscaping, sidewalk and parking improvements; public park improvements; and improvements to the Old Chicora Elementary School Auditorium, the acquisition from developers of public infrastructure improvements within the Redevelopment Project Area, and additional projects as more fully set forth in the Redevelopment Plan, and any amendments thereto, of which \$7,655,000 was outstanding as of June 30, 2026.

In October 2020, the City issued \$24,095,000 Limited Obligation Bonds (Tax Increment Pledge), Series 2020 for the purpose of defraying the costs of certain publicly owned infrastructure improvements in the Ingleside Community Redevelopment Project Area, including, but not limited to, acquiring and constructing certain publicly owned infrastructure improvements within the Redevelopment Project Area, including without limitation road, streetscape and signalization improvements, lighting, sidewalk, public parks and recreation improvements; a new fire station and additional projects as more fully set forth in the Redevelopment Plan, and any amendments thereto, of which \$17,785,000 was outstanding as of June 30, 2026.

In January 2022, the City issued \$42,820,000 Limited Obligation Bonds (Tax Increment Pledge), Series 2022 for the purpose of defraying the costs of acquiring and constructing certain publicly owned infrastructure improvements in Ingleside Community Redevelopment Project Area, including without limitation reconstruction and renovations to the Danny Jones pool complex and the Park Circle community center, the addition of Miracle League facilities at Park Circle, and additional projects as more fully set forth in the Redevelopment Plan, and any amendments thereto, of which \$32,560,000 was outstanding as of June 30, 2026.

In February 2024, the City issued \$29,395,000 Limited Obligation Bonds (Tax Increment Pledge), Series 2024 for the purpose of defraying the costs of acquiring and constructing certain publicly owned infrastructure improvements in The Noisette Community Redevelopment Project Area, including without limitation road, streetscape and signalization improvements, lighting, sidewalk, public parks and recreation improvements; a new fire station and additional projects as more fully set forth in the Redevelopment Plan, and any amendments thereto, of which \$23,065,000 was outstanding as of June 30, 2026.

As of June 30, 2026, the City had \$10,903,587 outstanding in capital lease obligations.

Installment Purchase Revenue Bonds

In 2021, the \$39,755,000 North Charleston Public Facilities Corporation Installment Purchase Refunding Revenue Bonds, Taxable Series 2021A (the “2021A Installment Purchase Bonds”) and the \$22,105,000 North Charleston Public Facilities Corporation Installment Purchase Revenue Bonds, Series 2021B (the “2021B Installment Purchase Bonds”) were issued. The outstanding principal amounts of the 2021A Installment Purchase Bonds and the 2021B Installment Purchase Bonds are \$29,765,000 and \$20,575,000, respectively, as of June 30, 2026, and the final maturities are June 1, 2037 and June 1, 2041, respectively.

General Obligation Debt

The Municipal Bond Act (Article 5, Chapter 21, Title 5 of the South Carolina Code) empowers the governing body of any municipality to issue general obligation bonds of such municipality in any amount not exceeding the constitutional debt limit applicable to such municipality upon compliance with certain conditions.

The City Council of the City is permitted, by virtue of the Municipal Bond Act and under the applicable debt limitation provisions of Article X of the South Carolina Constitution, to incur general obligation debt of the City as follows:

(a) if the general obligation debt is authorized by a majority vote of the qualified electors of the City in a referendum, general obligation debt may be incurred for the purpose of defraying the costs of capital improvements without any limitation as to amount (other than the amount specified in the referendum), and

(b) in addition to general obligation debt incurred pursuant to a referendum, to incur without an election general obligation debt in an amount not exceeding 8% of the assessed value of all taxable property of the City.

The City’s gross constitutional debt limit, based on the Fiscal Year 2025 assessed value of \$1,103,220,482, is \$88,257,638. The outstanding general obligation indebtedness of the City applicable to the 8% debt limit as of June 30, 2026 equals the sum of \$13,195,000, providing a net constitutional debt limit of \$75,062,638.

Overlapping Debt

The following table shows outstanding debt for each political subdivision which overlaps the City as well as the amount of debt applicable to the City as of June 30, 2025.

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of North Charleston</u>	<u>Amount Applicable to City of North Charleston</u>
Charleston County	\$647,591,000	19.62%	\$127,043,843
Charleston County Park and Recreation Commission	34,010,000	19.62	6,672,052
Charleston County School District	563,515,000	19.62	110,549,886
Charleston County Aviation Authority	560,950,000	19.62	110,046,686
North Charleston Sewer District	5,110,000	19.62	1,002,475
Dorchester County	118,313,000	25.17	29,783,619
Dorchester County School District	443,372,828	25.17	111,612,820

Source: City’s Annual Comprehensive Financial Report for Fiscal Year 2025

Overlapping Debt Limits

Under the applicable debt limitation provisions of Article X of the South Carolina Constitution, each county, incorporated municipality and special purpose district has the power, in such manner and upon such terms and conditions as the General Assembly shall prescribe by general law, (a) to incur general obligation debt authorized by a majority vote of the qualified electors thereof voting in a referendum, without limitations as to amount, and (b) to incur, without an election, general obligation debt (in addition to bonded indebtedness authorized by a majority vote of qualified electors) in an amount not exceeding 8% of the assessed value of all taxable property therein.

Counties may also incur general obligation debt for sewage disposal or treatment, fire protection, street lighting, garbage collection and disposal, water service or any other service or facility benefiting only a particular geographical section of the county in any amount if a special assessment, tax or service charge in an amount sufficient to provide debt service on the bonds issued for such purposes shall be imposed upon the area or persons receiving the benefit therefrom.

Under the applicable debt limitation provisions of Article X of the South Carolina Constitution, each school district of the State may, in such manner and upon such terms and conditions as the General Assembly shall prescribe by law, (a) incur general obligation debt authorized by a majority vote of the qualified electors of the school district voting in a referendum, without limitation as to amount, and (b) incur general obligation debt, upon such terms and conditions as the General Assembly may prescribe, in an amount not exceeding 8% of the assessed value of all taxable property of such school district (computed without consideration of bonded indebtedness authorized by a majority vote of the qualified electors of the school district voting in a referendum).

Article X of the South Carolina Constitution also authorizes all incorporated municipalities, special purpose districts and school districts to incur general obligation debt in anticipation of the collection of ad valorem taxes, the receipt of federal grants and the issuance of general obligation bonds.

ECONOMIC CHARACTERISTICS AND DATA

Population

The following table illustrates the population growth of the City from the 2000 Census to the 2020 Census. Population statistics for Berkeley, Charleston and Dorchester Counties, the MSA and the State are included for comparison purposes. Since 2000, the City's population has increased by nearly 50%.

	Census <u>2000</u>	Census <u>2010</u>	Census <u>2020</u>
City of North Charleston	76,641	97,471	114,852
Charleston County	309,969	350,209	408,235
Berkeley County	142,651	177,843	229,861
Dorchester County	96,413	136,555	161,540
Total MSA (Tri-County)	549,033	664,607	799,636
South Carolina	4,012,012	4,625,364	5,118,425

Source: United States Census Bureau.

Unemployment

The unemployment rates for the City and the State for last twelve months available are shown below:

<u>Month/Year</u>	<u>City</u>	<u>State</u>
May 2026	3.2%	3.8%
April 2026	3.0	3.6
March 2026	3.5	4.2
February 2026	4.7	5.4
January 2026	4.6	5.5
December 2025	4.1	4.9
November 2025	4.2	5.0
October 2025	3.9	4.5
September 2025	3.9	4.8
August 2025	4.4	4.8
July 2025	4.2	4.8
June 2025	3.9	4.6

Source: Department of Labor

The average annual unemployment rates in the City, Charleston County, the State, and the United States for the last five years are shown below.

<u>Year</u>	<u>City</u>	<u>Charleston County</u>	<u>State</u>	<u>United States</u>
2025	4.1%	3.6%	4.5%	4.3%
2024	3.5	3.4	4.3	4.0
2023	2.8	2.5	3.0	3.6
2022	2.9	2.7	3.2	3.6
2021	3.6	3.5	3.9	5.3

Source: Department of Labor

Per Capita Personal Income

The per capita income in Charleston County and the State are as set forth below:

<u>Year</u>	<u>Charleston County</u>	<u>State</u>
2024	N/A	N/A
2023	\$83,294	\$57,332
2022	78,187	54,429
2021	74,475	53,224
2020	68,116	48,770

Source: South Carolina Division of Research and Statistical Services and Bureau of Economic Analysis, U.S. Department of Commerce. Selected state data tables were discontinued September 27, 2024, and selected county tables were discontinued on November 14, 2024, due to budget constraints.

Labor Force

The table below sets forth the labor force estimate in Charleston County prepared by the South Carolina Department of Employment and Workforce for the past five years.

	<u>Annual Average</u>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Civilian Labor Force	203,163	210,122	218,826	223,688	228,677
Employment Total	210,586	215,992	224,343	231,448	237,166
Unemployment	7,423	5,870	5,517	7,760	8,490

Source: South Carolina Department of Employment and Workforce.

Workers involved in labor disputes are included among the employed. Total employment also includes agricultural workers, proprietors, self-employed persons, workers in private households and unpaid family workers. Charleston County is the largest business and financial center for the southeastern section of South Carolina. Numerous manufacturing plants are located within Charleston County.

Tourism

Tourism is a vital part of the economy in Charleston County. The City of Charleston (“Charleston”) was named the “No. 1 City in the U.S. and Canada” by Travel + Leisure World’s Best Awards for twelve consecutive years (2013 through 2024) and the South’s Best City (2017 through 2026). Charleston has received the similar designation of “Best Small City in the U.S.” from Condé Nast Traveler Reader’s Choice Awards fourteen times in the past fifteen years. Southern Living ranked Charleston the South’s Best City for the tenth consecutive year. Travel + Leisure magazine readers also designated Charleston as the No. 19 city in the world.

The historic character, architecture, moderate climate and coastal location of Charleston all make the area a major national tourist attraction. The Charleston Regional Development Alliance estimates that more than 7.6 million tourists visit Charleston annually and 51,000 direct and indirect jobs in the Charleston-region are generated by this industry, with an economic impact of approximately \$12.8 billion.

Higher Education

The Medical University of South Carolina has its campus in Charleston. The Medical University consists of six academic colleges (medicine, dental medicine, nursing, pharmacy, health professions and graduate studies) that award graduate and undergraduate degrees exclusively in the fields of health and biomedical sciences. The programs of the Medical University are enhanced by the institution's participation in the Charleston Higher Education Consortium, which also includes the College of Charleston, The Citadel, Trident Technical College, Clemson University, Charleston Southern University and South Carolina Wildlife and Marine Resources Center.

Port of Charleston

The South Carolina Ports Authority ("SCPA") operates the Port of Charleston (the "Port"), which is the eighth largest seaport in the United States. The Port along with the State are in the midst of a \$3 billion capital campaign. The list of major capital improvement projects includes the construction of the new Hugh K. Leatherman Terminal (HLT) on the former Naval Base, construction of the Navy Base Intermodal Facility (NBIF) adjacent to HLT, deepening the harbor to 52 feet, modernizing the Wando Welch terminal, and other road/rail access and terminal modernization projects. Phase I of the new 280-acre terminal opened in March of 2021, marking history as the nation's newest container terminal in over 10 years. At completion, the terminal will nearly double the Port's total container capacity.

The Port handled 2.6 million twenty-foot equivalent units in fiscal year 2025 (ending on June 30, 2025). According to an October 2023 economic impact analysis of the Port, as an economic development engine for the State, Port operations facilitate more than 180,000 of direct and indirect statewide jobs and generate more than \$73 billion of annual economic activity.

Transportation

Interstate I-26 links Charleston County directly with Columbia, the State capital, and interchanges with Interstate I-95, a major interstate running from Boston to Miami, a few miles west of Charleston County. Four U.S. highways and seven major state roads serve the Charleston area. The easy accessibility provided by these highways and roads has helped in the continued growth of Charleston County's tourism and shipping industries.

The CSX System and the Norfolk Southern Railway System are the mainline railroads serving the area. The South Carolina Public Railway Commission operates two belt lines, one to Charleston's downtown waterfront and the other to the City. Passenger service is provided by Amtrak.

Charleston International Airport

The Charleston International Airport serves the greater Charleston region. The airport, located in the City, is currently being served by 11 commercial airlines and is classified as a "small hub" by the Federal Aviation Administration. Scheduled airline carriers enplaned approximately 3,167,903 passengers and deplaned approximately 3,173,242 passengers during 2025.

The airport is adjacent to Charleston Air Force Base and uses the airfield facilities at the Air Force Base jointly with the U.S. Air Force ("USAF"). The runways, taxiways, navigational aids and other airfield facilities are owned, operated and maintained by the USAF. Charleston International Airport primarily serves passengers whose travel originates or terminates in the three-county – Berkeley, Charleston and Dorchester – Charleston Metropolitan Statistical Area.

Charleston Air Force Base is located in the middle of Charleston County. It is one of three military transport service aerial ports on the Atlantic seaboard. It provides airlift support for military installations in Europe, Africa, the Middle East and South America.

Hospital Facilities

One of the largest medical centers in the southeast is located on an eight-block area in downtown Charleston. The medical center, with approximately 1,280 beds, comprises Roper Hospital, the Veterans Administration Medical Center and the Medical University of South Carolina Medical Campus. Four additional hospitals serve the area. They are Trident Regional Medical Center with approximately 320 beds, Bon Secours St. Francis Hospital with 190 beds, East Cooper Medical Center with 140 beds and Roper St. Francis – Mount Pleasant Hospital with 85 beds. Roper St. Francis has announced that it intends to replace Roper Hospital with a new hospital located in the City as part of its capital improvement plan.

Retail Sales

The State imposes a 6% sales tax on all retail sales and Charleston County has adopted a 1% local option sales tax. The following table shows the level of gross retail sales over the last five years for businesses located in Charleston County and the percentage increase (decrease) over the previous year. Since 2021, gross retail sales in Charleston County have increased by more than 20%.

<u>Year Ended</u> <u>December 31</u>	<u>Total</u> <u>Retail Sales</u>	<u>Increase Over</u> <u>Previous Year</u>
2025	\$23,487,360,638	0.5%
2024	23,362,767,546	5.0
2023	22,252,740,829	2.5
2022	21,704,500,876	11.0
2021	19,559,795,726	19.8

Source: South Carolina Department of Revenue, Administrative Division

Construction

The following table shows the approximate number of all construction building permits issued in Charleston County and the approximate cost of construction represented by those permits in each of the last five years. Multi-Family Residential Permits do not include “mixed-use” permits which are often, but not always, a combination of multi-family residential and commercial.

<u>Year</u>	<u>Single Family Residential</u>		<u>Multi-Family Residential</u>		<u>Commercial</u>	
	<u>Number of</u> <u>Permits</u>	<u>Estimated</u> <u>Construction Costs</u>	<u>Number of</u> <u>Permits</u>	<u>Estimated</u> <u>Construction Costs</u>	<u>Number of</u> <u>Permits</u>	<u>Estimated</u> <u>Construction Costs</u>
2025	1,814	\$1,102,087,538	108 ¹	\$386,747,793 ¹	852 ¹	\$2,688,118,502 ¹
2024	1,625	1,052,011,477	22 ²	73,636,525 ²	595 ²	846,006,558 ²
2023	2,477	1,011,461,936	75 ³	176,237,413 ³	428 ³	788,698,680 ³
2022	2,086	1,158,476,335	96 ⁴	171,136,292 ⁴	451 ⁴	399,368,717 ⁴
2021	2,272	1,081,871,317	109 ⁵	293,608,474 ⁵	429 ⁵	324,304,385 ⁵

Source: BCD Council of Governments

¹The mixed use values are: 7 permits for \$440,640,078.

²The mixed use values are: 9 permits for \$47,800,049.

³The mixed use values are: 6 permits for \$67,821,083.

⁴The mixed use values are: 6 permits for \$323,379,859.

⁵The mixed use values are: 4 permits for \$143,698,744.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2025

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**CITY OF NORTH CHARLESTON
SOUTH CAROLINA**

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2025

Prepared By:

FINANCE DEPARTMENT

**Reginald L. Burgess
Mayor**

**Robert Jarrett
Finance Director**

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION

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October 31, 2025

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

The Annual Comprehensive Financial Report (“ACFR”) of the City of North Charleston (the “City”) for the fiscal year ended June 30, 2025 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, 2025 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, 2025 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, 2025, and respective changes in financial position and cash flows, where applicable, for the year then ended.

To the Council and Citizens of the
City of North Charleston

The City is also required to undergo an annual Single Audit in conformity with provisions of the Federal Single Audit Act and “Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), **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 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’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 over 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 114,852, according to the 2020 Census. As of July 1, 2024, the United States Census Bureau estimates the City of North Charleston’s population to be 126,005.

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 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 the 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.

To the Council and Citizens of the
City of North Charleston

Financial Policies

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 either 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.

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.

The City’s fund balance policy is set by Council and requires a minimum fund balance of 20% of budgeted General Fund expenditures. Unassigned fund balance in the General Fund for fiscal year ended (“FYE”) 2025 is \$93,790,330 (54.2% of the fiscal year 2025/2026 General Fund budgeted expenditures). The fiscal year 2025/2026 General Fund budget was approved and is a balanced budget. Historically, the City has financed a majority of its capital-related expenditures using financed purchase obligations. Due to recent increases in fund balance, and in lieu of the financed purchased obligations, City Council voted to appropriate \$3.2 million of existing fund balance to balance the budget without increasing debt. The 2025/2026 General Fund budget was originally adopted at \$172,981,296.

FACTORS AFFECTING FINANCIAL CONDITION

Current Economic Conditions

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 feature a population estimate exceeding 869,000 and a gross taxable sales estimate of over \$38 billion for the 2024 calendar year. The City is the third largest municipal leader of retail sales in South Carolina. In calendar year 2024, gross retail sales exceeded \$8.74 billion. The City has over 4.5 million square feet of retail space, the largest areas being the Tanger Outlet Center, Northwoods Mall, and Northwoods Market Place. Building construction permit revenues rose significantly in the City during the FYE June 30, 2025 compared to FYE June 30, 2024, showing an increase of over 25% for a total of over \$4.7 million. In 2025, the region had an estimated civilian labor workforce exceeding 460,000 with the local unemployment rate at 3.8% as of June 2025, which is below the national average of 4.1%.

To the Council and Citizens of the
City of North Charleston

Local Economy and Business Development

The City's diverse economy is attributed to its unique blend of trade, manufacturing, service businesses and government. Local industry is characterized by the production of a wide range of products, including paper, automobile components, healthcare, housewares, tools, machinery, electronics equipment and airplane components.

As of 2024, the five largest manufacturing employers in Charleston County were located in the City. Boeing's factory officially opened in 2011 and is the final assembly facility for its 787 line of aircraft. Mercedes-Benz Vans, LLC has a factory for their line of Sprinter Vans. Combined with Cummins Turbo Technologies, Ingevity, and Detyens Shipyard, these manufacturers employ over 12,000 people in the City. Palmetto Commerce Parkway is home to several of these large manufacturing companies. Its close proximity to major thoroughfares provides a distribution advantage that will be enhanced further by the construction of an additional roadway linking it directly to Boeing and the area adjacent to the Charleston International Airport.

Major non-manufacturing employers include those providing aerospace, defense, education, financial services, transportation, marine, health care, food distribution and retail sales services. Area businesses have continued to experience 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 ten busiest in the nation with an overall economic impact of over \$87 billion as of fiscal year ended June 30, 2024. In recent years, the Port of Charleston has spent over \$2 billion in port-related infrastructure improvements, which includes the completed construction of the new North Charleston Terminal and rail yard on the former Navy Base. Charleston Harbor is currently the deepest harbor on the East Coast.

Tourism remains a vital segment of the local MSA economy. In 2024, Charleston International Airport ("CHS") surpassed 6.3 million passengers, with continued growth expected in years to come. The airport, jointly used with the U.S. Air Force as part of Joint Base Charleston and operated by the Charleston Regional Aviation Authority, currently hosts 14 passenger airlines: Air Canada, Alaska, Allegiant, American, Avelo, BermudAir, Breeze, Delta, Frontier, JetBlue, Southwest, Spirit, Sun Country, and United. Major infrastructure projects launched in 2024 include a \$348 million, six-level parking garage featuring 5,164 private vehicle spaces and 2,036 for rental cars, along with a new Consolidated Rental Car Facility ("CONRAC"). Additionally, construction began on a new \$144 million access road that will replace the International Boulevard entry, improving connectivity via a full interchange at West Montague Avenue and I-526. Lastly, terminal expansion projects to enhance service for domestic and international travelers are underway and expected to be completed by the end of 2026.

One of the largest announcements for the City in recent years came in November 2022 when Roper St. Francis announced relocation of its downtown Charleston complex with plans to build a \$1 billion, 27-acre campus in the City. This campus will be located next to North Charleston's City Hall and will include a new 10-story hospital and office building. The project is considered one of the biggest projects along the East Coast. Prior to the announcement, the City and Roper worked closely to secure several properties around City Hall and Mall Drive. Included in this was the sale of the City's old City Hall building for \$9.2 million to Roper.

To the Council and Citizens of the
City of North Charleston

Other major announcements came in 2023 and 2024. WestRock paper mill closed permanently in August of 2023. In March of 2024, it was announced that the South Carolina State Ports Authority (“SPA”) would sell its Union Pier Property to a local entrepreneur with goal of developing the existing parking lot used for the Carnival Cruise line into an area that has greenspace, public access to water, and lower-density development. In April of 2024, the SPA announced it would be purchasing the 280-acre property from WestRock, which is located next to its North Charleston Terminal and will allow the SPA to transport additional cargo.

SHL Medical, a global producer of self-injection devices for medications, announced its plans in March 2025 to invest \$150 million in a new manufacturing facility in Palmetto Commerce Park. In April 2025, Boeing confirmed their plans to invest another \$1 billion to take the number of their 787 Dreamliners built in the City to 10 planes per month by 2027. To prepare for this expansion, Boeing increased their workforce at their City facility by 8.4%. Mercedes-Benz also made headlines in May 2025 when their 5-millionth eSprinter van was assembled at their Lowcountry plant while celebrating the vehicle’s 30th anniversary.

City Development and Long-Term Planning

Coliseum, Convention and Performing Arts Center: The City 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 and numerous meeting rooms. The Performing Arts Center, with over a 2,300-person capacity, has full production capabilities and complete food and beverage services. The Coliseum, with a capacity of over 13,000 people, hosts a wide range of events from college basketball, NBA and NHL exhibition games, as well as hundreds of concerts and family shows. It has been the home of the South Carolina Stingrays hockey team (three-time Kelly Cup Champion) for over thirty years.

In October 2009, the Mayor and Council approved a comprehensive renovation project at an estimated cost of over \$20 million. These improvements helped keep the venues on par with local, regional and national competitors. In early 2021, the City completed construction of a five-level parking garage adjacent to the Convention Center designed to accommodate 2,000 parking spaces. Additional site work included the construction of a 7,000 square foot office building to relocate the existing parking staff and other complex personnel. These facilities were completed at a cost of over \$50 million.

The Charleston Area Convention Center Complex (the “Complex”) hosts over 300 events annually (concerts, athletic contests, conferences, graduations, tournaments, etc.), with attendance exceeding 500,000. During the last ten years, over 3,500 additional hotel rooms have been added to the corridor adjacent to 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 on the Charleston area by events held at the Complex exceeds \$75 million annually. Direct tax revenue for the Complex is estimated at over \$6 million annually.

To the Council and Citizens of the
City of North Charleston

Wescott Golf Club: The City also 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, which has helped to increase growth in Dorchester County. In FYE 2025, the City received over \$18 million in property taxes from Dorchester County. In addition, in FYE 2024, the Series 2003 Mortgage Revenue Bonds matured, and the course is now operating financially independently without transfers from the General Fund. Self-funded planned improvements to the course and amenities include significant upgrades to the driving range, new club house, irrigation pumps, and enhanced non-golf event operations.

Tax Increment Financing (“TIF”) Districts:

- **City Center TIF:** Over the past twenty years, the Council authorized the issuance and sale of over \$56 million of tax increment bonds for the purpose of providing a portion of the cost of constructing certain public improvements to the City Center Redevelopment Plan. Projects included: 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 Complex. The City Center TIF area hosts an outlet mall known as the Tanger Outlet Center (the “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. The Center generates over \$1.5 million in annual property tax revenues to the City. The Center, built at a cost of over \$60 million, and other business construction is generating over 2,000 full and part-time jobs and attracting over four million shoppers and visitors annually. This area is already home to a Sam’s Club, a Wal-Mart Supercenter and a 55,000-square-foot five-story office building leasing space to an engineering firm, medical practice, and other professional firms. The City Center TIF expired in June 2017 resulting in over \$2.5 million in additional municipal property taxes returning to the City’s General Fund and another \$6 million combined returning to Charleston County and the Charleston County School District. In addition, the area continues to enjoy significant growth.
- **Coliseum Area TIF:** In September 2021, the City voted to create an overlay TIF district in the City Center Redevelopment area to spur additional development. Construction is already underway on a project labeled the Uptown North Charleston Development Project with plans to create a large mixed-use development valued at over \$1 billion, which will bring in new hotels, apartments, and offices. Topgolf, a golf-themed venue, opened in early 2023.

To the Council and Citizens of the
City of North Charleston

- **Noisette Community Redevelopment Project Area:** 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 deteriorated. The City issued over \$72 million in TIF bonds for the purpose of revitalizing and rehabilitating public infrastructure improvements. The proposed development involved demolition of all structures in a 57-acre area known as the Oak Terrace Preserve and replaced them with new construction consisting of residential and commercial units. The City contracted with a real estate management firm to manage the development of the project and to market the property for resale. In 2023, construction was completed in an area near Park Circle at the intersection of Mixson and Durant Avenues. This construction involved the development of over 170 single-family homes, over 80 townhomes, and an apartment complex located in the former, and now revitalized, General Asbestos and Rubber Company (“GARCO”) Mill.
- **Ingleside TIF:** Adjacent to Palmetto Commerce Park is an area of approximately 2,000 acres known as Ingleside Plantation. This area is quickly becoming another prominent commercial and residential hub. The area should attract hotels, light industry, offices, and retail stores, along with apartments and single-family homes. The projects completed so far include two 300-unit apartment complexes with plans designed to construct two or three more multi-family developments over the next several years. Approximately 20 acres of the tract are being held out for a future elementary school and middle school. Future plans call for a 40,000 square-foot multi-tenant office building. Since 2020, the City issued over \$53 million in TIF Bonds for the purpose of providing a portion of the cost of constructing certain public improvements in the Ingleside TIF Redevelopment Area. In 2024, the City was able to acquire 438 acres of greenspace in this area. The land was appraised at over \$33 million. The purchase was made with \$1 million from the TIF fund, \$3 million from Charleston County Greenbelt funds, and \$2 million from the South Carolina Conservation Bank. Anticipated projects include development of boardwalks in the park, a fire station, and additional infrastructure improvements. A new interchange exit from I-26 through this area is expected to open in late 2025, improving access and promoting even more growth.
- **Navy Base TIF:** South Carolina State Legislature passed a bill, effective July 1, 2002, ordering the RDA to transfer property to the City and SPA upon the City and SPA negotiating a mutually acceptable land division. The agreement between the City and SPA was approved by the Council and signed in October 2002. The City had previously entered into a memorandum of understanding with Noisette Company, LLC, to develop this area, but the projects did not gain the financial support needed. 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. 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 completion of a \$400 million rail yard in the second half of 2025, which will provide the port with railway access.

To the Council and Citizens of the
City of North Charleston

In December 2012, the City and the S.C. Division of Public Railways settled a port rail dispute challenging the previous agreement with the SPA, which prohibited rail access through the northern end of the base. In this settlement agreement, the S.C. Division of Public Railways agreed to pay the City \$8 million over a four-year period and assume the Series 2007 bonds outstanding debt service payments associated with the Noisette Community Redevelopment Project Area tax increment finance district. In addition, Clemson University completed construction on a \$98 million drivetrain and wind turbine testing facility in 2013. These technologies developed at the North Charleston facility will be applied to a variety of industries around the world.

The Navy Yard Charleston Development, announced in the spring of 2021, aims to create a new urban center on the former North Charleston Naval Base. Approximately 1.2 million square feet of new offices, residences, shops, and restaurants are planned near the northern end of the former Navy Base building with plans that include new construction and renovation of vacant historic buildings and is expected to play out over the next 10 to 15 years. In the fall of 2021, Camino Verde Group, a Las Vegas land development company, acquired an abandoned 158,000 square foot building for purposes of renovating the facility into a multi-family development and plans to develop additional land next door into an eight-story building with over 295 multi-family units. In early winter of 2021, Capital Development Partners, a Savannah real estate developer, purchased 135 acres of land adjacent to the Port of Charleston to build a logistics facility at a cost of over \$250 million scheduled to employ over 200 people. In 2024, the Coast Guard announced plans for a new \$160 million campus along the Cooper River. The new facility is expected to double its workforce from 1,200 employees to over 2,500 by year 2030.

On the northern end of the base, the City built a \$9 million pedestrian bridge across Noisette Creek connecting the existing Riverfront Park to an area across the creek it hopes to develop. The grand opening for the Noisette Creek Bridge occurred on November 9, 2022. The 800-foot bridge has two 55-foot-tall arches spanning 235 feet wide and was named the American Public Works Association project of the year. In addition, it was named the 11th most beautiful, elevated walkway through nature by Architectural Digest. For several years, the City has been in receipt of various Navy Base housing facilities from the State for purposes of developing a mixed-use community. These various properties include the Admiral's house, caretaker's house, the Chapel, an old schoolhouse, and various officers' quarters facing the river, which are currently being used for meeting spaces and restaurants. The Navy Yard Charleston Development plans will complement the City's efforts in continuing development of the waterfront area.

Riverfront Park currently hosts large-scale festivals like High Water and Riverfront Revival, welcoming more than 13,000 attendees. These events are fueling the next phase of the Navy Yard Charleston redevelopment and reinforcing the area as a cultural and economic anchor for the region.

