

**CITY OF GOOSE CREEK,  
SOUTH CAROLINA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and Members  
of the City Council  
City of Goose Creek, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Goose Creek, South Carolina** (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina, as of December 31, 2016, 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.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 14), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund (on page 68), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Local Hospitality Tax Fund (on page 69), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Goose Creek Municipal Finance Corporation, (on page 70), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System (page 72), the Schedule of Proportionate Share of the Net Pension Liability – Police Officers Retirement System (page 72), the Schedule of Contributions – South Carolina Retirement System (page 73) and the Schedule of Contributions – Police Officers Retirement System (page 73) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goose Creek, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements (on pages 74 - 77), the Comparative Schedules of Revenues – General Fund (on page 78), the Comparative Schedules of Expenditures – General Fund (on page 79), and the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds (on page 80) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Summary Schedule of Court Fines, Assessments and Surcharges (on page 81) 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.

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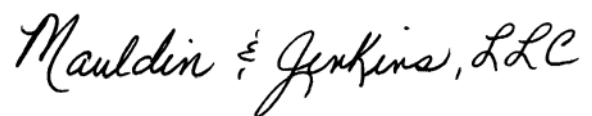
The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds, the Schedule of Court Fines, Assessments and Surcharges, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds, the Summary Schedule of Court Fines, Assessments and Surcharges, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The financial Statements of the City of Goose Creek, South Carolina as of and for the year ended December 31, 2015 were audited by other auditors, whose report dated August 9, 2016 and who expressed an unmodified opinion on those financial statements. The partial comparative information related to the 2015 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of the City of Goose Creek, South Carolina’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Goose Creek, South Carolina’s internal control over financial reporting and compliance.



Macon, Georgia  
June 12, 2017

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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As management of the City of Goose Creek (the City), we offer the readers of the City of Goose Creek's financial statements this narrative overview and analysis of the financial activities of the City of Goose Creek for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

**Financial Highlights**

- The governmental activities and business-type activities combined assets and deferred outflows of resources of the City of Goose Creek exceeded its liabilities and deferred inflows of resources at December 31, 2016 by \$46,910,526. The unrestricted net position deficit was \$12,132,146 due to the Governmental Accounting Standards Board's requirement to record a net pension liability of \$23,272,859. Total net position increased \$3,322,934. The increase was largely due to increased revenues from business licenses, building permits, and related water tap and impact fees.
- On December 31, 2016, the City of Goose Creek's governmental funds reported a combined ending fund balance of \$14,443,858, an increase of \$708,759. The increase was due to the issuance of a \$9,000,000 Special Obligation Bond for the construction of a recreation facility. This was offset by a transfer from the governmental funds to golf enterprise fund in the amount of \$7,704,505 which eliminated an accumulated golf operating deficit. The fund balance for the general fund was \$4,419,924 or 25.42% percent of the total general fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Goose Creek's basic financial statements. The basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The *government-wide financial statements* provide a broad overview of the City of Goose Creek's operations in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal 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 (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and all 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 of Goose Creek include general government, planning, police, fire, court, sanitation, maintenance, garage, and recreation. The business-type activities include the water, recreation and golf course operations.

The government-wide financial statements can be found on pages 15-17 of this report.



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Goose Creek, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Goose Creek can be classified into two categories: governmental and proprietary funds.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. All of the City's basic services are reported in the governmental funds financial statements, which focus on how money flows into and out of those funds in the near-term and the balances left at year-end that are available for commitment. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be committed in the near future to finance the City of Goose Creek's programs. This information may be useful in evaluating the City's near-term financing requirements.

Because this focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Goose Creek maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the tax increment financing fund and the local option sales tax fund all of which are considered to be major funds. Data from the other ten 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 statements elsewhere in this report.

The City of Goose Creek adopts an annual appropriated budget for the general fund, the local hospitality tax fund, the Goose Creek Municipal Finance Corporation, and all special revenue funds.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary Fund** – The City of Goose Creek maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Goose Creek uses enterprise funds to account for its water, recreation and golf course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, recreation and golf operations, all of which are considered to be major funds of the City of Goose Creek.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 26 of this report.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**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 27-67 of this report.

**Other Information** – The City adopts an annual appropriated budget for its general fund and all of the special revenue funds. A budgetary comparison schedule has been presented as required supplementary information for the general fund and major governmental funds to demonstrate compliance with the budget. Required supplementary information can be found on pages 68-73 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 74-77 of this report.

**Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46,910,526 at the close of the most recent fiscal year.

The largest portion of the City of Goose Creek's net position is its investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Goose Creek uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**The City of Goose Creek Net Position**

	Governmental Activities		Business-type Activities		Total		Total Percent
	2015	2016	2015	2016	2015	2016	Change 2015 - 2016
Current and other assets	\$ 20,929,883	\$ 22,064,421	\$ (3,615,023)	\$ 5,096,336	\$ 17,314,860	\$ 27,160,757	56.86%
Capital assets,	41,285,302	44,105,602	17,840,433	23,257,571	59,125,735	67,363,173	13.93%
Total assets	62,215,185	66,170,023	14,225,410	28,353,907	76,440,595	94,523,930	23.66%
Deferred outflows	964,993	2,787,422	204,482	572,905	1,169,475	3,360,327	187.34%
Long-term liabilities outstanding	23,646,004	34,668,505	195,498	8,549,572	23,841,502	43,218,077	81.27%
Other liabilities	2,497,590	3,067,131	4,742,648	1,700,085	7,240,238	4,767,216	-34.16%
Total liabilities	26,143,594	37,735,636	4,938,146	10,249,657	31,081,740	47,985,293	54.38%
Deferred inflows	2,505,193	2,499,864	435,545	488,574	2,940,738	2,988,438	1.62%
Net Position:							
Invested in capital assets, net							
of related debt	35,207,306	28,486,964	17,709,386	19,210,046	52,916,692	47,697,010	-9.86%
Restricted	2,168,592	11,345,662	-	-	2,168,592	11,345,662	423.18%
Unrestricted	(2,844,507)	(11,110,681)	(8,653,185)	(1,021,465)	(11,497,692)	(12,132,146)	5.52%
Total net position	\$ 34,531,391	\$ 28,721,945	\$ 9,056,201	\$ 18,188,581	\$ 43,587,592	\$ 46,910,526	7.62%

**Governmental Activities** – Governmental activities decreased the City of Goose Creek's total net position by \$5,509,446. This was primarily due to a transfer from the governmental funds to the golf enterprise fund in the amount of \$7,704,505 to eliminate the interfund related balances.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**The City of Goose Creek Changes in Net Position**

	Governmental Activities		Business-type Activities		Total		Total Percent
	2015	2016	2015	2016	2015	2016	Change 2015 - 2016
Revenues:							
Program revenues:							
Charges for services	\$ 9,137,270	\$ 10,744,806	\$ 5,152,971	\$ 5,924,503	\$ 14,290,241	\$ 16,669,309	16.65%
Operating grants and contributions	114,961	239,489	-	-	114,961	239,489	108.32%
Capital grants and contributions	1,196,292	113,747	82,790	924,376	1,279,082	1,038,123	-18.84%
General revenues:							
Property taxes	2,491,870	2,810,650	499,996	511,246	2,991,866	3,321,896	11.03%
Local option sales taxes	3,792,919	4,188,199	-	-	3,792,919	4,188,199	10.42%
Hospitality	1,348,708	1,465,192	-	-	1,348,708	1,465,192	8.64%
Franchise	2,645,456	2,434,940	-	-	2,645,456	2,434,940	-7.96%
Unrestricted grants and contributions	824,457	828,415	-	-	824,457	828,415	0.48%
Unrestricted revenue from use of monies and property	63,808	65,907	3,203	4,586	67,011	70,493	5.20%
Miscellaneous	173,386	48,618	49,791	81,031	223,177	129,649	-41.91%
Gain on sale of assets	11,175	-	6,877	-	18,052	-	-100.00%
<b>Total revenues</b>	<b>21,800,302</b>	<b>22,939,963</b>	<b>5,795,628</b>	<b>7,445,742</b>	<b>27,595,930</b>	<b>30,385,705</b>	<b>10.11%</b>
Expenses:							
Legislative	188,776	200,429	-	-	188,776	200,429	6.17%
Administration	2,261,147	2,512,465	-	-	2,261,147	2,512,465	11.11%
Police	7,140,279	7,114,784	-	-	7,140,279	7,114,784	-0.36%
Fire	4,244,575	5,207,251	-	-	4,244,575	5,207,251	22.68%
Sanitation	1,234,873	1,345,470	-	-	1,234,873	1,345,470	8.96%
Recreation	218,596	218,452	-	-	218,596	218,452	-0.07%
Maintenance	1,260,376	1,221,451	-	-	1,260,376	1,221,451	-3.09%
Garage	420,785	385,353	-	-	420,785	385,353	-8.42%
Court	345,527	370,748	-	-	345,527	370,748	7.30%
Planning	159,330	184,728	-	-	159,330	184,728	15.94%
Information Technology	636,647	645,693	-	-	636,647	645,693	1.42%
Interest and Fees	367,716	204,486	-	-	367,716	204,486	-44.39%
Water	-	-	3,560,484	3,437,178	3,560,484	3,437,178	-3.46%
Golf	-	-	1,417,950	1,494,828	1,417,950	1,494,828	5.42%
Recreation	-	-	2,546,242	2,519,455	2,546,242	2,519,455	-1.05%
<b>Total expenses</b>	<b>18,478,627</b>	<b>19,611,310</b>	<b>7,524,676</b>	<b>7,451,461</b>	<b>26,003,303</b>	<b>27,062,771</b>	<b>4.07%</b>
Increase in net position before transfers	3,321,675	3,328,653	(1,729,048)	(5,719)	1,592,627	3,322,934	
Transfers	(1,992,394)	(9,138,099)	1,992,394	9,138,099	-	-	
Increase (decrease) in net position	1,329,281	(5,809,446)	263,346	9,132,380	1,592,627	3,322,934	108.64%
Net position, January 1	33,202,110	34,531,391	8,792,855	9,056,201	41,994,965	43,587,592	3.79%
<b>Net position, December 31</b>	<b>\$ 34,531,391</b>	<b>\$ 28,721,945</b>	<b>\$ 9,056,201</b>	<b>\$ 18,188,581</b>	<b>\$ 43,587,592</b>	<b>\$ 46,910,526</b>	<b>7.62%</b>

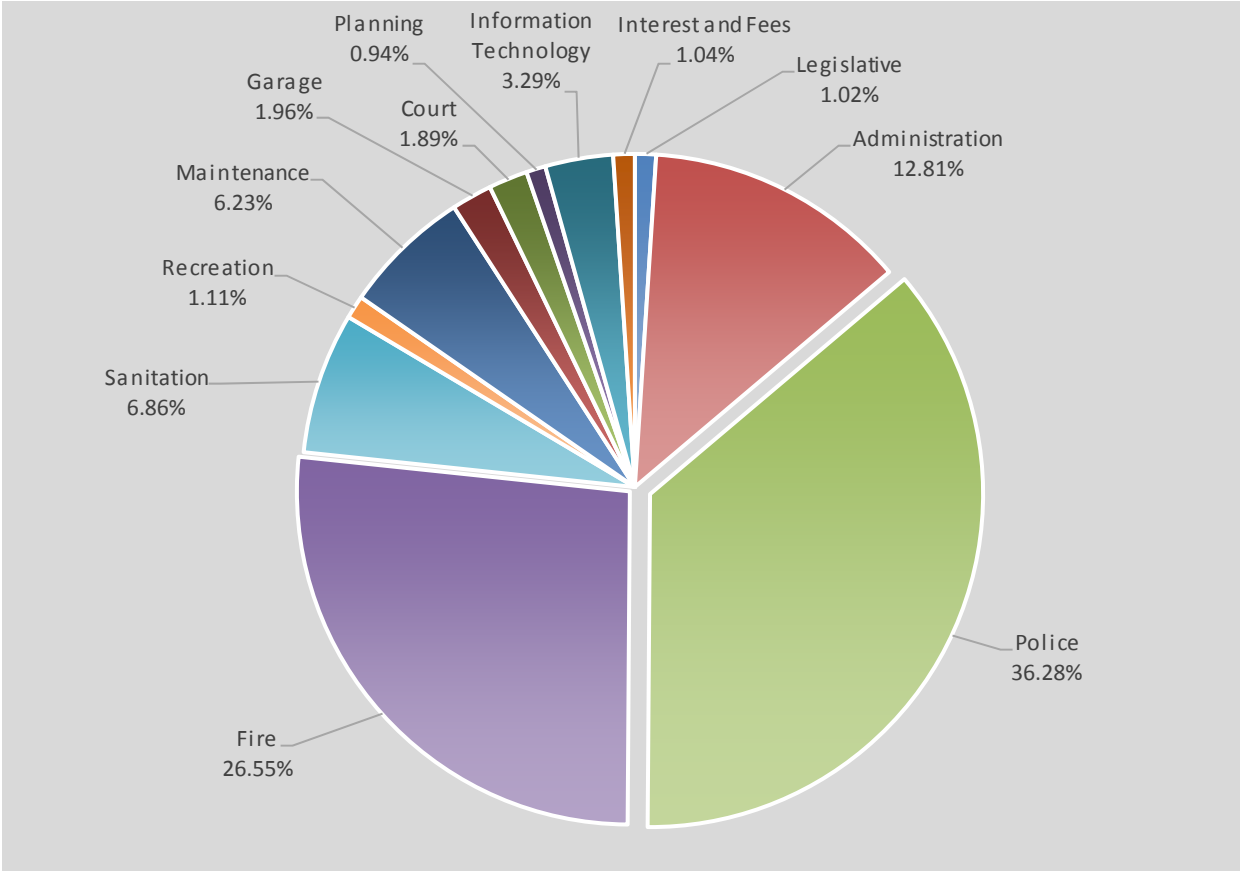
Charges for services were the City's largest program revenue, accounting for \$10,744,806 (46.84 percent) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2016**

Property tax revenues accounted for \$2,810,650 (12.25 percent) of governmental revenues. Another component of general revenues that is related to property taxes is the revenue received from Local Option Sales Taxes which accounted for \$4,188,199 (18.26 percent). Franchise fees of \$2,434,940 (10.61 percent) and the local hospitality tax of two percent of the sales of food and beverages generated \$1,465,192 (6.39 percent) in revenue. The top five revenue sources combined for a total of at \$21,643,787 (94.35 percent) of the revenue for the City of Goose Creek.

