

**CITY OF GOOSE CREEK,  
SOUTH CAROLINA**

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**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
AND OTHER FINANCIAL INFORMATION**

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**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2010**

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***Independent Auditors' Report***

## ***Independent Auditors' Report***

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Goose Creek, South Carolina's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of the City of Goose Creek, South Carolina's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules on pages 3 through 12 and 50 through 51, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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 Schedule of Court Fines, Assessments, and Surcharges listed in the Table of Contents under Other Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements of the City of Goose Creek, South Carolina. The combining financial statements for the year ended December 31, 2010, and the schedules for the years ended December 31, 2010 and 2009, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Goose Creek, South Carolina. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2010, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Goose Creek as of and for the year ended December 31, 2009, not presented herein, and we expressed our unqualified opinion on those statements. In our opinion, the 2009 partial comparative information presented with the other financial information for 2010, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Webster Rogus LLP*

Summerville, South Carolina  
September 21, 2011

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010

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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, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

### Financial Highlights

- The assets of the City of Goose Creek exceed its liabilities at the close of the most recent fiscal year by \$ 57,014,534 (*net assets*). Of this amount, \$ 10,760,226 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Goose Creek's governmental funds reported combined ending fund balance of \$17,568,561 an increase of \$ 1,619,291. The increase was due to an increase in revenue in the Tax Increment Financing Fund. At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$ 7,351,140, or 52.51 percent of the total general fund expenditures.
- The City of Goose Creek's governmental activities total debt decreased by \$ 834,033 (43.01 percent) during the current fiscal year.

### 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in *net assets* 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 assets changed during the most recent fiscal year. All changes in net assets 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, recreation and information technology. The business-type activities include the water, golf course and recreation operations.

The government-wide financial statements can be found on pages 13 - 14 of this report.



CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010

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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 thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and 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 tax increment financing fund and the local option sales tax fund.

The basic governmental fund financial statements can be found on pages 15 - 19 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 and golf operations, both 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 20 - 23 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 49 of this report.

CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2010

**Other Information** – The City adopts an annual appropriated budget for its general fund and some of the special revenue funds. A budgetary comparison schedule has been presented as *required supplementary information* for the major governmental funds to demonstrate compliance with the budget. Required supplementary information can be found on pages 50 - 51 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 52 - 57 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets exceeded liabilities by \$ 57,014,534 at the close of the most recent fiscal year.

The largest portion of the City of Goose Creek's net assets (67.64 percent) 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 Assets**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009 - 2010
Current and Other Assets	\$ 23,913,884	\$ 25,096,596	\$ 964,569	\$ 379,909	\$ 24,878,453	\$ 25,476,505	2.40%
Capital Assets	23,756,069	24,314,594	18,332,243	18,478,530	42,088,312	42,793,124	1.67%
Total Assets	47,669,953	49,411,190	19,296,812	18,858,439	66,966,765	68,269,629	1.95%
Long-term Liabilities Outstanding	1,939,046	1,105,013	3,404,486	3,125,106	5,343,532	4,230,119	(20.84%)
Other Liabilities	6,497,960	5,925,634	1,025,828	1,099,342	7,523,788	7,024,976	(6.63%)
Total Liabilities	8,437,006	7,030,647	4,430,314	4,224,448	12,867,320	11,255,095	(12.53%)
Net Assets:							
Invested in Capital Assets, Net of Related Debt	21,817,023	23,209,581	14,927,757	15,353,424	36,744,780	38,563,005	4.95%
Restricted	5,476,799	6,965,294	562,279	726,009	6,039,078	7,691,303	27.36%
Unrestricted	11,939,125	12,205,668	(623,538)	(1,445,442)	11,315,587	10,760,226	(4.91%)
Total Net Assets	\$ 39,232,947	\$ 42,380,543	\$ 14,866,498	\$ 14,633,991	\$ 54,099,445	\$ 57,014,534	5.39%

An additional portion of the City of Goose Creek's net assets \$7,691,303 (13.49 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,760,226) may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental Activities** – Governmental activities increased the City of Goose Creek's net assets by \$3,147,596 thereby accounting for 107.39 percent of the total growth in net assets of the City of Goose Creek.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010**