In support of development within the City's TIF districts and other City projects, the City has issued the following obligation bonds in recent years:

- **January 2017** \$80 million in limited obligation bonds to facilitate the construction of a new parking garage at the Coliseum, Convention Center, and Performing Arts Center Complex, a new aquatics facility, a new three-gym athletic complex and additional parks and recreational facilities

To the Council and Citizens of the
City of North Charleston

- **July 2018** \$20.55 million in limited obligation bonds for the purpose of constructing and improving various facilities throughout the City, for other improvements to the coliseum complex and to refund the remaining \$13.115 million in Series 2008 Certificates of Participation
- **February 2019** \$15 million in general obligation bonds to pay costs associated with acquiring, constructing and improving various municipal facilities to include roof improvements to the City Hall and other improvements to the City's golf course facilities, the fire museum and the Riverfront Park and a \$5 million investment in mobile radio inventory
- **June 2019** over \$13 million in Navy Base limited obligation (tax increment pledge) bonds for the purpose of building a pedestrian bridge over Noisette Creek to connect with the existing riverfront park facility, make improvements to the Navy Base Memorial and to provide other street, sidewalk and shoreline improvements in the Riverfront Park area
- **October 2019** over \$19 million in Noisette TIF limited obligation (tax increment pledge) bonds for the purpose of reimbursing developers for certain public infrastructure improvements within the Noisette Community Redevelopment Project Area and for the City's additional property acquisition, public park and infrastructure improvements
- **October 2020** over \$24 million in Ingleside TIF bonds for the purpose of reimbursing developers for certain public infrastructure improvements within the Ingleside Community Redevelopment Project Area and for the City's additional property acquisition, public park and infrastructure improvements
- **June 2021** refunded its outstanding Series 2012 Installment Purchase Revenue Bonds and issued \$22 million in additional IPRB to fund new sidewalk construction
- **January 2022** over \$42 million in TIF bonds for improvements within the Noisette Community Redevelopment Project area, which included rebuilding the Felix C. Davis Community Center, replacing the Danny Jones Pool and Gym Complex with the North Charleston Sports Complex and constructing Miracle League fields
- **February 2024** over \$29 million in bonds for the Ingleside TIF for the development of boardwalks in the park, a fire station, and additional infrastructure improvements

To the Council and Citizens of the
City of North Charleston

Other City-wide Projects: The City has also embarked on other sizable projects. In late 2019, the City opened the North Charleston Athletic Center adjacent to its Public Works facility off of Remount Road. This \$14 million complex contains one gym with seating capacity of around 1,500 while the other two gyms seat approximately 300 each with the ability to accommodate diversified events from various local, state and national organizations. Also in 2020, in partnership with Dorchester County School District Two, the City completed construction on the region's largest aquatic center that provides aquatics access for water safety, athletic exercises and competition. The Danny Jones Athletic Complex was replaced with a new North Charleston Sports Complex that opened on March 28, 2024. The sports complex includes a new pool, roller rink, indoor gym, and tennis courts which meet U.S. Tennis Association standards. In addition, the interior area of Park Circle was reconstructed to include a new community center, an inclusive ball field, and the region's largest inclusive playground. The ribbon cutting for the Park Circle Community Center was November 11, 2023. In its first year, the park had over 467,000 visitors.

Current Projects: In FYE 2025, the City received a \$3 million Military Enhancement Grant from the South Carolina Department of Veterans Affairs for a marine shipboard firefighter training facility. In addition, the South Carolina Infrastructure Investment Program awarded over \$3 million to fund various drainage improvements around the City. In 2021 and 2022, the City received \$24.3 million in grant funds awarded through the American Rescue Plan Act. As of December 31, 2024, the City had encumbered all these funds. Major projects to be completed using American Rescue Plan Act funds by December 31, 2026 include the Wye Lane Community Center, the Gethsemani Community Center, and an outdoor pool located at the Gethsemani Community Center.

To the Council and Citizens of 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 Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. An ACFR 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 thirty-seven fiscal years from June 30, 1988 through 2024. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.


ACKNOWLEDGEMENTS

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 Mauldin & Jenkins, Certified Public Accountants and Consultants.

Sincerely,



Reginald L. Burgess
Mayor



Robert L. Jarrett
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of North Charleston
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

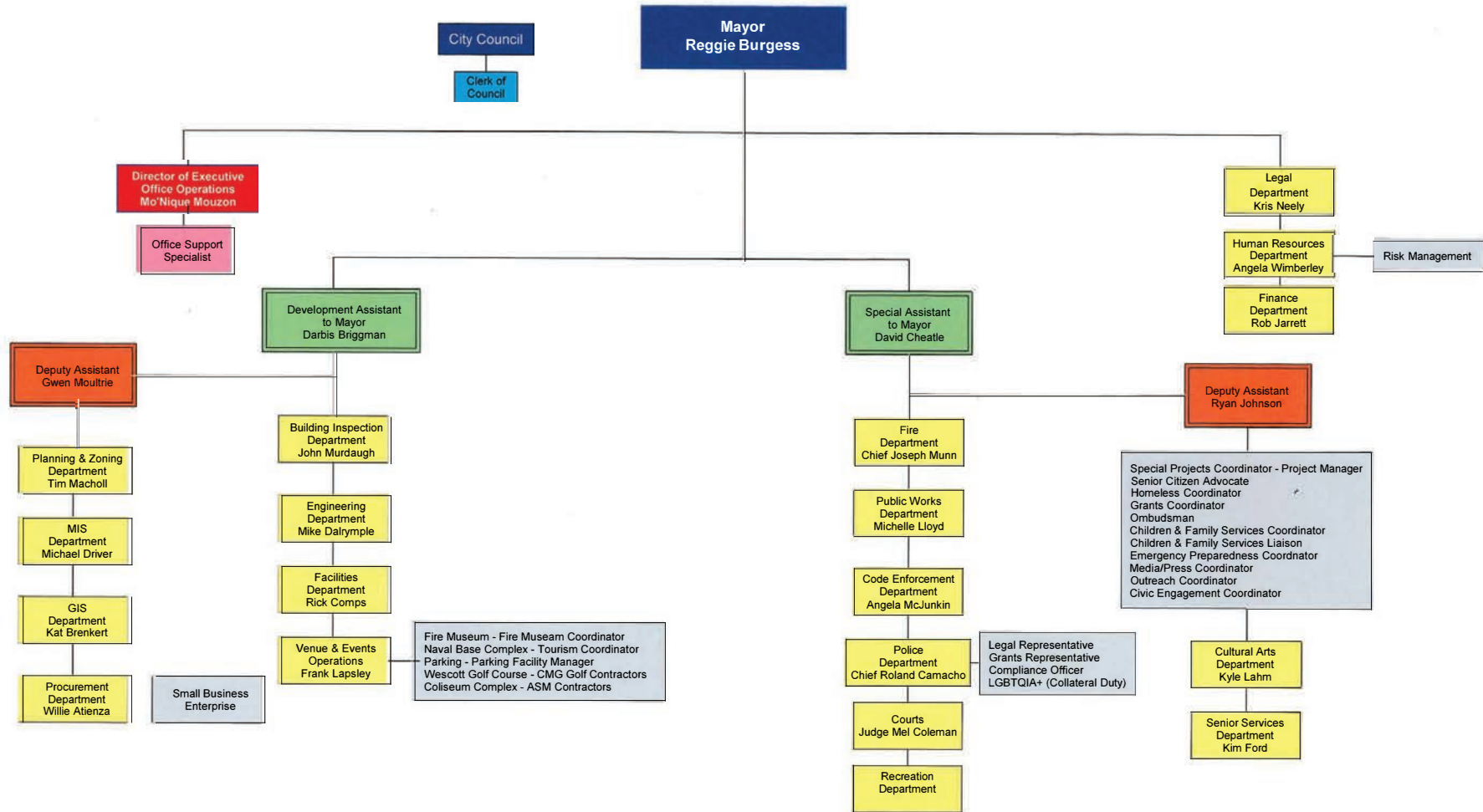
Executive Director/CEO

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2025

Mayor and Chief Executive Officer.....	Reginald L. Burgess
Council Member.....	Mike A. Brown
Council Member.....	Rhonda Jerome
Council Member.....	Stephanie Ganaway Pasley
Council Member.....	Charmaine Palmer-Roberts
Council Member.....	Christopher Emde
Council Member.....	Nefertiti Brown
Council Member.....	Michael Brown, Jr
Council Member.....	Brandon Hudson
Council Member.....	Kenny Skipper
Council Member.....	Michael Brown
Special Assistant to Mayor.....	David Cheatile
Development Assistant to Mayor.....	Darbis Briggman
Deputy Assistant to Mayor.....	Gwen Moultrie
Deputy Assistant to Mayor.....	Ryan Johnson
Director of Executive Office Operations.....	Mo’Nique Mouzon
Director of Finance.....	Robert L. Jarrett
City Attorney.....	Kriston Neely
Municipal Clerk of Council.....	Courtney Heyward
Fire Chief.....	Joseph Munn
GIS Director.....	Kathleen Brenkert
Public Works Director.....	Michelle Lloyd
Human Resources Director.....	Angela Wimberley
Code Enforcement Director.....	Angela McJunkin
Director of Information Systems.....	Michael Driver
Director of Recreation.....	Vacant
Purchasing Director.....	Willie Atienza
Building Official.....	John Murdaugh
Director of Senior Services.....	Kim Ford
Director of Administration.....	Ryan Johnson
Director of Venue & Events Operations.....	Frank Lapsley
Director of Facilities.....	Rick Comps
Director of Zoning and Planning.....	Timothy Macholl
Director of Engineering.....	Mike Dalrymple
Cultural Arts Director.....	Kyle Lahm
Police Chief.....	Ron Camacho
Chief Administrative Judge.....	Samuel Coleman

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
ORGANIZATIONAL CHART
JUNE 30, 2025



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, as of July 1, 2024. This standard significantly changed the accounting for the City's compensated absences and related disclosures. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), the budgetary comparison schedules for the General Fund and Coliseum Operating Fund, and the pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 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 Combining and Individual Nonmajor Fund Financial Statements and Schedules, and the Capital Assets Used in Operations of Governmental Funds – Comparative Schedule by Source are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, the Capital Assets used in Operations of Governmental Funds – Comparative Schedule by Source, and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City as of and for the year ended June 30, 2024 (not presented herein), and have issued our report thereon dated October 23, 2024, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, 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 solely 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 the effectiveness of the City's 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 of North Charleston, South Carolina's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Savannah, Georgia
October 31, 2025

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

As management of the City of North Charleston, South Carolina (the "City") 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, 2025. 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 \$482,298,713 (net position). Net position increased \$69,727,801, or 16.9%, for the fiscal year ended June 30, 2025.
 - Governmental activities net position was \$466,065,557, an increase of \$68,193,132, or 17.1%. Unrestricted net position increased \$33,514,405 to a surplus of \$76,095,901 as of June 30, 2025.
 - Business-type net position amounted to \$16,233,156, an increase of \$1,534,669, or 10.4%. Unrestricted net position increased \$1,029,405 to \$7,058,297 as of June 30, 2025.

- ❖ At June 30, 2025, the total fund balance of the City's governmental funds was \$320,618,434, an increase of \$39,709,741, or 14.1%.
 - The fund balance of the General Fund increased \$10,950,662, or 10.2%, to \$118,328,731. \$93,790,330 of this fund balance was unassigned at year-end, an increase of \$7,217,546, or 8.3%, from the \$86,572,784 balance at June 30, 2024.
 - General Fund revenues exceeded expenditures by \$13,711,472 before other financing sources or uses and special items, a decrease of \$4,516,910 from the prior year but it was a \$24,828,593 favorable variance to the final budget.

- ❖ Total capital assets (net of accumulated depreciation and amortization) for the City amounted to \$548,538,915 at June 30, 2025, a decrease of \$2,989,282, or .54%.
 - Governmental activities capital assets (net of accumulated depreciation and amortization) amounted to \$537,261,801, a decrease of \$2,895,837, or .54%.
 - Business-type capital assets (net of accumulated depreciation and amortization) amounted to \$11,277,114, a decrease of \$93,445, or .82%.

- ❖ At June 30, 2025, the City's long-term liabilities, including financed purchase obligations, lease and Subscription-based Information Technology Arrangement ("SBITA") liabilities, compensated absences, and the SCDOR settlement agreement was \$306,951,530 (net of unamortized premiums and discounts), a decrease of \$24,664,611, or 7.44%.
 - Governmental funds total debt amounted to \$304,522,286, a decrease of \$24,095,555, or 7.33%.
 - Business-type funds total debt amounted to \$2,429,244, a decrease of \$569,056, or 18.98%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- ❖ The City 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 limited obligation bonds.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City'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 in the financial statements are the **government-wide financial statements**. They provide both short-term 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 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'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/inflows 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City 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, sanitation, culture and recreation, and community development. 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 17 and 18 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 uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as those required by state law, bond covenants or City ordinances. All of the funds of the City 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 maintains 27 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, American Rescue Plan Act Grant Fund, Installment Purchase Revenue Bonds Capital Projects Fund and the City-wide Capital Projects Fund, all considered major funds. Data from the other 21 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 19 - 24 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 25 – 28 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 29 – 92 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 and OPEB schedules. The required supplementary information is presented after the notes to the financial statements and can be found on pages 93 – 101 of this report. The Combining and Individual Funds Schedules and Supplementary 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 102 - 126 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 \$482,298,713 at June 30, 2025.

City of North Charleston's Net Position

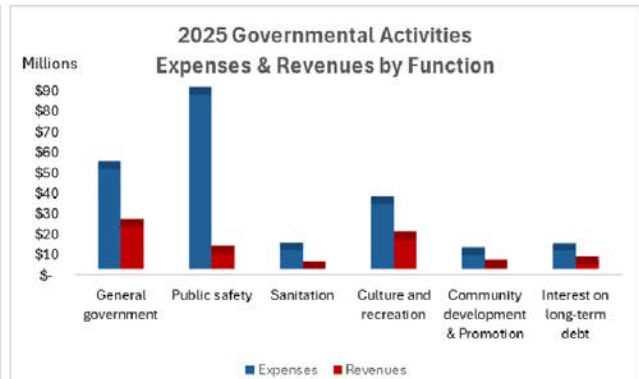
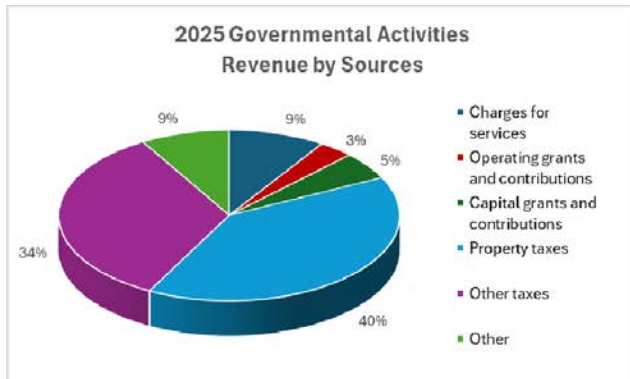
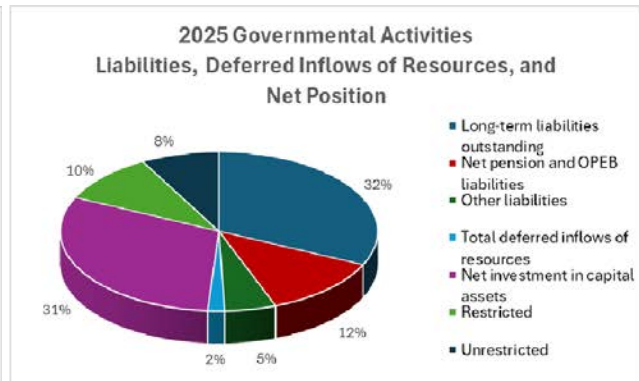
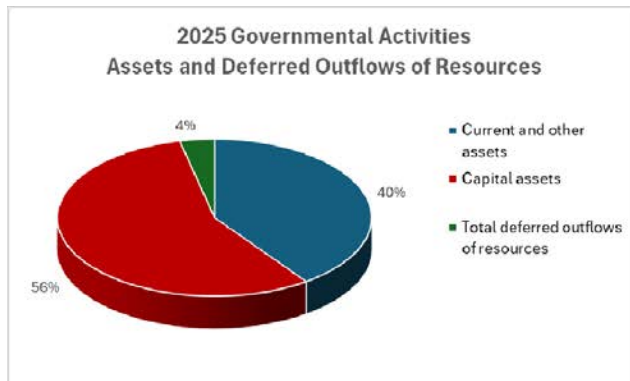
	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 382,483,990	\$ 345,136,949	\$ 8,924,368	\$ 8,385,844	\$ 391,408,358	\$ 353,522,793
Capital assets	537,261,801	540,157,638	11,277,114	11,370,559	548,538,915	551,528,197
Total assets	919,745,791	885,294,587	20,201,482	19,756,403	939,947,273	905,050,990
Total deferred outflows of resources	33,966,752	32,615,937	785,282	854,338	34,752,034	33,470,275
Long-term liabilities outstanding	304,522,286	328,617,841	2,429,244	2,998,300	306,951,530	331,616,141
Net pension and OPEB liabilities	117,075,858	127,266,647	1,824,124	2,084,654	118,899,982	129,351,301
Other liabilities	49,895,159	52,571,244	348,292	687,623	50,243,451	53,258,867
Total Liabilities	471,493,303	508,455,732	4,601,660	5,770,577	476,094,963	514,226,309
Total deferred inflows of resources	16,153,683	11,582,367	151,948	141,677	16,305,631	11,724,044
Net position:						
Net investment in capital assets	294,219,670	281,466,688	9,174,859	8,669,595	303,394,529	290,136,283
Restricted	95,749,986	73,824,241	-	-	95,749,986	73,824,241
Unrestricted	76,095,901	42,581,496	7,058,297	6,028,892	83,154,198	48,610,388
Total net position	\$ 466,065,557	\$ 397,872,425	\$ 16,233,156	\$ 14,698,487	\$ 482,298,713	\$ 412,570,912

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 plus unspent bond proceeds. 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 City’s investment in capital assets during the fiscal year ended June 30, 2025 was impacted by land purchases, large equipment purchases, the ongoing construction of various recreation facilities, reduction in debt and unspent bond proceeds.

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 is represented by \$508,225 of seized and forfeited drug funds, \$3,351,638 in grant funds, \$4,192,220 for other special revenue funds, \$52,345,312 held for redevelopment activities and \$35,352,591 held for debt service requirements.

Unrestricted net position of the governmental activities increased \$33,514,405 largely due to the improved operating results of the General Fund, proceeds from the sale of property and the collections of various grant related funds and the business-type activities unrestricted net position increased \$1,029,405 largely due to the increase in operational net income. The \$34,896,283 increase in overall total assets is largely attributable to the increase in net capital assets, unspent bond proceeds and improved operational results. The City’s total liabilities decreased \$38,131,346 as a net result of no new issuance in bonds, principal reduction and the decrease in pension and OPEB liabilities.



MANAGEMENT'S DISCUSSION AND ANALYSIS

City of North Charleston's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 23,535,438	\$ 21,657,817	\$ 9,683,188	\$ 9,395,181	\$ 33,218,626	\$ 31,052,998
Operating grants and contributions	8,534,228	10,664,757	-	-	8,534,228	10,664,757
Capital grants and contributions	13,434,969	48,361,770	-	-	13,434,969	48,361,770
General revenues:						
Property taxes	102,946,680	96,337,843	-	-	102,946,680	96,337,843
Other taxes	86,953,595	83,360,721	-	-	86,953,595	83,360,721
Other	21,752,066	20,522,311	369,626	354,420	22,121,692	20,876,731
Total revenues	257,156,976	280,905,219	10,052,814	9,749,601	267,209,790	290,654,820
Expenses:						
General government	48,485,435	64,131,196	-	-	48,485,435	64,131,196
Public safety	84,671,536	76,829,618	-	-	84,671,536	76,829,618
Sanitation	8,992,067	7,598,453	-	-	8,992,067	7,598,453
Culture and recreation	31,314,601	24,735,548	-	-	31,314,601	24,735,548
Community development	6,712,877	5,487,934	-	-	6,712,877	5,487,934
Interest on long-term debt	8,787,328	8,873,567	-	-	8,787,328	8,873,567
Golf course expenses	-	-	3,241,805	3,026,608	3,241,805	3,026,608
Stormwater utility expenses	-	-	5,276,340	5,493,155	5,276,340	5,493,155
Total expenses	188,963,844	187,656,316	8,518,145	8,519,763	197,481,989	196,176,079
Increase/decrease in net position before transfers	68,193,132	93,248,903	1,534,669	1,229,838	69,727,801	94,478,741
Transfers in (out)	-	(869,218)	-	869,218	-	-
Increase/decrease in net position	68,193,132	92,379,685	1,534,669	2,099,056	69,727,801	94,478,741
Net position, beginning of year as previously presented	399,838,209	305,492,740	14,786,609	1,259,431	414,624,818	306,752,171
Restatements (See Note 18)	(1,965,784)	-	(88,122)	-	(2,053,906)	-
Net position at beginning of year, as restated	397,872,425	305,492,740	14,698,487	12,599,431	412,570,912	318,092,171
Net position at end of year	\$ 466,065,557	\$ 397,872,425	\$ 16,233,156	\$ 14,698,487	\$ 482,298,713	\$ 412,570,912

Total government-wide revenues of \$267,209,790 were derived primarily from property taxes, business licenses and other taxes (71.1%) while charges for services, grants and other revenues made up the remaining revenues (28.9%). Revenues decreased \$23,445,030, or 8.1%, primarily from the one-time large \$35 million land donation in FYE 2024 but did increase over \$10 million in property tax, business license and other tax collections. Total government-wide expenses of all programs were \$197,481,989, reflecting an increase of \$1,305,910, or .67%, from the prior year. The expenses cover a wide range with public safety (police and fire) representing 42.9% of the total, with general government and culture and recreation making up the next largest balances at 24.6% and 15.9%, respectively.

Governmental activities. Governmental activities increased the City's net position by \$68,193,132. Increases in tax revenues and charges for services were the major reasons for the increase in governmental net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities. Business-type activities realized an increase in net position in the amount of \$1,534,669. The Stormwater Utility Enterprise Fund realized an increase in net position largely due to a reduction in storm drainage related costs and 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City'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, 2025, the governmental funds of the City reported a combined fund balance of \$320,618,434, an increase of \$39,709,741 in comparison with the prior year. Nonspendable, restricted, committed and assigned governmental fund balances increased \$32,492,195 reflecting capital grant contributions, funds set aside for deferred capital maintenance, and revenues dedicated for debt service reserves or pay-as-you-go capital improvements. In addition, the extended construction and delivery time of fire trucks, and fund balance appropriated toward the FYE 2026 budget contributed to an increase in assigned fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$93,790,330, or 59.6%, of the operating budget for the fiscal year ended June 30, 2025, while total fund balance is \$118,328,731. Unassigned fund balance at June 30, 2025 increased by \$7,217,546, or 8.3%, 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 57.2% of total General Fund expenditures including transfers to other funds, while total fund balance represents 72.2% of that same amount.

Key governmental revenue and expenditure highlights are as follows:

- Property taxes increased by \$7,118,794, or 7.4%, over fiscal year ended June 30, 2024. Tax Infrastructure Fund incremental property taxes increased \$1,660,895 as a result of the continued rise in taxable value within each TIF district. General Fund and Debt Service Fund property tax revenues increased by \$5,457,899, which was the result of continued growth in the overall City-wide assessed property value.
- Intergovernmental revenues decreased by \$3,961,651, or 5.7%, due largely to the FYE 2024 sizable capital contributions received from various governmental agencies to be used towards the purchase of land and construction of building related projects that did not occur in FYE 2025. Sales tax, hospitality and accommodation tax collections increased by \$1,859,035 as of result of the continued economic growth of the region.
- Business licenses, franchise fees and permits increased by \$2,716,069 largely due to the strong recovery in the economy for commercial businesses and industries in the area.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- General government expenditures increased by \$1,214,837 as a result of personnel hiring, higher personnel and benefit related costs, insurance related costs and higher OPEB contributions.
- Capital outlay expenditures decreased by \$39,042,228 as various large construction projects involving recreational facilities were mostly completed in FYE 2024.
- Public safety expenditures increased by \$8,582,665 as a result of an increase in vehicle replacement costs and higher wages and benefits related to renewed hiring to fill vacancies resulting during the pandemic.
- Sanitation, culture and recreation, and community development and promotion expenditures increased by \$9,114,002 largely due to the increase in the capital and operational costs associated with the Coliseum Complex, as well as an increase in wages, positions, and equipment replacement in the other departments.
- Debt service expenditures increased by \$6,597,068 primarily as a result of higher bond principal reductions in the tax increment financing bonds (which included a one-time payment from restricted premiums in the amount of \$3,179,913).

The Installment Purchase Revenue Bonds Capital Projects Fund has a total fund balance of \$18,039,470. The net decrease in fund balance during the fiscal year ended June 30, 2025 was \$2,849,884 and resulted primarily from the expenditure of bond proceeds. The Tax Infrastructure Capital Projects Fund has a total fund balance of \$70,250,648. The net increase in fund balance during the fiscal year ended June 30, 2025 was \$1,000,836 and resulted from incremental property tax collections exceeding the bond principal reductions in the tax increment financing bonds. The Coliseum Operating Fund has a total fund balance of \$3,090,169. The net increase of \$481,580 is the result of a transfer in of \$1,400,000 to assist with the capital and operational costs of the Coliseum complex. The City-wide Capital Projects Fund has a total balance of \$60,693,530. The net increase in fund balance during the fiscal year ended June 30, 2025 was \$17,492,593 and resulted from continued capital contributions from other government agencies along with the transfer in of \$5,000,000 to establish a capital maintenance fund.

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'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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended June 30, 2025 was originally adopted at \$157,384,636, inclusive of transfers out to other funds. During the fiscal year, the City revised the budget on several occasions. The largest included an increase to projected revenues to replace \$4 million of appropriated fund balance and the addition of one-time expenditures which included a \$5 million transfer to the City-wide Capital Improvement Fund for capital maintenance and replacement of capital equipment. 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, 2025 totals \$177,107,190.

Differences between the original budget and the final amended budget are represented by an increase in appropriations of \$19,722,554. The sanitation, culture and recreation budgets received an increase in allocation of \$1,197,011 largely due to an increase in program services and capital replacement costs. The general government budget received an increase in allocation of \$3,393,856 as a result of the increase in personnel wages and benefits, insurance costs and OPEB contributions. The public safety budget received an increase in allocation of \$7,787,296 primarily due to an increase in personnel costs and fire truck related purchases. The debt service budget increased \$2,236,000 due to GASB No. 87 and GASB No. 96 adjustments and the early payoff of certain financed purchase obligations. The transfers budget increased by \$5,104,666 primarily due to a transfer to the Capital Projects Fund to establish a capital maintenance fund.

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

- Property taxes were \$3,809,611 above the amended budget primarily due to an increase in the property tax collections as a result of an increase in overall property value and construction growth.
- Business licenses, franchise fees and permit collections were \$2,130,044 above the amended budget primarily due to the impact of the rising economy on sales activities and increased permit revenues from construction growth.
- Intergovernmental revenues were \$874,736 above the amended budget primarily due to continued growth of tax revenue collections as a result of the improving economy.
- Revenues from use of monies and property and other revenues were \$3,532,478 above the amended budget primarily due to an increase in interest earnings as a result in the rise in investment rates.
- Fines and forfeitures were \$137,862 over the amended budget primarily due to an increase in the issuance of public safety tickets as a result of police staffing and more consistent court operations.
- Charges for services and other revenues were \$1,220,567 above the amended budget primarily due to the increase in revenues collected from recreational program operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025 was \$548,538,915 (net of accumulated depreciation and amortization). These assets include land, land improvements, buildings and improvements, park facilities, machinery and equipment, vehicles, leased and SBITA assets. The total decrease in the City's investment in net capital assets for the current fiscal year was \$2,989,282, or .54%.

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

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Construction in progress	\$ 2,260,607	\$ 59,542,285	-	-	\$ 2,260,607	\$ 59,542,285
Land	94,826,529	92,534,026	1,397,188	1,397,188	96,223,717	93,931,214
Buildings	293,487,377	236,276,767	1,794,188	1,847,435	295,281,565	238,124,202
Infrastructure	68,251,347	72,626,669	943,112	965,193	69,194,459	73,591,862
Improvements	51,770,312	54,794,955	3,130,440	3,233,626	54,900,752	58,028,581
Machinery and equipment	23,945,542	22,524,371	3,966,012	3,921,588	27,911,554	26,445,959
Leased and SBITA assets	2,720,087	1,858,565	46,174	5,529	2,766,261	1,864,094
Total Capital Assets	\$ 537,261,801	\$ 540,157,638	\$ 11,277,114	\$ 11,370,559	\$ 548,538,915	\$ 551,528,197

Major capital asset events during the fiscal year ended June 30, 2025 included the following:

- The City expended over \$2,700,000 on land purchases.
- The City spent over \$8,200,000 on new equipment.
- The City spent over \$6,300,000 on recreational facilities construction.

Additional information on the City's capital assets can be found in Note 5 on pages 53 and 54 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt. As of June 30, 2025, the City had total bonded debt outstanding of \$268,556,610, which is inclusive of \$18,936,610 in deferred amounts consisting of unamortized premiums and discounts. Of this amount, \$17,200,000 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, Limited Obligation, Tax Increment and Revenue Bonds

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 17,200,000	\$ 21,010,000	\$ -	\$ -	\$ 17,200,000	\$ 21,010,000
Limited Obligation Bonds	75,905,000	79,025,000	-	-	75,905,000	79,025,000
Installment Purchase Revenue Bonds	53,075,000	55,770,000	-	-	53,075,000	55,770,000
Tax Increment Bonds	103,440,000	112,895,000	-	-	103,440,000	112,895,000
Subtotal	<u>249,620,000</u>	<u>268,700,000</u>	<u>-</u>	<u>-</u>	<u>249,620,000</u>	<u>268,700,000</u>
Add (Less): Unamortized discounts, premiums, and amounts on refunding	<u>18,936,610</u>	21,264,135	-	-	<u>18,936,610</u>	21,264,135
Total	<u>\$ 268,556,610</u>	<u>\$ 289,964,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,556,610</u>	<u>\$ 289,964,135</u>

The City's long-term debt decreased by \$21,407,525 during the fiscal year ended June 30, 2025. The key factors in this overall decrease were the principal reductions of \$19,080,000 in governmental activity bonds during the fiscal year ended June 30, 2025 while having no new bond issuances.

The City 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 limited obligation 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% of its total assessed valuation (in the absence of a referendum). The City's legal debt limit is \$88,257,639 and its legal debt margin, or the amount available to issue under the legal debt limit, is \$71,057,639.

Additional information on the City's long-term debt can be found in Note 8 on pages 56 - 67 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Charleston-North Charleston MSA (separate data for the City is not available) at June 30, 2025 was 3.8%. For the same time period, the national unemployment rate and State of South Carolina was 4.1%.
- Retail sales in the City increased from \$8.6 billion in calendar year 2023 to \$8.74 billion in calendar year 2024.
- Spending in building permit construction dollar values increased favorably for the fiscal year ended June 30, 2025 compared to fiscal year ended June 30, 2024 as permit collections rose from \$3,755,963 in fiscal year ended June 30, 2024 to \$4,705,127 in fiscal year ended June 30, 2025.

The City's originally adopted budget for the General Fund for the fiscal year ending June 30, 2026 was \$172.9 million. The City's property tax rate was reduced to 91.5 mills as a result of reassessment, yet new commercial and industrial construction growth in assessment value should help to bring in an additional estimated \$7.0 million in property taxes. Business license fees, franchise fees, permits, sales taxes and other taxes are projected to increase slightly in the fiscal year ending June 30, 2026 as compared to June 30, 2025 due to conservative estimates relative to the state of the economy. Operational and capital expenses have been increased by a little over \$6 million while salaries and benefits have been increased by over \$9 million in anticipation of new hiring and wage increases.