The Police Department program accounted for \$7,114,784 (36.28 percent) of the \$19,611,310 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$5,207,251 (26.55 percent) of the total governmental expenditures.

**Expenditures by Department**



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

**Governmental Activities – Cost of Services**

	2015		2016		Total Cost of Services Percentage Change	Total Net Cost of Services Percentage Change
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services		
Legislative	\$ 188,776	\$ (188,776)	\$ 200,429	\$ (200,429)	6.17%	6.17%
Administration	2,261,147	4,943,804	2,512,465	5,096,031	11.11%	3.08%
Police	7,140,279	(6,233,355)	7,114,784	(6,257,652)	-0.36%	0.39%
Fire	4,244,575	(3,480,272)	5,207,251	(4,168,417)	22.68%	19.77%
Sanitation	1,234,873	337,472	1,345,470	248,110	8.96%	-26.48%
Recreation	218,596	(218,596)	218,452	(218,452)	-0.07%	-0.07%
Maintenance	1,260,376	(1,260,376)	1,221,451	(1,221,451)	-3.09%	-3.09%
Garage	420,785	(420,785)	385,353	(385,353)	-8.42%	-8.42%
Court	345,527	(345,527)	370,748	(370,748)	7.30%	7.30%
Planning	159,330	(159,330)	184,728	(184,728)	15.94%	15.94%
Information Technology	636,647	(636,647)	645,693	(645,693)	1.42%	1.42%
Interest and Fees	367,716	(367,716)	204,486	(204,486)	-44.39%	-44.39%
Total Expenses	<u>\$ 18,478,627</u>	<u>\$ (8,030,104)</u>	<u>\$ 19,611,310</u>	<u>\$ (8,513,268)</u>	<u>6.13%</u>	<u>6.02%</u>

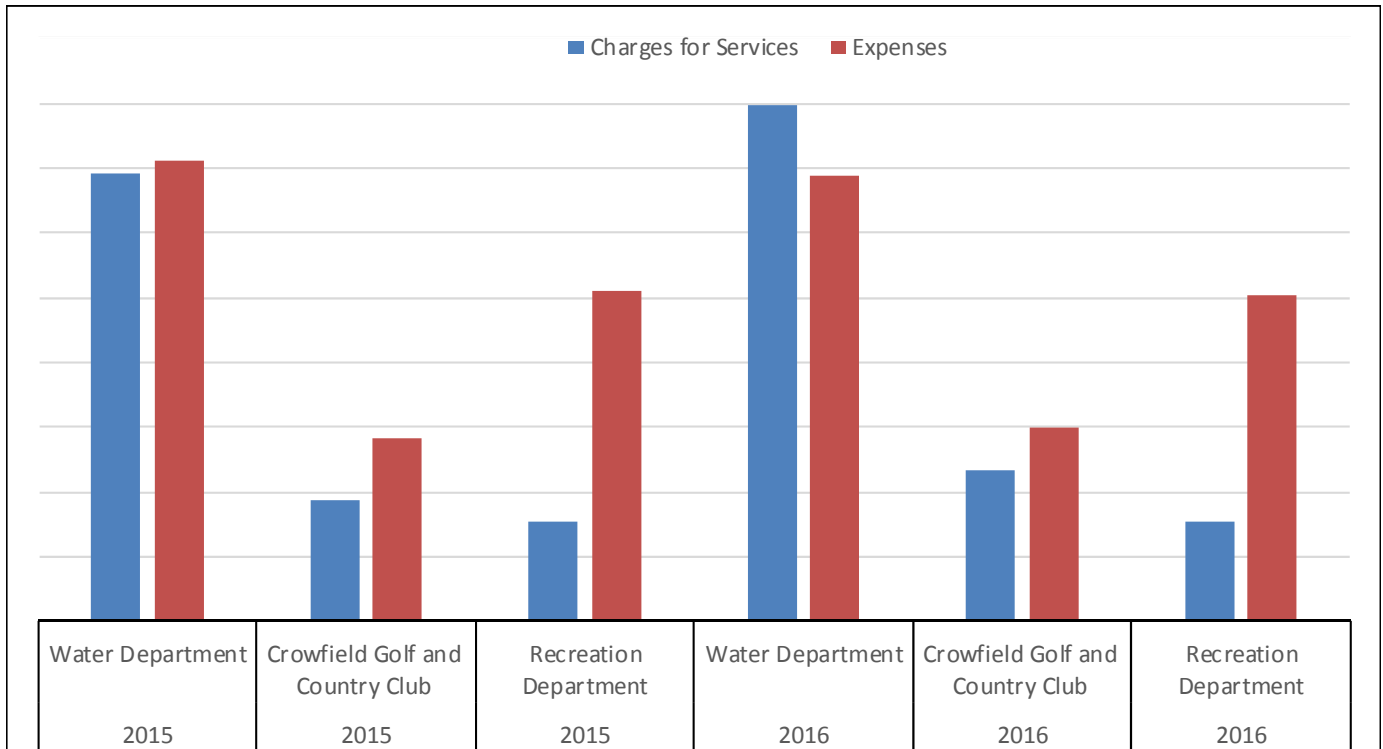
Program revenues from charges for services and operating and capital grants of \$11,098,042 (56.59 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$8,513,268 in general government expenses were funded by property taxes, Local Option Sales Taxes, hospitality tax, franchise fees, unrestricted grants and other revenue.

**Business-type Activities**

Charges for services were the City's largest business-type program revenue, accounting for \$5,924,503 (86.50 percent) of the total business-type activities program revenues. These charges are: water and water services, (i.e., sales of water, tap and impact fees, late charges, administration fees, and fire demand fees) for the water enterprise fund; recreation fund revenue from memberships, recreation fees, class fees and concession stand sales; and memberships, green fees, cart fees, pro shop sales, and food and beverage sales for the golf enterprise fund. The recreation fund received \$1,328,161 during 2016 from the general fund for recreation operations, and the golf enterprise fund received \$7,704,505 from governmental activities.

The water enterprise fund also had capital contributions of \$924,376 for the water lines installed at Marrington Villa Phase 3, Sophia Landing, Henry Brown Boulevard Extension, and some other smaller projects.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2016**



**Financial Analysis of the City of Goose Creek's Funds**

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

**Governmental Funds** - The purpose of the City's governmental fund financial statements 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the City's total governmental funds reported a combined ending fund balance of \$14,443,858. Approximately 18.37 percent of this total \$2,653,857 is unassigned fund balance. The remaining fund balances are: nonspendable, \$214,760; restricted, \$11,345,662; committed, \$14,511; and assigned, \$215,068. The largest portion of the restricted fund balance is \$8,301,056 for capital projects for the construction the new recreation facility.

The general fund is the primary operating fund of the City. At the end of the current year the unassigned fund balance of the general fund was \$4,167,887 with a total fund balance of \$4,419,924. 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 23.97 percent of total general fund expenditures, while total fund balance represents 25.42 percent of that same amount.

The City of Goose Creek instituted a two percent hospitality tax on food and beverages in 2014. Revenue generated from the hospitality fee must be used for purposes which include: tourism-related, cultural, recreational or historical facilities. During 2016 \$1,523,413 was spent for capital projects for the recreation and golf enterprise funds. The hospitality fund revenue for 2016 was \$1,448,846.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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The Goose Creek Municipal Finance Corporation is the funding mechanism for the construction of the Headquarters Fire Station and the substation; all expenditures in 2016 were spent for construction related costs and principal and interest payments.

**Proprietary Funds** – The City of Goose Creek's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As stated earlier the business-type activities net position increased by \$9,132,380 primarily as a result of transfers from the general fund in the amount of \$9,161,047, of which \$7,832,886 was to the golf fund and \$1,328,161 was to the recreation fund. Another contributing factor for this increase was capital contributions of water lines in the water fund totaled \$924,376. The total growths in net position for the funds were: water, \$1,512,049; golf, \$7,505,383; and recreation, \$114,948. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Goose Creek's business-type activities.

### **Budgetary Highlights**

The City's general fund revenues were \$1,573,006 more than budgeted and was primarily due from an increase in licenses and permits. Expenditures were \$84,747 more than budgeted. The actual decrease in the City's general fund balance was \$4,617,769. The hospitality fund had an increase in fund balance of \$8,458,147, which was \$4,933,113 more than budget. The Goose Creek Municipal Finance Corporation had \$2,955,304 in expenditures, which was \$2,302,451 more than budgeted. This was largely due to the construction on the fire stations taking longer than anticipated.

### **Capital Assets and Debt Administration**

**Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was \$67,363,173 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, mast arms and infrastructure.

### **Capital Assets and Debt Administration (Continued)**

Some of the major capital asset events during the current fiscal year included the following:

- Construction in progress additions for the new recreation facility - \$1,523,713
- Completion of the Fire Station III and the transfer out of construction in progress - \$4,418,489
- Purchase of ten police vehicles - \$273,796
- Purchase of a sanitation truck - \$269,152
- Purchase of two trucks for the maintenance department - \$41,330
- Construction in progress additions for water system upgrades - \$4,764,491
- Capital improvements to the golf course for greens and fairways - \$128,381
- Capital lease for golf maintenance equipment - \$536,422
- Improvements to the water system - \$241,376
- Contribution of water lines - \$924,376

Additional information on the City's capital assets can be found in Note 6 – Capital Assets.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**The City of Goose Creek Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total		Total Percent
	2015	2016	2015	2016	2015	2016	Change
							2015 - 2016
Land	\$ 7,952,070	\$ 7,956,070	\$ 1,956,615	\$ 1,956,615	\$ 9,908,685	\$ 9,912,685	0.04%
Construction in progress	12,247,993	11,475,894	410,994	5,175,485	12,658,987	16,651,379	31.54%
Buildings	9,897,492	13,954,152	1,287,792	1,143,285	11,185,284	15,097,437	34.98%
Improvements	121,446	51,432	307,960	285,596	429,406	337,028	-21.51%
Vehicles	1,716,944	1,845,745	145,818	136,147	1,862,762	1,981,892	6.40%
Software	-	-	-	-	-	-	0.00%
Computers	20,140	26,757	-	-	20,140	26,757	32.86%
Mast Arms	749,146	675,263	-	-	749,146	675,263	-9.86%
Equipment	777,702	786,019	350,999	631,369	1,128,701	1,417,388	25.58%
Streetscape	5,524,646	5,201,900	-	-	5,524,646	5,201,900	-5.84%
Infrastructure	2,277,723	2,132,370	-	-	2,277,723	2,132,370	-6.38%
Water System	-	-	12,674,903	13,171,257	12,674,903	13,171,257	3.92%
Land Improvements	-	-	705,352	757,817	705,352	757,817	7.44%
	<u>\$ 41,285,302</u>	<u>\$ 44,105,602</u>	<u>\$ 17,840,433</u>	<u>\$ 23,257,571</u>	<u>\$ 59,125,735</u>	<u>\$ 67,363,173</u>	13.93%

**Long-Term Debt** – At the end of the current fiscal year, the City of Goose Creek had a total long-term debt outstanding of \$19,666,163. The debt does not comprise debt backed by the full faith and credit of the government. The governmental activities debt consists of a revenue bond payable of \$6,718,795 for the construction of two fire stations and a revenue bond of \$8,899,843 for the construction of a recreation facility. The business-type activities debt includes a note payable of \$3,539,594 and capital leases of \$507,931 for the purchase of golf maintenance equipment.

Additional information on the City's long-term debt can be found in Note 8 - Long-Term Debt.

**The City of Goose Creek Outstanding Debt  
Revenue Bonds, Notes Payable and Leases Payable**

	Governmental Activities		Business-type Activities		Total		Total Percent
	2015	2016	2015	2016	2015	2016	Change
							2015 - 2016
Revenue bonds	\$ 7,169,996	\$ 15,618,638	\$ -	\$ -	\$ 7,169,996	\$ 15,618,638	117.83%
Notes payable	-	-	-	3,539,594	-	3,539,594	100.00%
Leases payable	-	-	131,048	507,931	131,048	507,931	287.59%
	<u>\$ 7,169,996</u>	<u>\$ 15,618,638</u>	<u>\$ 131,048</u>	<u>\$ 4,047,525</u>	<u>\$ 7,301,044</u>	<u>\$ 19,666,163</u>	169.36%



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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

The City of Goose Creek's growth continues to improve as the overall economy has improved. Business license revenue was up \$703,983 from the previous year, and building permit revenue was up \$469,683 from the previous year. The City issued 196 new housing construction permits, an increase of 21 over the previous year. The City has development agreements that will provide in excess of over 10,000 new houses and several large commercial development sites over the next twenty years ensuring long term managed growth.

During the current fiscal year, the City's general fund balance decreased \$4,617,769. This decrease was primarily the result of total operating transfers out of \$8,357,691. The Goose Creek Municipal Finance Corporation Fund's fund balance decreased \$3,354,575 and was a result of construction expenditures for the Headquarters Fire Station and fire substation. The Headquarters Fire Station was completed in early 2017 while the construction of the fire substation was completed and placed in service late in 2016.