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	*2009	2010	2009	2010	2009	2010	2009 - 2010
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 7,715,211	\$ 7,443,271	\$ 5,189,505	\$ 4,865,527	\$ 12,904,716	\$ 12,308,798	(4.62%)
Operating Grants and Contributions	367,509	353,410	-	15,000	367,509	368,410	0.25%
Capital Grants and Contributions	472,354	185,700	2,050,433	796,434	2,522,787	982,134	(61.07%)
<b>General Revenues:</b>							
Property Taxes	3,760,806	4,889,513	289,448	421,821	4,050,254	5,311,334	31.14%
Local Option Sales Taxes	3,010,383	3,184,679	-	-	3,010,383	3,184,679	5.79%
Franchise	1,984,392	2,169,588	-	-	1,984,392	2,169,588	9.33%
Unrestricted Grants and Contributions	757,681	801,987	-	-	757,681	801,987	5.85%
Unrestricted revenue from use of monies and property	203,766	184,354	44,960	40,440	248,726	224,794	(9.62%)
Miscellaneous	110,906	25,005	13,832	658	124,738	25,663	(79.43%)
Gain on sale of assets	(2,397)	-	-	900	(2,397)	900	(137.55%)
<b>Total Revenues</b>	<b>18,380,611</b>	<b>19,237,507</b>	<b>7,588,178</b>	<b>6,140,780</b>	<b>25,968,789</b>	<b>25,378,287</b>	<b>(2.27%)</b>
<b>Expenses:</b>							
Legislative	171,955	169,471	-	-	171,955	169,471	(1.44%)
Administration	1,641,027	1,579,626	-	-	1,641,027	1,579,626	(3.74%)
Police	6,091,960	6,039,151	-	-	6,091,960	6,039,151	(0.87%)
Fire	3,410,217	3,553,220	-	-	3,410,217	3,553,220	4.19%
Sanitation	1,168,758	1,205,897	-	-	1,168,758	1,205,897	3.18%
Recreation	225,447	206,580	-	-	225,447	206,580	(8.37%)
Maintenance	949,089	1,030,028	-	-	949,089	1,030,028	8.53%
Garage	245,596	273,387	-	-	245,596	273,387	11.32%
Court	307,988	309,531	-	-	307,988	309,531	0.50%
Planning	269,998	161,595	-	-	269,998	161,595	(40.15%)
Information Technology	321,838	382,409	-	-	321,838	382,409	18.82%
Interest and Fees	226,360	73,821	-	-	226,360	73,821	(67.39%)
Water	-	-	3,191,516	3,278,411	3,191,516	3,278,411	2.72%
Golf	-	-	1,946,706	1,885,323	1,946,706	1,885,323	(3.15%)
Recreation	-	-	2,356,956	2,314,748	2,356,956	2,314,748	(1.79%)
<b>Total Expenses</b>	<b>15,030,233</b>	<b>14,984,716</b>	<b>7,495,178</b>	<b>7,478,482</b>	<b>22,525,411</b>	<b>22,463,198</b>	<b>(0.28%)</b>
Increase in Net Assets Before Transfers	3,350,378	4,252,791	93,000	(1,337,702)	3,443,378	2,915,089	(15.34%)
Transfers	(1,123,945)	(1,105,195)	1,293,133	1,105,195	169,188	-	NA
<b>Increase in Net Assets</b>	<b>2,226,433</b>	<b>3,147,596</b>	<b>1,386,133</b>	<b>(232,507)</b>	<b>3,612,566</b>	<b>2,915,089</b>	<b>(19.31%)</b>
Net Assets, January 1	37,006,514	39,232,947	13,480,365	14,866,498	50,486,879	54,099,445	7.16%
<b>Net Assets, December 31</b>	<b>\$ 39,232,947</b>	<b>\$ 42,380,543</b>	<b>\$ 14,866,498</b>	<b>\$ 14,633,991</b>	<b>\$ 54,099,445</b>	<b>\$ 57,014,534</b>	<b>5.39%</b>

\* Property taxes, unrestricted grants and contributions, unrestricted revenue from use of monies and property, and miscellaneous revenues were restated in the prior year to improve comparability.

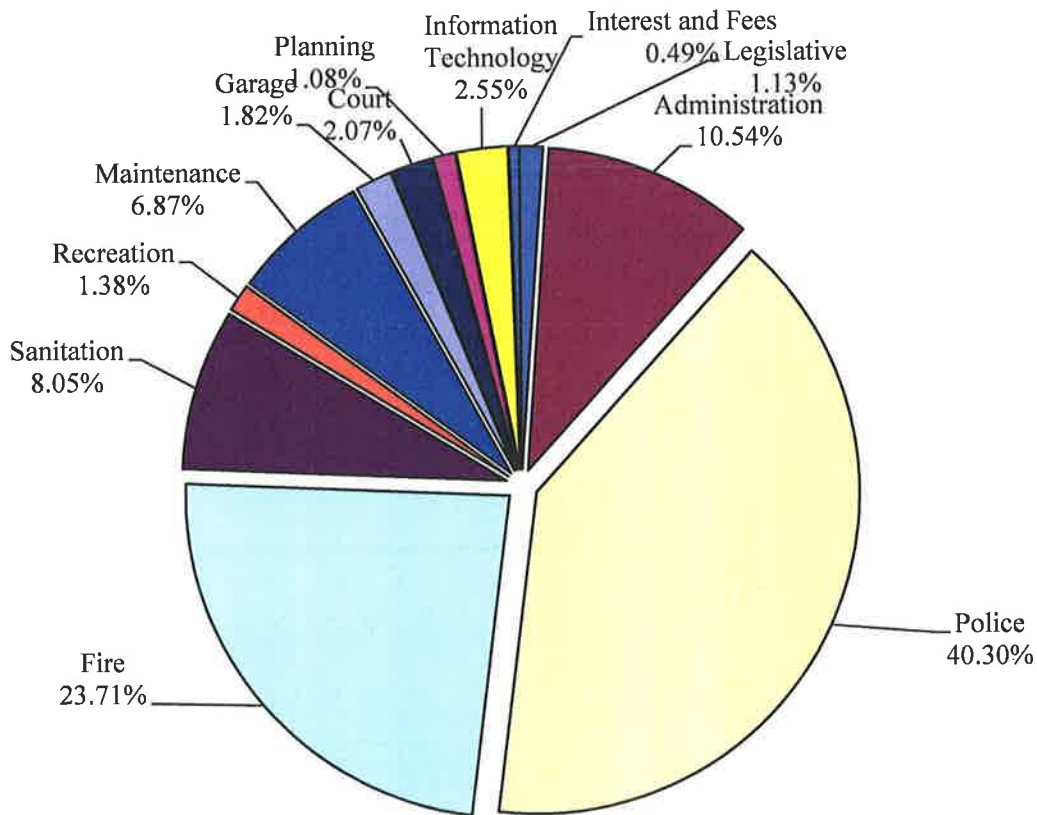
Charges for services were the City's largest program revenue, accounting for \$7,443,271 (38.64 percent) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees.

CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2010

Property tax revenues account for \$4,889,513 (25.42 percent) of the \$19,237,507 total revenues for governmental activities. Another component of general revenues that is related to property taxes is the revenue received from Local Option Sales Taxes which accounted for \$3,184,679 (16.55 percent). Franchise fees of \$2,169,588 (11.28 percent) and unrestricted grants and contributions of \$801,987 (4.17 percent) complete the top five revenue sources at \$18,489,038 (96.11 percent) for the City of Goose Creek.