Requests for Information

This financial report is designed to provide a general overview of the City of North Charleston's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of North Charleston Finance Department
Office of the Finance Director
P.O. Box 190016
North Charleston, S.C. 29419

BASIC FINANCIAL STATEMENTS

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 146,647,615	\$ 8,755,071	\$ 155,402,686
Receivables, net of allowances	5,718,767	152,459	5,871,226
Lease receivables	2,658,125	-	2,658,125
Due from other governments	17,833,842	-	17,833,842
Inventories, at cost	1,089,724	16,838	1,106,562
Other assets and prepaid expenses	1,600,588	-	1,600,588
Restricted assets:			
Cash and cash equivalents	206,935,329	-	206,935,329
Capital assets (not being depreciated):			
Construction-in-progress	2,260,607	-	2,260,607
Land	94,826,529	1,397,188	96,223,717
Capital assets (net of accumulated depreciation/amortization):			
Buildings	293,487,377	1,794,188	295,281,565
Infrastructure	68,251,347	943,112	69,194,459
Improvements	51,770,312	3,130,440	54,900,752
Equipment	23,945,542	3,966,012	27,911,554
Leased and SBITA assets	2,720,087	46,174	2,766,261
Total assets	<u>919,745,791</u>	<u>20,201,482</u>	<u>939,947,273</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	22,862,678	490,584	23,353,262
Deferred other post-employment benefit charges	9,882,963	294,698	10,177,661
Deferred loss on refunding	1,221,111	-	1,221,111
Total deferred outflows or resources	<u>33,966,752</u>	<u>785,282</u>	<u>34,752,034</u>
LIABILITIES			
Accounts payable	8,734,149	339,201	9,073,350
Other accrued liabilities	17,525,409	9,091	17,534,500
Escrow for seized funds	469,614	-	469,614
Unearned revenues	23,165,987	-	23,165,987
Long-term obligations			
Due within one year:			
General obligation bonds	4,005,000	-	4,005,000
Limited obligation bonds	3,235,000	-	3,235,000
Tax increment financing bonds	7,055,000	-	7,055,000
Installment purchase revenue bonds	2,735,000	-	2,735,000
Financed purchase obligations	2,884,076	579,949	3,464,025
Lease and SBITA liability	829,020	15,189	844,209
Compensated absences	8,945,240	294,290	9,239,530
SCDOR - settlement agreement	1,127,330	-	1,127,330
Due in more than one year:			
Net pension liability	100,255,177	1,322,551	101,577,728
Net other post-employment benefits liability	16,820,681	501,573	17,322,254
General obligation bonds	14,999,188	-	14,999,188
Limited obligation bonds	74,383,420	-	74,383,420
Tax increment financing bonds	109,410,007	-	109,410,007
Installment purchase revenue bonds	52,733,995	-	52,733,995
Financed purchase obligations	9,427,999	1,475,588	10,903,587
Lease and SBITA liability	1,612,129	31,529	1,643,658
Compensated absences	993,912	32,699	1,026,611
SCDOR - settlement agreement	10,145,970	-	10,145,970
Total liabilities	<u>471,493,303</u>	<u>4,601,660</u>	<u>476,094,963</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred leases	2,658,125	-	2,658,125
Deferred pension credits	11,261,958	85,345	11,347,303
Deferred other post-employment benefit credits	2,233,600	66,603	2,300,203
Total deferred inflows of resources	<u>16,153,683</u>	<u>151,948</u>	<u>16,305,631</u>
NET POSITION			
Net investment in capital assets	294,219,670	9,174,859	303,394,529
Restricted for:			
Redevelopment projects	52,345,312	-	52,345,312
Public safety and service	8,052,083	-	8,052,083
Debt service	35,352,591	-	35,352,591
Unrestricted	76,095,901	7,058,297	83,154,198
Total net position	<u>\$ 466,065,557</u>	<u>\$ 16,233,156</u>	<u>\$ 482,298,713</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 48,485,435	\$ 5,942,278	\$ 1,514,669	\$ 13,109,436	\$ (27,919,052)	\$ -	\$ (27,919,052)
Public safety	84,671,536	3,476,411	3,805,155	325,533	(77,064,437)	-	(77,064,437)
Sanitation	8,992,067	-	-	-	(8,992,067)	-	(8,992,067)
Culture and recreation	31,314,601	14,116,749	112,890	-	(17,084,962)	-	(17,084,962)
Community development and promotion	6,712,877	-	689,762	-	(6,023,115)	-	(6,023,115)
Interest on long-term debt	8,787,328	-	2,411,752	-	(6,375,576)	-	(6,375,576)
Total governmental activities	<u>188,963,844</u>	<u>23,535,438</u>	<u>8,534,228</u>	<u>13,434,969</u>	<u>(143,459,209)</u>	<u>-</u>	<u>(143,459,209)</u>
Business-type activities:							
Golf course enterprise fund	3,241,805	3,604,372	-	-	-	362,567	362,567
Stormwater utility enterprise fund	5,276,340	6,078,816	-	-	-	802,476	802,476
Total business-type activities	<u>8,518,145</u>	<u>9,683,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,043</u>	<u>1,165,043</u>
Totals	<u>\$ 197,481,989</u>	<u>\$ 33,218,626</u>	<u>\$ 8,534,228</u>	<u>\$ 13,434,969</u>	<u>(143,459,209)</u>	<u>1,165,043</u>	<u>(142,294,166)</u>
General revenues:							
Property taxes					102,946,680	-	102,946,680
Business license taxes					38,674,673	-	38,674,673
Sales taxes					18,674,806	-	18,674,806
Franchise taxes					9,007,982	-	9,007,982
Alcoholic beverage taxes					224,695	-	224,695
Hospitality taxes					12,205,053	-	12,205,053
Accommodations taxes					8,166,386	-	8,166,386
State shared revenues, unrestricted					3,938,666	-	3,938,666
Investment earnings					13,651,133	338,734	13,989,867
Miscellaneous					4,162,267	30,892	4,193,159
Total general revenues					<u>211,652,341</u>	<u>369,626</u>	<u>212,021,967</u>
Change in net position					68,193,132	1,534,669	69,727,801
Net position, beginning of year, as previously presented					399,838,209	14,786,609	414,624,818
Restatements (see Note 18)					(1,965,784)	(88,122)	(2,053,906)
Net position, beginning of year, as restated					<u>397,872,425</u>	<u>14,698,487</u>	<u>412,570,912</u>
Net position, end of year					<u>\$ 466,065,557</u>	<u>\$ 16,233,156</u>	<u>\$ 482,298,713</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

(With Comparative Totals at June 30, 2024)

	General	Coliseum Operating	Tax Infrastructure	ARPA Fund
ASSETS				
Cash and cash equivalents	\$ 125,509,941	\$ 11,734,743	\$ -	\$ -
Receivables, net of allowances:				
Property taxes	4,585,750	-	-	-
Accounts receivable	330,432	760,370	-	-
Lease receivables	2,658,125	-	-	-
Due from other funds	2,250,238	-	-	-
Due from other governments	11,019,132	-	4,110,000	-
Inventories	1,089,724	-	-	-
Prepaid expenditures	1,359,239	241,349	-	-
Restricted assets:				
Cash and cash equivalents	1,286,991	-	70,417,400	17,040,147
Total assets	<u>\$ 150,089,572</u>	<u>\$ 12,736,462</u>	<u>\$ 74,527,400</u>	<u>\$ 17,040,147</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,889,210	\$ 269,092	\$ 166,752	\$ 462,860
Other accrued liabilities	14,712,857	514,175	-	-
Escrow for seized funds	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	8,863,026	-	14,216,400
Total liabilities	<u>21,602,067</u>	<u>9,646,293</u>	<u>166,752</u>	<u>14,679,260</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred lease revenue	2,658,125	-	-	-
Unavailable revenues	7,500,649	-	4,110,000	-
Total deferred inflows of resources	<u>10,158,774</u>	<u>-</u>	<u>4,110,000</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	1,359,239	241,349	-	-
Inventories	1,089,724	-	-	-
Restricted for:				
Public safety and public service	-	-	-	-
Facility and infrastructure improvements	-	-	-	-
Debt service	-	-	-	-
Other capital projects	1,286,991	-	70,250,648	-
Committed for:				
Disaster funds	1,767,646	-	-	-
Assigned for:				
Community promotions	-	-	-	2,360,887
Facility operations	-	2,848,820	-	-
Encumbrances and other	19,034,801	-	-	-
Unassigned	93,790,330	-	-	-
Total fund balances	<u>118,328,731</u>	<u>3,090,169</u>	<u>70,250,648</u>	<u>2,360,887</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 150,089,572</u>	<u>\$ 12,736,462</u>	<u>\$ 74,527,400</u>	<u>\$ 17,040,147</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

Installment Purchase Revenue Bonds Capital Projects	City-wide Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
			2025	2024
\$ -	\$ -	\$ 9,402,931	\$ 146,647,615	\$ 126,542,920
-	-	-	4,585,750	4,463,883
-	-	42,215	1,133,017	1,173,711
-	-	-	2,658,125	2,846,431
-	-	-	2,250,238	3,138,545
-	908,712	1,795,998	17,833,842	14,128,402
-	-	-	1,089,724	1,032,771
-	-	-	1,600,588	2,914,761
20,073,683	60,530,213	37,586,895	206,935,329	192,034,070
<u>\$ 20,073,683</u>	<u>\$ 61,438,925</u>	<u>\$ 48,828,039</u>	<u>\$ 384,734,228</u>	<u>\$ 348,275,494</u>
\$ 390,315	\$ 357,931	\$ 197,989	\$ 8,734,149	\$ 11,279,118
-	-	-	15,227,032	14,836,255
-	-	469,614	469,614	460,026
1,643,898	387,464	218,876	2,250,238	3,138,545
-	-	86,561	23,165,987	23,415,452
<u>2,034,213</u>	<u>745,395</u>	<u>973,040</u>	<u>49,847,020</u>	<u>53,129,396</u>
-	-	-	2,658,125	2,846,431
-	-	-	11,610,649	11,390,974
-	-	-	<u>14,268,774</u>	<u>14,237,405</u>
-	-	-	1,600,588	2,914,761
-	-	-	1,089,724	1,032,771
-	-	8,052,083	8,052,083	4,627,749
18,039,470	60,693,530	2,951,258	81,684,258	67,133,301
-	-	35,352,591	35,352,591	27,971,346
-	-	-	71,537,639	74,281,493
-	-	-	1,767,646	1,756,452
-	-	1,499,067	3,859,954	1,939,827
-	-	-	2,848,820	2,368,777
-	-	-	19,034,801	10,309,432
-	-	-	93,790,330	86,572,784
<u>18,039,470</u>	<u>60,693,530</u>	<u>47,854,999</u>	<u>320,618,434</u>	<u>280,908,693</u>
<u>\$ 20,073,683</u>	<u>\$ 61,438,925</u>	<u>\$ 48,828,039</u>	<u>\$ 384,734,228</u>	<u>\$ 348,275,494</u>

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$	320,618,434	
Other assets are not available to pay for current period expenditures and, therefore, are unavailable or not reported in the fund balances:			
Special item - settlement agreement	\$	4,110,000	
Hospitality taxes, accommodations taxes, property taxes and State shared revenues		<u>7,500,649</u>	11,610,649
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Cost of capital assets, including lease and SBITA assets	\$	791,763,289	
Less accumulated depreciation and amortization		<u>(254,501,488)</u>	537,261,801
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
General obligation bonds, including unamortized premiums of \$1,804,188	\$	(19,004,188)	
Limited obligation bonds, including unamortized premiums of \$1,713,420		(77,618,420)	
Installment purchase revenue bonds, including unamortized premiums of \$2,393,995 and deferred loss on refunding of \$1,221,111		(54,247,884)	
Tax increment financing bonds, including unamortized premiums of \$13,025,007		(116,465,007)	
Financed purchase obligations		(12,312,075)	
Lease and SBITA liabilities		(2,441,149)	
Compensated absences		(9,939,152)	
SCDOR - settlement agreement		(11,273,300)	
Accrued interest on long-term debt		(2,298,377)	
Other post-employment benefits liability, net of benefit credits of \$2,233,600 and benefit charges of \$9,882,963		(9,171,318)	
Pension liability, net of pension credits of \$11,261,958 and pension charges of \$22,862,678		<u>(88,654,457)</u>	<u>(403,425,327)</u>
Total net position - governmental activities	\$		<u><u>466,065,557</u></u>

**The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.**

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)**

	General	Coliseum Operating	Tax Infrastructure	ARPA Fund
REVENUES				
Property taxes	\$ 75,649,611	\$ -	\$ 18,236,275	\$ -
Licenses and permits	52,387,782	-	-	-
Intergovernmental	31,269,221	-	400,135	2,200,724
Fines and forfeitures	465,172	-	-	-
Charges for services	3,166,641	-	-	-
Revenues from use of monies and property	5,942,128	11,356,933	2,999,964	853,753
Other revenues	3,624,707	-	250,000	-
Total revenues	<u>172,505,262</u>	<u>11,356,933</u>	<u>21,886,374</u>	<u>3,054,477</u>
EXPENDITURES				
Current:				
General government	41,271,008	-	-	453,978
Public safety	85,768,452	-	-	-
Sanitation	8,964,801	-	-	-
Culture and recreation	14,207,757	12,275,353	-	-
Community development and promotion	3,046,201	-	-	1,185,042
Capital outlay	-	-	6,366,852	-
Debt service:				
Financed purchase obligations and bonds principal	3,944,195	-	9,455,000	-
Lease and SBITA liability principal	1,086,485	-	-	-
Interest and fiscal charges	504,891	-	5,063,686	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>158,793,790</u>	<u>12,275,353</u>	<u>20,885,538</u>	<u>1,639,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,711,472</u>	<u>(918,420)</u>	<u>1,000,836</u>	<u>1,415,457</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,400,000	-	-
Transfers out	(5,123,603)	-	-	-
Proceeds from the sale of property	632,079	-	-	-
Bonds issued	-	-	-	-
Premiums on bonds issued	-	-	-	-
Lease and SBITA	1,730,714	-	-	-
Financed purchase obligations	-	-	-	-
Total other financing sources (uses)	<u>(2,760,810)</u>	<u>1,400,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	10,950,662	481,580	1,000,836	1,415,457
Fund balances, beginning of year	<u>107,378,069</u>	<u>2,608,589</u>	<u>69,249,812</u>	<u>945,430</u>
Fund balances, end of year	<u>\$ 118,328,731</u>	<u>\$ 3,090,169</u>	<u>\$ 70,250,648</u>	<u>\$ 2,360,887</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

Installment Purchase Revenue Bonds Capital Projects	City-wide Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
			2025	2024
\$ -	\$ -	\$ 8,997,822	\$ 102,883,708	\$ 95,764,914
-	-	-	52,387,782	49,671,713
-	10,908,712	20,359,444	65,138,236	69,099,887
-	-	332,433	797,605	686,367
-	-	-	3,166,641	3,120,907
934,904	2,434,868	4,166,072	28,688,622	26,813,926
-	-	-	3,874,707	4,516,836
<u>934,904</u>	<u>13,343,580</u>	<u>33,855,771</u>	<u>256,937,301</u>	<u>249,674,550</u>
-	-	-	41,724,986	40,510,149
-	-	2,261,434	88,029,886	79,447,221
-	-	-	8,964,801	7,964,848
-	-	1,373,987	27,857,097	21,014,291
-	-	2,122,894	6,354,137	5,082,894
3,784,788	2,073,106	243,445	12,468,191	51,510,419
-	-	9,625,000	23,024,195	17,254,881
-	-	-	1,086,485	835,966
-	-	5,734,117	11,302,694	10,330,416
-	-	-	-	395,043
<u>3,784,788</u>	<u>2,073,106</u>	<u>21,360,877</u>	<u>220,812,472</u>	<u>234,346,128</u>
<u>(2,849,884)</u>	<u>11,270,474</u>	<u>12,494,894</u>	<u>36,124,829</u>	<u>15,328,422</u>
-	5,000,000	5,367,781	11,767,781	5,522,827
-	-	(6,644,178)	(11,767,781)	(6,392,045)
-	1,222,119	-	1,854,198	1,893,467
-	-	-	-	29,395,000
-	-	-	-	3,307,191
-	-	-	1,730,714	277,432
-	-	-	-	5,758,000
-	<u>6,222,119</u>	<u>(1,276,397)</u>	<u>3,584,912</u>	<u>39,761,872</u>
<u>(2,849,884)</u>	<u>17,492,593</u>	<u>11,218,497</u>	<u>39,709,741</u>	<u>55,090,294</u>
<u>20,889,354</u>	<u>43,200,937</u>	<u>36,636,502</u>	<u>280,908,693</u>	<u>225,818,399</u>
<u>\$ 18,039,470</u>	<u>\$ 60,693,530</u>	<u>\$ 47,854,999</u>	<u>\$ 320,618,434</u>	<u>\$ 280,908,693</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	39,709,741
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization expense exceeded capital outlay in the current period.

Capital outlay	\$	19,578,928	
Depreciation/amortization expense		<u>(20,468,474)</u>	(889,546)

In the Statement of Activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds report only proceeds from disposal of capital assets. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or disposed.

Proceeds from sale of capital assets	\$	(1,854,198)	
Gain (loss) on sale or disposal		<u>(152,093)</u>	(2,006,291)

Revenues and expenses in the Statement of Activities, which do not represent or require the use of current financial resources are not reported in fund balances.

Reimbursement of debt	\$	(235,000)	
Hospitality taxes, accommodations taxes, property taxes, and State shared revenues		454,675	
Accrued interest on borrowings		282,016	
Other post-employment benefits expense		796,023	
Pension expense		6,080,134	
Compensated absences		<u>(611,936)</u>	6,765,912

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 balance when incurred.

Payments of long-term debt - general obligation bonds, installment purchase revenue bonds, and tax increment financing bonds	\$	19,080,000	
Amortization of premiums, discounts, and refunding deferrals		2,233,350	
Financed purchase obligation payments		3,944,195	
Lease and SBITA liability payments		1,086,485	
Proceeds from lease and SBITA obligations		<u>(1,730,714)</u>	<u>24,613,316</u>

Change in net position of governmental activities	\$	<u>68,193,132</u>
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**The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.**

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025
(With Comparative Totals at June 30, 2024)**

	Enterprise Funds			
	2025			2024
	Golf Course	Stormwater Utility	Total	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,996,398	\$ 4,758,673	\$ 8,755,071	\$ 7,559,334
Accounts receivable, net	23,221	129,238	152,459	209,722
Inventories, at cost	16,838	-	16,838	26,788
Restricted assets:				
Cash and cash equivalents	-	-	-	590,000
Total current assets	<u>4,036,457</u>	<u>4,887,911</u>	<u>8,924,368</u>	<u>8,385,844</u>
NON-CURRENT ASSETS				
Capital assets:				
Land	1,397,188	-	1,397,188	1,397,188
Buildings	4,127,867	-	4,127,867	4,074,676
Infrastructure	-	1,104,038	1,104,038	1,104,038
Improvements	8,167,514	-	8,167,514	8,137,008
Machinery and equipment	2,872,183	9,409,214	12,281,397	11,367,730
Leased and SBITA assets	244,317	-	244,317	188,225
Less accumulated depreciation	(9,710,737)	(6,136,327)	(15,847,064)	(14,715,610)
Less accumulated amortization	(198,143)	-	(198,143)	(182,696)
Total non-current assets	<u>6,900,189</u>	<u>4,376,925</u>	<u>11,277,114</u>	<u>11,370,559</u>
Total assets	<u>10,936,646</u>	<u>9,264,836</u>	<u>20,201,482</u>	<u>19,756,403</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred other post-employment benefits charges	-	294,698	294,698	373,796
Deferred pension charges	-	490,584	490,584	480,542
Total deferred outflows of resources	<u>-</u>	<u>785,282</u>	<u>785,282</u>	<u>854,338</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	270,032	69,169	339,201	676,016
Accrued interest payable	-	9,091	9,091	11,607
Lease and SBITA liabilities	15,189	-	15,189	1,390
Financed purchase obligations	132,848	447,101	579,949	635,086
Compensated absences	-	294,290	294,290	267,602
Total current liabilities	<u>418,069</u>	<u>819,651</u>	<u>1,237,720</u>	<u>1,591,701</u>
NON-CURRENT LIABILITIES				
Other post-employment benefits liability	-	501,573	501,573	595,600
Pension liability	-	1,322,551	1,322,551	1,489,054
Lease and SBITA liabilities	31,529	-	31,529	4,119
Financed purchase obligations	405,059	1,070,529	1,475,588	2,060,369
Compensated absences	-	32,699	32,699	29,734
Total non-current liabilities	<u>436,588</u>	<u>2,927,352</u>	<u>3,363,940</u>	<u>4,178,876</u>
Total liabilities	<u>854,657</u>	<u>3,747,003</u>	<u>4,601,660</u>	<u>5,770,577</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred other post-employment benefits credits	-	66,603	66,603	92,585
Deferred pension credits	-	85,345	85,345	49,092
Total deferred inflows of resources	<u>-</u>	<u>151,948</u>	<u>151,948</u>	<u>141,677</u>
NET POSITION				
Net investment in capital assets	6,315,564	2,859,295	9,174,859	8,669,595
Unrestricted	3,766,425	3,291,872	7,058,297	6,028,892
Total net position	<u>\$ 10,081,989</u>	<u>\$ 6,151,167</u>	<u>\$ 16,233,156</u>	<u>\$ 14,698,487</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)**

	Enterprise Funds			2024 Total
	2025			
	Golf Course	Stormwater Utility	Total	
OPERATING REVENUES				
Golf course fees	\$ 2,826,951	\$ -	\$ 2,826,951	\$ 2,808,597
Food and beverage sales	777,421	-	777,421	726,436
Stormwater utility fees	-	6,055,117	6,055,117	5,860,148
Intergovernmental	-	23,699	23,699	39,187
Miscellaneous revenues	30,892	-	30,892	-
Total operating revenues	<u>3,635,264</u>	<u>6,078,816</u>	<u>9,714,080</u>	<u>9,434,368</u>
OPERATING EXPENSES				
Contractual management services	2,042,448	-	2,042,448	1,910,765
Food and beverage expenses	648,598	-	648,598	556,136
Salaries and benefits	-	3,334,880	3,334,880	3,372,185
Repairs and maintenance	-	983,170	983,170	1,232,906
Supplies and materials	-	79,176	79,176	73,899
Administrative	34,889	160,779	195,668	212,316
Amortization expense	15,447	-	15,447	1,352
Depreciation expense	463,442	668,012	1,131,454	1,051,888
Total operating expenses	<u>3,204,824</u>	<u>5,226,017</u>	<u>8,430,841</u>	<u>8,411,447</u>
Operating income	<u>430,440</u>	<u>852,799</u>	<u>1,283,239</u>	<u>1,022,921</u>
NON-OPERATING INCOME (EXPENSE)				
Investment income	152,741	185,993	338,734	315,233
Interest expense	(36,981)	(50,323)	(87,304)	(102,771)
Fiscal agent fees	-	-	-	(5,545)
Total non-operating income (expense)	<u>115,760</u>	<u>135,670</u>	<u>251,430</u>	<u>206,917</u>
Income before transfers	<u>546,200</u>	<u>988,469</u>	<u>1,534,669</u>	<u>1,229,838</u>
TRANSFERS				
Transfers in	-	-	-	869,218
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>869,218</u>
Change in net position	<u>546,200</u>	<u>988,469</u>	<u>1,534,669</u>	<u>2,099,056</u>
NET POSITION, beginning of year, as previously presented	<u>9,535,789</u>	<u>5,250,820</u>	<u>14,786,609</u>	<u>12,599,431</u>
RESTATEMENTS (See Note 18)	-	(88,122)	(88,122)	-
NET POSITION, beginning of year, as restated	<u>9,535,789</u>	<u>5,162,698</u>	<u>14,698,487</u>	<u>12,599,431</u>
NET POSITION, end of year	<u>\$ 10,081,989</u>	<u>\$ 6,151,167</u>	<u>\$ 16,233,156</u>	<u>\$ 14,698,487</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2024)**

	Enterprise Funds			
	2025			2024
	Golf Course	Stormwater Utility	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,629,261	\$ 6,142,082	\$ 9,771,343	\$ 9,306,502
Payments to employees	-	(3,516,083)	(3,516,083)	(3,436,602)
Payments to suppliers and contractors	(2,659,022)	(1,589,766)	(4,248,788)	(3,453,500)
Net cash provided by operating activities	<u>970,239</u>	<u>1,036,233</u>	<u>2,006,472</u>	<u>2,416,400</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	869,218
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>869,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(162,807)	(834,557)	(997,364)	(2,042,624)
Lease principal payments	(14,883)	-	(14,883)	(1,372)
Financed purchase obligation payments	(125,005)	(514,913)	(639,918)	(628,675)
Principal paid on capital debt	-	-	-	(835,000)
Proceeds from financed purchase obligations	-	-	-	1,312,620
Interest and fiscal charges paid on capital debt	(36,981)	(50,323)	(87,304)	(108,316)
Net cash used in capital and related financing activities	<u>(339,676)</u>	<u>(1,399,793)</u>	<u>(1,739,469)</u>	<u>(2,303,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	152,741	185,993	338,734	315,233
Net cash provided by investing activities	<u>152,741</u>	<u>185,993</u>	<u>338,734</u>	<u>315,233</u>
Net increase (decrease) in cash and cash equivalents	<u>783,304</u>	<u>(177,567)</u>	<u>605,737</u>	<u>1,297,484</u>
Cash and cash equivalents:				
Beginning of year	<u>3,213,094</u>	<u>4,936,240</u>	<u>8,149,334</u>	<u>6,851,850</u>
End of year	<u>\$ 3,996,398</u>	<u>\$ 4,758,673</u>	<u>\$ 8,755,071</u>	<u>\$ 8,149,334</u>
Classified as:				
Cash and cash equivalents	\$ 3,996,398	\$ 4,758,673	\$ 8,755,071	\$ 7,559,334
Restricted assets, cash	-	-	-	590,000
	<u>\$ 3,996,398</u>	<u>\$ 4,758,673</u>	<u>\$ 8,755,071</u>	<u>\$ 8,149,334</u>

(Continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2024)**

	Enterprise Funds			2024 Total
	2025			
	Golf Course	Stormwater Utility	Total	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 430,440	\$ 852,799	\$ 1,283,239	\$ 1,022,921
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	478,889	668,012	1,146,901	1,053,240
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(6,003)	63,266	57,263	(115,769)
Decrease in inventory	1,361	8,589	9,950	321
Decrease in prepaid items	-	-	-	(20,685)
Increase (decrease) in operating payables	65,552	(375,230)	(309,678)	540,789
Decrease in pension items	-	(140,292)	(140,292)	(46,443)
Decrease in OPEB items	-	(40,911)	(40,911)	(17,974)
Net cash provided by operating activities	<u>\$ 970,239</u>	<u>\$ 1,036,233</u>	<u>\$ 2,006,472</u>	<u>\$ 2,416,400</u>
Noncash investing, capital, and financing activities:				
Inception of leased and SBITA asset contracts	\$ (56,092)	\$ -	\$ (56,092)	\$ (6,881)
Liabilities incurred from lease and SBITA contracts	56,092	-	56,092	6,881
Net noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditor's report.

NOTES TO FINANCIAL STATEMENTS

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

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 Council is composed of a Mayor and ten Council members.

The financial statements of the City 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’s accounting policies are described below.

As required by GAAP, the financial statements must present the City’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 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. 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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

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 having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity’s resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits, or provide financial support to the entity, or (c) the City 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’s financial statements to be misleading.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City of North Charleston. Based on the criteria above, the City reports two blended component units but has no component units to discretely present. Neither of the blended component units issue separate financial statements.

Blended component units – North Charleston Public Facilities Corporation is a single purpose corporate entity which is prohibited from engaging in any business other than to construct, own and lease facilities to be used for essential City functions in connection with the issuance of tax exempt Certificates of Participation and Limited Obligation Bonds and Installment Purchase Revenue Bonds to finance such facilities. Since the corporation is governed by a board of directors appointed by the Council and solely exists for the benefit of the City, the data of the component unit is 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 Limited Obligation Bonds Capital Projects Fund.

The North Charleston Redevelopment Commission (the "Commission") was established by the Council in 1985. This separate corporation is composed of members of the 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, 2025, the Commission had started one redevelopment plan, but had no financial authority or obligation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; however, interfund services provided and used are not eliminated in the process of consolidation. 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 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/segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function/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/segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function/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. Nonmajor funds are summarized into a single column.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of 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. 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.

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 thereafter to pay liabilities of the current period. For this purpose, the City considers property 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and post-employment benefits are recorded generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right-to-use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

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

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

Coliseum Operating Special Revenue Fund – The Coliseum Operating Fund is used to account for and report the financial resources that are restricted, committed or assigned to the operations of the North Charleston Coliseum, Convention Center and Performing Arts Complex. Sources of revenue include the rental of the facilities, direct event income through ticket sales, commissions on food and beverage sales and advertising revenue.

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

American Rescue Plan Act Grant Fund – The American Rescue Plan Act Grant Fund is used to account for and report financial resources and expenditures associated with the U.S. Department of Treasury's Coronavirus State and Local Fiscal Recovery Funds established by the American Rescue Plan Act of 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Installment Purchase Revenue Bonds Capital Projects Fund – The Installment Purchase Revenue Bonds Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to the costs of improvements to facilities, infrastructure and other capital assets owned by the City.

City-wide Capital Projects Fund – The City-wide 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 general obligation bonds or from other set-aside appropriated funds 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 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 has the following nonmajor special revenue funds: Accommodations Tax, City Accommodations Tax, Community Development Block Grant ("CDBG"), Fireman's Insurance and Inspection, Anti-Drug, Justice Assistance Grant, Victims Advocate, Community Policing Grant, School Resource Officer Grant, Port Security Grant, VA Military Enhancement Grant, Forensic Science Grant, Opioid Recovery Settlement Funds, SCDPS In-Car Camera Grant, Energy Efficiency Conservation Block Grant, and Parking.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 Limited Obligation Bonds Capital Projects Fund and the Street Light and Drainage Fund.

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

Certificates of Participation 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. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 \$1,235,179.

F. 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.

G. Inventories and Prepaid Expenses/Expenditures

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.

H. Restricted Assets

Certain proceeds of the City’s revenue, general obligation, limited obligation, Certificates of Participation and Installment Purchase Revenue Bonds, financed purchases 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets and Depreciation Expense

Capital assets, which include property, plant, equipment, infrastructure assets (i.e., roads, bridges, sidewalks, stormwater improvements, drainage improvements and similar items) and right-to-use leased assets and Subscription-based Information Technology Arrangements (“SBITA”) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an 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. Capital assets of the City are 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; right-to-use leased assets and vehicles, 5-10 years, SBITA assets 1-20 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick leave and vacation benefits. Sick leave is not earned or paid out as a result of employee resignations or retirements. However, in accordance with GASB 101 as of fiscal year end June 30, 2025, an estimated liability is reported for the accumulated sick leave expected to be paid out in the next fiscal year. All vacation leave is accrued when incurred in government-wide and proprietary fund financial statements. Compensated vacation leave 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.

K. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets 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 which represents the difference between the reacquisition price and the net carrying amount of the defeased debt. The *deferred loss on refunding* is amortized over the life of the refunding bonds. Amortization expense related to the *deferred loss on refunding* is included in interest expense in the Statement of Activities; 2) 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; and 3) The City reports *deferred OPEB charges* in its Statement of Net Position in connection with the OPEB plan. The *deferred pension and OPEB 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 rational method as pension/OPEB expense in future periods in accordance with GAAP.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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 three 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 and OPEB 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 and OPEB Plan. These *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension and OPEB expense in future periods in accordance with GAAP; and 3) The City also reports *deferred lease revenue* in the governmental funds Balance Sheet and its Statement of Net Position as a deferred inflow of resources measured as the initial amount of lease receivables adjusted for lease payments recognized as revenue over the life of the lease term.