The hospitality tax fund balance increased by \$8,458,147 as the result of the issuance of revenue bonds to pay for the construction of a recreation facility. The total other governmental fund balances increased by \$222,956 which was primarily the result of an increase in impact fees.

The City still maintains the funds necessary to continue to provide quality services to the residents.

The City of Goose Creek actively works with the Economic Development Advisory Committee (EDAC) to recruit new businesses, light industries and restaurants to meet the residents growing demand to be able to live, work and shop within the City's corporate limits. In 2016 the City has continued to implement the recommendations from the EDAC to achieve the City's economic development goals. This included the creation of an Economic Development Director position which was filled in early 2017. The City has development agreements for commercial and residential construction in the Carnes Crossroads area, where over 2,400 acres will be developed in the coming years.

The water enterprise fund installed 199 new water taps during 2016 as a result of new housing construction. The radio-read meter upgrade program installation to convert all manual-read water meters to radio-read meters has continued on schedule; 9,283 meters have been installed or converted through 2016, leaving approximately 628 to be converted over the next year for complete the project.

The golf enterprise fund completed the thirteenth full year of operations. In response to continuous operating losses, in 2010 the City implemented a five-year plan to make Crowfield Golf Club self-sufficient. As mentioned earlier, governmental funds transferred \$7,704,505 to the Crowfield Golf Club to remove amounts of accumulated operating loss. Additionally, the hospitality fund funded \$128,381 in capital projects that included bunker renovations. These transfers resulted in an increase in net position of \$7,505,383, bringing total net position of the Crowfield Golf Club to \$2,570,972. The operating loss without the transfer, excluding depreciation, was \$168,499 in 2016 which is \$371,250 less than 2009, the fund's worst year of operations.

City Council has directed staff to combine the golf enterprise fund and the recreation enterprise fund into a single combined recreation enterprise fund at the beginning of 2018.

The City of Goose Creek assumed the administrative management of the Goose Creek Recreation District activities effective January 1, 2009. The City now provides recreational services, programs, staff management, and fiscal accounting as an enterprise fund. The City will continue to operate the recreation facilities as an enterprise fund. Funding will continue to come from program revenues, cost of services, and ad-valorem property taxes from the City and the Goose Creek Recreation Commission.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

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These indicators were taken into account when adopting the general fund budget for the 2017 fiscal year. The City of Goose Creek is a vibrant community that will continue to grow dynamically in the coming years. The budget will continue to expand to meet the service needs of the growing community.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Goose Creek's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Goose Creek, Finance Director, Post Office Drawer 1768, Goose Creek, South Carolina 29445.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,129,577	\$ 3,135,550	\$ 9,265,127
Restricted cash	8,867,245	-	8,867,245
Receivables, net of allowance			
Taxes	1,008,464	245,616	1,254,080
Accounts	2,132,663	395,829	2,528,492
Fines	426,988	-	426,988
Due from county treasurer	2,098,253	179,648	2,277,901
Due from other governments	1,464,414	743,795	2,208,209
Internal balances	(277,943)	277,943	-
Inventories	82,528	109,064	191,592
Prepaid items	132,232	8,891	141,123
Capital assets:			
Non-depreciable	19,431,964	7,132,100	26,564,064
Depreciable, net of accumulated depreciation	24,673,638	16,125,471	40,799,109
Total assets	<u>66,170,023</u>	<u>28,353,907</u>	<u>94,523,930</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions made subsequent to measurement date	575,376	123,159	698,535
Differences between expected and actual experience related to pension expense	223,387	45,820	269,207
Differences between projected and actual investment earnings	1,786,106	354,793	2,140,899
Changes in proportion and differences between employer contribution and proportionate share of contributions	202,553	49,133	251,686
Total deferred outflows of resources	<u>2,787,422</u>	<u>572,905</u>	<u>3,360,327</u>
<b>LIABILITIES</b>			
Accounts payable	1,294,802	948,284	2,243,086
Accrued salaries and related liabilities	477,902	103,512	581,414
Escrow and retainage payable	1,196,658	302,315	1,498,973
Unearned revenue	-	77,415	77,415
Due to developers	-	252,631	252,631
Accrued interest payable	97,769	15,928	113,697
Noncurrent liabilities			
Due within one year	1,208,853	477,274	1,686,127
Due in more than one year	14,638,396	3,620,695	18,259,091
Net pension liability	18,821,256	4,451,603	23,272,859
Total liabilities	<u>37,735,636</u>	<u>10,249,657</u>	<u>47,985,293</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for future years	2,378,348	479,128	2,857,476
Deferred property tax credit	45,262	-	45,262
Business licenses collected in advance	51,053	-	51,053
Differences between expected and actual experience related to pension expense	13,450	5,036	18,486
Changes in proportion and differences between employer contribution and proportionate share of contributions	11,751	4,410	16,161
Total deferred inflows of resources	<u>2,499,864</u>	<u>488,574</u>	<u>2,988,438</u>
<b>NET POSITION</b>			
Net investment in capital assets	28,486,964	19,210,046	47,697,010
Restricted for:			
Public safety	608,914	-	608,914
Tourism	1,907,516	-	1,907,516
Capital projects	8,829,232	-	8,829,232
Unrestricted	(11,110,681)	(1,021,465)	(12,132,146)
Total net position	<u>\$ 28,721,945</u>	<u>\$ 18,188,581</u>	<u>\$ 46,910,526</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 200,429	\$ -	\$ -	\$ -
Administrative	2,512,465	7,608,496	-	-
Police	7,114,784	687,624	55,761	113,747
Fire	5,207,251	855,106	183,728	-
Sanitation	1,345,470	1,593,580	-	-
Recreation	218,452	-	-	-
Maintenance	1,221,451	-	-	-
Garage	385,353	-	-	-
Court	370,748	-	-	-
Planning	184,728	-	-	-
Information technology	645,693	-	-	-
Interest and fees	204,486	-	-	-
Total governmental activities	<u>19,611,310</u>	<u>10,744,806</u>	<u>239,489</u>	<u>113,747</u>
Business-type activities:				
Water Department	3,437,178	3,986,439	-	924,376
Crowfield Golf and Country Club	1,494,828	1,168,773	-	-
Recreation Department	2,519,455	769,291	-	-
Total business-type activities	<u>\$ 7,451,461</u>	<u>\$ 5,924,503</u>	<u>\$ -</u>	<u>\$ 924,376</u>
General revenues:				
Taxes				
Property, including fee in lieu of taxes				
Local option sales tax				
Hospitality				
Franchise				
Grants and contributions not restricted to specific programs				
Unrestricted revenue from use of money and property				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenues and  
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (200,429)	\$ -	\$ (200,429)
5,096,031	-	5,096,031
(6,257,652)	-	(6,257,652)
(4,168,417)	-	(4,168,417)
248,110	-	248,110
(218,452)	-	(218,452)
(1,221,451)	-	(1,221,451)
(385,353)	-	(385,353)
(370,748)	-	(370,748)
(184,728)	-	(184,728)
(645,693)	-	(645,693)
(204,486)	-	(204,486)
<u>(8,513,268)</u>	<u>-</u>	<u>(8,513,268)</u>
-	1,473,637	1,473,637
-	(326,055)	(326,055)
-	(1,750,164)	(1,750,164)
<u>\$ -</u>	<u>\$ (602,582)</u>	<u>\$ (602,582)</u>

2,810,650	511,246	3,321,896
4,188,199	-	4,188,199
1,465,192	-	1,465,192
2,434,940	-	2,434,940
828,415	-	828,415
65,907	4,586	70,493
48,618	81,031	129,649
(9,138,099)	9,138,099	-
<u>2,703,822</u>	<u>9,734,962</u>	<u>12,438,784</u>
(5,809,446)	9,132,380	3,322,934
34,531,391	9,056,201	43,587,592
<u>\$ 28,721,945</u>	<u>\$ 18,188,581</u>	<u>\$ 46,910,526</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Local Hospitality Tax Fund</b>	<b>Goose Creek Municipal Finance Corporation</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,311,901	\$ 1,818,913	\$ 194,711	\$ 804,052	\$ 6,129,577
Receivables, net of allowance					
Taxes	1,008,464	-	-	-	1,008,464
Accounts	2,003,668	122,757	-	6,238	2,132,663
Fines	352,310	-	-	74,678	426,988
Due from county treasurer	2,098,253	-	-	-	2,098,253
Due from governments	1,435,833	-	-	28,581	1,464,414
Due from other funds	1,705,724	180,448	648,318	695,633	3,230,123
Inventories	82,528	-	-	-	82,528
Prepaid expenditures	132,232	-	-	-	132,232
Restricted cash	-	8,867,245	-	-	8,867,245
<b>Total assets</b>	<b>\$ 12,130,913</b>	<b>\$ 10,989,363</b>	<b>\$ 843,029</b>	<b>\$ 1,609,182</b>	<b>\$ 25,572,487</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 506,912	\$ 764,975	\$ 18,696	\$ 4,219	\$ 1,294,802
Retainage payable	-	104,419	966,439	-	1,070,858
Accrued salaries and related liabilities	477,902	-	-	-	477,902
Escrow payable	13,511	-	-	112,289	125,800
Due to other funds	2,136,142	-	1,371,924	-	3,508,066
<b>Total liabilities</b>	<b>3,134,467</b>	<b>869,394</b>	<b>2,357,059</b>	<b>116,508</b>	<b>6,477,428</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	2,378,348	-	-	-	2,378,348
Business licenses collected in advance	45,262	-	-	-	45,262
Deferred property tax credit	51,053	-	-	-	51,053
Unavailable revenue - intergovernmental	2,101,859	-	-	74,679	2,176,538
<b>Total deferred inflows of resources</b>	<b>\$ 4,576,522</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74,679</b>	<b>\$ 4,651,201</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventory and prepaids	\$ 214,760	\$ -	\$ -	\$ -	\$ 214,760
Restricted for:					
Public safety	-	-	-	608,914	608,914
Tourism	-	1,818,913	-	88,603	1,907,516
Capital projects	-	8,301,056	-	528,176	8,829,232
Committed for:					
Tree replacement	14,511	-	-	-	14,511
Assigned for:					
Fleet replacement	22,766	-	-	-	22,766
Capital projects	-	-	-	192,302	192,302
Unassigned	4,167,887	-	(1,514,030)	-	2,653,857
<b>Total fund balances</b>	<b>4,419,924</b>	<b>10,119,969</b>	<b>(1,514,030)</b>	<b>1,417,995</b>	<b>14,443,858</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,130,913</b>	<b>\$ 10,989,363</b>	<b>\$ 843,029</b>	<b>\$ 1,609,182</b>	<b>\$ 25,572,487</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