The Police Department program accounted for \$6,039,151 of the \$14,984,716 total expenses for governmental activities (40.30 percent) of the total expenses. The Fire Department had the next largest program accounting for \$3,553,220 (23.71 percent) of the total governmental expenditures.

**Expenditures by Department**



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.

CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2010

**Governmental Activities – Cost of Services**

	2009		2010		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	\$ 171,955	\$ (171,955)	\$ 169,471	\$ (169,471)	(1.44%)	1.44%
Administration	1,641,027	4,501,678	1,579,626	3,855,198	(3.74%)	(14.36%)
Police	6,091,960	(5,085,399)	6,039,151	(5,219,075)	(0.87%)	(2.63%)
Fire	3,410,217	(2,791,572)	3,553,220	(2,630,672)	4.19%	5.76%
Sanitation	1,168,758	(381,614)	1,205,897	(401,812)	3.18%	(5.29%)
Recreation	225,447	(225,447)	206,580	(206,580)	(8.37%)	8.37%
Maintenance	949,089	(949,089)	1,030,028	(1,030,028)	8.53%	(8.53%)
Garage	245,596	(245,596)	273,387	(273,387)	11.32%	(11.32%)
Court	307,988	(307,988)	309,531	(309,531)	0.50%	(0.50%)
Planning	269,998	(269,979)	161,595	(160,747)	(40.15%)	40.46%
Information Technology	321,838	(321,838)	382,409	(382,409)	18.82%	(18.82%)
Interest and Fees	226,360	(226,360)	73,821	(73,821)	(67.39%)	67.39%
<b>Total Expenses</b>	<b>\$ 15,030,233</b>	<b>\$ (6,475,159)</b>	<b>\$ 14,984,716</b>	<b>\$ (7,002,335)</b>	<b>(0.30%)</b>	<b>(8.14%)</b>

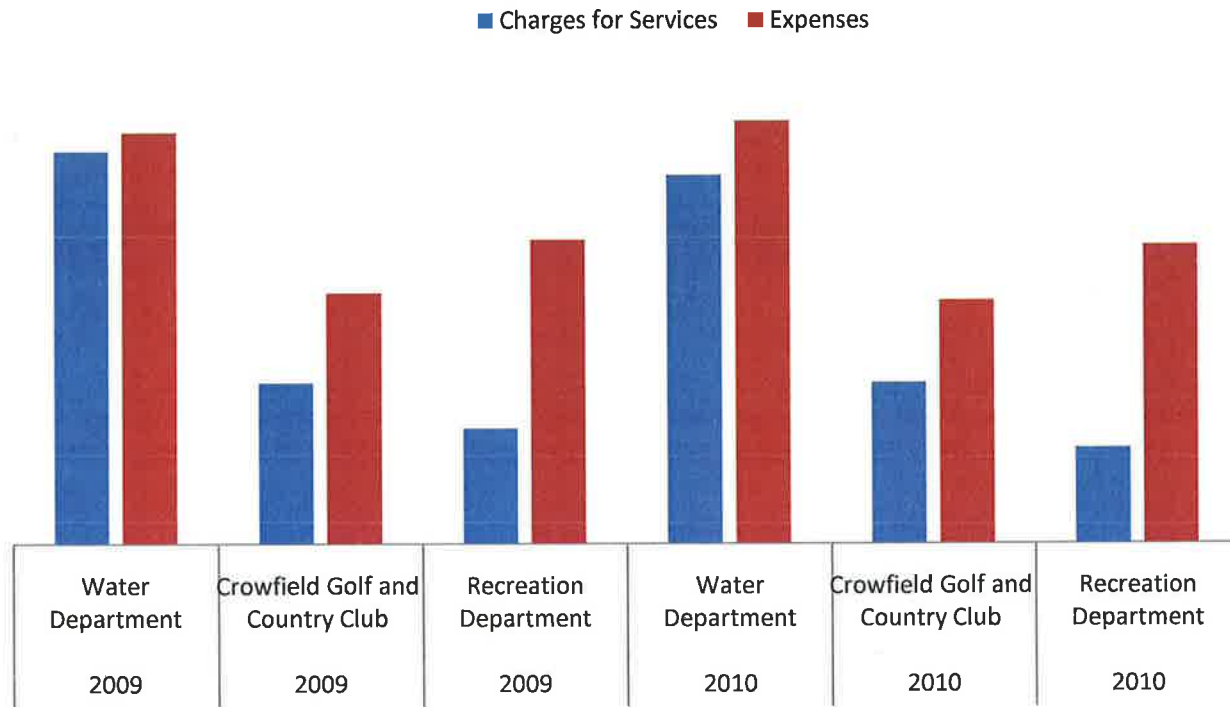
Charges for services and operating and capital grants of \$7,982,381 (53.27 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$7,002,335 in general government expenses is funded by property taxes, Local Option Sales Taxes, franchise fees, unrestricted grants and other revenue.

**Business-type Activities**

Charges for services were the City's largest program revenue, accounting for \$4,865,527 (79.23 percent) of the total revenues of business-type activities. 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 water enterprise fund also had capital contributions of \$796,434 for the water lines installed at: Carnes entrance road phase 1 and 1B; Carnes south tract phase 1; Liberty Plantation, phase 9B.1 and 9B.2; and Crowfield Green.

CITY OF GOOSE CREEK, SOUTH CAROLINA  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2010



**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, unreserved 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, 2010, the City's governmental funds reported a combined ending fund balance of \$17,568,561, an increase of \$1,619,291 in comparison with the prior year. Approximately 93.33 percent of this total (\$16,396,770) is undesignated fund balance. Of the unreserved, undesignated fund balance, \$6,148,940 is in the tax increment financing fund used to account for activities related to the City's Tax Increment Fund district, an increase of \$1,934,369 in comparison with the prior year. Additionally, \$1,862,941 is unreserved, undesignated in the Local Option Sales Tax Fund. This is a decrease of \$68,263 in comparison with the prior year.