L. 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 reacquisition 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

M. Leases

Lessee. The City is a lessee for noncancellable leases of various equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in its financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines: 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease payments:

- The City uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Leases (Continued)

Lessor. The City is a lessor for noncancellable leases of land, office space, warehouses, parking lots and various equipment. The City recognizes a lease receivable in its financial statements. The City recognizes lease receivables for leases with a term greater than 12 months.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines: 1) the discount rate it uses to discount the expected lease receivable to present value, 2) lease term, and 3) lease revenue:

- The City uses the 10 year treasury rate at the lease inception date as the discount rate.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments expected to be received during the lease period.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. Subscription-Based Information Technology Arrangements (“SBITA”)

The City has noncancellable SBITAs of various IT software. The City recognizes an SBITA liability and an intangible right-to-use SBITA asset in its financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Subscription-Based Information Technology Arrangements (“SBITA”)

Key estimates and judgments related to SBITAs include how the City determines: 1) the discount rate it uses to discount the expected SBITA payments to present value, 2) the SBITA term, and 3) SBITA payments:

- The City uses the implicit interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided or cannot be imputed, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

O. 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year ended June 30, 2011. The objective of GASB No. 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 No. 54 creates 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 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 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 that do not meet the criteria to be classified as committed. Only the Council has the authority to assign fund balance and does so by assigning fund balance through appropriations made during the budgetary process or during the fiscal year through budget amendment actions.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance (Continued)

The City 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 would generally first use committed and assigned amounts of unrestricted fund balance before using unassigned amounts.

The City has formally adopted a minimum fund balance policy that requires 20% 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, 2026 is \$171,931,296, thus \$34,386,259 is the minimum amount to be set aside as the unassigned General Fund balance. As of June 30, 2025, the City's unassigned fund balance for the General Fund was \$93,790,330.

Q. 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, finance purchase obligations, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Pensions and Other Post-employment Benefits

In government-wide financial statements, pensions and other post-employment benefits ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting (see Note 12 and Note 13 and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes net pension and net OPEB liabilities for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified 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 and OPEB liabilities during the period are recorded as pension and OPEB 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 and OPEB liabilities 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 plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. The General Fund has typically been used in prior years as the governmental fund to liquidate pension and OPEB liabilities.

S. 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.

T. 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 non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

V. 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements. Interfund loans may occur between two funds. Short-term interfund loans outstanding at year-end are recorded as interfund receivables/payables and are expected to be paid within one year. Advances to/from other funds represent long-term interfund loans receivable and payable. Reimbursements result when one fund makes an expenditure on behalf of another. Reimbursements reduce expenditures in the reimbursed fund and increase those in the reimbursing fund.

W. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Reconciliation from Fund Balance to Net Position

The Reconciliation of Fund Balances to Net Position is an extension of the Balance Sheet, and the Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities is an extension of the Statement of Revenues, Expenditures and Changes in Fund Balances. 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.

Y. 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.

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; and 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Comparative Data/Reclassifications

Comparative total data for the prior year has 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 American Rescue Plan Act Grant Fund, the Anti-Drug Fund, 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 Council.

Prior to June 30, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are then conducted at City Hall to obtain taxpayer comments, and the budget is legally enacted through passage of an ordinance. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Mayor, as chief executive officer, is authorized to administer the budget and may transfer appropriated funds within departments. Transfers of appropriations between departments require the approval of the Council. Additional funds may be appropriated as necessary with Council's approval to achieve the goals of the budget. Expenditures may not exceed budgeted appropriations at the departmental level without Council's approval. The City's policy is to adopt balanced revenue and expenditure budgets. Prior year fund balances may be appropriated as resources. However, these appropriated fund balances are not reported as revenues in budgetary data within their financial statements. The Council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a 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 the Council for that year. The City reports \$3,832,794 in encumbrances assigned in fund balances, all of which is assigned in the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Fund Deficits and Excess Expenditures over Appropriations

For the fiscal year ended June 30, 2025, the City had no expenditures that exceeded appropriations at the legal level of budgetary control and no fund deficits in its individual funds.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2025, the City had the following cash and investment balances:

Cash on hand	\$ 96,017
Carrying amount of deposits	24,775,482
Carrying amount of investments	337,466,516
Total	\$ 362,338,015
Statement of Net Position balances:	
Cash and cash equivalents	\$ 155,402,686
Cash and cash equivalents - restricted	206,935,329
Total	\$ 362,338,015

Investment Type	Fair Value Level (1)	Credit Rating	Fair Value	Weighted Average Maturity
Governmental Money Market Funds	Level 1	*	\$ 20,790,814	< 1 year
SC Local Government Investment Pool	N/A	NR	316,675,702	< 1 year
Total			\$ 337,466,516	

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

(1) See Note 1.Y 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 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

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 ("NRSRO"s).

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2025, the City was not exposed to any custodial credit risk for its investments.

NOTE 4. RECEIVABLES, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

During the fiscal years from 1996 through 2025, 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, 2025 was \$300,746.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE (CONTINUED)

Property taxes receivables of \$4,585,750 represent total receivables of \$5,820,929 less an estimated allowance for uncollectibles of \$1,235,179. User fees receivable of \$152,459 represent delinquent stormwater utility fees billed of \$1,922,438 and golf course user fees of \$23,221 less an estimated allowance for uncollectibles of \$1,793,200. Governmental and business-type activities receivables and amounts due from other governments as of June 30, 2025 in total, including the applicable allowances for uncollectible accounts, are as follows:

Description	Governmental Activities	Business-Type Activities	Total
Notes receivable - restricted	\$ 300,746	\$ -	\$ 300,746
Property taxes	5,820,929	-	5,820,929
Sales, accomodation and hospitality taxes	8,982,792	-	8,982,792
State aid to subdivision	778,987	-	778,987
Business licenses	2,544,064	-	2,544,064
Franchise fees	137,533	-	137,533
Grant income	352,119	-	352,119
Palmetto Railways settlement agreement	4,110,000	-	4,110,000
Rents and other receivables	2,061,364	-	2,061,364
User fees	-	1,945,659	1,945,659
Gross receivables	<u>25,088,534</u>	<u>1,945,659</u>	<u>27,034,193</u>
Less: allowance for uncollectibles	(1,535,925)	(1,793,200)	(3,329,125)
Net total receivables	<u>\$ 23,552,609</u>	<u>\$ 152,459</u>	<u>\$ 23,705,068</u>

As of June 30, 2025, the City reported the following for the governmental activities in the Statement of Net Position:

Receivables, net	\$ 5,718,767
Due from other governments	17,833,842
Total	<u>\$ 23,552,609</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE (CONTINUED)

Palmetto Railways settlement agreement – In February 2013, the City 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 intermodal container transfer facility located in the City. 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 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 \$4,110,000 as of June 30, 2025.

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, 2025, the various components of deferred inflows, unavailable/unearned revenue were as follows:

Governmental Funds:	Fund	Unavailable	Unearned	Deferred Lease	Total
Property tax receivable	General	\$ 3,568,942	\$ -	\$ -	\$ 3,568,942
Deferred lease revenue	General	-	-	2,658,125	2,658,125
Due from other governments:					
Other taxes	General	3,931,707	-	-	3,931,707
Settlement agreement	Tax Infrastructure	4,110,000	-	-	4,110,000
Unearned grant revenue	ARPA Grant		14,216,400	-	14,216,400
Ticket sales and deposits	Coliseum		8,863,026	-	8,863,026
Unearned grant revenue	Nonmajor		86,561		86,561
Total deferred revenue		<u>\$ 11,610,649</u>	<u>\$ 23,165,987</u>	<u>\$ 2,658,125</u>	<u>\$ 37,434,761</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS AND DEPRECIATION EXPENSE

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 92,534,026	\$ 2,796,422	\$ (503,919)	\$ -	\$ 94,826,529
Construction in progress	59,542,285	4,550,621	-	(61,832,299)	2,260,607
Total capital assets not being depreciated	<u>152,076,311</u>	<u>7,347,043</u>	<u>(503,919)</u>	<u>(61,832,299)</u>	<u>97,087,136</u>
Capital assets, being depreciated:					
Buildings	316,379,035	1,778,607	-	61,832,299	379,989,941
Infrastructure	106,530,693	-	-	-	106,530,693
Improvements other than buildings	97,469,733	493,778	(782,126)	-	97,181,385
Machinery and equipment	100,235,406	8,228,786	(2,333,371)	-	106,130,821
Right-to-use leased assets	2,036,824	1,560,056	(145,908)	-	3,450,972
Right-to-use subscription assets	1,566,708	170,658	(345,025)	-	1,392,341
Total capital assets being depreciated	<u>624,218,399</u>	<u>12,231,885</u>	<u>(3,606,430)</u>	<u>61,832,299</u>	<u>694,676,153</u>
Less accumulated depreciation for:					
Buildings	(80,102,268)	(6,400,296)	-	-	(86,502,564)
Infrastructure	(33,904,024)	(4,375,322)	-	-	(38,279,346)
Improvements other than buildings	(42,674,778)	(2,909,350)	173,055	-	(45,411,073)
Machinery and equipment	(77,711,035)	(5,914,314)	1,440,070	-	(82,185,279)
Right-to-use leased assets	(1,113,577)	(565,593)	145,908	-	(1,533,262)
Right-to-use subscription assets	(631,390)	(303,599)	345,025	-	(589,964)
Total accumulated depreciation	<u>(236,137,072)</u>	<u>(20,468,474)</u>	<u>2,104,058</u>	<u>-</u>	<u>(254,501,488)</u>
Total capital assets, being depreciated, net	<u>388,081,327</u>	<u>(8,236,589)</u>	<u>(1,502,372)</u>	<u>61,832,299</u>	<u>440,174,665</u>
Governmental activities capital assets net	<u>\$ 540,157,638</u>	<u>\$ (889,546)</u>	<u>\$ (2,006,291)</u>	<u>\$ -</u>	<u>\$ 537,261,801</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS AND DEPRECIATION EXPENSE (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,397,188	\$ -	\$ -	\$ -	\$ 1,397,188
Total capital 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	4,074,676	53,191	-	-	4,127,867
Infrastructure	1,104,038	-	-	-	1,104,038
Improvements	8,137,008	30,506	-	-	8,167,514
Machinery and equipment	11,367,730	913,667	-	-	12,281,397
Right-to-use leased assets	188,225	-	-	-	188,225
Right-to-use subscription assets	-	56,092	-	-	56,092
Total capital assets being depreciated	<u>24,871,677</u>	<u>1,053,456</u>	<u>-</u>	<u>-</u>	<u>25,925,133</u>
Less accumulated depreciation for:					
Buildings	(2,227,241)	(106,438)	-	-	(2,333,679)
Infrastructure	(138,845)	(22,081)	-	-	(160,926)
Improvements	(4,903,382)	(133,692)	-	-	(5,037,074)
Machinery and equipment	(7,446,142)	(869,243)	-	-	(8,315,385)
Right-to-use leased assets	(182,696)	(1,424)	-	-	(184,120)
Right-to-use subscription assets	-	(14,023)	-	-	(14,023)
Total accumulated depreciation	<u>(14,898,306)</u>	<u>(1,146,901)</u>	<u>-</u>	<u>-</u>	<u>(16,045,207)</u>
Total capital assets, being depreciated, net	<u>9,973,371</u>	<u>(93,445)</u>	<u>-</u>	<u>-</u>	<u>9,879,926</u>
Business-type activities capital assets, net	<u>\$ 11,370,559</u>	<u>\$ (93,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,277,114</u>

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

Governmental activities:	
General government	\$ 9,942,325
Public safety	3,994,635
Sanitation	1,079,988
Culture and recreation	4,935,063
Community development	516,463
Total depreciation/amortization expense - governmental activities	<u>\$ 20,468,474</u>
Business-type activities:	
Stormwater utility	\$ 668,012
Golf course	478,889
Total depreciation/amortization expense - business-type activities	<u>\$ 1,146,901</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a schedule of interfund balances at June 30, 2025:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Community Development Block Grant	\$ 7,130
General Fund	Port Security Grant	15,812
General Fund	Justice Assistance Grant	37,565
General Fund	Energy Efficiency Grant	144,703
General Fund	Anti-Drug Fund	13,666
General Fund	City-wide Capital Projects Fund	387,464
General Fund	IPRB Capital Projects Fund	1,643,898
Total		<u>\$ 2,250,238</u>

Interfund transfers are primarily used to move monies from one fund to another to assist with debt service payments or to provide matching funds for various grant programs. For the fiscal year ended June 30, 2025, the General Fund transferred monies to the City-wide Capital Projects Fund for some deferred maintenance on various facilities. A portion of the accommodations taxes collected in the Special Revenue Funds were transferred to the debt service funds to assist with debt payments and to capital project funds for various tourism projects. Additional funds were transferred from the General Fund to various Special Revenue Funds to provide matches for grants.

The following is a schedule of interfund transfers for the fiscal year ended June 30, 2025:

<u>Transfer To</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	
Coliseum Fund	\$ -	\$ 1,400,000	\$ 1,400,000
City-wide Capital Projects Fund	5,000,000	-	5,000,000
Nonmajor Governmental Funds	123,603	5,244,178	5,367,781
Total	<u>\$ 5,123,603</u>	<u>\$ 6,644,178</u>	<u>\$ 11,767,781</u>

NOTE 7. SHORT-TERM OBLIGATIONS

The City did not issue any short-term debt during the fiscal year ended June 30, 2025 and, therefore, there was no short-term debt outstanding as of June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS

Long-term debt of the City consists of general obligation bonds, Certificates of Participation, Limited Obligation Bonds, Installment Purchase Revenue Bonds, Tax Increment Financing Bonds, Revenue Bonds, and Financed Purchase 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, 2025 are as follows:

\$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%.	\$ 6,165,000
\$15,000,000 serial bonds issued in February 2019, due in annual installments of \$705,000 to \$1,770,000 through March 2034, with semi-annual interest at 3% to 5%.	9,335,000
\$7,710,000 refunding bonds issued in October 2020, due in annual installments of \$1,395,000 to \$1,700,000 through December 2025, with semi-annual interest at 5%.	<u>1,700,000</u>
Total General Obligation Bonds	17,200,000
Add: Unamortized premiums	1,804,188
Net General Obligation Bonds	<u>\$ 19,004,188</u>

In December 2010, the City 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 represented taxable Build America Bonds that yielded a 35% interest payment subsidy from the United States Federal Government. \$6,040,000 of this Series 2010 issue represented taxable Recovery Zone Economic Development Bonds that yielded a 45% interest payment subsidy from the United States Federal Government. In October 2020, the City issued \$7,710,000 in general obligation bonds to refund the \$2,590,000 in outstanding Build America Bonds and \$6,040,000 in outstanding Recovery Zone Economic Development Bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position and interest rate subsidies discontinued. The reacquisition price exceeded the carrying amount by \$63,843 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 \$555,886 and a reduction of \$1,093,997 in future debt service payments.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued) – Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 4,005,000	\$ 674,000	\$ 4,679,000
2027	2,420,000	516,250	2,936,250
2028	2,510,000	425,650	2,935,650
2029	2,620,000	315,800	2,935,800
2030	1,040,000	201,100	1,241,100
2031 – 2035	4,605,000	361,800	4,966,800
	<u>\$ 17,200,000</u>	<u>\$ 2,494,600</u>	<u>\$ 19,694,600</u>

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

In June 2021, the Corporation issued: (i) \$39,755,000 in taxable Series 2021(A) Installment Purchase Revenue Bonds for an advance refunding of the remaining \$37,765,000 of the Series 2012 Installment Purchase Revenue Bonds (as of June 2022); (ii) \$22,105,000 in tax-exempt Series 2021(B) Installment Purchase Revenue Bonds to acquire, construct and install infrastructure improvements within the City; and (iii) to pay certain costs of issuance of the Series 2021 Installment Purchase Revenue Bonds. Proceeds of \$39,393,151 were used to purchase government securities that were placed in an irrevocable trust for the purpose of repaying the refunded portion of the Series 2012 Installment Purchase Revenue Bonds. 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 2021 Certificates at June 30, 2025 totaled \$0. The transaction resulted in an economic gain of \$4,983,444 and a reduction of \$5,753,088 in future debt service payments. The reacquisition price exceeded the carrying amount by \$1,628,151 which is being amortized over the life of the refunded debt and is being reported as a deferred outflow of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Installment Purchase Revenue Bonds (Continued) – Installment purchase revenue bonds outstanding as of June 30, 2025 are as follows:

\$61,860,000 in revenue bonds issued in June 2021, due in annual installments of \$795,000 to \$4,130,000 through June 2041, with semi-annual interest ranging from 3% to 4%.	<u>\$ 53,075,000</u>
Total Installment Purchase Revenue Bonds	53,075,000
Add: Unamortized premiums	2,393,995
Net Installment Purchase Revenue Bonds	<u>\$ 55,468,995</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
2026	\$ 2,735,000	\$ 1,520,546	\$ 4,255,546
2027	2,780,000	1,473,723	4,253,723
2028	2,835,000	1,417,756	4,252,756
2029	2,895,000	1,354,073	4,249,073
2030	2,970,000	1,282,414	4,252,414
2031 – 2035	16,095,000	5,167,847	21,262,847
2036 – 2040	18,635,000	2,631,105	21,266,105
2041 – 2045	4,130,000	123,900	4,253,900
	<u>\$ 53,075,000</u>	<u>\$ 14,971,364</u>	<u>\$ 68,046,364</u>

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. \$6,306,282 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 ended June 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Limited Obligations Bonds (Continued) – In July 2018, the Corporation issued \$20,550,000 in Series 2018 Limited Obligation Bonds: (i) for an advance refunding of the remaining \$13,115,000 of the Series 2008 Certificates of Participation; (ii) to acquire, construct and install tourism-related improvements within the City; and (iii) to pay certain costs of issuance of the Series 2018 Limited Obligation Bonds. Proceeds of \$13,311,607 were used to purchase government securities that were placed in an irrevocable trust for the purpose of repaying the refunded portion of the Series 2008 Certificates. 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 2008 Certificates at June 30, 2025 totaled \$0. The transaction resulted in an economic gain of \$343,072 and a reduction of \$378,793 in future debt service payments. The reacquisition price exceeded the carrying amount by \$196,607 but is offset by \$292,899 in unamortized premiums remaining on the Series 2008 Certificates. There are no Certificates of Participation outstanding as of June 30, 2025. Limited Obligation Bonds outstanding as of June 30, 2025 are as follows:

\$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 2.6% to 5%.	\$ 69,365,000
\$20,550,000 in limited obligation bonds issued in July 2018, due in annual installments of \$310,000 to \$6,580,000 through October 2038, with semi-annual interest ranging from 3% to 5%.	<u>6,540,000</u>
Total Limited Obligation Bonds	75,905,000
Add: Unamortized premiums	1,713,420
Net Limited Obligation Bonds	<u>\$ 77,618,420</u>

Annual debt service requirements to maturity for the Limited Obligations Bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 3,235,000	\$ 3,175,760	\$ 6,410,760
2027	3,360,000	3,052,663	6,412,663
2028	3,490,000	2,920,936	6,410,936
2029	3,630,000	2,779,994	6,409,994
2030	3,775,000	2,632,772	6,407,772
2031 – 2035	21,375,000	10,679,670	32,054,670
2036 – 2040	25,890,000	5,561,700	31,451,700
2041 – 2045	11,150,000	478,250	11,628,250
	<u>\$ 75,905,000</u>	<u>\$ 31,281,745</u>	<u>\$ 107,186,745</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Tax Increment Financing Bonds – On July 26, 2001, the 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 Projects Fund. Principal was payable in annual installments beginning December 1, 2006 with the final installment maturing December 2018. The outstanding balance of the Series 2003 bonds at June 30, 2025 was \$0.

In October 2019, the City issued \$19,915,000 in Tax Increment Financing Bonds for the Noisette Community Redevelopment Project Area 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 Projects Fund. Principal is payable in annual installments beginning October 2020 with the final installment maturing October 2028. The bonds are repayable from, and secured by, the incremental property taxes on redevelopment area properties, applicable to property value increases subsequent to 2001.

In January 2022, the City issued \$42,820,000 in Tax Increment Financing Bonds for the Noisette Community Redevelopment Project Area for the purpose of financing the cost of renovating and constructing publicly owned improvements within the project area. Proceeds and expenditures are reported in the Tax Infrastructure Capital Projects Fund. Principal is payable in annual installments beginning October 2022 with the final installment maturing October 2041. The bonds are repayable from, and secured by, the incremental property taxes on redevelopment area properties, applicable to property value increases subsequent to 2001.

During 2002, the 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. 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. As discussed in Note 4, Palmetto Railways has assumed responsibility for the debt service payments on these bonds. In June 2019, the City issued \$13,120,000 in Series 2019 Tax Increment Financing Bonds for the purpose of acquiring land, constructing and installing improvements to facilities in the Navy Base TIF area.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Tax Increment Financing Bonds (Continued) – In January 2012, the Council approved the Tax Increment Finance District for the Ingleside Redevelopment Project Area. In October 2020, the City issued \$24,095,000 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. In February 2024, the City issued \$29,395,000 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 Projects Fund. The bonds are repayable from, and secured by, the incremental property taxes on the redevelopment area properties, applicable to property value increases subsequent to 2012. Tax increment financing bonds outstanding as of June 30, 2025 are as follows:

\$7,020,000 bonds issued in September 2007 due in annual installments of \$125,000 to \$400,000 through September 2037, with variable interest (2.08% at June 30, 2025) as determined by the remarketing agent amortized at an average coupon rate of 4%.	\$ 4,110,000
\$13,120,000 bonds issued in June 2019 due in annual installments of \$215,000 to \$735,000 through October 2048, with semi-annual interest ranging from 3% to 5%.	11,640,000
\$19,915,000 bonds issued in October 2019 due in annual installments of \$1,795,000 to \$2,680,000 through October 2028, with semi-annual interest at 5%.	9,960,000
\$24,095,000 bonds issued in October 2020 due in annual installments of \$1,125,000 to \$2,075,000 through October 2035, with semi-annual interest ranging from 2% to 5%.	19,245,000
\$42,820,000 bonds issued in January 2022 due in annual installments of \$625,000 to \$7,645,000 through October 2041, with semi-annual interest ranging from 4% to 5%.	33,685,000
\$29,395,000 bonds issued in February 2024 due in annual installments of \$1,735,000 to \$4,595,000 through October 2035, with semi-annual interest at 5%.	24,800,000
Total Tax Increment Financing Bonds	103,440,000
Add: Unamortized premiums	13,025,007
Net Tax Increment Financing Bonds	<u>\$ 116,465,007</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Tax Increment Financing Bonds (Continued) – Annual debt service requirements to maturity for the Tax Increment Financing Bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 7,055,000	\$ 4,492,350	\$ 11,547,350
2027	7,580,000	4,128,775	11,708,775
2028	8,125,000	3,738,917	11,863,917
2029	8,725,000	3,319,800	12,044,800
2030	5,805,000	2,959,150	8,764,150
2031 – 2035	34,280,000	10,169,913	44,449,913
2036 – 2040	20,455,000	3,810,736	24,265,736
2041 – 2045	8,650,000	1,013,350	9,663,350
2046 – 2050	2,765,000	226,900	2,991,900
	<u>\$ 103,440,000</u>	<u>\$ 33,859,891</u>	<u>\$ 137,299,891</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. There are currently no outstanding revenue bonds as of June 30, 2025.

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, 2025 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 Series 2003 municipal golf course mortgage revenue bonds matured in the fiscal year ended June 30, 2024.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Financed Purchase Obligations and Other Financing Agreements – The City has entered into financed purchase obligations and other financing agreements for certain equipment, land and infrastructure. Interest and principal are payable quarterly through 2034. Principal and interest requirements will be provided by an appropriation in the year in which they become due. Financed purchase obligations outstanding as of June 30, 2025 are as follows:

<p>\$4,205,000 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2015, in three separate amortization schedules of \$1,195,000 (10 yrs), \$1,077,000 (7 yrs) and \$1,928,000 (5 yrs) 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%.</p>	\$ 65,144
<p>\$4,600,000 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2016, in four separate amortization schedules of \$1,250,000 (10 yrs), \$1,160,000 (7 yrs), \$1,690,000 (5 yrs) and \$500,000 (3 yrs) 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%.</p>	200,719
<p>\$4,678,000 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2017, in three separate amortization schedules of \$898,000 (10 yrs), \$1,318,500 (7 yrs), and \$2,461,500 (5 yrs) payable 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%.</p>	217,999
<p>\$3,883,000 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2018, in three separate amortization schedules of \$1,820,000 (10 yrs), \$945,000 (7 yrs), and \$1,118,000 (5 yrs) payable in quarterly installments of \$151,015 for 20 quarters, \$90,713 for 28 quarters and \$53,144 for 40 quarters, including interest ranging from 2.932% to 3.1208%.</p>	776,532
<p>\$4,530,000 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2019, in three separate amortization schedules of \$1,150,500 (10 yrs), \$1,196,000 (7 yrs), and \$2,183,500 (5 yrs) payable in quarterly installments of \$114,107 for 20 quarters, \$45,506 for 28 quarters and \$31,552 for 40 quarters, including interest ranging from 1.6981% to 1.8379%.</p>	268,861
<p>\$1,265,500 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2020, in three separate amortization schedules of \$656,500 (10 yrs), \$567,000 (7 yrs) and \$42,000 (5 yrs) payable in quarterly installments of \$2,155 for 20 quarters, \$21,041 for 28 quarters and \$17,508 for 40 quarters, including interest ranging from 1.01% to 1.13%.</p>	582,948
<p>\$5,950,500 ten-year financing agreement with Bank of America Leasing & Capital, LLC, dated October 2021, in three separate amortization schedules of \$2,435,000 (10 yrs), \$964,000 (7 yrs) and \$2,551,500 (5 yrs) payable in quarterly installments of \$130,159 for 20 quarters, \$35,650 for 28 quarters and \$64,806 for 40 quarters, including interest ranging from .7787% to 1.2456%.</p>	2,843,045
<p>\$5,465,500 ten-year financing agreement with Truist Financial Corporation, dated October 2022, in three separate amortization schedules of \$2,440,000 (10 yrs), \$1,761,000 (7 yrs) and \$1,264,500 (5 yrs) payable in quarterly installments of \$68,277 for 20 quarters, \$70,001 for 28 quarters and \$71,024 for 40 quarters, including interest ranging from 3.02% to 3.08%.</p>	3,731,421
<p>\$6,348,000 ten-year financing agreement with Bank of America Leasing & Capital LLC, dated October 2023, in three separate amortization schedules of \$2,640,000 (10 yrs), \$1,915,000 (7 yrs) and \$1,793,000 (5 yrs) payable in quarterly installments of \$49,837 for 20 quarters, \$78,900 for 28 quarters and \$80,311 for 40 quarters, including interest ranging from 4.01% to 4.26%.</p>	5,143,036
<p>\$722,620 44-month financing agreement with De Lage Landen Public Finance LLC dated October 2023, due in monthly installment payments of \$13,499 including interest at 6.10%.</p>	537,907
<p>Total Financed Purchase Obligations</p>	\$ 14,367,612

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Financed Purchased Obligations and Other Financing Agreements (Continued) – Capital assets acquired under financing agreements since inception fall in the machinery and equipment class and total \$76,556,694 for governmental activities and \$8,323,171 for business-type activities. Annual debt service requirements to maturity for the financed purchase obligations are as follows:

<u>Year ending June 30,</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,884,076	\$ 330,217	\$ 3,214,293
2027	2,494,610	257,987	2,752,597
2028	2,000,668	191,359	2,192,027
2029	1,540,871	132,946	1,673,817
2030	1,138,175	93,193	1,231,368
2031 – 2035	2,253,675	115,476	2,369,151
	<u>\$ 12,312,075</u>	<u>\$ 1,121,178</u>	<u>\$ 13,433,253</u>

<u>Year ending June 30,</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 579,949	\$ 67,834	\$ 647,783
2027	508,894	49,521	558,415
2028	541,579	22,614	564,193
2029	222,544	12,319	234,863
2030	154,692	5,067	159,759
2031 – 2035	47,879	738	48,617
	<u>\$ 2,055,537</u>	<u>\$ 158,093</u>	<u>\$ 2,213,630</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-Term Obligations – Activity for the fiscal year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 21,010,000	\$ -	\$ (3,810,000)	\$ 17,200,000	\$ 4,005,000
Limited obligation bonds	79,025,000	-	(3,120,000)	75,905,000	3,235,000
Installment purchase revenue bonds	55,770,000	-	(2,695,000)	53,075,000	2,735,000
Tax increment bonds	112,895,000	-	(9,455,000)	103,440,000	7,055,000
Total bonds payable	268,700,000	-	(19,080,000)	249,620,000	17,030,000
Premiums	21,264,135	-	(2,327,525)	18,936,610	-
Total bonds payable, net	289,964,135	-	(21,407,525)	268,556,610	17,030,000
Financed purchase obligations	16,256,270	-	(3,944,195)	12,312,075	2,884,076
Lease and SBITA liabilities	1,796,920	1,730,714	(1,086,485)	2,441,149	829,020
Compensated absences	9,327,216	611,936	-	9,939,152	8,945,240
Total governmental activities	<u>\$ 317,344,541</u>	<u>\$ 2,342,650</u>	<u>\$ (26,438,205)</u>	<u>\$ 293,248,986</u>	<u>\$ 29,688,336</u>
Business-type activities:					
Financed purchase obligations	\$ 2,695,455	\$ -	\$ (639,918)	\$ 2,055,537	\$ 579,949
Lease and SBITA liabilities	5,509	56,092	(14,883)	46,718	15,189
Compensated absences	297,336	29,653	-	326,989	294,290
Total business-type activities	<u>\$ 2,998,300</u>	<u>\$ 85,745</u>	<u>\$ (654,801)</u>	<u>\$ 2,429,244</u>	<u>\$ 889,428</u>

Derivative Disclosures/Interest Rate Swaps – The City 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 was to terminate on the bond maturity date of May 1, 2024, however the City paid off the balance of the swap in fiscal year 2023. 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 terminated on the bond maturity date of September 1, 2019. As of June 30, 2025, there are no interest rate swap agreements outstanding.

Credit or Counterparty Risk – Credit or counterparty risk is the risk that a counterparty will not fulfill its obligation. As of June 30, 2025, the City was not exposed to any credit risk in the amount of the swap agreement's fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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.

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, 2025, the City had no outstanding 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 agreement's termination date is the final maturity date 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.

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. 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. However, in accordance with GASB 101 as of fiscal year-end June 30, 2025, an estimated liability is reported for the accumulated sick leave expected to be paid out in the next fiscal year. Accumulated annual and sick leave at June 30, 2025 amounted to \$10,266,141, \$9,939,152, of which relates to governmental activities and \$326,989 of which relates to business-type activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

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 fluctuating interest rate market circumstances such as what the City has experienced over the past few years, this standard could significantly increase or 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, 2025, debt service requirements of the variable-rate bonds were as follows:

FYE June 30,	Variable-Rate Bonds			Adjustment to Variable Rates	Net Debt Service
	Principal	Interest	Total		
2026	\$ 245,000	\$ 154,600	\$ 399,600	\$ (74,208)	\$ 325,392
2027	255,000	144,400	399,400	(69,312)	330,088
2028	265,000	134,167	399,167	(64,591)	334,576
2029	275,000	122,800	397,800	(58,944)	338,856
2030	285,000	111,400	396,400	(53,472)	342,928
2031 – 2035	1,630,000	367,238	1,997,238	(176,398)	1,820,840
2036 – 2040	1,155,000	47,486	1,202,486	(21,451)	1,181,035
	<u>\$ 4,110,000</u>	<u>\$ 1,082,091</u>	<u>\$ 5,192,091</u>	<u>\$ (518,376)</u>	<u>\$ 4,673,715</u>

NOTE 9. LEASES AND SBITAs

Leased and SBITA Assets

A summary of leased and SBITA asset activity for the City for the year ended June 30, 2025 is reported in the capital assets footnotes, see Note 5.