Total governmental fund balances:		\$ 14,443,858
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:		
Cost of assets	58,166,701	
Accumulated depreciation	<u>(14,061,099)</u>	44,105,602
Other long term assets are not available to pay for current period expenditures and, therefore, are not reported or are deferred in the funds:		
State aid to subdivisions	387,701	
Fines and forfeitures	427,397	
EMS revenue	<u>1,361,440</u>	2,176,538
Other long term assets related to pension expense are not available to pay for current expenditures and are; therefore, not reported or are deferred in the funds:		
Contributions made subsequent to measurement date expense	575,376	
Differences between projected and actual investment earnings	223,387	
Changes in proportion and differences between employer contribution and proportionate share of contributions	1,786,106	
	<u>202,553</u>	2,787,422
Long term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liabilities	(18,821,256)	
Compensated absences payable	(228,611)	
Accrued interest payable	(97,769)	
Revenues bonds	<u>(15,618,638)</u>	(34,766,274)
Other long term liabilities related to pension expense do not consume current financial resources and are; therefore, not reported in the funds:		
Differences between expected and actual experience related to pension expense	(13,450)	
Changes in proportion and differences between employer contribution and proportionate share of contributions	<u>(11,751)</u>	(25,201)
Net position of governmental activities		<u><u>\$ 28,721,945</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Local Hospitality Tax Fund</u>	<u>Goose Creek Municipal Finance Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Local revenues:					
Property taxes	\$ 2,794,860	\$ -	\$ -	\$ -	\$ 2,794,860
Licenses, permits, and franchise taxes	9,718,512	1,448,445	-	-	11,166,957
Charges for services	2,693,033	-	-	-	2,693,033
Fines and forfeitures	413,213	-	-	63,653	476,866
Miscellaneous	114,205	401	308	527,248	642,162
Total local revenues	<u>15,733,823</u>	<u>1,448,846</u>	<u>308</u>	<u>590,901</u>	<u>17,773,878</u>
State revenues	5,048,420	-	-	147,113	5,195,533
Federal revenues	183,728	-	-	11,292	195,020
Total revenues	<u>20,965,971</u>	<u>1,448,846</u>	<u>308</u>	<u>749,306</u>	<u>23,164,431</u>
<b>Expenditures:</b>					
Current:					
Legislative	191,246	-	-	-	191,246
Administrative	1,706,371	161,603	4,236	-	1,872,210
Police	6,595,487	-	-	204,482	6,799,969
Fire	4,670,486	-	-	-	4,670,486
Sanitation	1,166,889	-	-	-	1,166,889
Recreation	-	-	-	6,348	6,348
Maintenance	858,881	-	-	-	858,881
Garage	365,866	-	-	-	365,866
Court	343,039	-	-	-	343,039
Planning	168,237	-	2,548	-	170,785
Information technology	582,458	-	-	-	582,458
Capital outlay	737,497	1,523,413	2,295,667	24,795	4,581,372
Debt service:					
Principal retirement	-	100,157	451,201	-	551,358
Interest	-	77,145	201,652	-	278,797
Total expenditures	<u>17,386,457</u>	<u>1,862,318</u>	<u>2,955,304</u>	<u>235,625</u>	<u>22,439,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,579,514</u>	<u>(413,472)</u>	<u>(2,954,996)</u>	<u>513,681</u>	<u>724,727</u>
<b>Other financing sources (uses):</b>					
Transfers in	38,277	-	275,399	-	313,676
Transfers out	(8,357,691)	(128,381)	(674,978)	(290,725)	(9,451,775)
Proceeds from sale of capital assets	26,850	-	-	-	26,850
Insurance proceeds	95,281	-	-	-	95,281
Proceeds from issuance of debt	-	9,000,000	-	-	9,000,000
Total other financing sources (uses)	<u>(8,197,283)</u>	<u>8,871,619</u>	<u>(399,579)</u>	<u>(290,725)</u>	<u>(15,968)</u>
Net change in fund balances	(4,617,769)	8,458,147	(3,354,575)	222,956	708,759
<b>Fund balances, beginning of year</b>	9,037,693	1,661,822	1,840,545	1,195,039	13,735,099
<b>Fund balances, end of year</b>	<u>\$ 4,419,924</u>	<u>\$ 10,119,969</u>	<u>\$ (1,514,030)</u>	<u>\$ 1,417,995</u>	<u>\$ 14,443,858</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds		\$ 708,759
<p>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 expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		
Capital outlay	\$ 4,581,272	
Depreciation expense	<u>(1,466,680)</u>	3,114,592
<p>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 assets differs from the change in fund balance by the cost of the capital assets sold or disposed.</p>		
Cost of capital assets	\$ (921,764)	
Accumulated depreciation	<u>623,472</u>	(298,292)
<p>Capital assets donated to the City increase net assets in the statement of activities, but do not appear in the governmental funds because they are no financial resources.</p>		
		4,000
<p>Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.</p>		
<p>Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:</p>		
State aid to subdivisions	\$ (364,849)	
Fines and forfeitures	(454,209)	
EMS revenue	(1,581,948)	
<p>Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:</p>		
State aid to subdivisions	387,701	
Fines and forfeitures	427,397	
EMS revenue	<u>1,361,440</u>	(224,468)
<p>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.</p>		
Issuance of debt		(9,000,000)
Repayment of revenue bonds		551,358
<p>Pension expense that is related to net pension liability as recorded in the statement of activities is based on the City's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of financial resource (e.g., required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the City's proportionate share of pension expense exceeds actual contributions.</p>		
		(740,551)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The details are as follows:</p>		
<p>Compensated absences:</p>		
Current year	\$ (228,611)	
Prior year	229,456	
<p>Accrued interest expense - current year</p>		
Current year	(97,769)	
Prior year	<u>172,080</u>	75,156
Change in net position of governmental activities		<u>\$ (5,809,446)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>ASSETS</b>	<b>Water Department</b>	<b>Crowfield Golf Club</b>	<b>Recreation Department</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,885,328	\$ 277,747	\$ 972,475	\$ 3,135,550
Due from other governments	743,795	-	-	743,795
Accounts receivable, net of allowance	384,899	10,930	-	395,829
Taxes receivable, net of allowance	-	-	245,616	245,616
Due from county treasurer	-	-	179,648	179,648
Due from other funds	-	-	387,143	387,143
Inventories	85,863	23,201	-	109,064
Prepaid items	201	8,134	556	8,891
Total current assets	<u>3,100,086</u>	<u>320,012</u>	<u>1,785,438</u>	<u>5,205,536</u>
<b>NONCURRENT ASSETS</b>				
Capital assets				
Non-depreciable	5,175,485	1,956,615	-	7,132,100
Depreciable, net of accumulated depreciation	13,464,618	1,758,944	901,909	16,125,471
Total noncurrent assets	<u>18,640,103</u>	<u>3,715,559</u>	<u>901,909</u>	<u>23,257,571</u>
Total assets	<u>21,740,189</u>	<u>4,035,571</u>	<u>2,687,347</u>	<u>28,463,107</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions made subsequent to measurement date	39,165	26,209	57,785	123,159
Differences between expected and actual experience related to pension expense	15,210	9,695	20,915	45,820
Differences between projected and actual investment earnings	106,035	76,092	172,666	354,793
Changes in proportion and differences between employer contribution and proportionate share of contributions	14,589	10,546	23,998	49,133
Total deferred outflows of resources	<u>174,999</u>	<u>122,542</u>	<u>275,364</u>	<u>572,905</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	902,145	14,443	31,696	948,284
Retainage payable	302,315	-	-	302,315
Accrued salaries and related liabilities	32,648	26,283	44,581	103,512
Accrued interest	15,928	-	-	15,928
Compensated absences payable	17,450	14,232	18,762	50,444
Due to other funds	109,200	-	-	109,200
Unearned revenue	-	74,904	2,511	77,415
Due to developers	252,631	-	-	252,631
Current portion of notes payable	339,795	-	-	339,795
Current portion of lease payable	-	87,035	-	87,035
Total current liabilities	<u>1,972,112</u>	<u>216,897</u>	<u>97,550</u>	<u>2,286,559</u>
<b>LONG-TERM LIABILITIES</b>				
Net pension liability	1,415,420	947,347	2,088,836	4,451,603
Long-term portion of notes payable	3,199,799	-	-	3,199,799
Long-term portion of lease payable	-	420,896	-	420,896
Total long-term liabilities	<u>4,615,219</u>	<u>1,368,243</u>	<u>2,088,836</u>	<u>8,072,298</u>
Total liabilities	<u>6,587,331</u>	<u>1,585,140</u>	<u>2,186,386</u>	<u>10,358,857</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for future years	-	-	479,128	479,128
Differences between expected and actual experience related to pension expense	1,662	1,067	2,307	5,036
Changes in proportion and differences between employer contribution and proportionate share of contributions	1,458	934	2,018	4,410
Total deferred inflows of resources	<u>3,120</u>	<u>2,001</u>	<u>483,453</u>	<u>488,574</u>
<b>NET POSITION</b>				
Net investment in capital assets	15,100,509	3,207,628	901,909	19,210,046
Unrestricted	224,228	(636,656)	(609,037)	(1,021,465)
Total net position	<u>\$ 15,324,737</u>	<u>\$ 2,570,972</u>	<u>\$ 292,872</u>	<u>\$ 18,188,581</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Water Department</b>	<b>Crowfield Golf Club</b>	<b>Recreation Department</b>	<b>Total</b>
<b>OPERATING REVENUE</b>				
Property taxes	\$ -	\$ -	\$ 511,246	\$ 511,246
Charges for services and sales	3,986,439	1,168,773	769,291	5,924,503
Miscellaneous	34,377	12,769	33,885	81,031
<b>Total operating revenues</b>	<b>4,020,816</b>	<b>1,181,542</b>	<b>1,314,422</b>	<b>6,516,780</b>
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	994,249	745,828	1,558,139	3,298,216
Cost of goods sold	1,145,190	151,175	1,090	1,297,455
Administrative	204,127	63,348	109,226	376,701
Contractual services	129,497	80,785	256,154	466,436
Materials and supplies	77,553	124,594	168,173	370,320
Repairs and maintenance	34,665	31,542	53,251	119,458
Depreciation	732,245	150,182	158,188	1,040,615
Utilities	31,821	71,103	212,278	315,202
<b>Total operating expenses</b>	<b>3,349,347</b>	<b>1,418,557</b>	<b>2,516,499</b>	<b>7,284,403</b>
<b>Operating income (loss)</b>	<b>671,469</b>	<b>(237,015)</b>	<b>(1,202,077)</b>	<b>(767,623)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	4,515	71	-	4,586
Interest expense	(87,831)	(13,198)	(2,956)	(103,985)
Gain/(loss) on sale of assets	5,346	(68,539)	120	(63,073)
<b>Total non-operating expenses</b>	<b>(77,970)</b>	<b>(81,666)</b>	<b>(2,836)</b>	<b>(162,472)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>593,499</b>	<b>(318,681)</b>	<b>(1,204,913)</b>	<b>(930,095)</b>
Capital contributions	924,376	-	-	924,376
Transfers in	-	7,832,886	1,328,161	9,161,047
Transfers out	(5,826)	(8,822)	(8,300)	(22,948)
<b>Net change in fund balances</b>	<b>1,512,049</b>	<b>7,505,383</b>	<b>114,948</b>	<b>9,132,380</b>
<b>Net position, beginning of year</b>	<b>13,812,688</b>	<b>(4,934,411)</b>	<b>177,924</b>	<b>9,056,201</b>
<b>Net position, end of year</b>	<b>\$ 15,324,737</b>	<b>\$ 2,570,972</b>	<b>\$ 292,872</b>	<b>\$ 18,188,581</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Water Department</u>	<u>Crowfield Golf Club</u>	<u>Recreation Department</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 3,969,392	\$ 1,182,347	\$ 1,340,294	\$ 6,492,033
Cash paid to suppliers	(1,048,535)	(522,828)	(820,067)	(2,391,430)
Cash paid to employees	(949,586)	(709,756)	(1,481,622)	(3,140,964)
Internal activity-payments from (to) other funds	<u>90,828</u>	<u>(7,504,292)</u>	<u>286,588</u>	<u>(7,126,876)</u>
Net cash provided (used) by operating activities	<u>2,062,099</u>	<u>(7,554,529)</u>	<u>(674,807)</u>	<u>(6,167,237)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers (to) from other funds	<u>(5,826)</u>	<u>7,824,064</u>	<u>1,319,861</u>	<u>9,138,099</u>
Net cash provided (used) by noncapital financing activities	<u>(5,826)</u>	<u>7,824,064</u>	<u>1,319,861</u>	<u>9,138,099</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from issuance of notes payable	2,963,422	-	-	2,963,422
Principal paid on capital leases	-	(182,150)	-	(182,150)
Principal paid on notes payable	(167,623)	-	-	(167,623)
Payment of interest expense	(71,903)	(13,198)	(2,956)	(88,057)
Sale of capital assets	5,346	125,433	120	130,899
Acquisition and construction of capital assets	<u>(4,725,099)</u>	<u>(105,771)</u>	<u>(35,131)</u>	<u>(4,866,001)</u>
Net cash used by capital and related financing activities	<u>(1,995,857)</u>	<u>(175,686)</u>	<u>(37,967)</u>	<u>(2,209,510)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned on investments	<u>4,515</u>	<u>71</u>	<u>-</u>	<u>4,586</u>
Net cash provided by investing activities	<u>4,515</u>	<u>71</u>	<u>-</u>	<u>4,586</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	64,931	93,920	607,087	765,938
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,820,397</u>	<u>183,827</u>	<u>365,388</u>	<u>2,369,612</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,885,328</u>	<u>\$ 277,747</u>	<u>\$ 972,475</u>	<u>\$ 3,135,550</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Water Department</u>	<u>Crowfield Golf Club</u>	<u>Recreation Department</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 671,469	\$ (237,015)	\$ (1,202,077)	\$ (767,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	732,245	150,182	158,188	1,040,615
Provision for allowance for uncollectible	16,171	-	574	16,745
(Increase) decrease in:				
Accounts and taxes receivables	(67,595)	(1,118)	(47,404)	(116,117)
Due from country treasurer	-	-	15,709	15,709
Inventory	10,997	(2,430)	-	8,567
Prepaid items	-	(100)	446	346
Deferred outflows	(109,397)	(79,077)	(179,949)	(368,423)
Increase (decrease) in:				
Accounts payable	721,421	2,249	(20,341)	703,329
Accrued salaries and compensated absences payable	(3,270)	1,424	(2,328)	(4,174)
Due to/from other funds	90,828	(7,504,292)	286,588	(7,126,876)
Due to developers	(158,100)	-	-	(158,100)
Net pension liability	158,458	114,540	260,650	533,648
Deferred inflows	(1,128)	(815)	54,972	53,029
Unearned revenue	-	1,923	165	2,088
Total adjustments	<u>1,390,630</u>	<u>(7,317,514)</u>	<u>527,270</u>	<u>(5,399,614)</u>
Net cash provided (used) by operating activities	<u>2,062,099</u>	<u>(7,554,529)</u>	<u>(674,807)</u>	<u>(6,167,237)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributed capital assets	924,376	-	-	924,376
Capital assets purchased by lease obligation	-	559,033	-	559,033
Due from other governments - loan proceeds	743,795	-	-	743,795

The accompanying notes are an integral part of these financial statements.

CITY OF GOOSE CREEK, SOUTH CAROLINA

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2016

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	<u>\$ 135,557</u>
Total assets	<u>135,557</u>
<b>LIABILITIES</b>	
Assets held for others	<u>135,557</u>
Total liabilities	<u>\$ 135,557</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Goose Creek, South Carolina (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

#### A. Reporting Entity

The City operates under a charter originally granted by the State of South Carolina on March 22, 1961. The City was incorporated according to Section 47-22 of the 1962 Code, as amended, on May 6, 1976. The City adopted the Mayor-Council form of government as described in the Code of Laws of South Carolina 1976, Section 5-9-40. The Mayor and six-member Council for the City serve overlapping terms of four years.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 61, which defines a primary government as an entity with a governing body elected in a general election and which is legally separate and fiscally independent. Any entity which does not meet the above criteria is potentially a component unit of a primary government. The City is a legally separate and fiscally independent entity whose governing body is a council whose members are elected in a general election and should therefore be considered a primary government. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a blended component unit. Blended component units, although legally separate entities, are in substance, part of the government's operations, and so data from these units are appropriately presented as funds of the primary government.

#### ***Blended Component Unit***

The Goose Creek Municipal Finance Corporation (the Corporation) is a separately administered organization controlled by and dependent on the City. The Corporation is a South Carolina not-for-profit corporation and is exempt from income taxation under Internal Revenue Code Section 501(c)(3). The Corporation has been organized exclusively for public and charitable purposes, specifically to carry out the acquisition and construction of capital assets, issuance of bonds to finance the construction of the capital projects, and to own and lease the facilities to the City for essential governmental functions in connection with tax exempt lease purchase financing of such facilities.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting Entity (Continued)

The Board of Directors of the Corporation are:

<u>Name</u>	<u>Officer</u>
Jake Broom – City Administrator	President
Michael J. Heitzler – Mayor	Vice President
Ronald R. Faretra – Finance Director	Treasurer/Secretary

The Goose Creek Municipal Finance Corporation is reported as a Capital Projects Fund and does not issue separate financial statements.