The general fund is the primary operating fund of the City. At the end of the current year, unreserved, undesignated fund balance of the general fund was \$7,351,140 with a total fund balance of \$7,532,692. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 51.98 percent of total general fund expenditures, while total fund balance represents 53.81 percent of that same amount. The General Fund's total fund balance decreased by \$145,313 during the current year. Key factor was the lack of growth in the economy.

CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010

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**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.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$3,582,627 for the Water Department, \$(5,277,480) for the Crowfield Golf and Country Club and \$249,411 for the Recreation Department. The total growth in net assets for the funds was \$277,820, \$(490,996), and \$(19,331) respectively. 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**

By state statute, the City Council adopts the annual operating budget for the City by the last day of December. The general fund, the tax increment financing fund and the local option sales tax fund did not have any budget amendments during the 2010 fiscal year.

The City's General Fund revenues were \$677,950 less than budgeted. This is primarily the result of the decrease in property taxes, business licenses and building permits. The City budgeted for general fund expenditures and other financing uses to exceed revenues and other financing sources by \$45,337. Expenditures were \$622,161 less than budgeted, minimizing the deficit at \$165,861 compared to budgeted deficit.

The City's tax increment financing revenues were \$223,204 less than budgeted. Expenditures were \$1,308,416 less than budgeted due to delays in the ongoing construction in the downtown master plan, and the early retirement of debt in 2009.

The City's local option sales tax, municipal revenue fund revenues did not meet the amount budgeted by \$85,992. This is the result of a decrease in local option sales taxes collected.

### **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, 2010 was \$42,793,124 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, mast arms and infrastructure.

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

- Purchase of \$21,432 – land
- Contribution of \$185,700 – land
- Purchase of \$176,952 – 8 police vehicles
- Purchase of \$163,204 – police in car video cameras
- Purchase of \$125,442 – mast arms
- Improvements of \$143,371 to the water system
- Contribution of \$796,434 – water lines
- Purchase of \$140,604 – pump house at Crowfield Golf & Country Club

Additional information on the City's capital assets can be found in Note III.C.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010**

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009 - 2010
Land	\$ 6,006,042	\$ 6,203,873	\$ 1,956,615	\$ 1,956,615	\$ 7,962,657	\$ 8,160,488	2.48%
Construction in progress	818,742	1,735,094	-	8,385	818,742	1,743,479	112.95%
Buildings	11,650,386	11,356,488	1,949,610	1,773,765	13,599,996	13,130,253	(3.45%)
Improvements	514,820	502,519	299,527	283,461	814,347	785,980	(3.48%)
Vehicles	2,181,736	1,855,715	57,006	36,919	2,238,742	1,892,634	(15.46%)
Computers	6,428	29,040	-	-	6,428	29,040	0.00%
Software	-	-	-	-	-	-	0.00%
Mast Arms	1,064,781	1,118,561	-	-	1,064,781	1,118,561	5.05%
Equipment	649,343	693,095	419,318	334,578	1,068,661	1,027,673	(3.84%)
Streetscape	-	17,095	-	-	-	17,095	0.00%
Infrastructure	863,791	803,114	-	-	863,791	803,114	(7.02%)
Water System	-	-	13,018,470	13,394,104	13,018,470	13,394,104	2.89%
Land Improvements	-	-	631,697	690,703	631,697	690,703	9.34%
	<u>\$ 23,756,069</u>	<u>\$ 24,314,594</u>	<u>\$ 18,332,243</u>	<u>\$ 18,478,530</u>	<u>\$ 42,088,312</u>	<u>\$ 42,793,124</u>	1.67%

**Long-Term Debt** - At the end of the current fiscal year, the City of Goose Creek had total long-term debt outstanding of \$4,230,119. The debt does not comprise debt backed by the full faith and credit of the government. The City had \$1,105,013 in outstanding governmental activities debt of \$105,013 capital lease for two fire trucks and \$1,000,000 for the 2002 issue of a tax increment revenue bond. The business-type activities debt includes an installment note \$580,216 for purchase of the elevated water tower, capital leases of \$142,184 for the purchase of golf carts, and \$912,706 for the Santee Cooper Regional Water System water line extension, and a revenue bond of \$1,490,000 for the purchase of Crowfield Golf and Country Club. Tax increment revenue bonds decreased \$500,000 (33.33 percent) and the certificates of participation of \$180,785 was defeased. Business-type activity had decreases of \$170,000 (10.24 percent) in revenue bonds, and a decrease of \$30,219 (4.95 percent) in installment notes.

Additional information on the City's long-term debt can be found in Note III.H.

**The City of Goose Creek Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009 - 2010
Certificates of participation	\$ 190,000	\$ -	\$ -	\$ -	\$ 190,000	\$ -	(100.00%)
Less deferred charge for issuance costs	(9,215)	-	-	-	(9,215)	-	(100.00%)
Tax increment bonds	1,500,000	1,000,000	-	-	1,500,000	1,000,000	(33.33%)
Leases	258,261	105,013	1,134,051	1,054,890	1,392,312	1,159,903	(16.69%)
Revenue bonds	-	-	1,660,000	1,490,000	1,660,000	1,490,000	(10.24%)
Notes	-	-	610,435	580,216	610,435	580,216	(4.95%)
	<u>\$ 1,939,046</u>	<u>\$ 1,105,013</u>	<u>\$ 3,404,486</u>	<u>\$ 3,125,106</u>	<u>\$ 5,343,532</u>	<u>\$ 4,230,119</u>	(20.84%)



CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2010

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

The City of Goose Creek's growth has slowed down due to the downturn in the economy. During 2010 the City had 291 new residences due to new housing construction. The City has development agreements that will provide 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 net assets increased \$2,915,089 providing the City with the funds necessary to continue to provide quality service to the residents without a tax increase in the next fiscal year, the City's 31<sup>st</sup> consecutive year without a tax increase.