Lessee – Leased and SBITA Liabilities

The City's leased and SBITA liabilities activity for the year ended June 30, 2025 are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease liabilities	\$ 970,251	\$ 1,560,056	\$ (771,215)	\$ 1,759,092	\$ 726,585
SBITA liabilities	826,669	170,658	(315,270)	682,057	102,435
Total Lease/SBITA liabilities	<u>\$ 1,796,920</u>	<u>\$ 1,730,714</u>	<u>\$ (1,086,485)</u>	<u>\$ 2,441,149</u>	<u>\$ 829,020</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease liabilities	\$ 5,509	\$ -	\$ (1,390)	\$ 4,119	\$ 1,423
SBITA liabilities	-	56,092	(13,493)	42,599	13,766
	<u>\$ 5,509</u>	<u>\$ 56,092</u>	<u>\$ (14,883)</u>	<u>\$ 46,718</u>	<u>\$ 15,189</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASES AND SBITAs (CONTINUED)

Lessee – Leased and SBITA Liabilities (Continued)

The City enters into lease agreements for periods between two and ten years as lessee for the use of certain equipment and buildings. The leases have an imputed interest rate of .2% to 4.8%. Principal and interest expenditures to maturity for the governmental activities and business-type activities lease liabilities as of June 30, 2025 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 726,585	\$ 47,748	\$ 774,333
2027	715,798	30,160	745,958
2028	214,679	11,360	226,039
2029	52,890	2,567	55,457
2030	24,425	575	25,000
2031	24,715	289	25,004
Total	<u>\$ 1,759,092</u>	<u>\$ 92,699</u>	<u>\$ 1,851,791</u>

<u>Fiscal Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,423	\$ 80	\$ 1,503
2027	1,456	47	1,503
2028	1,240	13	1,253
Total	<u>\$ 4,119</u>	<u>\$ 140</u>	<u>\$ 4,259</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASES AND SBITAs (CONTINUED)

Lessee – Leased and SBITA Liabilities (Continued)

The City enters into SBITAs for periods of two to twenty years for the use of certain information technology items. The SBITAs have an imputed interest rate of 1% to 5%. Principal and interest expenditures to maturity for governmental activities and business-type activities SBITA liabilities as of June 30, 2025 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	\$ 102,435	\$ 21,621	\$ 124,056
2027	77,620	18,470	96,090
2028	24,501	16,099	40,600
2029	25,287	15,314	40,601
2030	26,097	14,503	40,600
2031 – 2035	143,591	59,409	203,000
2036 – 2040	168,141	34,859	203,000
2041 – 2045	114,385	7,414	121,799
Total	<u>\$ 682,057</u>	<u>\$ 187,689</u>	<u>\$ 869,746</u>

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 13,766	\$ 1,117	\$ 14,883
2027	14,195	687	14,882
2028	14,638	245	14,883
Total	<u>\$ 42,599</u>	<u>\$ 2,049</u>	<u>\$ 44,648</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASES AND SBITAs (CONTINUED)

Lessor – Lease Receivable

The City is the lessor for various property and equipment as noted in Note 1.M. The City recognized \$188,306 as lease revenue for the fiscal year ended June 30, 2025. Estimated future annual lease revenue for leases in effect as of June 30, 2025 is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 175,956	\$ 43,084	\$ 219,040
2027	171,679	39,852	211,531
2028	93,380	37,420	130,800
2029	94,809	35,991	130,800
2030	96,260	34,540	130,800
2031 – 2035	451,238	151,462	602,700
2036 – 2040	345,370	117,963	463,333
2041 – 2045	307,911	92,089	400,000
2046 – 2050	335,291	64,709	400,000
2051 – 2055	365,106	34,894	400,000
2056 – 2060	221,125	5,541	226,666
	<u>\$ 2,658,125</u>	<u>\$ 657,545</u>	<u>\$ 3,315,670</u>

NOTE 10. NET POSITION CLASSIFICATION

Net investment in capital assets for governmental activities as of June 30, 2025:

Capital assets, net of accumulated depreciation and amortization	\$ 537,261,801
Less: 1) Capital related debt, net of unamortized discounts, amounts on refunding, plus premiums	(282,088,723)
2) Retainage payable	(219,418)
Add capital debt unspent proceeds:	
Bonds and leases	39,266,010
Net investment in capital assets	<u>\$ 294,219,670</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

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

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

The City has been self-insured for health insurance since its incorporation in June 1972 but only became self-insured for workers' compensation coverage effective January 1, 2005. The City has contracted with plan administrators that directly handle the settlement of all claims. The City is insured through third parties for health insurance individual stop losses over \$225,000 and aggregate stop-losses over \$24,995,988, 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, 2025. At June 30, 2025, the amount of this liability is the City's best estimate, based on the available information. Changes in the reported liability since July 1, 2020 resulted from the following:

<u>Fiscal Year Ended June 30,</u>	<u>Liability at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Liability at End of Fiscal Year</u>
2021	\$ 7,994,066	\$ 19,003,277	\$ (16,954,828)	\$ 10,042,515
2022	10,042,515	18,063,663	(17,393,781)	10,712,397
2023	10,712,397	18,996,394	(18,298,012)	11,410,779
2024	11,410,779	19,697,315	(18,798,946)	12,309,148
2025	12,309,148	23,193,495	(23,118,248)	12,384,395

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS

Deferred Compensation Plans

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 \$10,021,588 of \$70,772,265 total payroll for all City employees.

Employees may also defer the lesser of 100% of eligible compensation, or \$23,500 per year. 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 \$394,945. There were no changes in plan provisions during the year and, as of June 30, 2025, 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 \$23,500 per year. During the fiscal year ended June 30, 1998, the City implemented GASB No. 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 No. 32, the City does not report the balances and activities of the 457 plan in the financial statements. Employee contributions were \$415,253 during fiscal year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

State Retirement Plans

The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the South Carolina Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“SCRS”) five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (“Commission” as the governing body, “RSIC” as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the systems and additions to/deductions from the Systems’ fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The ACFR is publicly available through the Retirement Benefits’ link on PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 ACFR of the state.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012. 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 and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the System with an effective date of membership prior to July 1, 2012 is a Class Two member. A 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/her 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; be a coroner in a full-time permanent position; or be 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. A member of the System with an effective date of membership prior to July 1, 2012 is a Class Two member. A member of the System with an effective date of membership on or after July 1, 2012 is a Class Three member.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. 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/current annual salary. 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 1% or \$500 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Plan Benefits (Continued)

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Effective July 1, 2017, employee rates were increased and capped at 9% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS until reaching 18.56% for SCRS and 21.24% for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of 1% in any one year if necessary, in order to improve the funding of the Plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the Plans are at least 85% funded.

As noted earlier, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Plan Contributions (Continued)

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

	SCRS Rates			PORS Rates		
	2023	2024	2025	2023	2024	2025
Employer contribution rate:						
Retirement	17.41%	18.41%	18.41%	19.84%	20.84%	20.84%
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>17.56%</u>	<u>18.56%</u>	<u>18.56%</u>	<u>20.24%</u>	<u>21.24%</u>	<u>21.24%</u>
Employee contribution rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

^ 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
2025	\$ 5,549,303	100%	\$ 8,303,130	100%
2024	4,967,906	100%	7,806,899	100%
2023	4,472,076	100%	7,118,476	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
2025	\$ 29,899,261	\$ 39,091,947	\$ 68,991,208
2024	26,766,735	36,755,644	63,522,379
2023	25,467,403	35,170,336	60,637,739

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The GASB Statement No. 67 valuation report prepared as of June 30, 2024 is based on the experience study report for the period ended June 30, 2019. A more recent experience report on the Systems was issued for the period ended June 30, 2023 and will be used for future valuations.

The June 30, 2024 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”), and are based on an actuarial valuation performed as of July 1, 2023. The TPL was rolled-forward from the valuation date to the Plans' fiscal year-end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the Systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024.

	SCRS	PORS
	Entry Age Normal	Entry Age Normal
Actuarial cost method		
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
Inflation	2.25%	2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (“2020 PRSC”), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
General employees and members of the General Assembly	2020 PRSC males multiplied by 97%	2020 PRSC females multiplied by 107%
Public safety and firefighters	2020 PRSC males multiplied by 127%	2020 PRSC females multiplied by 107%
Educators	2020 PRSC males multiplied by 95%	2020 PRSC females multiplied by 94%

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the TPL includes a 4.75% real rate of return and a 2.25% inflation component.

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private equity	9.0%	9.60%	0.86%
Private debt	7.0%	6.90%	0.48%
Real assets	12.0%		
Real estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
	100.0%		
		Total expected real return	5.49%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>7.74%</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

The NPL is calculated separately for each System and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2024 measurement date, for the SCRS and PORS are presented in the following table:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Liability</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$61,369,806,968	\$37,919,492,371	\$23,450,314,597	61.8%
PORS	\$10,177,904,231	\$ 7,178,118,865	\$ 2,999,785,366	70.5%

The TPL is calculated by the Systems' actuary, and each Plan's fiduciary net position is reported in the Systems' financial statements. The NPL 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.

At June 30, 2025, the City reported liabilities of \$45,675,455 and \$55,902,273 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, 2024, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report of July 1, 2023 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, 2024 measurement date, the City's SCRS proportion was 0.19478%, which was a decrease of 0.00664% from its proportion measured as of June 30, 2023. At the June 30, 2024 measurement date, the City's PORS proportion was 1.86354%, which was a decrease of 0.14609% from its proportion measured as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

For the year ended June 30, 2025, the City recognized pension expense of \$3,098,427 and \$4,533,842 for the SCRS and PORS, respectively. At June 30, 2025, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 1,501,057	\$ 56,686
Net difference between projected and actual earnings on pension plan investments	-	1,759,888
Assumption changes	805,250	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	727,482	1,130,886
Employer contributions subsequent to the measurement date	5,549,303	-
Total	\$ 8,583,092	\$ 2,947,460
	Deferred Outflows of Resources	Deferred Inflows of Resources
PORS		
Differences between expected and actual experience	\$ 5,249,949	\$ 320,497
Net difference between projected and actual earnings on pension plan investments	-	3,134,103
Assumption changes	1,217,091	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,945,243
Employer contributions subsequent to the measurement date	8,303,130	-
Total	\$ 14,770,170	\$ 8,399,843

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Approximately \$5,549,000 and \$8,303,000 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 ending June 30, 2026. 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 ending June 30,	SCRS	PORS
2026	\$ (575,318)	\$ (2,587,929)
2027	1,441,875	1,897,240
2028	(318,064)	(413,459)
2029	(462,164)	(828,655)
Total	\$ 86,329	\$ (1,932,803)

Aggregate Amounts

Aggregate amounts for all pension plans are as follows:

	SCRS	PORS	Total
Net Pension Liability	\$ 45,675,455	\$ 55,902,273	\$ 101,577,728
Deferred Outflows	8,583,092	14,770,170	23,353,262
Deferred Inflows	2,947,460	8,399,843	11,347,303
Pension Expense	3,098,427	4,533,842	7,632,269

Discount Rate

The discount rate used to measure the TPL was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. DEFERRED COMPENSATION PLANS, PENSION PLANS AND EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity Analysis

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7%, as well as what it would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's portion – SCRS	\$ 59,190,229	\$ 45,675,455	\$ 33,229,419
City's portion – PORS	80,991,688	55,902,273	35,352,742
Total net pension liability	<u>\$ 140,181,917</u>	<u>\$ 101,577,728</u>	<u>\$ 68,582,161</u>

Plans' Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for the SCRS and PORS. The ACFR is publicly available through the Retirement Benefits' link on the PEBA's website at 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 \$669,000 and \$949,000 to the PEBA as of June 30, 2025, representing required employer and employee contributions for the month of June 2025 for the SCRS and PORS, respectively. These amounts are included in Accounts Payable on the financial statements and were paid in July 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

Plan Description

The City’s defined benefit post-employment healthcare plan (“the OPEB Health 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. Section 2-198 of the Code of Ordinances of the City grants the authority to establish and amend the benefit terms of the post-employment healthcare to the Mayor and Council. The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SC ORBET”), an agent multi-employer irrevocable trust administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the SC ORBET. The SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan.

A copy of the report may be obtained in writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

Plan Membership

As of June 30, 2025, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	105
Active members	<u>1,009</u>
Total membership	<u><u>1,114</u></u>

Plan Benefits and Contributions

Benefit terms are established and amended by the Mayor and Council and are based on years of service. Full-time employees and elected officials who retire under a state retirement system (either SCRS or PORS) after 20 years of service with the City are eligible to continue health benefits for themselves and their spouses. For those who retired prior to July 1, 2009, the service requirement was 15 years rather than 20 years. The years of service requirement is waived for eligible members who become disabled.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Plan Benefits and Contributions (Continued)

The City pays a portion of the medical or dental premiums on behalf of eligible members based on the number of years of service as follows:

Years of Service	Percentage of Premium Paid by the City	
	Retired Before 7/1/2009	Retired on or After 7/1/2009
Less than 15	0%	0%
15-19	50%	0%
20-24	67%	50%
25-29	83%	67%
30 or more	100%	75%

Retirees pay 100% of premiums for dependent coverage.

Section 2-198 of the Code of Ordinances of the City grants the authority to establish and amend the contribution requirements of the post-employment healthcare to the Mayor and City Council. During the year ended June 30, 2025, the City made contributions of approximately \$3,532,000, or an average of 6.83% of covered payroll. Employees are not required to contribute to the OPEB Plan.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan 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, future salary increases and the healthcare cost trend. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The following table provides a summary of the actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Healthcare Cost Trend Rate	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 203:
Projected Salary Increases	3.00% - 9.65% for SCRS and 3.50% - 11.00% for PORS
Investment Rate of Return	4.75%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the PUB-2010 Below Median Mortality Tables for Employees with a 100% multiplier to better reflect the anticipated experience and provide a margin for future improvements.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was developed using a building block approach in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are then combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. For actuarial purposes, the 4.75% assumed annual investment rate of return used in the calculation of the total OPEB liability includes a 2.50% real rate of return and a 2.25% inflation component.

The target allocation for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
U.S. Government Agency	58.0%	4.40%
U.S. Govt MBS/CMO/CMBS	40.0%	4.90%
Cash and Short Duration (Net)	2.0%	3.85%
Total	<u>100.0%</u>	<u>13.15%</u>

Based on the above target allocations, the long-term expected rate of return on OPEB plan investments was determined to be 4.75%.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

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

The City’s net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022 and was rolled forward to the measurement date.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of December 31, 2023	\$ 43,886,935	\$ 24,408,503	\$ 19,478,432
Changes for the year:			
Service cost	1,526,894	-	1,526,894
Interest	2,038,380	-	2,038,380
Net investment income	-	521,556	(521,556)
Experience differences	359,458	-	359,458
Change of assumptions	109,860	-	109,860
Contributions - employer	-	5,670,214	(5,670,214)
Benefit payments	(1,970,214)	(1,970,214)	-
Administrative expense	-	(1,000)	1,000
Net changes	2,064,378	4,220,556	(2,156,178)
Balances as of December 31, 2024	\$ 45,951,313	\$ 28,629,059	\$ 17,322,254

For the year ended June 30, 2025, the City recognized OPEB expense of approximately \$3,672,000. At June 30, 2025, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,500,647	\$ 2,269,214
Net difference between projected/actual earnings on investments	2,549,857	-
Change of assumptions	1,594,881	30,989
Employer contributions subsequent to the measurement date	3,532,276	-
Total	\$ 10,177,661	\$ 2,300,203

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Approximately \$3,532,000 that was reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the OPEB plan, will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources (deferred OPEB charges) related to the OPEB plan will increase (decrease) OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2026	\$ 1,375,845
2027	1,097,144
2028	395,953
2029	476,044
2030	605,134
Thereafter	<u>395,062</u>
Total	<u>\$ 4,345,182</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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 4.75%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (3.75%) or 1% point higher (5.75%) than the current rate:

	<u>1% Decrease (3.75%)</u>	<u>Current Discount Rate (4.75%)</u>	<u>1% Increase (5.75%)</u>
Net OPEB Liability	\$ 22,496,855	\$ 17,322,254	\$ 12,759,446

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the City’s proportionate share of the net pension liability of the Plans to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 7.00% decreasing to 4.50%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (6.00% decreasing to 3.50%) or 1% point higher (8.00% decreasing to 5.50%) than the current rate:

	<u>1% Decrease (6.00% decreasing to 3.50%)</u>	<u>Current Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)</u>	<u>1% Increase (8.00% decreasing to 5.50%)</u>
Net OPEB Liability	\$ 11,175,099	\$ 17,322,254	\$ 24,736,131

NOTES TO FINANCIAL STATEMENTS

NOTE 14. 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.

Special Item – Settlement Agreement – In November 2023, the City entered into a settlement agreement with the South Carolina Department of Revenue (“SCDOR”) in the amount of \$11,273,300 to resolve an error in reporting previous collections and distributions of heavy equipment rental surcharges by SCDOR. SCDOR discovered during the tax years 2017 through 2021, one or more qualified taxpayers/renters had incorrectly reported the location of rentals primarily in the City rather than to other correct taxing jurisdictions. The City agreed to repay SCDOR the \$11,273,300 incorrectly distributed to the City in ten equal annual installments of \$1,127,330, although no payments have occurred as of fiscal year ended June 30, 2025 since no settlement agreement had been signed.

NOTE 15. 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, 2025, the City’s property tax abated by agreements entered into by Charleston County and Dorchester County totaled approximately \$15,055,000. The City has not entered into any of its own tax abatement programs.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. 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 2026. The facilities management agreement states that Classic Golf Management provides personnel to operate these facilities. 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 2026. 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 2031. The City pays monthly management fees plus certain contingent fees on the excess of net operating income over approved targets. During fiscal year 2025, total monthly fees paid were \$430,990. 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.

NOTE 17. COMMITMENTS AND CONTINGENCIES

The City 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 \$15 million. The City purchased the land on which the facility will be situated. The improvements consisted of a station building, platforms and a parking area for station patrons. The facility is also the hub for Southeastern Stages, Inc. (Greyhound) and Amtrak providing intercity bus and rail service. The facility was completed in the fiscal year ended June 30, 2020. The City will pay all costs of ownership, operation and maintenance of the facility although a majority of the construction cost was borne by CARTA through borrowed funds and/or grants. CARTA retains no ownership beneficial interest in the completed facility.

The City has entered into an intergovernmental agreement with the Dorchester County School District No. 2 (the "School 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 towards the \$24 million project and the School District has agreed to contribute \$7,500,000 towards the project completed late 2020. The City pays all costs of operation and maintenance of the facility.

NOTES TO FINANCIAL STATEMENTS

NOTE 17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The City entered into a settlement agreement with the South Carolina State Ports Authority (“SPA”) on December 20, 2021 whereby the South Carolina SPA agrees to pay the City of North Charleston \$40,000,000 in \$10,000,000 annual payments through fiscal year ended June 30, 2025 to be placed in a capital project fund for the purpose of constructing overpass and/or road infrastructure improvements to settle a dispute as to what the minimum infrastructure requirements were supposed to be prior to the South Carolina SPA commencing container operations at the new Leatherman Terminal.

In December 2023, the City entered into an intergovernmental agreement with Dorchester County whereby Dorchester County agreed to contribute land adjacent to the North Charleston Aquatics Center to the City for the purpose of having the City construct a Senior Citizens Center that would serve both residents of Dorchester County and the City. Dorchester County also agreed to contribute \$6 million in annual installments of \$2 million over the next three years towards the costs of the construction. In consideration of this donation, the City agreed to maintain equivalent membership costs for both the City and Dorchester County residents. As of June 30, 2025, the City has received a total of \$2 million in contributions and obligated approximately \$375,000 in design and permitting costs. Due to the additional funding not being appropriated by the State to Dorchester County, this project has been put on hold while the parties involved determine whether or not the project will continue.

The City has construction contract commitments on capital projects at June 30, 2025 in the amount of \$18,420,137.

NOTE 18. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of GASB Statement No. 101, *Compensated Absences*, the City is required to reevaluate the accounting treatment of compensated absences. The new standard requires the City to reevaluate the calculation and treatment of accumulated sick time in compensated absences under the new definitions of GASB Statement No. 101. Therefore, in conjunction with the implementation of GASB Statement No. 101, the following restatements were required to the beginning net position of Governmental Activities, Business-Type Activities, and the Stormwater Utility Fund to properly report compensated absences.

	Governmental Activities	Business-Type Activities	Stormwater Utility
Net position as of June 30, 2024, as previously reported	\$ 399,838,209	\$ 14,786,609	\$ 5,250,820
Restatement - compensated absences per GASB No. 101	(1,965,784)	(88,122)	(88,122)
Net position as of June 30, 2024, as restated	\$ 397,872,425	\$ 14,698,487	\$ 5,162,698

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2024)**

	Budgeted Amounts		Actual	Variance with Final Budget	2024 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 69,500,000	\$ 71,840,000	\$ 75,649,611	\$ 3,809,611	\$ 70,776,774
Licenses and permits	45,997,738	50,257,738	52,387,782	2,130,044	49,671,713
Intergovernmental	30,251,912	30,394,485	31,269,221	874,736	30,347,624
Fines and forfeitures	325,000	327,310	465,172	137,862	417,396
Charges for services	3,125,169	3,125,169	3,166,641	41,472	3,120,907
Revenues from use of monies and property	2,409,650	2,409,650	5,942,128	3,532,478	5,716,176
Other revenues	1,275,167	2,445,612	3,624,707	1,179,095	2,240,672
Total revenues	<u>152,884,636</u>	<u>160,799,964</u>	<u>172,505,262</u>	<u>11,705,298</u>	<u>162,291,262</u>
EXPENDITURES					
General government:					
Executive	3,717,553	4,739,633	3,761,492	978,141	3,585,228
Facilities	8,250,320	8,312,255	8,305,252	7,003	7,464,777
Council	718,526	718,526	679,968	38,558	662,336
Finance	1,421,993	1,451,993	1,447,019	4,974	1,298,614
Purchasing	3,342,834	3,569,072	3,160,853	408,219	2,608,293
Information systems	3,879,228	4,242,228	3,752,975	489,253	3,625,247
Municipal court	1,474,368	1,554,368	1,542,931	11,437	1,241,769
Human resources	5,672,540	6,502,540	3,658,398	2,844,142	4,930,938
Legal	1,224,771	1,497,587	1,492,041	5,546	1,284,491
Maintenance	14,347,665	14,855,452	13,470,079	1,385,373	13,808,456
Total general government	<u>44,049,798</u>	<u>47,443,654</u>	<u>41,271,008</u>	<u>6,172,646</u>	<u>40,510,149</u>
Public safety:					
Police	48,585,361	48,756,400	48,596,959	159,441	44,958,959
Fire	33,688,619	41,304,545	35,145,523	6,159,022	30,277,803
Building inspections	2,060,136	2,060,467	2,025,970	34,497	1,940,102
Total public safety	<u>84,334,116</u>	<u>92,121,412</u>	<u>85,768,452</u>	<u>6,352,960</u>	<u>77,176,864</u>
Sanitation:					
Sanitation	8,434,352	9,056,114	8,964,801	91,313	7,964,848
Total sanitation	<u>8,434,352</u>	<u>9,056,114</u>	<u>8,964,801</u>	<u>91,313</u>	<u>7,964,848</u>
Culture and recreation:					
Fire museum	516,486	543,396	535,347	8,049	502,742
Recreation and parks	11,741,555	12,263,618	12,254,328	9,290	9,159,498
Cultural arts	1,450,836	1,477,112	1,418,082	59,030	1,199,903
Total culture and recreation	<u>13,708,877</u>	<u>14,284,126</u>	<u>14,207,757</u>	<u>76,369</u>	<u>10,862,143</u>
Community development:					
Planning and zoning	1,791,169	1,791,169	1,549,394	241,775	1,346,784
Code enforcement	1,645,885	1,649,610	1,496,807	152,803	1,397,492
Total community development	<u>3,437,054</u>	<u>3,440,779</u>	<u>3,046,201</u>	<u>394,578</u>	<u>2,744,276</u>

(Continued)

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2024)**

	Budgeted Amounts		Actual	Variance with Final Budget	2024 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
Debt service:					
Financed purchase obligations principal	\$ 2,950,000	\$ 3,961,000	\$ 3,944,195	\$ 16,805	\$ 3,519,881
Lease and SBITA liability principal	-	1,100,000	1,086,485	13,515	835,966
Interest and fiscal charges	385,000	510,000	504,891	5,109	448,753
Total debt service	<u>3,335,000</u>	<u>5,571,000</u>	<u>5,535,571</u>	<u>35,429</u>	<u>4,804,600</u>
Total expenditures	<u>157,299,197</u>	<u>171,917,085</u>	<u>158,793,790</u>	<u>13,123,295</u>	<u>144,062,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,414,561)</u>	<u>(11,117,121)</u>	<u>13,711,472</u>	<u>24,828,593</u>	<u>18,228,382</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(85,439)	(5,190,105)	(5,123,603)	66,502	(1,093,667)
Proceeds from the sale of property	500,000	500,000	632,079	132,079	400,232
Lease and SBITA	-	-	1,730,714	1,730,714	277,432
Financed purchase obligations	-	-	-	-	5,758,000
Total other financing uses, net	<u>414,561</u>	<u>(4,690,105)</u>	<u>(2,760,810)</u>	<u>1,929,295</u>	<u>5,341,997</u>
Net change in fund balance	(4,000,000)	(15,807,226)	10,950,662	26,757,888	23,570,379
FUND BALANCE, beginning of year	<u>107,378,069</u>	<u>107,378,069</u>	<u>107,378,069</u>	<u>-</u>	<u>83,807,690</u>
FUND BALANCE, end of year	<u>\$ 103,378,069</u>	<u>\$ 91,570,843</u>	<u>\$ 118,328,731</u>	<u>\$ 26,757,888</u>	<u>107,378,069</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**COLISEUM OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2024)**

	Budgeted Amounts		Actual	Variance with Final Budget	2024 Actual
	Original	Final			
REVENUES					
Revenues from use of monies and property	\$ 7,162,324	\$ 10,847,575	\$ 11,356,933	\$ 509,358	\$ 10,542,430
Total revenues	<u>7,162,324</u>	<u>10,847,575</u>	<u>11,356,933</u>	<u>509,358</u>	<u>10,542,430</u>
EXPENDITURES					
Culture and recreation:					
Insurance	150,000	215,000	210,264	4,736	200,756
Contractual services:					
Operating	7,366,066	9,201,066	9,188,411	12,655	7,512,848
Management and administration	1,118,591	1,468,591	1,463,296	5,295	1,215,722
Capital outlay	-	1,435,251	1,413,382	21,869	-
Total expenditures	<u>8,634,657</u>	<u>12,319,908</u>	<u>12,275,353</u>	<u>44,555</u>	<u>8,929,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,472,333)</u>	<u>(1,472,333)</u>	<u>(918,420)</u>	<u>553,913</u>	<u>1,613,104</u>
OTHER FINANCING SOURCES					
Transfers in	1,472,333	1,472,333	1,400,000	(72,333)	-
Total other financing sources	<u>1,472,333</u>	<u>1,472,333</u>	<u>1,400,000</u>	<u>(72,333)</u>	<u>-</u>
Net change in fund balances	-	-	481,580	481,580	1,613,104
FUND BALANCE, beginning of year	<u>2,608,589</u>	<u>2,608,589</u>	<u>2,608,589</u>	<u>-</u>	<u>995,485</u>
FUND BALANCE, end of year	<u>\$ 2,608,589</u>	<u>\$ 2,608,589</u>	<u>\$ 3,090,169</u>	<u>\$ 481,580</u>	<u>2,608,589</u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30,

South Carolina Retirement System					
Plan Year Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.194775%	\$ 45,675,455	\$ 26,766,735	170.6%	61.8%
2023	0.201420%	48,697,880	25,467,403	191.2%	58.6%
2022	0.195790%	47,463,790	23,313,769	203.6%	57.1%
2021	0.193020%	41,773,277	21,819,810	191.4%	60.7%
2020	0.218730%	55,889,387	24,402,303	229.0%	50.7%
2019	0.222670%	50,843,754	23,500,745	216.3%	54.4%
2018	0.229680%	51,464,419	23,803,068	216.2%	54.1%
2017	0.234281%	52,740,420	23,638,152	223.1%	53.3%
2016	0.237280%	50,682,658	22,977,442	220.6%	52.9%
2015	0.231328%	43,872,471	21,697,445	202.2%	57.0%

South Carolina Police Officers' Retirement System					
Plan Year Ended June 30,	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	1.863542%	\$ 55,902,273	\$ 36,755,644	152.1%	70.5%
2023	2.009627%	61,174,989	35,170,336	173.9%	67.8%
2022	2.119555%	63,565,024	33,333,642	190.7%	66.4%
2021	2.168878%	55,803,367	32,547,224	171.5%	70.4%
2020	2.215310%	73,464,313	33,444,531	219.7%	58.8%
2019	2.126460%	60,943,185	30,838,560	197.6%	62.7%
2018	2.153300%	61,014,571	29,798,995	204.8%	61.7%
2017	2.179250%	59,701,824	29,344,035	203.5%	60.9%
2016	2.228320%	56,520,875	28,400,316	199.0%	60.4%
2015	2.190820%	47,748,908	27,128,131	176.0%	64.6%

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE CITY'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30,**

South Carolina Retirement System					
Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 5,549,303	\$ 5,549,303	\$ -	\$ 29,899,261	18.56%
2024	4,967,906	4,967,906	-	26,766,735	18.56%
2023	4,472,076	4,472,076	-	25,467,403	17.56%
2022	3,860,760	3,860,760	-	23,313,769	16.56%
2021	3,395,162	3,395,162	-	21,819,810	15.56%
2020	3,796,998	3,796,998	-	24,402,303	15.56%
2019	3,421,708	3,421,708	-	23,500,745	14.56%
2018	3,227,696	3,227,696	-	23,803,068	13.56%
2017	2,732,570	2,732,570	-	23,638,152	11.56%
2016	2,541,305	2,541,305	-	22,977,442	11.06%

South Carolina Police Officers' Retirement System					
Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 8,303,130	\$ 8,303,130	\$ -	\$ 39,091,947	21.24%
2024	7,806,899	7,806,899	-	36,755,644	21.24%
2023	7,118,476	7,118,476	-	35,170,336	20.24%
2022	6,443,758	6,443,758	-	33,491,465	19.24%
2021	5,936,614	5,936,614	-	32,547,224	18.24%
2020	6,100,282	6,100,282	-	33,444,531	18.24%
2019	5,316,568	5,316,568	-	30,838,560	17.24%
2018	4,839,357	4,839,357	-	29,798,995	16.24%
2017	4,178,591	4,178,591	-	29,344,035	14.24%
2016	3,902,203	3,902,203	-	28,400,316	13.74%

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30,

	2025	2024	2023	2022
Total OPEB liability				
Service cost	\$ 1,526,894	\$ 1,329,931	\$ 1,286,503	\$ 1,473,086
Interest	2,038,380	1,840,999	1,724,981	1,775,224
Difference between actual and expected experience	359,458	1,477,755	1,711,311	(2,365,883)
Change of assumptions	109,860	1,330,838	-	(61,221)
Benefit payments	(1,970,214)	(1,681,423)	(2,865,460)	(915,089)
Net change in total OPEB liability	2,064,378	4,298,100	1,857,335	(93,883)
Total OPEB liability - beginning	43,886,935	39,588,835	37,731,500	37,825,383
Total OPEB liability - ending (a)	45,951,313	43,886,935	39,588,835	37,731,500
Plan fiduciary net position				
Employer contribution	5,670,214	4,931,423	6,115,460	2,915,089
Net investment income	521,556	896,553	(2,996,650)	(450,792)
Benefit payments	(1,970,214)	(1,681,423)	(2,865,460)	(915,089)
Administrative expense	(1,000)	(11,077)	(1,250)	(11,058)
Net change in plan fiduciary net position	4,220,556	4,135,476	252,100	1,538,150
Plan fiduciary net position - beginning	24,408,503	20,273,027	20,020,927	18,482,777
Plan fiduciary net position - ending (b)	28,629,059	24,408,503	20,273,027	20,020,927
Net OPEB liability - ending (a) - (b)	\$ 17,322,254	\$ 19,478,432	\$ 19,315,808	\$ 17,710,573
OPEB plan fiduciary net position as a percentage of the total OPEB liability	62.30%	55.62%	51.21%	53.06%
Covered payroll	\$ 51,750,483	\$ 51,750,483	\$ 53,833,647	\$ 53,833,647
Net OPEB liability as a percentage of covered payroll	33.47%	37.64%	35.88%	32.90%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 (June 30, 2019 & 2018 balances were determined as of December 31, 2017 and rates for the year ended June 30, 2020 and 2021 were calculated as of December 31, 2018).