#### B. Government-wide and Fund Financial Statements

##### ***Government-wide Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable, when applicable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

##### ***Fund Financial Statements***

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units, when applicable. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.



# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

##### *Major Funds*

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Local Hospitality Tax Fund* is a special revenue fund used to account for taxes collected on the sales of prepared meals and beverages sold in establishments. The expenditures of these taxes must be related to or for the promotion of tourism.

The *Goose Creek Municipal Finance Corporation* is a blended component unit of the City, reported as a capital projects fund. It accounts for the issuance of bonds to finance the construction of a fire station and fire station headquarters and to own and lease the facilities to the City for essential government functions in connection with the tax exempt lease purchase financing of such facilities.

The City reports the following major proprietary funds:

The *Water Department Fund* accounts for the operations and maintenance of the water distribution system owned by the City.

The *Crowfield Golf Club Fund* accounts for the operations and maintenance of the City owned golf course.

The *Recreation Department Fund* accounts for the operations and maintenance of the recreation facilities managed by the City.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

##### *Nonmajor Funds*

In addition the City reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital projects, other than those financed by proprietary funds.

The *Fiduciary fund* is used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The Agency fund is custodial in nature and does not involve the measurement of operations.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds, when applicable) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the 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. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are considered to be measurable if the amount is known or reasonably estimable at year-end. The following revenue sources are deemed both measurable and available if collected within 60 days of year-end: delinquent property taxes, investment earnings, fines and forfeitures, state-levied locally shared taxes, insurance taxes, certain charges for services such as sanitation fees, and grant revenues for which all eligibility requirements imposed by the provider have been met. Permits, vehicle and some franchise taxes, licenses, and miscellaneous revenues, although they may be available within 60 days of year-end are considered to be measurable only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Proceeds of general long-term debt and proceeds for acquisitions under capital leases are reported as other financing sources.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Deposits and Cash and Cash Equivalents

The *deposits* classification is used only in the notes, not on the face of the statement of net position or balance sheet. Deposits include only cash on hand, pooled money market funds and certificates of deposit.

The City considers *cash and cash equivalents* to be 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 when purchased.

#### E. Investments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The City did not have any investments as of December 31, 2016.

#### F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables, i.e., the current portion of interfund loans, or advances to/from other funds, i.e., the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Taxes receivable shown are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2016 property tax assessment levied for the 2017 fiscal year, which is deferred in the General Fund and the Recreation Department Enterprise Fund. The current property tax receivable allowance for uncollectible accounts is estimated at one percent of the current property tax levy.

All trade and accounts receivable are reported net of an allowance for the uncollectible amounts. The City computes the allowance for uncollectible amounts based on an estimate of collections within each aging category of receivables.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Inventories and Prepaid Items

Inventories of the General Fund are valued at cost determined by the first-in, first-out method. The consumption method of accounting is used to record inventories under which the cost of inventory is recorded as an expenditure when consumed rather than when purchased. Inventory items consist of various types of fuel and replacement parts for vehicles and equipment.

Inventories of the Enterprise Funds are recorded at cost determined by the first-in, first-out method. Inventory items consist of supplies used to install water systems and merchandise to be sold at the Crowfield Golf Club.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Assets with individual values under \$5,000 are considered capital assets if purchased in bulk and acquired by issuance of capital lease obligations. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of enterprise fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest incurred during construction of governmental-type activities is not capitalized. All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	40-50
Improvements	15-30
Land improvements	10-20
Vehicles	5-15
Computers	5-10
Software	5
Mast arms	20
Equipment	5-12
Water systems	20-40
Streetscapes	5-20
Infrastructure	20-30

#### I. Impact Fee

According to City Ordinance 88-12, any person seeking to develop land shall pay an impact fee, which is accounted for in the Impact Fee Special Revenue Fund. Expenditures from the fund shall be specifically approved by City Council and, excepting administrative costs, shall be limited to the expansion or acquisition of capital facilities or equipment made necessary by the new construction from which the fees were collected or for principal payments (including sinking fund payments) on bonds to expand or acquire such facilities or equipment. The current owner of property on which an impact fee has been paid may apply for a refund of such fee if the City fails to expend or encumber, within five (5) years from the date of payment, said funds on a public facility or capital equipment which shall service such property. In 2003, the City entered into a development agreement that further restricts impact fees paid on property within Liberty Hall Subdivision to the construction of a public safety (police/fire) substation to be located in or near Liberty Hall. Liberty Hall impact fees are subject to a ten (10) year period in which the fees must be spent from date of collection.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Outflows/Inflows of Resources and Unearned Revenue

##### *Deferred Outflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category, which are related to pension obligations as follows:

1. Pension contributions made subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.
3. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

##### *Deferred Inflows of Resources*

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

1. Business licenses collected and property taxes billed and/or collected in advance of the year for which levied or imposed.
2. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
3. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

##### *Deferred Inflows of Resources (Continued)*

The government also has inflows which arise under the modified accrual basis of accounting that qualify for reporting in this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. As such, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from state aid to subdivisions, uncollected EMS fees, and court fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available.

##### *Unearned Revenue*

The City also defers revenue recognition in connection with resources that have been billed or received, but not yet earned, such as memberships and gift certificates, when applicable.

#### K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers' Retirement System (PORS) and additions to/deductions from the SCRS's and PORS's fiduciary net position have been determined on the accrual basis of accounting as they are reported by SCRS and PORS, respectively, in accordance with generally accepted accounting principles (GAAP). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### L. Net Position and Fund Balance

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:



# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Net Position and Fund Balance (Continued)

***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution or passage of an ordinance. Only the City Council may modify or rescind the commitment.

***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The City Council has not delegated such authority as of December 31, 2016.

***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

***Flow Assumptions*** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

***Fund Balance Policy*** – The City strives to maintain a minimum unreserved fund balance in various funds for the purpose of floating the City's operations in times of temporary cash flow shortages, emergencies, unanticipated economic downturns, and one time opportunities.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Net Position and Fund Balance (Continued)

The minimum fund balances are based on a percentage of the previous year expenditures in the fund. The minimum fund balances are as follows:

General Fund	35%
Water Department Enterprise Fund	10%
Recreation Department Enterprise Fund	10%
Crowfield Golf Club Enterprise Fund	10%

#### M. Accounting Estimates

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

#### N. Revenues and Expenditures/Expenses

**Program Revenues** - Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Property Taxes and Sanitation Fees** - Property taxes attach as an enforceable lien on property as of January 1 of the current year. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty by January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16th – three percent; February 2nd – an additional seven percent; March 16th – an additional five percent. If not paid by October 1st, the property is subject to sale by the Berkeley County Delinquent Tax Office. Berkeley County bills and collects current and delinquent property taxes under contractual agreements with the City. The City tax revenues are recognized in the period for which they are levied; therefore, revenue recognition is deferred. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license is up for renewal and are, therefore, recognized as revenue when cash is received by the City.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Revenues and Expenditures/Expenses (Continued)

Taxes recognized as revenue and used for the 2016 calendar year are based on property assessed as of December 31, 2014, and billed in September 2015. The City tax rate to finance general governmental services for the year ended December 31, 2016, was set at 45.5 mills (\$4.55 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$17,977,530), within the City's district as of December 31, 2014, was \$110,540,080 according to records of the Berkeley County Auditor. The City's levy on property assessed as of December 31, 2015, and billed in September 2016, will generate taxes to be used for the 2017 calendar year. Although a receivable is recorded at December 31, 2016, such revenue is recorded as a deferred inflow of resources.

The City levies the sanitation fees for permanent improvements and for the purpose of paying current expenditures of the City. Revenue is recognized when fees are received during the current calendar year or within 60 days subsequent to year-end. The sanitation fee rate is \$135 on every single-family occupied residential lot within the corporate limits of the City. Berkeley County bills and collects sanitation fees under a contractual agreement with the City.

#### O. Compensated Absences

**Vacation** – The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

**Sick Leave** – Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The City's business-type activities accounted for in proprietary funds are chiefly water sales and services; recreation services and property taxes levied to support recreational activities; and golf memberships and fees. Operating expenses for proprietary 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.

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Excess of Expenditures over Appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations for the following functions:

<u>Fund</u>	<u>Function</u>	<u>Excess Expenditures</u>
General	Administrative	\$ 56,904
	Fire	35,574
	Court	8,865
Local Hospitality Tax Fund	Administrative	\$ 151,603
Goose Creek Municipal Finance Corporation	Administrative	\$ 4,236
	Planning	2,548
	Capital outlay	2,295,667

The over expenditures in the General Fund and the Local Hospitality Tax Fund were funded by greater than anticipated revenues.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 3. CASH AND INVESTMENTS

Total deposits and investments as of December 31, 2016, are summarized as follows:

Statement of net position:	
Cash	\$ 9,265,127
Restricted cash	8,867,245
Total cash	<u>18,132,372</u>
Statement of Fiduciary Net Position	
Cash	135,557
	<u>\$ 18,267,929</u>
Cash deposited with financial institutions	\$ 17,786,404
South Carolina Local Governmental Investment Pool	481,525
	<u>\$ 18,267,929</u>

At December 31, 2016, the City's pooled cash included local government pools, which is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

Under State law, the City is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

#### ***Custodial Credit Risk – 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 does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina and political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2016, the City's bank balance of \$17,786,404 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

#### *Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk – Investments*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has adopted an investment policy in accordance with state statutes, which authorize the City to invest in the following:

1. Obligations of the United States and agencies thereof;
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;
3. General obligations of the State of South Carolina or any of its political units;
4. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
5. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
6. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

In addition, South Carolina state statutes authorize the City to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services.

As of December 31, 2016, the City did not have any investments.

#### ***Concentration of Credit Risk – Investments***

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer.

#### ***Custodial Credit Risk – Investments***

For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City does not have a formal investment policy to address custodial credit risk.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 4. RECEIVABLES**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Enterprise Funds		
	General Fund	Local Hospitality Tax Fund	Nonmajor Governmental Funds	Water Department	Crowfield Golf Club	Recreation Department
Receivables:						
Current taxes	\$ 875,348	\$ -	\$ -	\$ -	\$ -	\$ 250,456
Delinquent taxes	35,408	-	-	-	-	9,206
Sanitation fees	157,140	-	-	-	-	-
Total taxes	1,067,896	-	-	-	-	259,662
Fines	808,114	-	158,701	-	-	-
Accounts	3,231,742	122,757	6,238	678,131	10,930	-
Gross receivables	5,107,752	122,757	164,939	678,131	10,930	259,662
Less allowance for uncollectibles						
Taxes	(59,432)	-	-	-	-	(14,046)
Fines	(455,804)	-	(84,023)	-	-	-
Accounts	(1,228,074)	-	-	(293,232)	-	-
Total allowance	(1,743,310)	-	(84,023)	(293,232)	-	(14,046)
Net receivables	\$ 3,364,442	\$ 122,757	\$ 80,916	\$ 384,899	\$ 10,930	\$ 245,616



# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2016, is as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
Governmental Funds		
Major		
General Fund	\$ 1,705,724	\$ 2,136,142
Local Hospitality Fund	180,448	-
Goose Creek Municipal Finance Corporation	648,318	1,371,924
Nonmajor	695,633	-
Enterprise Funds		
Water Department	-	109,200
Recreation Department	387,143	-
	\$ 3,617,266	\$ 3,617,266

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended December 31, 2016, is as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental Funds		
Major		
General Fund	\$ 38,277	\$ 8,357,691
Local Hospitality Tax Fund	-	128,381
Goose Creek Municipal Finance Corporation	275,399	674,978
Nonmajor	-	290,725
Total Governmental Funds	313,676	9,451,775
Enterprise Funds		
Water Department	-	5,826
Crowfield Golf Club	7,832,886	8,822
Recreation Department	1,328,161	8,300
Total Enterprise Funds	9,161,047	22,948
Total Transfers	\$ 9,474,723	\$ 9,474,723

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,952,070	\$ 4,000	\$ -	\$ -	\$ 7,956,070
Construction in progress	12,247,993	3,819,082	(172,692)	(4,418,489)	11,475,894
Total	<u>20,200,063</u>	<u>3,823,082</u>	<u>(172,692)</u>	<u>(4,418,489)</u>	<u>19,431,964</u>
Capital assets, being depreciated:					
Buildings	14,019,024	-	-	4,418,489	18,437,513
Improvements	1,190,750	-	-	-	1,190,750
Vehicles	5,805,366	592,983	(702,781)	-	5,695,568
Computers	65,885	6,617	(13,188)	-	59,314
Mast arms	1,463,006	-	-	-	1,463,006
Equipment	2,112,657	162,590	(33,103)	-	2,242,144
Streetscapes	6,446,585	-	-	-	6,446,585
Infrastructure	3,199,857	-	-	-	3,199,857
Total	<u>34,303,130</u>	<u>762,190</u>	<u>(749,072)</u>	<u>4,418,489</u>	<u>38,734,737</u>
Less accumulated depreciation for:					
Buildings	(4,121,532)	(361,829)	-	-	(4,483,361)
Improvements	(1,069,304)	(70,014)	-	-	(1,139,318)
Vehicles	(4,088,422)	(338,582)	577,181	-	(3,849,823)
Computers	(45,745)	-	13,188	-	(32,557)
Mast arms	(713,860)	(73,883)	-	-	(787,743)
Equipment	(1,334,955)	(154,273)	33,103	-	(1,456,125)
Streetscapes	(921,939)	(322,746)	-	-	(1,244,685)
Infrastructure	(922,134)	(145,353)	-	-	(1,067,487)
Total	<u>(13,217,891)</u>	<u>(1,466,680)</u>	<u>623,472</u>	<u>-</u>	<u>(14,061,099)</u>
Total capital assets, being depreciated, net	<u>21,085,239</u>	<u>(704,490)</u>	<u>(125,600)</u>	<u>4,418,489</u>	<u>24,673,638</u>
Governmental activities capital assets, net	<u>\$ 41,285,302</u>	<u>\$ 3,118,592</u>	<u>\$ (298,292)</u>	<u>\$ -</u>	<u>\$ 44,105,602</u>