The City of Goose Creek actively works with the Economic Development Advisory Committee 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 2010 construction was limited due to the downturn in the economy. The City has development agreements and 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 292 new water taps during 2010 as a result of the growth in new housing construction. The radio read meter upgrade program installation to convert all manual read water meters to radio read meters over the next 3 years has continued on schedule; 711 meters were installed or converted in 2010.

The City has implemented a five year plan to make Crowfield Golf and Country Club self-sufficient. The golf enterprise fund completed the seventh full year of operations. Although the golf fund did not operate at a profit the decrease in net assets was down \$200,790 from the previous year.

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, ad-valorem property taxes from the City and the Goose Creek Recreation Commission.

These indicators were taken into account when adopting the General Fund budget for the 2011 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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,072,386	\$ 4,102,047	\$ 15,174,433
Receivables, net of allowance			
Taxes	2,455,114	164,158	2,619,272
Fines	498,390	-	498,390
Accounts	1,709,834	257,473	1,967,307
Due from county treasurer	2,603,656	157,444	2,761,100
Due from other governments	1,140,493	15,000	1,155,493
Internal balances	5,482,574	(5,482,574)	-
Inventories	88,185	115,789	203,974
Prepaid items	45,964	71,043	117,007
Restricted assets			
Temporarily restricted cash and cash equivalents	-	979,529	979,529
Capital assets, not being depreciated	7,938,967	1,965,000	9,903,967
Capital assets, net of accumulated depreciation	16,375,627	16,513,530	32,889,157
<b>TOTAL ASSETS</b>	<b>49,411,190</b>	<b>18,858,439</b>	<b>68,269,629</b>
<b>LIABILITIES</b>			
Accounts payable	598,885	41,854	640,739
Accrued salaries and related liabilities	148,243	69,597	217,840
Accrued interest payable	8,061	-	8,061
Compensated absences payable	172,502	40,924	213,426
Escrow and retainage payable	122,136	-	122,136
Unearned revenue	4,875,807	412,158	5,287,965
Due to developers	-	157,950	157,950
Liabilities payable from restricted assets - customer deposits	-	376,859	376,859
Noncurrent liabilities			
Due within one year	605,013	284,207	889,220
Due in more than one year	500,000	2,840,899	3,340,899
<b>TOTAL LIABILITIES</b>	<b>7,030,647</b>	<b>4,224,448</b>	<b>11,255,095</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	23,209,581	15,353,424	38,563,005
Restricted for			
Liberty Hall	265,261	-	265,261
Debt service	-	726,009	726,009
Public safety	491,864	-	491,864
Tourism	59,229	-	59,229
TIF projects	6,148,940	-	6,148,940
Unrestricted	12,205,668	(1,445,442)	10,760,226
<b>TOTAL NET ASSETS</b>	<b>\$ 42,380,543</b>	<b>\$ 14,633,991</b>	<b>\$ 57,014,534</b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>						
Legislative	\$ 169,471	\$ -	\$ -	\$ (169,471)	\$ -	\$ (169,471)
Administrative	1,579,626	5,249,124	-	3,855,198	-	3,855,198
Police	6,039,151	734,633	85,443	(5,219,075)	-	(5,219,075)
Fire	3,553,220	655,429	267,119	(2,630,672)	-	(2,630,672)
Sanitation	1,205,897	804,085	-	(401,812)	-	(401,812)
Recreation	206,580	-	-	(206,580)	-	(206,580)
Maintenance	1,030,028	-	-	(1,030,028)	-	(1,030,028)
Garage	273,387	-	-	(273,387)	-	(273,387)
Court	309,531	-	-	(309,531)	-	(309,531)
Planning	161,595	-	848	(160,747)	-	(160,747)
Information Technology	382,409	-	-	(382,409)	-	(382,409)
Interest and fees	73,821	-	-	(73,821)	-	(73,821)
Total governmental activities	14,984,716	7,443,271	353,410	(7,002,335)	-	(7,002,335)
<b>Business-type activities</b>						
Water Department	3,278,411	2,859,298	-	-	377,321	377,321
Crowfield Golf and Country Club	1,885,323	1,248,098	-	-	(637,225)	(637,225)
Recreation Department	2,314,748	758,131	15,000	-	(1,541,617)	(1,541,617)
Total business-type activities	7,478,482	4,865,527	15,000	-	(1,801,521)	(1,801,521)
Total government	\$ 22,463,198	\$ 12,308,798	\$ 368,410	(7,002,335)	(1,801,521)	(8,803,856)
<b>General revenues</b>						
Taxes						
Property, including fee in lieu of taxes				4,889,513	421,821	5,311,334
Local option sales tax				3,184,679	-	3,184,679
Franchise				2,169,588	-	2,169,588
Grants and contributions not restricted to specific programs				801,987	-	801,987
Gain (loss) on sale of assets				-	900	900
Unrestricted revenue from use of money and property				184,354	40,440	224,794
Miscellaneous				25,005	658	25,663
Transfers				(1,105,195)	1,105,195	-
Total general revenues and transfers				10,149,931	1,569,014	11,718,945
Change in net assets				3,147,596	(232,507)	2,915,089
Net assets				39,232,947	14,866,498	54,099,445
Beginning of year				\$ 42,380,543	\$ 14,633,991	\$ 57,014,534
End of year						