Rates for the year ended June 30, 2023, June 30, 2024 and June 30, 2025 were calculated as of December 31, 2022.

The City implemented GASB No. 75 during the year ended June 30, 2018.

2021	2020	2019	2018
\$ 1,425,059	\$ 1,396,964	\$ 1,351,552	\$ 1,307,620
1,676,633	1,651,775	1,560,139	1,463,266
(68,848)	(3,376,579)	(210,984)	206,292
-	1,718,118	-	-
(998,431)	(738,462)	(803,855)	(1,068,547)
<u>2,034,413</u>	<u>651,816</u>	<u>1,896,852</u>	<u>1,908,631</u>
<u>35,790,970</u>	<u>35,139,154</u>	<u>33,242,302</u>	<u>31,333,671</u>
<u>37,825,383</u>	<u>35,790,970</u>	<u>35,139,154</u>	<u>33,242,302</u>
2,298,431	1,738,462	2,003,855	1,965,966
971,144	793,826	122,838	326,662
(998,431)	(738,462)	(803,855)	(1,068,547)
(10,962)	-	(9,972)	(22,054)
<u>2,260,182</u>	<u>1,793,826</u>	<u>1,312,866</u>	<u>1,202,027</u>
<u>16,222,595</u>	<u>14,428,769</u>	<u>13,115,903</u>	<u>11,913,876</u>
<u>18,482,777</u>	<u>16,222,595</u>	<u>14,428,769</u>	<u>13,115,903</u>
<u>\$ 19,342,606</u>	<u>\$ 19,568,375</u>	<u>\$ 20,710,385</u>	<u>\$ 20,126,399</u>
48.86%	45.33%	41.06%	39.46%
\$ 47,824,263	\$ 47,824,263	\$ 48,049,795	\$ 48,049,795
40.45%	40.92%	43.10%	41.89%

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30,

	2025	2024	2023	2022
Actuarially determined contribution ("ADC")	\$ 2,416,639	\$ 2,329,429	\$ 2,246,678	\$ 2,249,911
Contributions in relation to the ADC	<u>5,670,214</u>	<u>4,931,423</u>	<u>6,115,460</u>	<u>2,915,089</u>
Contribution deficiency (excess)	<u>\$ (3,253,575)</u>	<u>\$ (2,601,994)</u>	<u>\$ (3,868,782)</u>	<u>\$ (665,178)</u>
Covered payroll	<u>\$ 70,772,265</u>	<u>\$ 64,509,836</u>	<u>\$ 61,362,501</u>	<u>\$ 60,170,894</u>
Actual contributions as a percentage of covered payroll	8.01%	7.64%	9.97%	4.84%

Notes to Schedule:

The City implemented GASB No. 75 during the year ended June 30, 2018.

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 of the fiscal year in which contributions are reported (rates presented for the years ended June 30, 2018 and 2019 were calculated as of December 31, 2017 and rates for the year ended June 30, 2020 and 2021 were calculated as of December 31, 2018).

(Rates presented for the year ended June 30, 2023, June 30, 2024 and June 30, 2025 were calculated as of December 31, 2022).

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	30 years
Asset Valuation Method	Five-year Smoothed Market
Inflation	2.25%
Healthcare Cost Trend Rates	7.00% decreasing to ultimate rate of 4.50% by 2033
Salary Increases	
SCRS	3.00% - 9.65%
PORS	3.50% - 11.00%
Investment Rate of Return	4.75%
Mortality	Mortality rates were based on the PUB-2010 Below Median Mortality Table with a 100% multiplier to better reflect anticipated experience and provide a margin for future improvements.

2021	2020	2019	2018
\$ 2,254,253	\$ 2,198,282	\$ 2,145,067	\$ 1,923,728
2,298,431	1,738,462	2,003,855	1,965,966
\$ (44,178)	\$ 459,820	\$ 141,212	\$ (42,238)
<u>\$ 54,367,034</u>	<u>\$ 57,840,834</u>	<u>\$ 54,339,305</u>	<u>\$ 53,592,063</u>
4.23%	3.01%	3.69%	3.67%

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[Date of Delivery]

City Council of the City of North Charleston, South Carolina
North Charleston, South Carolina

Re: \$_____ City of North Charleston, South Carolina, Limited Obligation Refunding Bonds
(Hospitality Fee Pledge), Series 2026

We have acted as bond counsel to the City of North Charleston, South Carolina (the “City”) in connection with the issuance by the City of its \$_____ Limited Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2026 (the “Series 2026 Bonds”). In such capacity, we have examined such law and certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2026 Bonds recite that they are issued for valid corporate purposes of the City pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the “State”), including particularly Article X, Section 14(10) of the South Carolina Constitution; Title 6, Chapter 1, Articles 5 and 7, Code of Laws of South Carolina, 1976, as amended (the “Act”); a general bond ordinance enacted by the City Council of the City (“City Council”) on November 10, 2016, as amended by ordinance enacted January 12, 2017 (the “General Bond Ordinance”); and a supplemental ordinance enacted by the City Council on June 11, 2026 (together with the General Bond Ordinance, the “Ordinance”). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the General Bond Ordinance.

As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Series 2026 Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State, including particularly the Act, and constitute valid and binding special obligations of the City payable from, and secured equally and ratably by a pledge of and lien upon the Hospitality Fees securing Bonds heretofore and hereafter issued pursuant to the terms of the General Bond Ordinance.

2. Interest on the Series 2026 Bonds [(including any original issue discount properly allocable to a holder thereof)] is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026 Bonds. The City has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2026 Bonds.

3. The Series 2026 Bonds and the interest thereon [(including any original issue discount properly allocable to a holder thereof)] are exempt from all State, county, school district, municipal, and all other taxes or assessments of the State, except for inheritance, estate, transfer or certain franchise taxes. Furthermore, it should be noted that Section 12-11-20 of the Code of Laws of South Carolina, 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Series 2026 Bonds.

We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement dated as of July __, 2026 or of any other offering material relating to the Series 2026 Bonds. Furthermore, we express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2026 Bonds except as stated above.

The rights of the holders of the Series 2026 Bonds and the enforceability thereof and of the Bond Ordinance are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Sincerely,

APPENDIX D

COPY OF THE MASTER BOND ORDINANCE

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other projects and improvements as may be identified by the City, and for such other purposes permitted under the Act and this Ordinance.

“Accountant” shall mean an independent certified public accountant or a firm of independent certified public accountants selected by the City.

“Accreted Value” shall mean, except as otherwise provided by Supplemental Ordinance, with respect to any Capital Appreciation Bond an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the principal amount per \$5000 (\$1000 in the case of the Series 2017B Bonds) at maturity thereof) plus the amount, assuming semiannual compounding of earnings, which would be produced on the investment of such principal amount, beginning on the date of original issue of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5000 (\$1000 in the case of the Series 2017B Bonds) at maturity. The Accreted Value of any Capital Appreciation Bond shall mean, as of any Valuation Date, the amount set forth for such date in the Supplemental Ordinance authorizing such Capital Appreciation Bond, and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, and (2) the difference between the Accreted Values for such Valuation Date.

“Act” shall mean Title 6, Chapter 1, Articles 5 and 7, Code of Laws of South Carolina 1976, as amended from time to time.

“Additional Bonds” shall mean any Bond issued pursuant to a Supplemental Ordinance hereto in accordance with Section 9.1 or Section 9.2 hereof.

“Beneficial Owner” shall mean any purchaser who acquires beneficial ownership interest in a Series 2017 Bond held by the Depository. In determining any Beneficial Owner the City, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the City, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any Series 2017 Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

“Bond” or “Bonds” shall mean any Bond, some of the Bonds, or all of the Bonds issued under and pursuant to this Ordinance, including the Series 2017 Bonds and the Additional Bonds.

“Bond Counsel” shall mean any attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

“Bond Fund” shall mean the fund of that name established pursuant to Section 8.1 hereof.

“Bond Redemption Account” shall mean each account of that name of the Bond Fund established with respect to the Series 2017A Bonds, the Series 2017B Bonds or any Series of Additional Bonds pursuant to Section 8.2 hereof.

“Bondholders” or the term “holders” or any similar term shall mean the registered owner or owners of any Outstanding Bond or Bonds.

“Book-Entry Form” or “Book-Entry System” shall mean with respect to the Series 2017 Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the Series 2017 Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully-registered form are registered only in the name of the Depository or its nominees as holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the Series 2017 Bonds, when subject to the Book-Entry System.

“Books of Registry” shall mean the registration books maintained by the Registrar in accordance with Section 4.2 hereof.

“Business Day” shall mean any day other than a Saturday, a Sunday, or a day which shall be in the State of South Carolina or the state in which the principal corporate trust office of the Trustee is located a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

“Capital Appreciation Bonds” shall mean any Bonds as to which interest is payable only at the maturity or prior redemption or acceleration of such Bonds. For the purposes of (a) receiving payment of the redemption price of a Capital Appreciation Bond that is redeemed prior to maturity, (b) receiving payment of a Capital Appreciation Bond if the principal of all Bonds of such Series is declared immediately due and payable following an Event of Default as provided in Article XIV hereof, or (c) computing the principal amount of Bonds held by the holder of a Capital Appreciation Bond in giving any notice, consent, request, or demand pursuant to this Ordinance for any purpose whatsoever including, without limitation, for transfer and exchange, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value on the date set for redemption, or the date of declaration, or the date of computation of the principal amount or on the date of transfer or exchange, as the case may be, or in any other case, on the analogous date as of which the principal amount is intended to be calculated.

“City” shall mean the City of North Charleston, South Carolina, an incorporated municipality of the State of South Carolina situated in Charleston County, South Carolina.

“City Representative” shall mean the Mayor, the Finance Director of the City, and any other person or persons at the time designated to act on behalf of the City for the purpose of performing any act under this Ordinance by a written certificate furnished to the Trustee or Custodian containing the specimen signature of such person or persons and signed on behalf of the City by the Mayor.

“Clerk” shall mean the Clerk of Council or, in his or her absence, the Acting Clerk.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Construction Fund” shall mean the 2017A Construction Fund, the 2017B Construction Fund and any fund established with and maintained by a Custodian designated by the City, and derived from certain of the proceeds of the sale of any Series of Additional Bonds and intended to refinance or defray the cost of all or a portion of any Project and to pay Costs of Acquisition and Construction in connection therewith, or Costs of Issuance with respect to such Additional Bonds, as established in the Supplemental Ordinance authorizing the issuance of such Series of Additional Bonds.

“Cost of Acquisition and Construction” shall mean, to the extent permitted by the Act, all costs relating to the acquisition, construction and undertaking of Projects permitted to be financed with the proceeds of bonds under the Act, including capitalized interest on Bonds. Cost of Acquisition and Construction shall include the reimbursement of funds previously advanced by the City with respect to Projects.

“Cost of Issuance” shall mean all items of expense, directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, auditing and accounting fees and charges, fees and disbursements of counsel, consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, costs and expenses of refunding, bond insurance premiums, financing charges and any other costs, charges or fees in connection with the original issuance of Bonds.

“Council” shall mean the City Council of the City of North Charleston, South Carolina.

“County” shall mean Charleston County, a political subdivision of the State.

“County Contribution” shall mean amounts received by the City from the County pursuant to the Restated Intergovernmental Agreement, dated as of January 1, 2017, between the City and the County.

“Custodian” shall mean any bank, depository or trust company duly qualified and doing business within the State of South Carolina selected by the City as a depository of moneys or securities held in the Construction Fund.

“Debt Service” shall mean, with respect to each Series of Bonds and with respect to any particular Fiscal Year, the aggregate of the amounts to be paid or set aside (or estimated to be required to be paid or set aside) in the Bond Fund in such Fiscal Year for the payment of the principal of, redemption premium, if any, and interest (to the extent not paid or expected to be paid from proceeds of such Bonds or earnings thereon) on such Series of Bonds, provided that for any prospective calculation the interest on Variable Rate Indebtedness then Outstanding shall

be calculated at the actual average rate of interest on the Variable Rate Indebtedness during the 12 months immediately preceding the date of calculation.

“Default” or “Event of Default” shall mean any of those defaults specified in and defined by Article XIV hereof.

“Depository” shall mean any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the Bonds, and to effect transfers of Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Fiscal Year” shall mean the fiscal year for the City, initially being the period from July 1 in any year to and including June 30 in the following year.

“Government Obligations” shall mean, except as limited with respect to the funds and accounts relating to a Series of Bonds by a Supplemental Ordinance, any of the following to the extent now or hereafter permitted by the laws of the State:

(a) non-callable bonds, notes or direct obligations and general obligations of the United States;

(b) non-callable U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGS”);

(c) non-callable direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury;

(d) non-callable obligations issued by any agency or instrumentality of the United States of America which are backed by the full faith and credit of the United States; and

(e) prerefunded municipal bonds which are rated “Aaa” by Moody's or “AAA” by Standard and Poor's.

“Hospitality Fees” shall mean, collectively, (i) the hospitality fees and accommodation fees imposed by the Hospitality Fee Ordinances, as more particularly defined in Article II hereof, and (ii) accommodation taxes received by the City from the State pursuant to Section 12-36-2630, Code of Laws of South Carolina 1976, as amended.

“Hospitality Fee Ordinances” shall mean, collectively, Ordinance No. 2000-036 and Ordinance No. 1996-28 of the City Council of the City enacted on July 13, 2000 and June 27, 1996, respectively, as amended, and as such Ordinances may from time to time hereafter be further amended.

“Interest Account” shall mean each account of that name of the Bond Fund established with respect to the Series 2017A Bonds, the Series 2017B Bonds, or any Series of Additional Bonds pursuant to Section 8.2 hereof.

“Interest Payment Date” shall mean, with respect to the Series 2017 Bonds, April 1 and October 1 of each year commencing April 1, 2017, or such other date or dates as shall be determined by the Mayor pursuant to Section 12.1 hereof, and with respect to any Additional Bonds, such dates as are established by the Supplemental Ordinance authorizing the issuance of such Additional Bonds.

“Junior Bonds” shall mean either (a) bonds secured by a pledge of Hospitality Fees junior and subordinate in all respects to the pledge of this Ordinance or (b) any other form of indebtedness, including lease purchase obligations, secured by Hospitality Fees remaining after provision has been made for all payments required to be made with respect to the Bonds.

“Maximum Debt Service” shall mean the highest aggregate principal and interest requirements (to the extent not capitalized) on the Bonds then Outstanding during any Fiscal Year. For any prospective calculation with respect to Variable Rate Indebtedness for purposes of determining Maximum Debt Service, the applicable interest rate shall be equal to the lesser of (a) the 25-Bond Revenue Index published by The Bond Buyer no more than two weeks prior to, but in no event after, the date of calculation, or (b) the maximum interest rate allowable on such Variable Rate Indebtedness; provided, however, that if the 25-Bond Revenue Index referred to in (a) above is no longer published, any reasonably equivalent nationally recognized index published for the periods in question may be selected by the City for use in its stead.

“Mayor” shall mean the Mayor of the City or, in his or her absence, the Mayor Pro-Tempore.

“Moody's” shall mean Moody's Investors Service, Inc., or its successors.

“Ordinance” shall mean this ordinance as originally enacted and, unless the context clearly indicates otherwise, as it may be from time to time hereafter supplemented, modified or amended by any Supplemental Ordinance.

“Outstanding” when used with respect to any Bond shall have the construction given to such word in Article XVI hereof; i.e.; a Bond shall not be Outstanding if such Bond is not, or would not be, at the time, deemed to be Outstanding by reason of the operation and effect of Article XVI hereof.

“Participant” shall mean any bank, brokerage house or other financial institution for which, from time to time, the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“Paying Agent” shall mean for each Series of Bonds the respective Paying Agent or Paying Agents appointed pursuant to the proceedings authorizing such Bonds.

“Permitted Investments” shall mean (a) any one or more of the investments now or hereafter permitted by Section 6-5-10, Code of Laws of South Carolina 1976, as amended and in effect from time to time, or any authorization relating to the investment of funds hereunder; and (b) the South Carolina Pooled Investment Fund or similar State administered pool investment fund or as otherwise may be limited pursuant to a Supplemental Ordinance.

“Principal Account” shall mean each account of that name of the Bond Fund established with respect to the Series 2017A Bonds, the Series 2017B Bonds or any Series of Additional Bonds pursuant to Section 8.2 hereof.

“Principal Payment Date” shall mean, with respect to the Series 2017 Bonds, October 1 of each year commencing October 1, 2017, or such other date or dates as shall be determined by the Mayor pursuant to Section 12.1 hereof, and with respect to any Series of Additional Bonds such dates as are established by the Supplemental Ordinance authorizing the issuance of such Additional Bonds.

“Projects” shall mean the 2017 Project and such other projects as are permitted to be financed under the Act with the proceeds of Bonds.

“Purchase Contract” shall mean the Bond Purchase Agreement to be dated the date of execution and delivery thereof between the City and the Underwriter.

“Rating Agencies” shall mean any rating agency then rating the Bonds.

“Record Date” shall mean with respect to the Series 2017 Bonds the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date on the Series 2017 Bonds and with respect to a Series of Additional Bonds such dates as may be provided in the Supplemental Ordinance authorizing the issuance of the Additional Bonds.

“Registrar” shall mean for each Series of Bonds the respective bank, trust company, depository or transfer agent appointed as registrar pursuant to the proceedings authorizing such Bonds.

“Senior Obligations” shall have the meaning set forth in Section 2.1(e) below.

“Serial Bonds” shall mean Bonds which are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Ordinance or any Supplemental Ordinance.

“Series 2017 Bonds” shall mean the not exceeding \$80,000,000 aggregate principal amount Series 2017A Bonds and Series 2017B Bonds.

“Series 2017A Bonds” shall mean the “City of North Charleston, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Tax-Exempt Series 2017A,” authorized to be issued pursuant to Article III hereof.

“Series 2017B Bonds” shall mean the “City of North Charleston, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Taxable Series 2017B,” authorized to be issued pursuant to Article III hereof.

“Standard and Poor's” shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or its successors.

“State” shall mean the State of South Carolina.

“Supplemental Ordinance” shall mean any ordinance by the City providing for the issuance of Additional Bonds and any ordinance enacted by the Council pursuant to and in compliance with the provisions of Article XVII hereof amending or supplementing the provisions of the Ordinance.

“Term Bond” shall mean any Bond designated herein or by the Supplemental Ordinance providing for its issuance as being subject to retirement or redemption from moneys credited to the Bond Redemption Account of the Bond Fund as sinking fund installments.

“Trustee” shall mean U.S. Bank National Association, and any successor Trustee appointed in accordance with the provisions of this Ordinance.

“Underwriter” shall mean Wells Fargo Bank, National Association, operating under the trade name Wells Fargo Securities.

“Valuation Date” with respect to any Capital Appreciation Bonds, shall have the meaning ascribed to such term in the Supplemental Ordinance authorizing the issuance of such Capital Appreciation Bonds.

“Variable Rate Indebtedness” shall mean indebtedness in the form of Bonds the interest rate on which is not established at a fixed or constant rate to maturity at the time such indebtedness is incurred.

ARTICLE II

FINDINGS AND DETERMINATIONS

Section 2.1. Findings and Determinations. The Council of the City hereby finds and determines:

(a) The City is an incorporated municipality located in Charleston County, and as such possesses all powers granted to municipalities by the Constitution of the State of South Carolina 1895, as amended (the “Constitution”), and general laws of this State.

(b) The City Council of the City has heretofore enacted the Hospitality Fee Ordinances, imposing a two-percent uniform fee on all gross proceeds derived from (1) the rental or charges for any rooms, campground spaces, lodgings or sleeping accommodations furnished to transients by any hotel, motel, inn, condominium, bed and breakfast, residence or any other place in which rooms, lodgings or sleeping accommodations are furnished to transients for a consideration, and (2) the sale of all prepared meals and beverages sold in or by establishments located within the City.

(c) Pursuant to the Act, the City is authorized to issue bonds pursuant to Article X, Section 14(10) of the Constitution, utilizing the procedures of Section 4-29-68, Section 6-17-10 and related sections or Section 6-21-10 and related sections, Code of Laws of South Carolina 1976, as amended, for the purposes enumerated in Sections 6-1-530 and 6-1-730 of the Code of Laws of South Carolina 1976, as amended, which bonds may be payable from and secured by the proceeds of accommodations fees imposed under Title 6, Chapter 1, Article 5, Code of Laws of South Carolina 1976, as amended, Hospitality Fees imposed under Title 6, Chapter 1, Article 7 of Laws of South Carolina 1976, as amended, state accommodations fees allocated pursuant to Title 16, Chapter 4, Code of Laws of South Carolina 1976, as amended, and the pledge of such other nontax revenues as may be available for those purposes for capital projects to attract and support tourism. Portions of the Hospitality Fee constitute both “accommodations fees” and “hospitality fees” for purposes of the Act. Article X, Section 14(10) of the Constitution permits the issuance by political subdivisions of the State of indebtedness payable solely from a revenue-producing project or from a special source, which source does not involve revenues from any tax or license. Sections 6-1-530 and 6-1-730 of the Code of Laws of South Carolina 1976, as amended, permit the proceeds of accommodations fees and hospitality fees, respectively, to be used for the purpose of financing or refinancing, among other things, tourism-related buildings and tourism-related cultural, recreational or historic facilities.

(d) The City now desires to issue its limited obligation bonds pursuant to the Act to finance the Cost of Acquisition and Construction of the Projects, and to pay Cost of Issuance on the Series 2017 Bonds.

(e) As authorized by the Act and other applicable law, the Hospitality Fees will be pledged to the payment of the Bonds. Presently there is no pledge of the Hospitality Fees except that securing the City’s North Charleston Public Facilities Corporation Refunding Certificates of Participation (Convention Center Complex Project), Series 2005 and Series 2008 (collectively, the “Senior Obligations”), currently outstanding in the aggregate principal amount of \$30,515,000.

(f) The Council recognizes that Hospitality Fees and proceeds of bonds of the City must be used for a public purpose in accordance with the applicable provisions of the Constitution and decisions of the South Carolina Supreme Court. Specifically, the cases of *Byrd v. County of Florence*, 315 S.E.2d 804 (1984) and *Nichols v. The South Carolina Research Authority*, 351 S.E.2d 155 (1986), formulate a four-point standard by which the public purpose

of certain expenditures of public funds are tested for constitutionality. The undertakings herein authorized conform to this standard.

(g) The Council has further determined that:

(1) the ultimate goals and benefits to the public intended by the financing of the Projects are to promote tourism and thereby enrich the quality of life and general well-being of the citizens of the City and to promote the health, safety and welfare of the citizens of the City, all of which will in turn encourage development by private developers, increase the number of available jobs, and attract new businesses in the City and enhance the tax base thereof;

(2) the ultimate goals and benefits to the public intended by the use of the Hospitality Fees to finance costs of the Projects, in addition to the foregoing, are to promote tourism through the construction of new tourism-related buildings, cultural centers, recreation centers and historic facilities to enrich the quality of life and general well-being of the citizens of the City and to promote the health, safety and welfare of the citizens of the City, both of which will in turn encourage development by private developers, increase the number of available jobs, improve the appearance of rundown buildings and attract new businesses in the City and enhance the tax base thereof; and

(3) the public will be the primary beneficiary of the financing of the Projects and any Additional Projects, because such undertakings and the private development encouraged thereby are intended to directly enrich the quality of life and general well-being of the citizens of the City through the construction of the Projects and to indirectly promote the health, safety and welfare of such citizens by beneficially affecting employment and the local economy and tax base.

(h) Based on the foregoing findings and determinations by the Council, including specifically the findings set forth in paragraph (h) above, the Council finds that the proceeds of the Series 2017 Bonds authorized by this Ordinance, as well as the Hospitality Fees pledged in connection therewith, and the Hospitality Fees applied to the payment of the Bonds, will be used for a public purpose and that the issuance of the Series 2017 Bonds is necessary and in the best interest of the City.

(i) It is now in the best interest of the City for the Council to provide for the issuance and sale of the Series 2017 Bonds of the City pursuant to the aforesaid provisions of the Constitution and laws of the State of South Carolina in the principal amount of not exceeding \$80,000,000. The proceeds of the Series 2017A Bonds shall be used for the purposes of (1) financing a portion of the cost of the 2017 Project; and (2) paying the Cost of Issuance allocable to the Series 2017A Bonds. The proceeds of the Series 2017B Bonds shall be used for the purposes of (1) financing a portion of the cost of the 2017 Project; and (2) paying the Cost of Issuance allocable to the Series 2017B Bonds. It is also in the best interest of the City for the Council to authorize the pledge of the Hospitality Fees to secure the payment of the Bonds issued under this Ordinance and the use of the Hospitality Fees for the payment of the Bonds.

ARTICLE III

AUTHORIZATION OF THE SERIES 2017 BONDS

Section 3.1. Authorization of the Series 2017 Bonds. Pursuant to the aforesaid provisions of the Constitution and the Act, there is hereby authorized to be issued two series of bonds of the City in the aggregate principal amount of not exceeding \$80,000,000, to be designated "City of North Charleston, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Tax-Exempt Series 2017A" (the "Series 2017A Bonds"), and "City of North Charleston, South Carolina, Limited Obligation Bonds (Hospitality Fee Pledge), Taxable Series 2017B" (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds"), for the purposes set forth in Article II above.

The Series 2017 Bonds shall be issued in fully registered form; shall be issued in denominations of \$5000 (\$1000 in the case of the Series 2017B Bonds) or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year; shall be numbered in such fashion as to maintain a proper record thereof; shall bear interest from their date payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2017 (or such other date or dates as shall be determined by the Mayor pursuant to Section 12.1 hereof); and shall be originally dated the date of their delivery, shall mature on October 1 or such other date or dates in each of the years and in the principal amounts and shall bear interest at the rates per annum, all as determined by the Mayor pursuant to Section 12.1 hereof.

ARTICLE IV

REGISTRAR AND PAYING AGENT FOR SERIES 2017 BONDS

Section 4.1. Registrar and Paying Agent; Books of Registry. U.S. Bank National Association is hereby designated as the Registrar and Paying Agent of the Series 2017 Bonds. The City shall cause Books of Registry to be kept at the offices of the Registrar for the registration and transfer of the Bonds. Upon presentation at its office for such purpose the Registrar shall register or transfer, or cause to be registered or transferred, on such Books of Registry, the Bonds under such reasonable regulations as the Registrar may prescribe.

Section 4.2. Registration and Transfer of Bonds; Persons Treated as Holders. Unless and except as is otherwise set forth in the Supplemental Ordinance providing for the issuance of Additional Bonds, each Bond shall be fully registered and transferable only upon the Books of Registry of the City, which shall be kept for that purpose at the office of the Registrar, by the holder thereof or by his attorney, duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the holder or his or her duly authorized attorney with such signature guaranteed by a participant in the Securities Transfer Agents Medallion Program ("STAMP") or similar program. Upon the transfer of any Bond, the City shall issue, subject to the provisions of Section 4.6 hereof, in the name of the transferee, a new Bond or Bonds of the same Series and of the same aggregate

principal amount, interest rate and maturity as the unpaid principal amount of the surrendered Bond.

Any Bondholder requesting any transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal, redemption premium, if any, and interest on any Bond shall be made only to or upon the order of the Bondholder thereof, or his duly authorized attorney, and neither the City nor the Registrar, shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 4.3. Form of Bonds; Denominations; Medium of Payment. Unless or except as is otherwise provided in the Supplemental Ordinance authorizing their issuance, the Bonds: (a) shall be in fully registered form without coupons, and may be issued in Book-Entry Form; (b) shall be issued in denominations of \$5000 (\$1000 in the case of the Series 2017B Bonds), or any integral multiple thereof, provided that, upon partial redemption of a Bond requiring surrender thereof and the issuance of a new Bond, such new Bond may be in the denomination of the unredeemed balance; and (c) shall be payable with respect to principal, interest, and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 4.4. Numbers, Date, and Payment Provisions.

(a) The Bonds shall be numbered and designated in such manner as the City, with the concurrence of the Registrar, shall determine. Each Bond of a Series shall bear interest from the Interest Payment Date immediately preceding the date of its authentication, unless authentication shall be upon an Interest Payment Date, in which case it shall bear interest from its authentication, or unless authentication shall precede the first Interest Payment Date for such Bond, in which case it shall bear interest from its date of authentication or as otherwise provided in the Supplemental Ordinance authorizing its issuance; provided, however, that if the date of authentication of any Bond of any Series is after a Record Date and before the corresponding Interest Payment Date therefor, such Bond shall bear interest from such succeeding Interest Payment Date; notwithstanding the foregoing, if at the time of authentication of any Bond any interest on such Bond is in default, such Bond shall bear interest from the date to which interest on such Bond has been paid or if no interest has been paid, such Bond shall bear interest from the date of delivery thereof or from its dated date, or as otherwise provided in the Supplemental Ordinance authorizing the issuance of such Bonds.

(b) The principal of and redemption premium, if any, on the Bonds and Accreted Value of any Capital Appreciation Bonds shall be payable when due in lawful money of the United States of America upon presentation and surrender of such Bonds at the principal office of the applicable Paying Agent. Except as otherwise provided in a Supplemental Ordinance as to a Series of Additional Bonds, payment of interest on Bonds other than Capital Appreciation Bonds shall be made by check or draft drawn upon the Paying Agent and mailed to the holder at his or her address as it appears upon the Books of Registry on the applicable Record Date;

provided, however, that interest may be paid by wire transfer to an account within the Continental United States to any Bondholder owning at least \$1,000,000 aggregate principal amount of the Bonds of a Series to the address designated in writing by such Bondholder upon the request of such Bondholder delivered to the Trustee at or prior to the Record Date for such payment. The Paying Agent shall maintain a record of the amount and date of any payment of principal and/or interest on the Bonds (whether at the maturity date or the redemption date prior to the maturity or upon the maturity thereof by declaration or otherwise).

Section 4.5. Exchange of Bonds. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Bondholder or his duly authorized attorney with such signature guaranteed by a participant in STAMP or similar program, may, at the option of the Bondholder thereof, and upon payment by such Bondholder of any charges which the Registrar may make as provided in Section 4.6, be exchanged for a principal amount of Bonds of the same Series and maturity of any other authorized denomination equal to the unpaid principal amount of surrendered Bonds.

Section 4.6. Regulations with Respect to Exchanges and Transfer. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Registrar. There shall be no charge to the Bondholder for such exchange or transfer of Bonds except that the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Registrar shall be required (a) to exchange or transfer Bonds (1) from the Record Date to the succeeding Interest Payment Date or (2) for a period of 15 days following any selection of Bonds to be redeemed or thereafter until after the first publication or mailing of any notice of redemption, or (b) transfer any Bonds called for redemption.