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,956,615	\$ -	\$ -	\$ -	\$ 1,956,615
Construction in progress	410,994	4,764,491	-	-	5,175,485
Total	<u>2,367,609</u>	<u>4,764,491</u>	<u>-</u>	<u>-</u>	<u>7,132,100</u>
Capital assets, being depreciated:					
Buildings	3,317,526	-	-	-	3,317,526
Improvements	576,854	-	-	-	576,854
Land improvements	1,319,673	128,381	-	-	1,448,054
Vehicles	405,944	21,548	(14,347)	-	413,145
Software	39,204	-	-	-	39,204
Equipment	978,777	571,553	(478,705)	-	1,071,625
Water system	21,678,930	1,165,752	-	-	22,844,682
Total	<u>28,316,908</u>	<u>1,887,234</u>	<u>(493,052)</u>	<u>-</u>	<u>29,711,090</u>
Less accumulated depreciation for:					
Buildings	(2,029,734)	(144,507)	-	-	(2,174,241)
Improvements	(268,894)	(22,364)	-	-	(291,258)
Land improvements	(614,321)	(75,916)	-	-	(690,237)
Vehicles	(260,126)	(31,219)	14,347	-	(276,998)
Software	(39,204)	-	-	-	(39,204)
Equipment	(627,778)	(97,211)	284,733	-	(440,256)
Water system	(9,004,027)	(669,398)	-	-	(9,673,425)
Total	<u>(12,844,084)</u>	<u>(1,040,615)</u>	<u>299,080</u>	<u>-</u>	<u>(13,585,619)</u>
Total capital assets, being depreciated, net	<u>15,472,824</u>	<u>846,619</u>	<u>(193,972)</u>	<u>-</u>	<u>16,125,471</u>
Business-type activities capital assets, net	<u>\$ 17,840,433</u>	<u>\$ 5,611,110</u>	<u>\$ (193,972)</u>	<u>\$ -</u>	<u>\$ 23,257,571</u>

Included in current year additions are contributed water systems valued at \$924,376.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental activities</b>	
Administrative	\$ 538,298
Police	206,636
Fire	219,569
Sanitation	104,553
Recreation	212,104
Maintenance	146,273
Information technology	39,247
Total depreciation expense - governmental activities	<u>\$ 1,466,680</u>

<b>Business-type activities</b>	
Water Department	\$ 732,245
Crowfield Golf and Country Club	150,182
Recreation Department	158,188
Total depreciation expense - business-type activities	<u>\$ 1,040,615</u>

**NOTE 7. UNAVAILABLE REVENUE**

The components of unavailable revenue in the Balance Sheet-Governmental Funds as of December 31, 2016, are as follows:

	<u>General</u>	<u>Victims Assistance</u>
Unavailable revenue		
State aid to subdivisions	\$ 387,701	\$ -
Fines and forfeitures	352,718	74,679
EMS revenue	1,361,440	-
Total unavailable	<u>\$ 2,101,859</u>	<u>\$ 74,679</u>

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 8. LONG-TERM DEBT

The City has the following forms of long-term indebtedness:

Lease Obligations – The City lease-purchases golf maintenance equipment.

Revenue Bonds – These bonds are funded by the General Fund and were used for the construction of a fire station and fire headquarters.

Notes Payable – These notes are to be funded by the Water Department and were used for the construction of a water system upgrade.

Compensated Absences Payable – These obligations represent accumulated annual leave benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund.

#### ***Changes in Long-term Liabilities***

Long-term liability activity for the year ended December 31, 2016, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Revenue bonds	\$ 7,169,996	\$ 9,000,000	\$ (551,358)	\$ 15,618,638	\$ 980,242
Compensated absences	229,456	477,043	(477,888)	228,611	228,611
Total long-term liabilities	<u>\$ 7,399,452</u>	<u>\$ 9,477,043</u>	<u>\$ (1,029,246)</u>	<u>\$ 15,847,249</u>	<u>\$ 1,208,853</u>
<b>Business-type activities</b>					
Notes payable	\$ -	\$ 3,707,217	\$ (167,623)	\$ 3,539,594	\$ 339,795
Lease payable	131,048	559,033	(182,150)	507,931	87,035
Compensated absences	64,451	90,829	(104,836)	50,444	50,444
Total long-term liabilities	<u>\$ 195,499</u>	<u>\$ 4,357,079</u>	<u>\$ (454,609)</u>	<u>\$ 4,097,969</u>	<u>\$ 477,274</u>

Interest cost incurred by the business-type activities was \$3,219, all of which was charged to expense. No interest was capitalized during the year.

#### ***Revenue Bonds***

Revenue bonds payable at December 31, 2016, is comprised of the following issues:

In March 2014, the City issued an installment purchase revenue bond in the amount of \$7,500,000 at 2.880%, for the purpose of acquiring and the construction of Fire Stations. Annual payments range from \$652,852 to \$705,639 including interest with a maturity date of March 2029. Revenues from the General Fund and existing resources in the Goose Creek Municipal Finance Corporation will be used to repay these bonds. The amount outstanding as of December 31, 2016 is \$6,718,795.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 8. LONG-TERM DEBT (CONTINUED)

In August 2016, the City issued Special Obligation Bonds (Hospitality Fee Pledge), Series 2016 in the amount of \$9,000,000 at 2.220%, for the purpose of the construction of a recreation facility. Annual payments range from \$531,905 to \$709,207 including interest with a maturity of September 2031. Revenues from the General Fund Hospitality Tax Fund will be used to repay these bonds. The amount outstanding as of December 31, 2016 is \$8,899,843.

Debt service requirement for the revenue bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 980,242	\$ 381,818	\$ 1,362,060
2018	1,005,309	356,751	1,362,060
2019	1,031,028	331,032	1,362,060
2020	1,057,416	304,644	1,362,060
2021	1,084,491	277,569	1,362,060
2022 - 2026	5,853,931	956,369	6,810,300
2027 - 2031	4,606,221	231,432	4,837,653
Total	<u>\$ 15,618,638</u>	<u>\$ 2,839,615</u>	<u>\$ 18,458,253</u>

#### ***Notes Payable***

In May 2016 the City entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow funds to be used to finance the costs of the Water System improvements. The City has granted a pledge of and lien on net revenues of the City's Water System for repayment of the loan. The total loan shall not exceed \$8,500,000 and bears a fixed interest rate of 1.80%. Payments are made quarterly and are payable in equal installments of \$119,763 over a twenty year period. Draw requests for the loan funds are made once costs for the project have been incurred. As of December 31, 2016 totals draws on the loan totaled \$3,707,217.

The notes payable has not been fully drawn down as of December 31, 2016. This notes payable is in the draw down phase as of December 31, 2016, and the repayment will be determined when the construction is complete and all draws have been made.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**NOTE 8. LONG-TERM DEBT (CONTINUED)**

*Notes Payable (Continued)*

Debt service requirement for the revenue bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 339,795	\$ 139,256	\$ 479,051
2018	345,953	133,099	479,052
2019	352,222	126,829	479,051
2020	358,605	120,446	479,051
2021	365,104	113,948	479,052
2022 - 2026	<u>1,777,915</u>	<u>429,137</u>	<u>2,207,052</u>
Total	<u>\$ 3,539,594</u>	<u>\$ 1,062,715</u>	<u>\$ 4,602,309</u>

***Rate Covenants***

The City has covenanted to maintain rates and charges for products and services which at all times shall be sufficient to pay operation and maintenance expenses to keep the system in good repair and working order, to provide for the punctual payment of the principal and interest on all outstanding debt, to maintain the required amounts in the debt service and debt service reserve accounts, to build and maintain a reserve for contingencies and improvements, and to discharge all obligations imposed by the bond ordinance.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 8. LONG-TERM DEBT (CONTINUED)

#### *Capital Leases Payable*

In February 2016, the City entered into a lease agreement for financing the acquisition of golf maintenance equipment. Lease payments are made in equal installments of \$9,108 over sixty months, with a final balloon payment of \$90,710. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of their future minimum lease payments as of the inception date. Included in the minimum lease payments is equipment which does not qualify for the capitalization threshold and therefore is not depreciated, the aggregate value of this equipment is \$22,357.

The carrying value of assets acquired through capital leases are as follows:

Golf Maintenance Equipment	\$	536,422
Less: Accumulated depreciation		(51,396)
	\$	<u>485,026</u>

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2016, was \$13,198 for Business-type Activities.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 109,299
2018	109,299
2019	109,299
2020	109,299
2021	<u>136,249</u>
Total minimum lease payments	573,445
Less: Amounts representing interest	<u>(65,514)</u>
Present value of future minimum lease payments	507,931
Less current portion	<u>(87,035)</u>
Long-term portion of leases	<u>\$ 420,896</u>



# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 9. OPERATING LEASES

In February 2016, the City entered into a lease agreement for golf carts. The lease agreement is for a forty-eight month period and commences in April 2016 with a minimum monthly payment of \$5,145 for a total lease commitment of \$246,965. Rental expense for the year ending December 31, 2016 was \$46,306. The payment of this lease is funded through the Crowfield Golf Club Fund.

In February 2016, the City entered into a lease agreement for grounds maintenance equipment. The lease agreement is for a sixty month period and commences in April 2016 with a minimum monthly payment of \$870 for a total lease commitment of \$52,216. Rental expense for the year ending December 31, 2016 was \$7,650. The payment of this lease is funded through the Recreation Department Fund.

In June 2016, the City entered into a lease agreement for fitness equipment. The lease agreement is for a thirty-six month period and commences in July 2016 with a minimum monthly payment of \$270 for a total lease commitment of \$9,719. Rental expense for the year ending December 31, 2016 was \$1,620. The payment of this lease is funded through the Recreation Department Fund.

In November 2016, the City entered into a lease agreement for fitness equipment. The lease agreement is for a thirty-six month period and commences in December 2016 with a minimum monthly payment of \$729 for a total lease commitment of \$26,251. Rental expense for the year ending December 31, 2016 was \$729. The payment of this lease is funded through the Recreation Department Fund.

Future minimum lease payments for the leases are as follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 84,169
2018	84,169
2019	81,820
2020	25,876
2021	<u>2,610</u>
Total	<u>\$ 278,644</u>

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 10. OTHER INFORMATION

#### A. Commitments and Contingent Liabilities

##### *Grants*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

##### *Litigation*

The City is contingently liable with respect to various legal proceedings which normally occur in the course of governmental operations. It is the opinion of City management, based on the advice of legal counsel on pending litigation, that the ultimate disposition of these claims not covered by insurance will not have a material adverse effect on the financial condition of the City.

##### *Construction Commitments*

At December 31, 2016, the City had the following construction commitments:

Construction services (Headquarters Fire Station)	\$980,465
Construction services (Recreation Phase II)	\$10,175,229
Construction services (Water Tower and Water Transmission Lines)	\$3,575,515

##### *Long-Term Contract – Water Purchases*

On September 13, 1994, the City entered into a 35 year, automatically renewable contract with the Lake Moultrie Water Agency, a joint municipal water system created under the "Joint Municipal Water Systems Act," Section 6-25-10 et. seq. of the South Carolina Code of Laws, 1976. The Agency water supply system became operational in September of 1994.

Under the contract, the City owns eighteen percent of the capacity of the Lake Moultrie Water Agency water supply system for the term of the contract, and agrees to purchase and pay for 3.6 million gallons per day of water capacity. Cost per gallon is established annually on a cost of service basis, calculated following the guidelines of the American City Association. Any variances in actual operations costs from the projected costs related to the City's proportionate share are calculated annually, and the City is credited or assessed for any differences at year-end. The City has the right to purchase or sell excess capacity to other contract participants according to need or availability. The current year expenditures for the purchase of water were \$1,145,189.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 10. OTHER INFORMATION (CONTINUED)

#### A. Commitments and Contingent Liabilities (Continued)

##### *Long-Term Contract – Water Purchases (Continued)*

The estimated demand and volumetric charges for the next three years are as follows:

<u>Year ending December 31,</u>	<u>Total</u>
2017	\$ 1,371,447
2018	\$ 1,537,938
2019	\$ 1,572,848

##### *Long-Term Contract – Recreation*

In May 2008, the City entered into a contract with the Goose Creek Recreation Commission whereby the City assumed the operations of the Recreation District to provide recreational services to all residents served by the Commission, both within and outside the City. The term of this agreement is twenty years and provides for automatic extensions for additional terms of twenty years each, unless either party, by written notice to the other given at least twenty-four months prior to the expiration of the then term, elects to withdraw from or terminate this agreement. For these services the City will receive a sum no more than the equivalent of the sum represented by applying the City's millage rate designated and budgeted for recreational services to all taxable real and personal property located within the boundaries of the District. The transition under this agreement was completed January 1, 2009, and the Recreation Department is accounted for by the City as an enterprise fund.

#### B. Risk Management

The City is exposed to various risks of losses related to torts, including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is a member of the South Carolina Municipal Insurance and Risk Financing 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 Municipal Insurance and Risk Financing Fund for its general insurance and workers' compensation. The South Carolina Municipal Insurance and Risk Financing Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 10. OTHER INFORMATION (CONTINUED)

#### B. Risk Management (Continued)

The City has not significantly reduced insurance coverages from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the City has effectively transferred all risk with no liability for unfunded claims.