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	General	Tax Increment Financing	Local Option Sales Tax	Other Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,669,250	\$ 3,314,570	\$ 1,590,528	\$ 1,498,038	\$ 11,072,386
Receivables, net of allowance					
Taxes	577,142	1,877,972	-	-	2,455,114
Fines	424,506	-	-	73,884	498,390
Accounts	1,699,411	-	-	10,423	1,709,834
Due from county treasurer	1,249,212	1,354,444	-	-	2,603,656
Due from other governments	957,115	-	147,846	35,532	1,140,493
Due from other funds	5,578,541	3,141,581	434,509	-	9,154,631
Advances to other funds	-	674,978	50,000	-	724,978
Inventories	88,185	-	-	-	88,185
Prepaid items	45,964	-	-	-	45,964
<b>TOTAL ASSETS</b>	<b>\$ 15,289,326</b>	<b>\$ 10,363,545</b>	<b>\$ 2,222,883</b>	<b>\$ 1,617,877</b>	<b>\$ 29,493,631</b>
<b>LIABILITY AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 510,052	\$ 72,670	\$ -	\$ 16,163	\$ 598,885
Accrued salaries and related liabilities	148,243	-	-	-	148,243
Escrow and retainage payable	34,324	63,172	-	24,640	122,136
Due to other funds	3,889,844	-	309,942	197,249	4,397,035
Deferred revenue	3,174,171	3,403,785	-	80,815	6,658,771
<b>Total liabilities</b>	<b>7,756,634</b>	<b>3,539,627</b>	<b>309,942</b>	<b>318,867</b>	<b>11,925,070</b>
<b>Fund balances</b>					
Reserved for inventories	88,185	-	-	-	88,185
Reserved for Liberty Hall	-	-	-	265,261	265,261
Reserved for advances	-	674,978	50,000	-	724,978
Unreserved, designated for					
Fleet replacement	24,069	-	-	-	24,069
Computer replacement	26,058	-	-	-	26,058
Capital items	43,240	-	-	-	43,240
Water system	74,529	-	-	-	74,529
Unreserved, undesignated reported in					
General fund	7,276,611	-	-	-	7,276,611
Special revenue funds	-	6,148,940	1,862,941	394,591	8,406,472
Capital projects fund	-	-	-	639,158	639,158
<b>Total fund balance</b>	<b>7,532,692</b>	<b>6,823,918</b>	<b>1,912,941</b>	<b>1,299,010</b>	<b>17,568,561</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,289,326</b>	<b>\$ 10,363,545</b>	<b>\$ 2,222,883</b>	<b>\$ 1,617,877</b>	<b>\$ 29,493,631</b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

Total governmental fund balances		\$ 17,568,561
<p>Amounts reported for governmental activities in the statement of net assets are different because of the following:</p>		
<p>Capital assets used for governmental activities are not financial resources and therefore are not reported in the government funds:</p>		
Cost of assets	\$ 32,685,376	
Accumulated depreciation	(8,370,782)	
		24,314,594
<p>Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:</p>		
State aid to subdivisions	\$ 330,350	
Fines and forfeitures	498,390	
E911 revenue	6,931	
EMS revenue	947,293	
		1,782,964
<p>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:</p>		
Tax increment bonds	\$ (1,000,000)	
Capital leases	(105,013)	
Compensated absences payable	(172,502)	
Accrued interest payable	(8,061)	
		(1,285,576)
Net assets of governmental activities		\$ 42,380,543

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER, 31, 2010**

	General	Tax Increment Financing	Local Option Sales Tax	Other Governmental	Total Governmental Funds
<b>REVENUES</b>					
<b>Local revenues</b>					
Property taxes	\$ 1,679,502	\$ 3,194,948	\$ -	\$ -	\$ 4,874,450
Licenses and permits	7,150,153	-	-	-	7,150,153
Charges for services	1,412,662	-	-	-	1,412,662
Fines and forfeitures	443,356	-	-	61,840	505,196
Miscellaneous revenues	298,047	22,969	40,213	212,742	573,971
Total local revenues	10,983,720	3,217,917	40,213	274,582	14,516,432
State revenues	2,932,990	217,206	810,694	317,540	4,278,430
Federal revenues	109,805	-	-	19,895	129,700
<b>TOTAL REVENUES</b>	<b>14,026,515</b>	<b>3,435,123</b>	<b>850,907</b>	<b>612,017</b>	<b>18,924,562</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Legislative	169,471	-	-	-	169,471
Administrative	1,407,979	-	35	-	1,408,014
Police	5,611,412	-	-	236,099	5,847,511
Fire	3,271,546	-	-	56,331	3,327,877
Sanitation	1,050,149	-	-	-	1,050,149
Recreation	-	-	-	21,672	21,672
Maintenance	935,982	-	-	-	935,982
Garage	265,091	-	-	-	265,091
Court	307,864	-	-	-	307,864
Planning	160,994	43	-	-	161,037
Information Technology	373,973	-	-	-	373,973
Capital outlay	390,843	949,256	-	269,128	1,609,227
Debt service					
Principal	52,266	500,000	-	290,982	843,248
Interest	814	51,455	-	12,213	64,482
<b>TOTAL EXPENDITURES</b>	<b>13,998,384</b>	<b>1,500,754</b>	<b>35</b>	<b>886,425</b>	<b>16,385,598</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	28,131	1,934,369	850,872	(274,408)	2,538,964
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	24,370	-	-	-	24,370
Transfers in	919,135	-	-	234,845	1,153,980
Transfers out	(1,137,497)	-	(919,135)	(61,939)	(2,118,571)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(193,992)</b>	<b>-</b>	<b>(919,135)</b>	<b>172,906</b>	<b>(940,221)</b>
<b>NET CHANGE IN FUND BALANCES</b>					
	(165,861)	1,934,369	(68,263)	(101,502)	1,598,743
<b>FUND BALANCES</b>					
Beginning of year	7,678,005	4,889,549	1,981,204	1,400,512	15,949,270
Change in reserves	20,548	-	-	-	20,548
End of year	<b>\$ 7,532,692</b>	<b>\$ 6,823,918</b>	<b>\$ 1,912,941</b>	<b>\$ 1,299,010</b>	<b>\$ 17,568,561</b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010**

Page 1 of 2

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Net change in fund balances - total governmental funds \$ 1,598,743

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

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 outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,609,227	
Depreciation expense	<u>(1,063,384)</u>	545,843

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.