Section 4.7. Temporary Bonds. Any Series of Bonds may be initially issued in temporary form, exchangeable for definitive Bonds to be delivered as soon as practicable and subject to the agreement of the City and the purchaser. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, shall be without coupons, and may contain such reference to any of the provisions of this Ordinance as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay; and thereupon the temporary Bonds shall be surrendered for cancellation at the principal office of the Registrar, and the Registrar shall deliver and exchange for such temporary Bonds an equal, aggregate principal amount of definitive Bonds of like aggregate principal amount and in authorized denominations of the same Series, maturity or maturities and interest rate or rates. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Ordinance as definitive Bonds under this Ordinance.

Section 4.8. Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the holder, the City shall execute and the Registrar shall authenticate and deliver at the principal office of the Registrar, or send by registered mail to the holder

thereof at his request, risk and expense a new Bond of the same Series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bonds, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish the Registrar evidence or proof satisfactory to the Registrar of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the laws of the State of South Carolina or such greater amount as may be required by the City and the Registrar. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond shall be entitled to the identical benefits under this Ordinance or any Supplemental Ordinance as the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same Series issued hereunder. Neither the City nor the Registrar nor any Paying Agent appointed under the proceedings authorizing the Bonds shall be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

Section 4.9. Book-Entry Bonds. The Series 2017 Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Series 2017 Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of any integral multiple of \$5000 (\$1000 in the case of the Series 2017B Bonds) principal amount of Series 2017 Bonds of the same Series and maturity.

The Series 2017 Bonds shall be issued in fully-registered form, as a single Series 2017 Bond for each Series and maturity of the Series 2017 Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Series 2017 Bonds becomes due, the City shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Series 2017 Bonds so registered for all purposes of this Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the beneficial owners of the Series 2017 Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Series 2017 Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of this Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Series 2017 Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Series 2017 Bonds. The City, the Trustee, the Paying Agent and the Registrar make no assurances that the Depository and its Participants will

act in accordance with such rules or expectations on a timely basis, and the City, the Trustee, the Paying Agent and the Registrar shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The City, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the Series 2017 Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the Series 2017 Bonds, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2017 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The City, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2017 Bonds under or through the Depository or any Participant, or any other person which is not shown on the registration books of the City maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the Series 2017 Bonds, any notice which is permitted or required to be given to Bondholders thereunder or under the conditions to transfers or exchanges adopted by the City or the Registrar; or any consent given or other action taken by the Depository as a Bondholder.

Section 4.10 Successor Depository. If (a) the Depository determines not to continue to act as Depository for the Series 2017 Bonds, or (b) the City has advised the Depository of the City's determination that the Depository is incapable of discharging its duties, the City shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the City or the Registrar of the Series 2017 Bonds together with an assignment duly executed by the Depository, the City shall execute and deliver to the successor Depository, the Series 2017 Bonds of the same principal amount, interest rate and maturity. If the City is unable to retain a qualified successor to the Depository, or the City has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the beneficial owners of the Series 2017 Bonds might be adversely affected if the Book-Entry System of transfer is continued (the City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the Series 2017 Bonds by mailing an appropriate notice to the Depository, upon receipt by the City of the Series 2017 Bonds together with an assignment duly executed by the Depository, the City shall execute, authenticate and deliver to the Depository Participants Series 2017 Bonds of the applicable maturity in fully-registered form, in substantially the form provided in this Ordinance in the denomination of \$5000 (\$1000 in the case of the Series 2017B Bonds) or any integral multiple thereof.

ARTICLE V

REDEMPTION OF SERIES 2017 BONDS AND ADDITIONAL BONDS; NOTICE OF REDEMPTION; EFFECT OF REDEMPTION

Section 5.1. Redemption of Bonds. The Series 2017 Bonds shall be subject to redemption prior to their stated maturities upon the terms and conditions and at such dates and redemption prices determined in accordance with Section 12.1 hereof and upon the further terms and conditions as are hereinafter set forth in this Section. Additional Bonds may be made subject to redemption prior to their stated maturities in such order, upon such terms and conditions and at such dates and redemption prices or premiums as shall be set forth in the Supplemental Ordinance providing for the issuance of such Additional Bonds, and, unless and except as otherwise provided in such Supplemental Ordinance, upon the further terms and conditions as are hereinafter set forth in this Section.

In the event of redemption of Series 2017 Bonds, notice of such redemption shall be given as, and such redemption shall have the effect provided in, this Article V. Redemption of Series 2017 Bonds shall be made only from and to the extent of funds on deposit with the Trustee and available for such purpose.

Section 5.2. Selection of Bonds for Redemption. In the event of the redemption at any time of only part of the Bonds of a Series, the Bonds to be redeemed shall be redeemed in such order as is set forth herein or in the Supplemental Ordinance providing for the issuance of such Additional Bonds. Unless otherwise provided by Supplemental Ordinance with respect to a Series of Additional Bonds, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Registrar in such manner as the Registrar in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5000 (\$1000 in the case of the Series 2017B Bonds) or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Registrar shall treat each such Bond as representing that number of Bonds by dividing the principal amount or Accreted Value at maturity of such Bond by \$5000 or \$1000, as the case may be.

Section 5.3. Notice of Redemption. Unless or except as otherwise provided in a Supplemental Ordinance authorizing issuance of Additional Bonds, the provisions of this Section 5. 3 apply to each Series of Bonds.

In the event any of the Bonds or portions thereof are called for redemption, the Registrar shall give notice, in the name of the City, of redemption of Bonds by first class mail, postage prepaid, to the holder thereof as shown on the Books of Registry of the City not less than 30 days and not more than 60 days prior to the date fixed for the redemption thereof. Such notice of redemption shall state: (a) the title of such Bonds to be redeemed, CUSIP numbers, date of issue, the Series designation (if any) thereof, the redemption date, the place or places of redemption and the redemption price or redemption premium, if any, payable upon such redemption; (b) if less than all such Bonds of a particular Series are to be redeemed, the distinctive number of such Bonds to be redeemed; (c) that the interest on such Bonds designated for redemption in such

notice shall cease to accrue from and after such redemption date; and (d) that on such date there will become due and payable on each such Bond the principal amount thereof to be redeemed at the then applicable redemption premium, if any, and the interest accrued on such principal amount to the redemption date. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, when mailed, whether or not the holder thereof receives the notice.

Any notice of optional redemption of Bonds may state that it is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price of any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of Bonds as promptly as practical upon the failure of such condition or the occurrence of such event.

Section 5.4. Partial Redemption of Bonds. Subject in all cases to DTC rules, in the event that only part of the principal sum of a Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bonds to the Registrar. Upon surrender of such Bond, the City shall execute and the Registrar shall authenticate and deliver to the holder thereof, at the principal office of the Registrar, or send to such holder by registered mail at his request, risk and expense, a new fully executed Bond or Bonds, of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Bond surrendered.

Section 5.5. Effect of Redemption. If a Series 2017 Bond and, unless or except as otherwise provided in the Supplemental Ordinance hereto providing for its issuance, any Additional Bond, is subject by its terms to redemption prior to its stated maturity and has been duly called for redemption and notice of the redemption thereof has been duly given as hereinbefore provided, and if moneys for the payment of such Bond at the then applicable redemption price or together with the then applicable redemption premium, if any, and the interest to accrue to the redemption date on such Bond are held for the purpose of such payment by the Paying Agent for the Series of Bonds of which such Bond is one, then such Bond so called for redemption shall, on the redemption date designated in such notice, become due and payable, and interest on the Bond so called for redemption shall cease to accrue; provided, however, that the Trustee shall hold such money for such purpose for two years after the redemption date and any money that remains unclaimed by the Holders for a period of two years (subject to escheat laws) after the date on which such Series of Bonds have become payable shall be paid to the City, or to such successor as may then be entitled by law to receive the same, and thereafter the Holders of such Series of Bonds shall look only to the City or to such successor, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

Section 5.6. Cancellation. All Bonds which have been redeemed shall be cancelled and either maintained or destroyed by the Registrar and shall not be reissued. A counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Registrar to the City upon the request of the City.

ARTICLE VI

EXECUTION OF BONDS

Section 6.1. Execution of Bonds. The Bonds shall be executed in the name of the City with the manual or facsimile signature of the Mayor attested by the manual or facsimile signature of the Clerk under a manual or facsimile of the seal of the City which shall be impressed, imprinted or reproduced thereon. The Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication. Each Bond shall bear a certificate of authentication manually executed by the Registrar in substantially the form set forth herein.

CUSIP identification numbers may be printed on the Bonds, but such numbers shall not be deemed to be a part of the Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of the officers or agents thereof because of or on account of said CUSIP identification numbers.

Section 6.2. Forms of Series 2017 Bonds. The forms of the Series 2017A Bonds and Series 2017B Bonds shall be substantially as set forth in Exhibit A-1 and A-2, respectively, hereto attached and made a part hereof.

ARTICLE VII

SECURITY FOR AND PAYMENT OF BONDS

Section 7.1. Pledge of Hospitality Fees. The City's obligations under the Ordinance, including the payment when due of principal of, interest and redemption premium on the Bonds, is secured by a pledge of and lien upon the Hospitality Fees senior to all other pledges and liens upon such Hospitality Fees other than the pledge or lien securing the Senior Obligations. The principal of the Bonds, together with the interest and redemption premium, if any, thereon shall be payable from and further secured by a pledge of the funds deposited, from time to time, in the funds and accounts created hereunder, including the Bond Fund; provided, however, that amounts on deposit in the applicable accounts within the Bond Fund shall be held solely for the benefit of the Series of Bonds for which such accounts or Fund were established.

The Bonds, and the interest thereon, are special obligations of the City payable solely from the funds pledged therefor. The full faith, credit, and taxing powers of the City are not pledged for the payment of the Bonds and the interest thereon.

Section 7.2. Transfer of Hospitality Fees to the Bond Fund. So long as the Series 2017 Bonds shall be Outstanding, the City will, on or before the fifteenth calendar day prior to each Interest Payment Date or Principal Payment Date with respect to the Series 2017 Bonds, transfer or cause to be transferred Hospitality Fees or other legally available moneys which the Council in its sole discretion determines to apply for such purpose, if any, to the Trustee with written

instructions for allocation at the times specified in Section 8.2 of this Ordinance, the amounts sufficient to satisfy the requirements of Section 8.2.

Section 7.3. Pledge of Hospitality Fees. The City hereby pledges and grants a lien on the Hospitality Fees to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The City covenants not to issue any obligations (other than the Senior Obligations currently outstanding) secured in whole or in part by a pledge of and lien upon the Hospitality Fees senior to the pledge and lien securing the Bonds. Nothing in this Ordinance shall prohibit the City from making a pledge of and lien upon the Hospitality Fees which is subordinate and inferior to the pledge and lien made by this Ordinance to secure bonds, notes or other evidences of indebtedness hereafter issued by the City.

ARTICLE VIII

ESTABLISHMENT OF FUNDS

Section 8.1. Establishment of Funds.

The following funds shall be established by this Ordinance:

- (a) a Bond Fund.
- (b) a Construction Fund for each Series of Bonds issued in whole or in part to pay the Costs of Acquisition and Construction of a Project to be held by a Custodian designated by the City.
- (c) a 2017A Cost of Issuance Account and a 2017B Cost of Issuance Account pursuant to Section 8.3(c) hereof.

Upon the enactment of this Ordinance and the issuance of Bonds hereunder, there shall be deposited in the Bond Fund the amounts of Hospitality Fees at the times and in the amounts required under Section 7.2 and this Article VIII.

The Trustee is hereby authorized to establish such other funds and accounts as may be necessary or desirable with respect to a particular Series of Bonds.

Section 8.2. Deposits into and Payments from Bond Fund. There shall be and are hereby authorized to be deposited by the Trustee into the Bond Fund, Hospitality Fees and other legally available moneys which the Council in its discretion determines to apply for such purpose, if any, to the extent such Hospitality Fees or other moneys have been transferred to the Trustee in accordance with Section 7.2. The allocations authorized herein from the Bond Fund shall be made at the times hereinafter set forth in the following order of priority and ratably with respect to such Series of Bonds.

- (a) Interest Account. There shall be established and maintained for each Series of Bonds for the purpose of paying the interest on such Series of Bonds as the same becomes due and payable an Interest Account in the Bond Fund. On or before the fifteenth day of the calendar

month prior to an Interest Payment Date, the City shall transfer or cause to be transferred to the Trustee for deposit into the Bond Fund, Hospitality Fees or other legally available moneys which the Council in its sole discretion determines to apply for such purpose, if any (until the moneys on deposit therein equal the amount needed), such that the aggregate of the amounts so paid and credited to each Interest Account would on such Interest Payment Date be equal to the installment of interest then falling due on the applicable Series of Bonds then Outstanding. In making any of the deposits to the Interest Account required by this paragraph (a), consideration shall be given to and allowance made for accrued interest received upon delivery of the applicable Series of Bonds to the initial purchasers, interest on such Bonds to be paid from the proceeds from the sale thereof and for any other credits otherwise made to such Account.

The Trustee shall maintain two separate sub-accounts within each Interest Account into which the (i) Hospitality Fees and (ii) other legally available moneys, if any, respectively, shall be deposited. On the Business Day prior to each Interest Payment Date, the Trustee shall credit moneys in such sub-accounts to each Interest Account in the following order of priority. First, Hospitality Fees shall be used for the payment of the installment of interest then falling due on the respective Series of Bonds, and, then, to the extent necessary, other legally available moneys shall be so applied. After making such credits to each Interest Account, the Hospitality Fees and other legally available moneys (including interest earnings credited thereon) remaining in the sub-accounts for Hospitality Fees and other legally available moneys shall be transferred to the City.

(b) Principal Account. There shall be established and maintained for each Series of Bonds for the purpose of paying the principal of the Serial Bonds of such Series as they mature a Principal Account in the Bond Fund. On or before the fifteenth day of the calendar month prior to a Principal Payment Date, the City shall transfer or cause to be transferred to the Trustee for deposit into the Bond Fund, Hospitality Fees or other legally available moneys which the Council in its sole discretion determines to apply for such purpose, if any (until the moneys on deposit therein equal the amount needed), such that the aggregate of the amounts so paid and credited to each Principal Account would on such date be equal to the installment of principal on Serial Bonds of the applicable Series of Bonds then falling due. In making any of the deposits to the Principal Account required by this paragraph (b), consideration shall be given to and allowance made for any credits made to such Account.

The Trustee shall maintain two separate sub-accounts within each Principal Account into which the (i) Hospitality Fees and (ii) other legally available moneys, if any, respectively, shall be deposited. On the Business Day prior to each Principal Payment Date, the Trustee shall credit moneys in such sub-accounts to each Principal Account in the following order of priority. First, Hospitality Fees shall be used for the payment of the principal amount then falling due on the respective Series of Bonds, and then, to the extent necessary, other legally available moneys shall be so applied. After making such credits to each Principal Account, Hospitality Fees other legally available moneys (including interest earnings credited thereon) remaining in the sub-accounts for Hospitality Fees and other legally available moneys shall be transferred to the City.

(c) Bond Redemption Account. There shall be established and maintained for each Series of Bonds, in order to meet the specified sinking fund installment requirements of Term Bonds of such Series and to otherwise retire Bonds of such Series prior to maturity, a Bond

Redemption Account in the Bond Fund. On or before the fifteenth day of the calendar month prior to a Principal Payment Date, the City shall transfer or cause to be transferred to the Trustee for deposit into each Bond Redemption Account, Hospitality Fees or other legally available moneys which the Council in its sole discretion determines to apply for such purpose, if any (until the moneys on deposit therein equal the amount needed), such that the aggregate of the amounts so paid and credited to each Bond Redemption Account would on such date be equal to the installment of principal on the Term Bonds of the applicable Series of Bonds then falling due.

The Trustee shall apply the moneys credited to a Bond Redemption Account as sinking fund installments to the retirement of the Term Bonds of the applicable Series by redemption in accordance with the Ordinance or any Supplemental Ordinance providing for the issuance of such Series of Bonds, without further authorization or direction, on each date upon which a sinking fund installment is due with respect to the Term Bonds of such Series. The Trustee shall keep and retain accurate records of application of each deposit of funds under this paragraph. The Trustee shall give notice of all such redemptions in the name and on the behalf of the City in accordance with the provisions of Section 5.3 hereof. In making any of the deposits to a Bond Redemption Account required by this paragraph (c), consideration shall be given to and allowance made for any credits made to such Account.

The Trustee shall maintain two separate sub-accounts within each Bond Redemption Account into which the (i) Hospitality Fees and (ii) other legally available moneys, if any, respectively, shall be deposited. On the Business Day prior to each sinking fund payment date, the Trustee shall credit moneys in such sub-accounts to the Bond Redemption Account in the following order of priority. First, Hospitality Fees shall be used for the payment of the principal amount then falling due on the respective Series of Bonds, and then, to the extent necessary, other legally available moneys shall be so applied. After making such credits to the Bond Redemption Account, Hospitality Fees and other legally available moneys (including interest earnings credited thereon) remaining in the sub-accounts for Hospitality Fees and other legally available moneys shall be transferred to the City.

(d) If the City elects to redeem Bonds of any Series at its option, the amount so paid shall be deposited with the Trustee and applied promptly by the Trustee, first, to cause the amounts credited to each Interest Account and Principal Account of the Bond Fund, in that order, to be not less than the amounts then required to be credited thereto for the payment of Bonds and, then, credited to the applicable Bond Redemption Account and applied to retire Bonds by redemption in accordance with the City's written directions. Any balance remaining in any Bond Redemption Account after the redemption of Bonds of any Series in accordance with the City's written directions, or in any event on the date following the Principal Payment Date next succeeding the redemption of such Bonds, shall be transferred to the applicable Interest Account of the Bond Fund.

Moneys in any Interest Account, Principal Account and Bond Redemption Account shall be used and applied solely to the payment of the interest on and the retirement of the principal of and premium, if any, on the Bonds of the applicable Series and shall be used and applied in accordance with the provisions of this Section and this Ordinance and any applicable Supplemental Ordinance. Withdrawals from such accounts shall be made by the Trustee in order to transfer such moneys to the Paying Agent for the Bonds. Such withdrawals shall be made so

that the necessary moneys shall be available to the Paying Agent prior to the date on which principal or interest, or both, are payable on the Bonds. After payments required by (a) through (d) of this Section are made, any balance remaining in the Bond Fund shall, unless directed in writing by the City pursuant to Section 8.4, be transferred by the Trustee to the City.

Section 8.3. Construction Funds for Series 2017 Bonds.

(a) There is hereby created the “City of North Charleston Construction Fund for 2017A Limited Obligation Bonds” (the “2017A Construction Fund”) to be held by the Custodian, into which proceeds from the sale of the Series 2017A Bonds in the amount directed by the Mayor or Finance Director of the City shall be deposited. The moneys on deposit in the 2017A Construction Fund shall be used and applied to the payment of portions of the Cost of Acquisition and Construction of the 2017 Project and Costs of Issuance of the Series 2017A Bonds.

(b) There is hereby created the “City of North Charleston Construction Fund for 2017B Limited Obligation Bonds” (the “2017B Construction Fund”) to be held by the Custodian, into which proceeds from the sale of the Series 2017B Bonds in the amount directed by the Mayor or Finance Director of the City shall be deposited. The moneys on deposit in the 2017B Construction Fund shall be used and applied to the payment of portions of the Cost of Acquisition and Construction of the 2017 Project and Costs of Issuance of the Series 2017B Bonds.

(c) Payments from the 2017A Construction Fund and the 2017B Construction Fund shall be made by the Custodian only upon receipt of written requisition from a City Representative.

In making any such payment from the 2017A Construction Fund or the 2017B Construction Fund, the Custodian may rely on such directions, requisitions and certifications delivered to it pursuant to this Section and the Custodian shall not have any liability with respect to making such payments in accordance with such directions, requisitions and certifications for any liability with respect to the proper application thereof by the City.

If after the payment in full of all Cost of Acquisition and Construction of the 2017 Project any moneys remain in the 2017A Construction Fund or the 2017B Construction Fund, as certified by a City Representative to the Trustee, such excess shall be paid into the applicable Interest Account and shall be used only for the payment of the interest on the Series 2017A Bonds or 2017B Bonds, as the case may be.

(d) There are hereby established separate accounts which may be held by the Trustee or the Custodian, into which a portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds in the amounts directed by the Mayor or Finance Director of the City shall be deposited, in order to pay Cost of Issuance allocable to the Series 2017A Bonds (the “2017A Cost of Issuance Account”) and the Series 2017B Bonds (the “2017B Cost of Issuance Account”). Amounts on deposit in the 2017A Cost of Issuance Account and the 2017B Cost of Issuance Account shall be applied by the Trustee or the Custodian, as the case may be, as directed in writing by a City Representative.

Section 8.4. Investment Income. All investment income or interest earnings on the 2017A Construction Fund or 2017B Construction Fund shall inure to the 2017A Construction Fund or 2017B Construction Fund, respectively, and be used to pay the Cost of Acquisition and Construction with respect to the 2017 Project or as otherwise provided in Section 8.3 hereof. All investment income or interest earnings on the 2017A Cost of Issuance Account or the 2017B Cost of Issuance Account shall inure to the respective account and be applied as provided in Section 8.3(d). All investment income or interest earnings on amounts on deposit in the Bond Fund (and the respective accounts therein) shall be retained therein and applied as a credit against the next interest payment due on the Bonds, if directed in writing by the City, or transferred to the City in accordance with Section 8.2 hereof, and all investment income on a Construction Fund (other than the 2017A Construction Fund and the 2017B Construction Fund) shall be retained therein unless otherwise provided in a Supplemental Ordinance with respect to proceeds of a Series of Additional Bonds issued thereunder. The Trustee shall keep accounts of all amounts earned on each fund and account held by it.

Section 8.5. Investment of Moneys Held by the Trustee or Custodian. Moneys in all funds and accounts held by the Trustee or Custodian shall be invested, at the written direction of the City, in Permitted Investments which shall mature prior to the respective dates when the moneys held for the credit of such funds or accounts will be required for the purpose intended. Moneys in any other funds established by this Ordinance shall be invested, to the fullest extent practicable, in Permitted Investments, maturing at such times and in such amounts as shall be required at the written direction of the City to provide moneys to make the payments required to be made from such funds. The Trustee shall be entitled to rely on such written instructions as to the legality, suitability and qualification as “Permitted Investments” of any investments made hereunder. Investment instructions shall be given to the Trustee or to the Custodian, as the case may be, by a City Representative, or his or her designee. Absent such written instructions from the City, moneys in a fund or account shall remain uninvested.

The Trustee shall not be accountable or liable for any depreciation in the value of any investments in any fund or account or for any losses incurred upon the disposition thereof.

Notwithstanding anything contained herein to the contrary, the Trustee shall have no obligation to enter into any investment contract, forward delivery investment agreement or any similar agreements with respect to the investment of any monies held under this Ordinance unless the liability of the Trustee under such agreement is limited to loss occasioned by the gross negligence or willful misconduct of the Trustee.

ARTICLE IX

ADDITIONAL BONDS; JUNIOR BONDS

Section 9.1. Additional Parity Bonds. To the extent permitted by law, and subject to compliance with the provisions of this Section, the City may from time to time, if not in Default in the payment of principal of or interest on the Bonds then Outstanding and if no other Event of Default has occurred and is continuing, issue Additional Bonds hereunder. Such Additional Bonds may be issued for such purposes as may be permitted by the Act upon compliance with

the provisions set forth below in such principal amounts as may be determined by the Council for the purpose of paying all or part of the Costs of Acquisition and Construction of one or more Projects or to refund Bonds.

Bonds issued upon compliance with this Section shall be issued on a parity in all respects *inter sese*, except as to the moneys deposited to an Interest Account, Principal Account, Bond Redemption Account or Construction Fund, if any, with respect to particular Bonds, notwithstanding that they may be in different form, and bear different dates, interest rates, number, date of issuance or date of execution; and in all such instances, the pledge of Hospitality Fees made hereunder, and the covenants and remedies hereby granted shall be applicable and available to the holders. Additional Bonds may be issued provided:

(a) The issuance of Additional Bonds shall have been authorized under and pursuant to a Supplemental Ordinance.

(b) The Additional Bonds shall be issued to secure funds to defray any Costs of Acquisition and Construction of one or more Projects or to refund Bonds.

(c) No Default shall exist in the payment of the principal of and interest on Bonds issued pursuant to this Ordinance or any Supplemental Ordinance and no other Event of Default shall have occurred and be continuing; provided, however, if such Default shall have occurred, it shall have been remedied at least six months prior to the issuance of the Additional Bonds.

(d) The proceedings authorizing the issuance of any such Additional Bonds shall provide: (1) for the distinctive Series designation, denominations, method of numbering, date, maturity date or dates, interest rate or rates which rates may, if permitted by law, be variable or floating rates, the first Interest Payment Date, the Paying Agent and the Registrar; (2) for the form of such Additional Bonds; and (3) for the disposition of the proceeds of such Additional Bonds. Such proceedings may also prescribe any other provisions with respect to such Additional Bonds not inconsistent herewith.

(e) There shall have been issued either (i) a certificate of the Mayor or Finance Director of the City showing that the amount of Hospitality Fees received during the Fiscal Year preceding the issuance of any Additional Bonds shall be at least 1.20 times the Maximum Debt Service on the Bonds then to be Outstanding and the Additional Bonds then proposed to be issued, or (ii) a ratings letter from Moody's or Standard and Poor's showing that such Additional Bonds are rated in the "A" category or higher.

Section 9.2. Refunding Bonds. Without complying with the provisions of Section 9.1(e) hereof, except as otherwise provided in this Section, the City by means of a Supplemental Ordinance enacted in compliance with the provisions of the Act and any other statutory provisions authorizing the issuance of refunding bonds, including by advance refunding, may issue hereunder refunding Bonds as follows:

(a) Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity or prior to any sinking fund installment due date, the Bonds maturing on such date (or an amount of Bonds subject to redemption from such sinking

fund installments not in excess of the amount of Bonds required to be redeemed on such due date) for the payment of which sufficient Hospitality Fees are not available, as certified by the Mayor or Finance Director of the City. Any Bonds issued for such purpose shall mature (or sinking fund installments therefor shall commence) not earlier than the latest stated maturity of any Bond not then refunded to be Outstanding after such refunding; or

(b) Bonds may be issued at any time for the purpose of refunding (including by purchase) Bonds, including amounts to pay principal, redemption premium and interest to the date of redemption (or purchase) of the refunded Bonds and the Cost of Issuance; provided that (1) the aggregate Debt Service on all Bonds to be Outstanding after the issuance of the proposed Series of refunding Bonds shall not be greater than would have been the aggregate Debt Service of all Bonds not then refunded and the Bonds to be refunded, as certified by the Mayor or Finance Director of the City; or (2) the requirements of Section 9.1(e) hereof are met with respect to the refunding Bonds.

Section 9.3. Junior Bonds. The City may at any time issue Junior Bonds in such amount as it may from time to time determine, payable from the Hospitality Fees, provided that such Junior Bonds are issued to secure funds to defray Costs of Acquisition and Construction of one or more Projects, or to refund Bonds, Junior Bonds, or any notes, bonds, or other obligations issued to finance or to aid in financing Costs of Acquisition and Construction, and provided further that the pledge of Hospitality Fees securing Junior Bonds shall at all times be subordinate and inferior to the pledge made by this Ordinance.

ARTICLE X

COVENANTS

Section 10.1. Covenants. As long as the Bonds are Outstanding and unpaid, the City shall abide by all of the covenants, undertakings and provisions contained in this Ordinance and in any Bond issued hereunder, including the following:

(a) Lien of Ordinance. The City will not issue any obligations (other than the Senior Obligations currently outstanding) which have any lien upon, or are secured by a pledge of, the Hospitality Fees prior or superior to the lien and pledge of this Ordinance.

(b) To Pay Principal of and Interest on Bonds. The City will duly and punctually pay or cause to be paid the principal of and interest on the Bonds.

(c) Records, Accounts and Audits. The City will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Hospitality Fees. The City will prepare within 180 days after the close of each Fiscal Year a financial statement or statements of the City for the year, covering the Hospitality Fees in reasonable detail, accompanied by an opinion of an Accountant appointed by the City, copies of which will be furnished to any Rating Agency which maintains a rating on the Bonds, the Trustee and, upon written request, to any Bondholder.

(d) Federal Tax Covenant. The City covenants and agrees with the holders of the Series 2017A Bonds that no use of the proceeds of the Series 2017A Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Series 2017A Bonds would have caused the Series 2017A Bonds to be “arbitrage bonds,” as defined in the Code, and shall not take any action which will, or fail to take any action which failure will, cause interest on the Series 2017A Bonds to become includible in the gross income of the Bondholders for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Series 2017A Bonds; and to that end the City shall:

(1) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as any of the Bonds are Outstanding;

(2) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebates of certain amounts to the United States; and

(3) make such reports of such information at the times and places required by the Code.

(e) Amounts Subject to Legislative Appropriation. Wherever in this Ordinance there is a statement to the effect that the City may apply such other legally available moneys as the Council shall in its discretion determine to apply for a purpose, or words of similar import, such application shall be made by Council applying its legislative discretion in determining whether to apply such moneys. Any payment from other available moneys described in this Ordinance shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness of the City, nor shall anything contained in this Ordinance constitute or give rise to a general obligation or pledge of the general tax revenues, taxing power or full faith or credit of the City. Any such budgetary appropriation shall be subject in all respects to the discretion of Council, and any failure to make such an appropriation, notwithstanding any provision of this Ordinance to the contrary, shall not constitute a default or Event of Default under this Ordinance.

(f) Covenant as to Hospitality Fees. For so long as Bonds are Outstanding the City will, on or before the first Business Day of each Fiscal Year, set aside and restrict in a segregated account Hospitality Fees or (but subject to the provisions of Section 10.1 (e) hereof) other legally available moneys in an amount equal to the Debt Service and other payments to become due and payable with respect to the Bonds and Senior Obligations during such Fiscal Year. To comply with this covenant the City, as a part of its annual budget process, shall determine the available Hospitality Fees on hand and, if insufficient to cover the debt service on the Bonds and Senior Obligations during the upcoming Fiscal Year, shall, subject to annual appropriation, include in its general fund budget an amount to cover such shortfall from any legally available moneys. Hospitality Fees or other legally available moneys so set aside and restricted shall be used only to pay debt service on the Senior Obligations and to make the transfers to the Bond Fund required by Section 7.2 hereof.

(g) The City hereby pledges the County Contribution, as and when received, to the payment of Debt Service on the Senior Obligations and the Series 2017 Bonds.

ARTICLE XI

TRUSTEE; RESIGNATION OF TRUSTEE; LIABILITY OF TRUSTEE FOR INVESTMENTS

Section 11.1. Trustee. The Council hereby designates U.S. Bank National Association as Trustee under this Ordinance.

Prior to the delivery of the Series 2017 Bonds, the Trustee shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Ordinance by executing and delivering to the City a written instrument of acceptance.

The Trustee shall (a) prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform only such duties and obligations as are specially set forth in this Ordinance, and no implied covenants or obligations shall be read into this Ordinance against the Trustee, and (b) during the existence of any Event of Default of which the Trustee has actual notice (which has not been cured or waived) exercise the rights and powers vested in it by this Ordinance and use the same degree of care and skill in its exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

No provision of this Ordinance shall be construed to relieve the Trustee from liability for its own gross negligence, intentionally wrongful action or failure to act.

At all times, (a) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts; (b) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority (or such lesser percentage as is specially required or permitted by this Ordinance) in the aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting a proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Ordinance; and (c) in the administration of the trusts of this Ordinance, the Trustee may execute any of the trusts or powers hereof directly or through its officers, agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney. The Trustee may consult with counsel and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

The Trustee may rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon, any notice, resolution, request, consent order, certificate, report, opinion, note, or other paper or document furnished to it pursuant to any provision of this Ordinance, believed by it to be genuine and to have been signed and presented by the proper party.