### NOTE 11. DEFINED BENEFIT PENSION PLAN

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

#### ***Plan Description***

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

#### ***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.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute.

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

#### ***Benefits***

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the 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 accidental death benefit program. The City does not participate in the employer accidental death program.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

#### ***Contributions***

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the State Fiscal Accountability Authority for approval, an increase the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than ½ of 1% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to ½ of 1% per year.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Required employee contribution rates for the year ended December 31, 2016, are as follows:

**South Carolina Retirement System**

8.16% of earnable compensation from January 1st through June 30th  
8.66% of earnable compensation from July 1st through December 31st

**South Carolina Police Officers Retirement System**

8.74% of earnable compensation from January 1st through June 30th  
9.24% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the year ended December 31, 2016, are as follows:

**South Carolina Retirement System**

10.91% of earnable compensation from January 1st through June 30th  
11.41% of earnable compensation from July 1st through December 31st  
Employer incidental death benefit: 0.15% of earnable compensation

**South Carolina Police Officers Retirement System**

13.34% of earnable compensation from January 1st through June 30th  
13.84% of earnable compensation from July 1st through December 31st  
Employer incidental death benefit: 0.20% of earnable compensation

Required and actual contributions are as follows:

	Plan's fiscal year ended June 30, 2016	City's fiscal year ended December 31, 2016
<b>SCRS</b>		
<b>Governmental Activities</b>		
Required contributions	\$644,246	\$689,031
Actual contributions	\$644,246	\$689,031
<b>Business-type Activities</b>		
Required contributions	\$208,721	\$223,230
Actual contributions	\$208,721	\$223,230
<b>PORS</b>		
<b>Governmental Activities</b>		
Required contributions	\$428,980	\$445,263
Actual contributions	\$428,980	\$445,263

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

South Carolina state statutes requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2016, annual valuation is complete. The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2015, actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

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

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500



# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each retirement system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position.

As of June 30, 2016, the City's proportional share of the NPL amounts for SCRS is presented below:

<u>System</u>	<u>Measurement Period Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
<b>SCRS</b>		
Governmental activities	\$ 12,570,063	\$ 10,922,914
Business-type activities	\$ 4,451,603	\$ 3,917,955
City's proportion of the net pension liability	0.079690%	0.078252%
<b>PORS</b>		
Governmental activities	\$ 6,251,193	\$ 5,323,638
City's proportion of the net pension liability	0.246450%	0.244260%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The City's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable.

#### *Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial valuations was based upon the 30-year capital market outlook at the end of the third quarter 2015, as developed by Retirement System Investment Commission ("RSIC") in collaboration with its investment consultant. The long-term expected rates of return represents assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment. Expected returns are net of investment fees.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Long-term Expected Rate of Return (Continued)*

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>43.0%</b>		
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunities</b>	<b>20.0%</b>		
GTAA/Risk parity	10.0%	3.90%	0.39%
HF (low beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
<b>Alternatives</b>	<b>12.0%</b>		
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
		Total expected real return	5.10%
		Inflation for actuarial purposes	2.75%
		Total expected nominal return	<u>7.85%</u>

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Sensitivity Analysis*

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>				
		<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<i>Governmental activities</i>				
SCRS	\$	16,038,088	\$ 12,570,063	\$ 10,207,883
PORS	\$	8,192,657	\$ 6,251,193	\$ 4,506,327
 <i>Business-type activities</i>				
SCRS	\$	5,195,975	\$ 4,451,603	\$ 3,307,122

#### *Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Pension Expense and Deferred Outflows and Inflows of Resources*

For the year ended December 31, 2016, the City recognized pension expense of \$498,257 for governmental activities and \$161,427 for business-type activities.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Governmental activities</i></b>		
Differences between expected and actual experience	\$ 223,387	\$ 13,450
Net difference between projected and actual earnings on pension plan investments	1,786,107	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	202,553	11,751
Employer contributions subsequent to the measurement date	575,376	-
Total	\$ 2,787,423	\$ 25,201
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Business-type activities</i></b>		
Differences between expected and actual experience	\$ 45,820	\$ 5,036
Net difference between projected and actual earnings on pension plan investments	354,793	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,133	4,410
Employer contributions subsequent to the measurement date	123,159	-
Total	\$ 572,905	\$ 9,446

The City reported the following outflows of resources: \$575,376 and \$123,159 related to contributions subsequent to the measurement date in governmental and business-type activities, respectively, and \$202,553 and \$49,133 related to changes in proportion and differences between employer contributions and proportionate share of contributions in governmental and business-type activities respectively, which will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. The City reported \$11,751 and \$4,410 as deferred inflows of resources related to changes in proportion and differences between employer contributions and proportionate share of contributions in governmental and business-type activities respectively, which will be recognized as an increase of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense in future years. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2016, was 4.116 and 4.665 years for SCRS and PORS, respectively.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following schedule reflects the amortization of the City's proportional share of the net balance of remaining deferred outflows and inflows of resources:

<b>Governmental Activities</b>			
Measurement Period	Fiscal year	<b>SCRS</b>	<b>PORS</b>
Ending June 30,	Ending December 31,		
2016	2017	\$ 298,136	\$ 180,479
2017	2018	228,473	175,777
2018	2019	431,118	283,598
2019	2020	236,738	161,725
Total		\$ 1,194,465	\$ 801,579

<b>Business-type Activities</b>			
Measurement Period	Fiscal year	<b>SCRS</b>	<b>PORS</b>
Ending June 30,	Ending December 31,		
2016	2017	\$ 96,589	\$ -
2017	2018	74,020	-
2018	2019	139,672	-
2019	2020	85,296	-
Total		\$ 395,577	\$ -

#### ***Payables to the Pension Plans***

At December 31, 2016, the City reported payables of \$128,898 and \$57,955 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Money Purchase Pension Plans*

The City maintains a money purchase pension plan for grandfathered employees that are not in the South Carolina Retirement Systems (SCRS) and sworn police officers who have been employed for one year. The City contributes one percent (1%) of the annual compensation of the sworn police officers after 1 year of employment and an amount equal to the voluntary contributions up to a maximum of two percent (2%). The City also contributes an amount up to 1% less than the City's contribution rate for SCRS and group life insurance, currently 10.06%, for grandfathered employees that are not in SCRS. All employees can also make voluntary, tax deferred contributions at an amount equal to the maximum amount allowed under Internal Revenue Service regulations. All money purchase pension plans are 100% vested immediately. Total contributions to the plan by the City in 2016 were \$ 142,415.

The City also maintains a money purchase pension plan for the City Administrator and others deemed eligible by a majority vote of City Council. The City contributes \$10,000 for each participant per year, which is 100% vested immediately. Total contributions to the plan by the City were \$10,000 in 2016.

#### *South Carolina State Firemen's Association Retirement Plan and Trust*

In 2002, the City established a supplemental retirement plan for paid firemen under the provisions of the South Carolina Firemen's Association Retirement Plan and Trust, a defined contribution plan established under Section 401(a) of the Internal Revenue Code. The Plan is administered by a three to five member managing committee elected by the Fire Department employees. The Plan is available to all paid fire department employees with one year of service. Plan members may make voluntary contributions at an amount up to 10 percent of the employee's annual compensation. The assets of the Plan are held for the exclusive benefit of the Plan participants and their beneficiaries, and are not available to creditors of the City. Employer contributions to the Plan are determined by the Managing Committee of the Fire Department from funds provided pursuant to Sections 23-9-450 and 23-9-460 of the Code of Laws of the State of South Carolina (firemen's insurance and inspection funds). Total contributions to the Plan by the City in 2016 were \$25,579, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
<b>Revenues:</b>			
Local revenues:			
Property taxes	\$ 3,018,049	\$ 2,794,860	\$ (223,189)
Licenses, permits, and franchise taxes	8,626,562	9,718,512	1,091,950
Charges for services	2,390,290	2,693,033	302,743
Fines and forfeitures	400,000	413,213	13,213
Miscellaneous	106,897	114,205	7,308
Total local revenues	<u>14,541,798</u>	<u>15,733,823</u>	<u>1,192,025</u>
State revenues	4,851,167	5,048,420	197,253
Federal revenues	-	183,728	183,728
Total revenues	<u>19,392,965</u>	<u>20,965,971</u>	<u>1,573,006</u>
<b>Expenditures:</b>			
Current:			
Legislative	201,302	191,246	10,056
Administrative	1,649,467	1,706,371	(56,904)
Police	6,884,267	6,595,487	288,780
Fire	4,634,912	4,670,486	(35,574)
Sanitation	1,376,640	1,166,889	209,751
Maintenance	1,201,400	858,881	342,519
Garage	369,629	365,866	3,763
Court	334,174	343,039	(8,865)
Planning	169,227	168,237	990
Information technology	591,404	582,458	8,946
Capital outlay	542,141	737,497	(195,356)
Debt service:			
Principal retirement	451,201	-	451,201
Interest	201,652	-	201,652
Total expenditures	<u>18,607,416</u>	<u>17,386,457</u>	<u>1,220,959</u>
Excess of revenues over expenditures	<u>785,549</u>	<u>3,579,514</u>	<u>2,793,965</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ 1,884,906	\$ 38,277	\$ (1,846,629)
Transfers out	(3,353,967)	(8,357,691)	(5,003,724)
Proceeds from sale of capital assets	24,800	26,850	2,050
Insurance proceeds	-	95,281	95,281
Total other financing sources (uses)	<u>(1,444,261)</u>	<u>(8,197,283)</u>	<u>(6,753,022)</u>
Net change in fund balances	<u>(658,712)</u>	<u>(4,617,769)</u>	<u>(3,959,057)</u>
<b>Fund balances, beginning of year</b>	<u>9,037,693</u>	<u>9,037,693</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 8,378,981</u>	<u>\$ 4,419,924</u>	<u>\$ (3,959,057)</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**LOCAL HOSPITALITY TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
<b>Revenues:</b>			
Local revenues:			
Licenses, permits, and franchise taxes	\$ 1,267,219	\$ 1,448,445	\$ 181,226
Miscellaneous	287	401	114
Total revenues	<u>1,267,506</u>	<u>1,448,846</u>	<u>181,340</u>
<b>Expenditures:</b>			
Current:			
Administrative	10,000	161,603	(151,603)
Capital outlay	4,232,472	1,523,413	2,709,059
Debt service:			
Principal retirement	-	100,157	(100,157)
Interest	-	77,145	(77,145)
Total expenditures	<u>4,242,472</u>	<u>1,862,318</u>	<u>2,380,154</u>
Deficiency of revenues under expenditures	<u>(2,974,966)</u>	<u>(413,472)</u>	<u>2,561,494</u>
<b>Other financing sources (uses):</b>			
Transfers out	\$ -	\$ (128,381)	\$ (128,381)
Proceeds from issuance of debt	6,500,000	9,000,000	2,500,000
Total other financing sources, net	<u>6,500,000</u>	<u>8,871,619</u>	<u>2,371,619</u>
Net change in fund balances	<u>3,525,034</u>	<u>8,458,147</u>	<u>4,933,113</u>
<b>Fund balances, beginning of year</b>	<u>1,661,822</u>	<u>1,661,822</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 5,186,856</u>	<u>\$ 10,119,969</u>	<u>\$ 4,933,113</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**GOOSE CREEK MUNICIPAL FINANCE CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues:</b>			
Local revenues:			
Miscellaneous	\$ -	\$ 308	308
Total revenues	<u>-</u>	<u>308</u>	<u>308</u>
<b>Expenditures:</b>			
Current:			
Administrative	-	4,236	(4,236)
Planning	-	2,548	(2,548)
Capital outlay	-	2,295,667	(2,295,667)
Debt service:			
Principal retirement	451,201	451,201	-
Interest	201,652	201,652	-
Total expenditures	<u>652,853</u>	<u>2,955,304</u>	<u>(2,302,451)</u>
Deficiency of revenues under expenditures	<u>(652,853)</u>	<u>(2,954,996)</u>	<u>(2,302,143)</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ 652,853	\$ 275,399	\$ (377,454)
Transfers out	-	(674,978)	(674,978)
Total other financing sources (uses)	<u>652,853</u>	<u>(399,579)</u>	<u>(1,052,432)</u>
Net change in fund balances	<u>-</u>	<u>(3,354,575)</u>	<u>(3,354,575)</u>
<b>Fund balances, beginning of year</b>	<u>1,840,545</u>	<u>1,840,545</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,840,545</u>	<u>\$ (1,514,030)</u>	<u>\$ (3,354,575)</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 NOTES TO BUDGETARY COMPARISON SCHEDULE-  
 GENERAL FUND, LOCAL HOSPITALITY TAX FUND AND  
 GOOSE CREEK MUNICIPAL FINANCE CORPORATION  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

**Summary of Significant Accounting Policies**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Capital Projects Fund, and all special revenue funds except the Tourism Fund. Budgets for the General Fund and the special revenue funds that are major funds are presented as required supplemental information.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to October 1, the Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to December 31, the budget is legally enacted through passage of an ordinance.
- d. The appropriated budget is prepared by fund, function, department, and object. The Administrator is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.
- e. Formal budgetary integration is employed as management control device during the year for the general, capital projects and certain special revenue funds.

All annual appropriations lapse at year-end and the City does not employ encumbrance accounting.

No supplemental budgetary appropriations were made during the year.