Cost of capital assets	\$ (256,411)	
Accumulated depreciation	<u>223,997</u>	(32,414)

Contributions of governmental capital assets to proprietary funds decrease net assets in the statement of activities, but do not appear in the governmental funds. (140,604)

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 not financial resources. 185,700

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.

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:

State aid to subdivisions	\$ (364,811)	
Fines and forfeitures	(454,856)	
EMS revenue	(790,572)	
E911 revenue	(13,943)	

Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:

State aid to subdivisions	330,350	
Fines and forfeitures	498,390	
EMS Revenue	947,293	
E911 revenue	<u>6,931</u>	158,782

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:

Compensated absences:		
Current year	\$ (172,502)	
Prior year	149,591	
Accrued interest expense:		
Current year	(8,061)	
Prior year	12,099	
Amortization of deferred charges and issuance costs	<u>(13,377)</u>	(32,250)



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2010**

In the fund financial statements, inventories are recognized as an expenditure when purchased. Governmental activities recognize an expense for inventory when consumed. \$ 20,548

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal repayments:			
Tax increment bonds	\$	500,000	
Certificates of participation		190,000	
Capital lease		153,248	
			843,248

Change in net assets of governmental activities \$ 3,180,010

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**DECEMBER 31, 2010**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,617,184	\$ 93,769	\$ 391,094	\$ 4,102,047
Accounts receivable, net of allowance	240,310	17,163	-	257,473
Taxes receivable, net of allowance	-	-	164,158	164,158
Due from county treasurer	-	-	157,444	157,444
Due from other governments	-	-	15,000	15,000
Due from other funds	-	-	623,696	623,696
Inventories	62,408	53,381	-	115,789
Prepaid items	7,727	-	63,316	71,043
Restricted cash and cash equivalents-customer deposits and bond reserves	253,520	726,009	-	979,529
<b>Total current assets</b>	<b>4,181,149</b>	<b>890,322</b>	<b>1,414,708</b>	<b>6,486,179</b>
Noncurrent assets				
Capital assets, net of accumulated depreciation	13,899,904	3,042,044	1,536,582	18,478,530
<b>TOTAL ASSETS</b>	<b>18,081,053</b>	<b>3,932,366</b>	<b>2,951,290</b>	<b>24,964,709</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	7,086	11,112	23,656	41,854
Accrued salaries and related liabilities	18,283	20,281	31,033	69,597
Compensated absences payable	14,666	7,669	18,589	40,924
Due to other funds	23,678	4,617,346	740,268	5,381,292
Unearned revenue	-	60,407	351,751	412,158
Due to developers	157,950	-	-	157,950
Current portion of bonds/notes/leases payable	64,740	219,467	-	284,207
Liabilities payable from restricted assets				
Customer deposits	376,859	-	-	376,859
<b>Total current liabilities</b>	<b>663,262</b>	<b>4,936,282</b>	<b>1,165,297</b>	<b>6,764,841</b>
Noncurrent liabilities				
Advances from other funds	-	724,978	-	724,978
Leases payable	879,652	92,717	-	972,369
Notes payable	548,530	-	-	548,530
Bonds payable	-	1,320,000	-	1,320,000
<b>Total noncurrent liabilities</b>	<b>1,428,182</b>	<b>2,137,695</b>	<b>-</b>	<b>3,565,877</b>
<b>TOTAL LIABILITIES</b>	<b>2,091,444</b>	<b>7,073,977</b>	<b>1,165,297</b>	<b>10,330,718</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,406,982	1,409,860	1,536,582	15,353,424
Restricted by debt covenants	-	726,009	-	726,009
Unrestricted	3,582,627	(5,277,480)	249,411	(1,445,442)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 15,989,609</b>	<b>\$ (3,141,611)</b>	<b>\$ 1,785,993</b>	<b>\$ 14,633,991</b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
YEAR ENDED DECEMBER 31, 2010**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
<b>OPERATING REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 421,821	\$ 421,821
Charges for sales and services	2,859,298	1,248,098	758,131	4,865,527
<b>TOTAL OPERATING REVENUES</b>	<b>2,859,298</b>	<b>1,248,098</b>	<b>1,179,952</b>	<b>5,287,348</b>
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	982,259	842,454	1,307,049	3,131,762
Cost of goods sold	1,000,146	212,215	36,746	1,249,107
Administrative	142,101	118,130	159,918	420,149
Contractual services	146,223	47,463	261,852	455,538
Materials and supplies	172,531	300,379	135,301	608,211
Repairs and maintenance	86,126	75,788	54,151	216,065
Depreciation	643,949	161,536	157,894	963,379
Utilities	31,856	54,604	201,837	288,297
<b>TOTAL OPERATING EXPENSES</b>	<b>3,205,191</b>	<b>1,812,569</b>	<b>2,314,748</b>	<b>7,332,508</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(345,893)</b>	<b>(564,471)</b>	<b>(1,134,796)</b>	<b>(2,045,160)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	35,333	2,139	2,968	40,440
Grant revenue	-	-	15,000	15,000
Gain on sale of assets	900	-	-	900
Miscellaneous	658	-	-	658
Interest expense	(73,220)	(72,754)	-	(145,974)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(36,329)</b>	<b>(70,615)</b>	<b>17,968</b>	<b>(88,976)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(382,222)</b>	<b>(635,086)</b>	<b>(1,116,828)</b>	<b>(2,134,136)</b>
Transfers from (to) other funds	(136,392)	3,486	1,097,497	964,591
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(518,614)</b>	<b>(631,600)</b>	<b>(19,331)</b>	<b>(1,169,545)</b>
Capital contributions	796,434	140,604	-	937,038
<b>CHANGE IN NET ASSETS</b>	<b>277,820</b>	<b>(490,996)</b>	<b>(19,331)</b>	<b>(232,507)</b>
<b>NET ASSETS</b>				
Beginning of year	15,711,789	(2,650,615)	1,805,324	14,866,498
End of year	\$ 15,989,609	\$ (3,141,611)	\$ 1,785,993	\$ 14,633,991