The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any Event of Default, except an Event of Default Under Article XIV(a) or (b), unless the Trustee shall receive from the City or the holder of any Bond written notice stating that an Event of Default hereunder has occurred and specifying the same, and, in the absence of such notice, the Trustee may conclusively assume that there is no such Event of Default.

The Trustee shall be entitled to payment of and reimbursement for reasonable fees and expenses in accordance with its then applicable fee schedule for its services rendered hereunder and all advances and counsel fees and expenses reasonably and necessarily made or incurred by the Trustee in connection with such services.

In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truthfulness of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Ordinance.

No provision of this Ordinance shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Any request, direction, order or demand of the City under this Ordinance shall be sufficiently evidenced by a written certificate of a City Representative (unless other evidence thereof is specifically prescribed) and any resolution of the Council may be sufficiently evidenced by a copy thereof certified by a City Representative.

Whenever in the administration of this Ordinance the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a written certificate of a City Representative.

The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, in person or by agent or attorney.

The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Ordinance.

In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate

principal amount of the Bonds Outstanding, pursuant to the provisions of this Ordinance, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Ordinance shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Ordinance and final payment of the Bonds.

The permissive right of the Trustee to take the actions permitted by this Ordinance shall not be construed as an obligation or duty to do so.

Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The recitals contained in this Ordinance and in the Bonds (other than the certificate of authentication on the Bonds) are statements of the City and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the City therein, the security provided thereby or by this Ordinance, the technical or financial feasibility of any Project, the compliance with the Act, or the tax status of the Bonds. The Trustee is not accountable for the use or application by the City of any of the Bonds or the proceeds of the Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this Ordinance.

The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any act which any Bondholder may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the City and may act as depository, trustee or agent for any committee of Bondholders secured hereby or other obligations of the City as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

The Trustee shall not, in any event, be required to take any action at the direction of a Bondholder or take, defend, or appear in any legal action or proceeding hereunder or to exercise any of the trusts or power hereof unless it shall first be adequately indemnified to its satisfaction against the costs, expenses, and liabilities which may be incurred thereby. Every provision of this Ordinance relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article XI.

Section 11.2. Resignation of Trustee. The Trustee may at any time resign, effective upon the taking of office of its successor, by giving 30 days' written notice to the City and to the holders of the Bonds. No resignation will become effective until a successor Trustee has been appointed and accepts such appointment as provided below. Upon receiving such notice of

resignation, the City shall promptly appoint a successor Trustee by an instrument in writing executed by order of its Council. In the event a successor Trustee has not been appointed within 60 days of the date notice of resignation is given, the Trustee, at the City's expense, may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

Section 11.3. Removal of Trustee. Upon 30 days' written notice, the City, at its sole discretion, provided that an Event of Default shall not have occurred and be continuing, may remove the Trustee. The removal of the Trustee under this Section 11.3 shall not be effective until a successor Trustee has been appointed and has accepted the duties of Trustee.

With or without cause, the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, upon 30 days' written notice to the Trustee and the City, remove the Trustee and appoint a successor Trustee by instrument or instruments in writing signed by such holders of the Bonds. In the event a successor Trustee has not been appointed within 60 days of the date notice of removal is given, the Trustee, at the City's expense, may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

Section 11.4. Successor Trustee. Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, be (a) a bank, or a wholly owned subsidiary of a bank holding company, having a combined capital, surplus and undivided profits of at least \$50,000,000; or (b) a trust company having at least \$100,000,000 of trust assets under management and a combined capital, surplus and undivided profits of at least \$50,000,000 and, in each case, being qualified to do, and doing, trust business in the State.

Any successor Trustee appointed as provided in this Section 11.4 shall execute, acknowledge and deliver to the City and its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor of the trust hereunder. Upon the request of any such successor Trustee, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties. Upon acceptance of appointment by a successor Trustee, the City shall notify the holder of each Bond then Outstanding by first-class mail, postage prepaid.

The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly transfer all funds to the successor Trustee and deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Each, every and all funds and accounts held by the Trustee shall be impressed with a trust for the benefit of the holders of the Bonds, under the provisions of this Ordinance and of the Act.

Section 11.5. Liability of Trustee for Investments. The Trustee shall not be liable for the making of any investment authorized by this Ordinance in the manner provided in this Ordinance or for any loss resulting from any such investment so made, except for its own gross negligence, willful misconduct or breach of trust. All investments shall be made in accordance with Section 8.5 of this Ordinance.

ARTICLE XII

SALE OF SERIES 2017 BONDS

Section 12.1. Sale of Series 2017 Bonds. The Mayor of the City is hereby authorized and empowered to determine the original date of the Series 2017 Bonds, the aggregate principal amount of the Series 2017 Bonds and the prices at which they are to be sold, the principal amount and amortization schedule of each Series of the Series 2017 Bonds, the interest rates for the Series 2017 Bonds, the Series 2017 Bonds to be subject to optional redemption, the redemption prices, redemption methodology and redemption dates of the Series 2017 Bonds subject to optional redemption, the designation of any Series 2017 Bonds as Term Bonds and the determination of sinking fund installments therefor, the funding of any capitalized interest from proceeds of the Series 2017 Bonds, and any Underwriter's or original issue discount or original issue premium at which the Series 2017 Bonds will be sold; provided, that (i) aggregate Debt Service on the Series 2017 Bonds in any Fiscal Year shall not exceed \$7,000,000, (ii) the final maturity of the Series 2017 Bonds shall occur no later than October 1, 2041, and (iii) the true interest cost on the Series 2017 Bonds shall not exceed 5.00%.

The Council hereby approves the form of Purchase Contract, in substantially the form filed with the Clerk of the City prior to this meeting, together with such amendments and modifications as the Mayor shall negotiate and approve. The City hereby finds and determines that the form of Purchase Contract to be dated the date of its execution, submitted by the Underwriter for the purchase of the Series 2017 Bonds is fair and reasonable and in the best interest of the City; that the Series 2017 Bonds shall be sold to the Underwriter upon the terms and conditions set forth in the Purchase Contract and upon the basis of the representations therein set forth, together with such amendments and modifications to the form thereof as the Mayor shall negotiate and approve, and authorizes and directs the Mayor to execute the Purchase Contract, as so modified and amended, and deliver the same to the Underwriter, the Mayor's execution and delivery of the Purchase Contract constituting conclusive evidence of his approval of the matters therein contained.

Section 12.2. Approval of Preliminary Official Statement. The Council hereby approves the Preliminary Official Statement relating to the Series 2017 Bonds, a copy of which has been filed with the Clerk of the City prior to this meeting (the “Preliminary Official Statement”). The Mayor is hereby authorized to “deem final” the Preliminary Official Statement for purposes of complying with the requirements set forth in Rule 15c2-12 of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended (and if “deemed final” before the date of enactment of this Ordinance, such act is hereby ratified and approved).

Section 12.3. Final Official Statement. The City hereby authorizes the Official Statement of the City to be dated of even date with the Purchase Contract, relating to the Series 2017 Bonds, substantially in the form of the Preliminary Official Statement filed with the Clerk of the City prior to this meeting, with such amendments or modifications as the Mayor approves (the “Official Statement”). The Mayor is hereby authorized and directed to execute copies of the Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications, and the City hereby authorizes the use of the Official Statement and the information contained therein in connection with the public offering and sale of the Series 2017 Bonds by the Underwriter.

Section 12.4. Authorization of Other Actions. The Mayor, the Clerk, any City Representative or anyone of them acting alone, be and are hereby authorized and directed to execute and deliver any and all consents, approvals and other documents and instruments and to do and cause to be done any and all acts and things necessary or proper to issue the Series 2017 Bonds and to carry out the transactions contemplated by this Ordinance.

ARTICLE XIII

DISPOSITION OF THE PROCEEDS OF THE SERIES 2017 BONDS

Section 13.1. Disposition of the Proceeds of the Series 2017 Bonds. The proceeds of the sale of the Series 2017 Bonds (including any premium and net of any discount realized upon the sale thereof), net of Underwriter's discount shall be deposited with the Trustee or the Custodian, as applicable, and applied when collected, and are hereby appropriated, as follows:

(a) An amount equal to the portion of the proceeds of the Series 2017A Bonds to be applied to the Cost of Acquisition and Construction of the 2017 Project as directed in writing by the Mayor or Finance Director of the City shall be deposited to the 2017A Construction Fund.

(b) The remainder of the proceeds of the Series 2017A Bonds shall be deposited at the written direction of the Mayor or Finance Director of the City into the 2017A Cost of Issuance Account, to be used and applied as directed in writing by the City for the payment of Cost of Issuance allocable to the Series 2017A Bonds.

(c) An amount equal to the portion of the proceeds of the Series 2017B Bonds to be applied to the Cost of Acquisition and Construction of the 2017 Project as directed in writing by the Mayor or Finance Director of the City shall be deposited to the 2017B Construction Fund.

(d) The remainder of the proceeds of the Series 2017B Bonds shall be deposited at the written direction of the Mayor or Finance Director of the City into the 2017B Cost of Issuance Account, to be used and applied as directed in writing by the City for the payment of Cost of Issuance allocable to the Series 2017B Bonds.

ARTICLE XIV

EVENTS OF DEFAULT

Section 14.1. Events of Default. With respect to the Bonds, each of the following shall constitute an “Event of Default” by the City:

(a) If payment by the City of the principal of any Bonds whether at maturity or by proceedings for redemption, or otherwise, is not made on the date such principal is due and payable; or

(b) If payment by the City of any installment of interest on any Bond is not made on the date such installment of interest is due and payable; or

(c) If the City shall fail or refuse to comply with the essential provisions of the Act, or shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in this Ordinance or in any Supplemental Ordinance hereto on the part of the City to be performed, and such failure continues for 60 days after written notice specifying such failure and requiring the same to be remedied has been given to the City by the Trustee or the holders of not less than 20% in principal amount of the Bonds then Outstanding or any trustee or committee therefor; or

(d) If any proceeding is instituted, with the consent or acquiescence of the City, for the purpose of effecting a composition between the City and its creditors and if the claim of such creditors is in any circumstance payable from any of the Hospitality Fees or any other moneys pledged and charged in this Ordinance or any Supplemental Ordinance hereto for the payment of the Bonds, or any such proceedings are instituted for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted.

Nothing in Sections 15.1, 15.2 or 15.3 hereof or in this Article XIV shall prohibit or limit, or be construed as prohibiting or limiting, any holder of a Bond from enforcing the duties of the City, or any of the officers thereof, under any provisions of this Ordinance by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, even though the failure of the City or any of the officers thereof to perform any such duty may not then constitute an “Event of Default” as defined in this Article XIV.

ARTICLE XV

REMEDIES UPON EVENT OF DEFAULT

Section 15.1. Remedies Upon Event of Default; Declaration of Principal and Interest as Due. Upon the occurrence of an Event of Default, and at any time thereafter while such Event of

Default continues, then and in each and every case the holders of not less than 25% in principal amount of the Bonds then Outstanding hereunder may, by written notice to the City filed in the office of the Clerk and the Trustee, declare the principal of all Bonds then Outstanding, together with all accrued and unpaid interest thereon, if not already due, to be due and payable immediately, and upon any such declaration the same shall become and be due and payable immediately. This provision is subject, however, to the condition that if at any time after the principal of the Bonds, together with the accrued and unpaid interest thereon and other moneys secured hereby, have been so declared due and payable and before any further action has been taken (other than the making of the above declaration), the principal amount of all Bonds which have matured either according to the maturity date or dates otherwise specified therein (except as a result of such declaration) and all arrears of interest upon all Bonds, except interest accrued but not yet due on said Bonds, have been paid or caused to be paid, and all other Events of Default, if any, which have occurred have been remedied, cured or secured, then and in each and every such case the holders of 25% in principal amount of the Bonds then Outstanding, by notice in writing delivered to the City, may waive such default and its consequences and rescind and annul such declaration. No such waiver or rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power related to such subsequent default.

The Trustee shall give the holders of the Bonds then Outstanding notice of any Event of Default hereunder of which the Trustee has actual knowledge unless the Trustee determines that giving such notice is not in the best interest of such holders.

Section 15.2. Suits at Law or in Equity and Mandamus. In case any one or more of the Events of Default shall happen and be continuing, then and in every such case, but subject to the provisions, limitations and conditions of Section 15.1 so far as the remedies provided in said provisions are concerned, the holder of any Bond at the time Outstanding, or Trustee therefor, may, for the equal benefit and protection of all holders of the Bonds similarly situated,

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce such bondholder's rights against the City and require and compel the City to perform and carry out its duties and obligations under the Act and this Ordinance, and to perform and carry out its covenants and agreements with the bondholders;

(b) by action or suit in equity require the City to account as if such City were the trustee of an express trust;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the bondholders; or

(d) bring suit upon the Bonds.

Section 15.3. Remedies Not Exclusive; Effect of Waiver of Default; Effect of Abandonment of Proceedings or Adverse Determination. The holders from time to time of the Bonds shall be entitled to all the remedies and benefits of this Ordinance as are and as shall be provided by law, and, subject to the provisions of Sections 15.1 and 15.2, nothing herein shall be construed to limit the rights or remedies of any such holders under any applicable statute that may now exist or be enacted hereafter. No remedy conferred by the Act and this Section upon

any holder of any Bond is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act and this Section or by any other law now or hereafter existing. Every substantive right and remedy conferred upon the holder of the Bonds may be enforced and exercised from time to time and as often as may be deemed expedient.

No waiver of any default or breach of duty or contract by any holder of any Bond shall extend to or affect any subsequent default or breach of duty or contract, or shall impair any rights or remedies thereon. No delay or omission of any holder of a Bond to exercise any right or power shall be construed to be a waiver of any such default or acquiescence therein.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to any holder of the Bonds, then and in every case, the City and such holder shall be restored to their former positions and rights and remedies as if no suit, action or proceeding had been brought or taken.

Section 15.4. Restrictions on Bondholder's Action.

(a) No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Ordinance or the execution of any trust under this Ordinance or for any remedy under this Ordinance unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default and the holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee and shall have offered the Trustee reasonable opportunity, either to exercise the powers granted in this Ordinance or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, fees (including reasonable attorneys' fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever to affect, disturb or prejudice the pledge created by this Ordinance, or to enforce any right under this Ordinance, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Ordinance shall be instituted, had and maintained in the manner provided in this Ordinance and for the equal benefit of all holders of the Outstanding Bonds.

(b) Nothing in this Ordinance or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, in accordance with the provisions of this Ordinance, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) .and interest on the Bonds to the respective holders thereof, or affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) or affect or impair the right of any holder to enforce such payment of such Bond.

Section 15.5. Disposition of Moneys. All moneys received by the Trustee pursuant to any right. given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, Liabilities, legal fees, and advances incurred or made by the Trustee, shall be applied as follows (provided, however, that amounts in or credited to an Interest Account, Principal Account, Bond Redemption Account or Construction Fund established for a particular Series of Bonds shall be applied only with respect to such Series of Bonds):

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Ordinance) with interest on such Bonds at the rate specified therein from the dates on which they became due and, if the amount available shall not be sufficient to pay in full principal of and premium, if any, on the Bonds, together with such interest, then first to the payment of such interest due on such date and then to the payment ratably, according to the amount of the principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section 15. 5 (in the event that the principal of all the Bonds shall later become due or be declared due and payable), the moneys shall be applied in accordance with the provisions of subsection (a) of this Section 15.5.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section 15.5, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future.

Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(e) Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee shall have been paid, any balance remaining in the funds and accounts shall be paid to the City.

ARTICLE XVI

DEFEASANCE

Section 16.1. Defeasance. The obligations of the City under this Ordinance and the liens, pledges, charges, trusts and the covenants and agreements of the City herein made or provided for, shall be fully discharged and satisfied as to any Series 2017 Bond and, unless or except as otherwise provided in the Supplemental Ordinance hereto providing for the issuance thereof, any Additional Bonds and such Series 2017 Bond or Additional Bond shall no longer be deemed to be Outstanding hereunder when:

(a) such Series 2017 Bond or Additional Bond shall have been purchased by the City and surrendered to the City for cancellation or otherwise surrendered to the City or the Registrar and is cancelled or subject to cancellation by the City or Registrar, or

(b) payment of the principal of, redemption premium if any, of any Bonds to be redeemed, and interest on such Series 2017 Bond or Additional Bond, either (1) shall have been made or caused to be made in accordance with the terms thereof, or (2) shall have been provided for by irrevocably depositing with the Paying Agent, in trust and irrevocably set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent, or a combination thereof. Defeasance shall be accompanied by a verification report of a nationally recognized Accountant and, if the City elects to redeem any Bonds prior to their stated maturities, the City shall have irrevocably bound and obligated itself to give notice of redemption thereof in accordance with Section 5.3 on or prior to the redemption date or dates of such Bonds. At such time as a Series 2017 Bond or Additional Bond shall no longer be deemed to be Outstanding hereunder, as aforesaid, such Series 2017 Bond or Additional Bond shall cease to draw interest from such date, and, except for the purposes of any such payment from such moneys or Government Obligations, shall no longer be secured by or entitled to the benefits of this Ordinance.

Any moneys so deposited with the Paying Agent as provided in this Article may at the written direction of the City also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government

Obligations in the hands of such Paying Agent which is not required for the payment of the Series 2017 Bonds or Additional Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be returned to the City.

Notwithstanding any provision hereof which may be contrary to the provisions of this Article, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Series 2017 Bonds or Additional Bonds shall be applied to and used solely for the payment of the particular Series 2017 Bonds or Additional Bonds with respect to which such moneys and Government Obligations have been so set aside in trust.

Any provision hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Paying Agent pursuant to this Article for the payment of the Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Bondholder of each Series 2017 Bond or Additional Bonds affected thereby.

If moneys or Government Obligations have been deposited with the Trustee pursuant to clause (b) of the first paragraph under this Article XVI for payment of less than all of the Bonds of a Series of a particular maturity, the Series of Bonds of such maturity to be so paid from such deposit shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in authorized denominations) of the principal of such Series of Bonds of a maturity of a denomination larger than the smallest authorized denomination. Such selection shall be made within seven days after the moneys or Government Obligations have been deposited with the Trustee. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds of such Series in Article V. After such selection is made, Bonds that are to be paid from such deposit (including Bonds of a Series issued in exchange for such Series of Bonds pursuant to the transfer or exchange provisions of this Ordinance) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Holders whose Series of Bonds (or portions thereof) have been selected for payment from the moneys or Government Obligations on deposit and shall direct such Holders to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds of a Series for payment from such deposit pursuant to this paragraph shall be conclusive and binding on the City. The City shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of the deposit of moneys or Government Obligations, the selection of Bonds of a Series to be redeemed including CUSIP numbers and the anticipated date of redemption.

ARTICLE XVII

AMENDMENTS OR SUPPLEMENTS TO THIS ORDINANCE

Section 17.1. Amendments or Supplements to this Ordinance. The City shall not amend this Ordinance except in accordance with the Provisions of this Article.

(a) The City may, from time to time and without the consent of any holder of the Bonds, (1) make any amendments or modifications hereto which may be required to permit this Ordinance to be qualified under the Trust Indenture Act of 1939, as amended; (2) make any modification or amendment of this Ordinance not inconsistent herewith required for the correction of language or to cure any ambiguity or defective provisions, omission, mistake or manifest error herein contained; (3) in accordance and upon compliance with the provisions of Article IX hereof, enact ordinances supplemental hereto authorizing the issuance of Additional Bonds; (4) make any amendments or supplements hereto to grant to or confer upon the Bondholders additional rights, remedies, power and authority, or to grant to or confer upon any Bondholders committee or trustee for the Bondholders any additional rights, power or authority; or (5) to add to the security of the holders of the Bonds.

(b) From time to time the holders of a majority in principal amount of the Bonds then Outstanding, by an instrument or instruments in writing signed by such holders and filed with the City and the Trustee, shall have power to assent to and authorize any modification or amendment of the provisions of this Ordinance that may be proposed by the City or of the rights and obligations of the City and of the holders of Bonds issued hereunder; and any action herein authorized to be taken with the assent and authority given as aforesaid of the holders of a majority in principal amount of the Bonds at the time Outstanding shall be effective and binding upon all of the holders of Bonds issued hereunder; and any action herein authorized to be taken with the assent and authority given as aforesaid of the holders of a majority in principal amount of the Bonds at the time Outstanding shall be effective and binding upon all of the holders of Bonds Outstanding and upon the City as fully as though such action were specifically and expressly authorized by the terms of this Ordinance; provided always; that without the consent of the holder of each Bond affected thereby, no such modification shall be made which will (1) extend the time of payment of principal of or the interest on any Bond, or reduce the principal amount thereof or the rate of interest thereon or the premium payable upon the redemption thereof; or (2) give to any Bond or Bonds any preference over any other Bond or Bonds; or (3) authorize the creation of any pledge prior to or, except as provided in Article IX hereof for the issuance of Additional Bonds, on a parity with the pledge afforded by this Ordinance; or (4) reduce the percentage in principal amount of the Bonds required to assent to or authorize any such modification to this Ordinance. For the purpose of computations required by this paragraph, Bonds directly or indirectly owned or controlled by the City shall be disregarded.

Any modification or amendment or supplement of the provisions of this Ordinance or of any Supplemental Ordinance hereto shall be set forth in an ordinance to be enacted by the City.

Notwithstanding anything to the contrary contained herein, no amendment or modification shall be made which affects the obligations, rights or liabilities of the Trustee, without the consent of the Trustee.

ARTICLE XVIII

CONTINUING DISCLOSURE

Section 18.1. Continuing Disclosure. Pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended (“Section 11-1-85 “), the City covenants that it will file with a central repository for availability in the secondary bond market when requested:

- (a) An annual independent audit, within 30 days of the City's receipt of the audit; and
- (b) Event specific information within 30 days of an event adversely affecting more than 5% percent of tax revenues or the City's tax base.

The only remedy for failure by the City to comply with the covenant of this paragraph shall be an action for specific performance of this covenant. The City specifically reserves the right to amend or delete this covenant to reflect any change in Section 11-1-85, without the consent of any Bondholder. Notwithstanding any other provisions of this Ordinance, failure of the City to comply with the provisions of this paragraph shall not be considered an Event of Default, and no liability for damages shall attach therefor.

In addition, the City hereby covenants and agrees that it will comply with and carry out all of the provisions of a Disclosure Dissemination Agent Agreement, in substantially the form attached hereto as Exhibit C. Notwithstanding any other provisions of this Ordinance, failure of the City to comply with the Disclosure Dissemination Agent Agreement shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this paragraph.

ARTICLE XIX

MISCELLANEOUS

Section 19.1. Conflicts. All orders, resolutions, ordinances and parts thereof, procedural or otherwise, in conflict herewith or the proceedings authorizing the issuance of the Bonds are, to the extent of such conflict, hereby repealed and this Ordinance shall take effect and be in full force from and after its passage and approval.

Section 19.2. Notices. All communications under this Ordinance shall be in writing and shall be deemed given when delivered and, if delivered by mail, shall be mailed by first-class mail, postage prepaid, and addressed as follows:

(a) To the City:

City of North Charleston
P. O. Box 190016
2500 City Hall Lane
North Charleston, SC 29419-9016
Attention: Finance Director

(b) To the Trustee and Registrar/Paying Agent for the Series 2017 Bonds:

U.S. Bank Corporate Trust Services
1441 Main Street, Suite 775
Columbia, SC 29201

The City, the Registrar, the Paying Agent and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 19.3. Effectiveness of Ordinance; Codification. This Ordinance shall be in full force and effect from and after its adoption as provided by law. This Ordinance shall be forthwith indexed by title and a summary thereof codified in the Code of City Ordinances in the manner required by law and shall be indexed under the general heading “Bond Issue - Not Exceeding \$80,000,000 Aggregate Principal Amount Limited Obligation Bonds (Hospitality Fee Pledge), Tax-Exempt Series 2017A and Limited Obligation Bonds (Hospitality Fee Pledge), Series2017B,” and shall be made available for public inspection at the office of the Clerk.

Section 19.4. Authorization for Use. Notwithstanding the provisions of the Hospitality Fee Ordinances, and except as otherwise provided in this Ordinance, no authorization by an annual budget ordinance shall be required to utilize the revenues from the Hospitality Fee Account created under the Hospitality Fee Ordinances for payments required to be made from Hospitality Fees under this Ordinance.

DONE, RATIFIED AND ENACTED this ____ day of _____, 2016.

CITY OF NORTH CHARLESTON, SOUTH
CAROLINA

Mayor

(SEAL)

ATTEST:

Clerk

First Reading: _____, 2016

Second Reading: _____, 2016

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)
)
CITY OF NORTH CHARLESTON)

AN ORDINANCE AMENDING ORDINANCE #2016-045 SO AS TO RESTATE CERTAIN COVENANTS AS TO HOSPITALITY FEES.

BE IT ORDAINED by the City Council of the City of North Charleston, South Carolina as follows:

Section 1. Section 10.1(f) of Ordinance #2016-045 enacted by City Council on November 10, 2016 is amended to read in its entirety as follows:

Covenant as to Hospitality Fees. For so long as Bonds are Outstanding the City will, on or before the first Business Day of each Fiscal Year, set aside and restrict in a segregated account Hospitality Fees or (but subject to the provisions of Section 10.1 (e) hereof) other legally available moneys in an amount equal to the Debt Service and other payments to become due and payable with respect to the Bonds and Senior Obligations during such Fiscal Year. To comply with this covenant the City, as a part of its annual budget process, shall determine the available Hospitality Fees on hand and, if insufficient to cover the debt service on the Bonds and Senior Obligations during the upcoming Fiscal Year, shall, subject to annual appropriation, include in its general fund budget an amount to cover such shortfall from any legally available moneys. Hospitality Fees or other legally available moneys so set aside and restricted shall be used only to pay debt service on the Senior Obligations and to make the transfers to the Bond Fund required by Section 7.2 hereof.

Section 2. Except as amended above, Ordinance #2016-045 remains in full force and effect.

DONE, RATIFIED AND ENACTED this 12th day of January, 2017.

CITY OF NORTH CHARLESTON,
SOUTH CAROLINA


R. Keith Summey, Mayor



ATTEST


Ellen Clark, Municipal Clerk
First Reading: January 5, 2017
Second Reading: January 12, 2017

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APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of July __, 2026, is executed and delivered by the City of North Charleston, South Carolina (the “City”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to assist the City in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the City through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the City or anyone on the City’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the annual financial statements of the City for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the obligations as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Event Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the City and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the City pursuant to Section 9 hereof.

“Disclosure Representative” means the Director of Finance of the City or his or her designee, or such other person as the City shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the City’s failure to file an Annual Report on or before the Annual Filing Date.

“Financial Obligation” as used in this Disclosure Agreement is defined in the Rule, as may be amended, as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the City, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities) as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the City in connection with the Bonds, as listed on Exhibit A.

“Trustee” means the institution identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The City shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2026. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be

submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the City of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the City will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on an Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the City irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the City are prepared but not available prior to the Annual Filing Date, the City shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the City pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 1. “Principal and interest payment delinquencies”;
 2. “Non-Payment related defaults, if material”;
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties”;
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties”;
 5. “Substitution of credit or liquidity providers, or their failure to perform”;
 6. “Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds”;

7. “Modifications to rights of securities holders, if material”;
 8. “Bond calls, if material, and tender offers”;
 9. “Defeasances”;
 10. “Release, substitution, or sale of property securing repayment of the securities, if material”;
 11. “Rating changes”;
 12. “Bankruptcy, insolvency, receivership or similar event of the Obligated Person”;
 13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 14. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material”;
 15. “Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material;” and
 16. “Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the City pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking”;
 2. “change in obligated person”;
 3. “notice to investors pursuant to bond documents”;
 4. “certain communications from the Internal Revenue Service” other than those communications included in the Rule;
 5. “secondary market purchases”;
 6. “bid for auction rate or other securities”;

7. “capital or other financing plan”;
 8. “litigation/enforcement action”;
 9. “change of tender agent, remarketing agent, or other on-going party”; and
 10. “other event-based disclosures”.
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the City pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly/monthly financial information”;
 2. “change in fiscal year/timing of annual disclosure”;
 3. “change in accounting standard”;
 4. “interim/additional financial information/operating data”;
 5. “budget”;
 6. “investment/debt/financial policy”;
 7. “information provided to rating agency, credit/liquidity provider or other third party”;
 8. “consultant reports”; and
 9. “other financial/operating data.”
- (viii) provide the City evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The City may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the City for the immediately preceding fiscal year, including the following information provided in the Official Statement under the following heading “HOSPITALITY FEES – Historical Hospitality Fee Collections.”)

(b) Audited Financial Statements as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with Generally Accepted Accounting Principles as described in the Official Statement will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an Obligated Person (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or are available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such document so incorporated by reference.

The City will reserve the right to modify from time to time the specific type of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City will agree that any such modification will be done in a manner consistent with the Rule.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization,

arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person;

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The City shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the City or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the City determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the City as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) of this Disclosure Agreement. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The City will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws.

The City acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The City may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the City as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The City may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the City as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the City is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the City and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the City is no longer an Obligated Person, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The City has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The City may, upon thirty days' written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the City or DAC, the City agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable to the Disclosure Dissemination Agent, until payment in full, for any and all sums owed and payable to the Disclosure

Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

SECTION 10. Remedies in Event of Default. In the event of a failure of the City or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the City has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the City has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the City at all times.

The obligations of the City under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the City.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the City and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the City nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days' prior written notice of the intent to do so together with a copy of the proposed amendment to the City. No such amendment shall become effective if the City shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, if any, of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the City have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

By: _____
Name: _____
Title: _____

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	City of North Charleston, South Carolina
Obligated Person:	City of North Charleston, South Carolina
Names of Issue:	\$_____ Limited Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2026
Date of Issuance:	July __, 2026
Date of Official Statement:	July __, 2026
CUSIP Numbers:	

EXHIBIT B
NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Obligated Person: City of North Charleston, South Carolina
Names of Issue: \$_____ Limited Obligation Refunding Bonds (Hospitality Fee Pledge), Series 2026
Date of Issuance: July __, 2026
CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of July __, 2026, between the City and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The City has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Obligated Person

cc: Obligated Person

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material, and tender offers;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
13. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
14. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
15. _____ "Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material;" and
16. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary event disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of July __, 2026 between the Obligated Person and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

___ Description of Voluntary Event Disclosure (Check One):

1. _____ “amendment to continuing disclosure undertaking;”
2. _____ “change in obligated person;”
3. _____ “notice to investors pursuant to bond documents;”
4. _____ “certain communications from the Internal Revenue Service;”
5. _____ “secondary market purchases;”
6. _____ “bid for auction rate or other securities;”
7. _____ “capital or other financing plan;”
8. _____ “litigation/enforcement action;”
9. _____ “change of tender agent, remarketing agent, or other on-going party; and”
10. _____ “other event-based disclosures.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of July __, 2026 between the Obligated Person and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the obligations to which this notice relates:

Number of pages attached: _____

___ Description of Voluntary Financial Disclosure (Check One):

1. ___ “quarterly/monthly financial information;”
2. ___ “change in fiscal year/timing of annual disclosure;”
3. ___ “change in accounting standard;”
4. ___ “interim/additional financial information/operating data;”
5. ___ “budget;”
6. ___ “investment/debt/financial policy;”
7. ___ “information provided to rating agency, credit/liquidity provider or other third party;”
8. ___ “consultant reports;” and
9. ___ “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date:

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