**Budget Reconciliation**

In order to comply with the requirements of GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the activity reported (budget and actual amounts) in the Tree Trust Fund and the Local Option Sales Tax Fund is reported in the General Fund, although they are separately budgeted. In order for the budgetary comparison schedule to be meaningful, the following changes were made in presentation of the budget as adopted.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
General Fund budget as adopted	\$ 18,276,078	\$ 18,607,416	\$ 373,536	\$ 42,198
Presentation adjustment:				
Plus separately budgeted funds:				
Tree Trust Fund	80	-	-	80
Local Option Sales Tax Fund	1,116,807	-	(1,817,797)	(700,990)
Budget as presented	\$ 19,392,965	\$ 18,607,416	\$ (1,444,261)	\$ (658,712)

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM**

Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered employee payroll	City's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.079690%	\$ 17,021,666	\$ 7,712,178	221%	52.90%
2015	0.078252%	\$ 14,840,869	\$ 7,329,345	202%	59.92%
2014	0.078421%	\$ 13,501,496	\$ 7,268,870	186%	26.39%

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
POLICE OFFICERS RETIREMENT SYSTEM**

Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered employee payroll	City's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.246450%	\$ 6,251,193	\$ 3,168,242	173%	60.40%
2015	0.244260%	\$ 5,323,638	\$ 3,068,544	173%	67.55%
2014	0.243021%	\$ 4,652,461	\$ 3,031,398	153%	62.98%

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 852,967	\$ 852,967	\$ -	\$ 7,712,178	11.06%
2015	\$ 799,736	\$ 799,736	\$ -	\$ 7,329,345	10.91%
2014	\$ 754,682	\$ 754,682	\$ -	\$ 7,268,870	10.38%

**SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 428,980	\$ 428,980	\$ -	\$ 3,168,242	13.54%
2015	\$ 405,786	\$ 405,786	\$ -	\$ 3,068,544	13.22%
2014	\$ 375,304	\$ 375,304	\$ -	\$ 3,031,398	12.38%

Note: Each year the City will add an additional year of data until a total of ten years is presented.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>Special Revenue Funds</b>				
	<b>Impact Fee Fund</b>	<b>Confiscated Drug Monies Fund</b>	<b>E911 Fund</b>	<b>Tourism Fund</b>	<b>Victims' Assistance Fund</b>
<b>ASSETS</b>					
Cash	\$ -	\$ 148,002	\$ 463,748	\$ -	\$ -
Receivables, net of allowance					
Fines	-	1,211	5,027	-	-
Accounts	-	-	-	-	74,678
Due from other funds	528,176	-	-	88,603	78,854
Due from other governments	-	-	28,581	-	-
	<u>-</u>	<u>-</u>	<u>28,581</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 528,176</u>	<u>\$ 149,213</u>	<u>\$ 497,356</u>	<u>\$ 88,603</u>	<u>\$ 153,532</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 4,219	\$ -	\$ -
Escrow payable	-	112,289	-	-	-
	<u>-</u>	<u>112,289</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>112,289</u>	<u>4,219</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	-	-	-	-	74,679
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,679</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,679</u>
<b>FUND BALANCES</b>					
Restricted:					
Public safety	-	36,924	493,137	-	78,853
Tourism	-	-	-	88,603	-
Capital projects	528,176	-	-	-	-
Assigned	-	-	-	-	-
Capital projects	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>528,176</u>	<u>36,924</u>	<u>493,137</u>	<u>88,603</u>	<u>78,853</u>
Total liabilities and fund balances	<u>\$ 528,176</u>	<u>\$ 149,213</u>	<u>\$ 497,356</u>	<u>\$ 88,603</u>	<u>\$ 153,532</u>



<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 192,302	\$ 804,052
-	6,238
-	74,678
-	695,633
-	28,581
<u>\$ 192,302</u>	<u>\$ 1,609,182</u>
\$ -	\$ 4,219
-	112,289
-	116,508
-	74,679
-	74,679
-	608,914
-	88,603
-	528,176
-	-
<u>192,302</u>	<u>192,302</u>
<u>192,302</u>	<u>1,417,995</u>
<u>\$ 192,302</u>	<u>\$ 1,609,182</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Special Revenue Funds</b>				
	<b>Impact Fee Fund</b>	<b>Confiscated Drug Monies Fund</b>	<b>E911 Fund</b>	<b>Tourism Fund</b>	<b>Victims' Assistance Fund</b>
<b>Revenues:</b>					
Local Revenue					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 63,653
Miscellaneous	450,021	657	76,282	-	-
Total local revenues	450,021	657	76,282	-	63,653
State revenues	-	16,619	113,747	16,747	-
Federal revenues	-	11,292	-	-	-
Total revenues	450,021	28,568	190,029	16,747	63,653
<b>Expenditures:</b>					
Current:					
Police	-	33,475	100,819	-	70,188
Recreation	-	-	-	6,348	-
Capital outlay	-	-	24,795	-	-
Total expenditures	-	33,475	125,614	6,348	70,188
Excess (deficiency) of revenues over (under) expenditures	450,021	(4,907)	64,415	10,399	(6,535)
<b>Other financing uses</b>					
Transfers out	(290,725)	-	-	-	-
Total other financing uses	(290,725)	-	-	-	-
Net change in fund balances	159,296	(4,907)	64,415	10,399	(6,535)
<b>Fund balances, beginning of year</b>	368,880	41,831	428,722	78,204	85,388
<b>Fund balances, end of year</b>	\$ 528,176	\$ 36,924	\$ 493,137	\$ 88,603	\$ 78,853

<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 63,653
288	527,248
<u>288</u>	<u>590,901</u>
-	147,113
-	11,292
<u>288</u>	<u>749,306</u>
-	204,482
-	6,348
<u>-</u>	<u>24,795</u>
<u>-</u>	<u>235,625</u>
<u>288</u>	<u>513,681</u>
<u>-</u>	<u>(290,725)</u>
<u>-</u>	<u>(290,725)</u>
288	222,956
<u>192,014</u>	<u>1,195,039</u>
<u>\$ 192,302</u>	<u>\$ 1,417,995</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**COMPARATIVE SCHEDULES OF REVENUES - GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LOCAL REVENUES</b>		
Property taxes		
Real and personal	\$ 2,158,134	\$ 1,935,751
Vehicle	471,450	399,750
Homestead tax	165,276	141,093
Total property taxes	<u>2,794,860</u>	<u>2,476,594</u>
Licenses and permits		
Business licenses	6,131,272	5,427,289
Building permits	930,889	461,206
Franchise fees	2,656,351	2,645,456
Total licenses and permits	<u>9,718,512</u>	<u>8,533,951</u>
Charges for services		
Police and fire	1,004,473	718,946
Sanitation fees	1,593,580	1,572,345
Administrative fees	94,980	2,699
Total charges for services	<u>2,693,033</u>	<u>2,293,990</u>
Fines and forfeitures		
Court fines	413,213	425,575
Miscellaneous		
Interest	6,162	5,939
Rent	58,778	55,881
Other	49,265	255,358
Total miscellaneous revenues	<u>114,205</u>	<u>317,178</u>
<b>TOTAL LOCAL REVENUES</b>	<u><u>\$ 15,733,823</u></u>	<u><u>\$ 14,047,288</u></u>
<b>STATE REVENUES</b>		
Inventory tax and manufacturers' exemption	\$ 15,790	\$ 15,276
Accommodations tax	25,881	25,639
Local government fund - quarterly	802,534	763,883
Local option sales tax - municipal revenue	1,246,947	1,118,405
Local option sales tax - rebatable	2,918,126	2,674,514
Grants	39,142	115,628
<b>TOTAL STATE REVENUES</b>	<u><u>\$ 5,048,420</u></u>	<u><u>\$ 4,713,345</u></u>
<b>FEDERAL REVENUES</b>		
Grants	\$ 183,728	\$ -
<b>TOTAL FEDERAL REVENUES</b>	<u><u>\$ 183,728</u></u>	<u><u>\$ -</u></u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**COMPARATIVE SCHEDULES OF EXPENDITURES - GENERAL FUND  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Expenditures:	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Personnel	Other	Total	Personnel	Other	Total
Current:						
Legislative	\$ 123,149	\$ 68,097	\$ 191,246	\$ 104,164	\$ 82,386	\$ 186,550
Administrative	1,377,548	328,823	1,706,371	1,298,164	274,477	1,572,641
Police	5,718,907	876,580	6,595,487	5,662,141	907,410	6,569,551
Fire	3,851,027	819,459	4,670,486	3,267,895	777,551	4,045,446
Sanitation	920,491	246,398	1,166,889	869,164	253,985	1,123,149
Maintenance	445,402	413,479	858,881	593,640	506,820	1,100,460
Garage	244,442	121,424	365,866	248,068	163,643	411,711
Court	297,157	45,882	343,039	279,329	58,758	338,087
Planning	147,441	20,796	168,237	136,484	16,611	153,095
Information Technology	236,865	345,593	582,458	206,583	384,911	591,494
Capital outlay	-	737,497	737,497	-	1,100,377	1,100,377
Total expenditures	<u>\$ 13,362,429</u>	<u>\$ 4,024,028</u>	<u>\$ 17,386,457</u>	<u>\$ 12,665,632</u>	<u>\$ 4,526,929</u>	<u>\$ 17,192,561</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**COMPARATIVE SCHEDULES OF EXPENSES  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 994,249	\$ 2,355,098	\$ 3,349,347	\$ 1,044,365	\$ 2,516,119	\$ 3,560,484
Crowfield Golf Club						
Administration	141,846	69,691	211,537	132,028	70,811	202,839
Course and grounds	346,123	308,624	654,747	338,157	334,441	672,598
Cart rental	39,406	84,622	124,028	43,556	83,650	127,206
Pro shop	153,653	75,542	229,195	147,798	77,357	225,155
Food and beverage	64,800	134,250	199,050	61,744	125,189	186,933
Total Crowfield Golf Club expenses	745,828	672,729	1,418,557	723,283	691,448	1,414,731
Recreation Department						
Administration	345,909	282,961	628,870	333,731	285,033	618,764
Maintenance	650,427	222,602	873,029	604,546	228,804	833,350
Sports programs	110,838	144,017	254,855	136,296	194,273	330,569
Concessions	1	4,043	4,044	2,895	9,365	12,260
Community education	286,813	155,336	442,149	209,082	191,456	400,538
Special events	-	41,024	41,024	-	52,318	52,318
Community center	127,073	68,257	195,330	134,465	76,978	211,443
Pool	37,078	35,370	72,448	37,796	42,888	80,684
Tennis	-	4,750	4,750	-	6,316	6,316
Total Recreation Department expenses	1,558,139	958,360	2,516,499	1,458,811	1,087,431	2,546,242
Total operating expenses	\$ 3,298,216	\$ 3,986,187	\$ 7,284,403	\$ 3,226,459	\$ 4,294,998	\$ 7,521,457

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES  
YEAR ENDED DECEMBER 31, 2016**

Fines, assessments and surcharges	\$ 1,025,857
Remitted to state treasurer	<u>(548,991)</u>
Retained by the City	<u><u>\$ 476,866</u></u>
Fines, assessments and surcharges retained by the City	
General Fund	\$ 413,213
Victims' assistance services	<u>63,653</u>
Total	<u><u>\$ 476,866</u></u>
Funds allocated to victims' assistance services	
Surcharges and assessments retained	<u>\$ 63,653</u>
Funds available for victims' assistance services	<u><u>63,653</u></u>
Expenditures	
Salaries	65,863
Training and seminars	2,905
Postage	960
Office supplies	110
Small equipment purchase	<u>350</u>
Total program expenditures	<u><u>70,188</u></u>
Deficiency of revenues under expenditures	<u>(6,535)</u>
Net change in fund balance	(6,535)
Balances carried forward	
Beginning of year	<u>85,388</u>
End of year	<u><u>\$ 78,853</u></u>

**COMPLIANCE SECTION**





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

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**The Honorable Mayor and Members  
of the City Council  
Goose Creek, South Carolina**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
June 12, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**The Honorable Mayor and Members  
of the City Council  
Goose Creek, South Carolina**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Goose Creek, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2016.

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## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macon, Georgia  
June 12, 2017

*Mauldin & Jenkins, LLC*

**CITY OF GOOSE CREEK, SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Justice</u></b>				
Direct Awards:				
Federal Equitable Sharing Program	16.922	ORI # SC0080300	\$ 22,597	\$ -
<b>Total U.S. Department of Justice</b>			<u>22,597</u>	<u>-</u>
<b><u>Environmental Protection Agency</u></b>				
Passed through - South Carolina Office of Local Government				
Capitalization Grants for Clean Water State Revolving Fund	66.458	3-071-16-0810004-01	3,382,211	-
<b>Total Environmental Protection Agency</b>			<u>3,382,211</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
Direct Awards:				
Assistance to Firefighters Grant	97.044	EMW-2015-FO-03605	179,728	-
<b>Total U.S. Department of Homeland Security</b>			<u>179,728</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,584,536</u>	<u>\$ -</u>

# CITY OF GOOSE CREEK, SOUTH CAROLINA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

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### NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Goose Creek, South Carolina (the City) under programs of the federal government for the year ended December 31, 2016.

The information in the Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE 3. DE MINIMIS INDIRECT COST RATE

The City chose not to use the ten percent de minimis cost rate for the year ended December 31, 2016.

### NOTE 4. NON-CASH AWARDS

The City did not receive non-cash federal awards during the year ended December 31, 2016.

### NOTE 5. CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING LOANS: CFDA #66.458

During the year ended December 31, 2016 the City received a federal loan as passed through the South Carolina Office of Local Government. The loan is used for the construction of water system upgrades.

Below is a summary of the loan activity during the year ended December 31, 2016:

Total draws	\$	3,707,217
Principal payments		(167,623)
Outstanding principal	\$	<u>3,539,594</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified? \_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_ Yes X No

Noncompliance material to financial statements noted? \_\_\_ Yes X No

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified? \_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_ Yes X No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with the Uniform Guidance? \_\_\_ Yes X No

Identification of major programs:

CFDA Number

66.458

Name of Federal Program or Cluster

Environmental Protection Agency – Capitalization Grants  
or Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_ Yes X No

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV**  
**PRIOR YEAR FINDINGS AND RESPONSES**

None reported.