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
YEAR ENDED DECEMBER 31, 2010**

Page 1 of 2

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,861,131	\$ 1,261,912	\$ 1,813,008	\$ 5,936,051
Payments to suppliers	(1,566,260)	(800,281)	(894,660)	(3,261,201)
Payments to employees	(976,335)	(842,276)	(1,294,880)	(3,113,491)
Internal activity-payments from (to) other funds	(410,010)	692,822	(884,618)	(601,806)
Net cash provided (used) by operating activities	<u>(91,474)</u>	<u>312,177</u>	<u>(1,261,150)</u>	<u>(1,040,447)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	(136,392)	3,486	1,097,497	964,591
Nonoperating grants	-	-	15,000	15,000
Other noncapital financing activities	658	-	-	658
Net cash provided (used) by noncapital financing activities	<u>(135,734)</u>	<u>3,486</u>	<u>1,112,497</u>	<u>980,249</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on capital leases	(31,819)	(47,342)	-	(79,161)
Principal paid on note payable	(30,219)	-	-	(30,219)
Principal paid on revenue bonds	-	(170,000)	-	(170,000)
Payment of interest expense	(73,220)	(72,754)	-	(145,974)
Sale of asset	900	-	-	900
Acquisition and construction of capital assets	(143,371)	(6,788)	(22,469)	(172,628)
Net cash used by capital and related financing activities	<u>(277,729)</u>	<u>(296,884)</u>	<u>(22,469)</u>	<u>(597,082)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned on investments	35,333	2,139	2,968	40,440
Net cash provided by investing activities	<u>35,333</u>	<u>2,139</u>	<u>2,968</u>	<u>40,440</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(469,604)	20,918	(168,154)	(616,840)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>4,340,308</u>	<u>798,860</u>	<u>559,248</u>	<u>5,698,416</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 3,870,704</u>	<u>\$ 819,778</u>	<u>\$ 391,094</u>	<u>\$ 5,081,576</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
YEAR ENDED DECEMBER 31, 2010**

Page 2 of 2

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
<b>RECONCILIATION OF OPERATING</b>				
<b>INCOME TO NET CASH</b>				
<b>PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (345,893)	\$ (564,471)	\$ (1,134,796)	\$ (2,045,160)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	643,949	161,536	157,894	963,379
Provision for allowance for uncollectibles	53,764	-	522	54,286
(Increase) decrease in:				
Accounts receivable	(68,894)	13,041	580,280	524,427
Inventory	15,753	14,772	-	30,525
Prepaid items	(2,859)	-	(36,449)	(39,308)
Due from other funds	-	-	(623,696)	(623,696)
Increase (decrease) in:				
Accounts payable	(171)	(6,474)	(8,406)	(15,051)
Accrued salaries and compensated absences payable	5,924	178	12,169	18,271
Due to other funds	(410,010)	692,822	(260,922)	21,890
Deferred revenue	-	773	52,254	53,027
Customer deposits	16,963	-	-	16,963
<b>Total adjustments</b>	<b>254,419</b>	<b>876,648</b>	<b>(126,354)</b>	<b>1,004,713</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (91,474)</b>	<b>\$ 312,177</b>	<b>\$ (1,261,150)</b>	<b>\$ (1,040,447)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	\$ 3,617,184	\$ 93,769	\$ 391,094	\$ 4,102,047
Restricted cash and cash equivalents	253,520	726,009	-	979,529
<b>Total cash and cash equivalents</b>	<b>\$ 3,870,704</b>	<b>\$ 819,778</b>	<b>\$ 391,094</b>	<b>\$ 5,081,576</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributed capital assets	\$ 796,434	\$ -	\$ -	\$ 796,434
Governmental activity assets transferred to business activities	\$ -	\$ 140,604	\$ -	\$ 140,604

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the *City of Goose Creek, South Carolina* (the City), have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the government'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. 39, 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.

A component unit is a legally separate entity for which a primary government is financially accountable by virtue of the fact that either the primary government appoints the governing board and is able to impose its will on the component unit, or the component unit provides financial benefits or imposes a financial burden on the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

**Component Units.** 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, therefore data from these units are combined with data of the primary government.

**Blended Component Unit.** The Goose Creek Public Facilities Corporation (the Corporation or GCPFC), which terminated in 2010, was a separately administered organization controlled by and dependent on the City. It was created by City Council who approved the transfer of approximately 30 acres of real property to the Corporation in 1991. The Corporation was a not-for-profit corporation of the State of South Carolina and was exempt from income taxation under Internal Revenue Code Section 501(a). The principal activity of the Goose Creek Public Facilities Corporation was to own and lease facilities to be used by the City for essential governmental functions in connection with tax exempt lease purchase financing of such facilities. The Goose Creek Public Facilities Corporation was dissolved during 2010 after the final payment of the Certificates of Participation. See related footnotes I.B., III.H., IV.C., and IV.E.

Corporate officers of the Corporation were:

<u>Title</u>	<u>Name</u>	<u>City Official</u>
President	Dennis C. Harmon	City Administrator
Vice-President	Michael J. Heitzler	Mayor
Secretary/Treasurer	Ronald R. Faretra	Finance Director

The Corporation is reported as a debt service fund.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

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

***Government-wide Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The City does not have any fiduciary funds.

The City uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**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 *Tax Increment Financing Fund* is a special revenue fund used to account for capital projects related to the Goose Creek Redevelopment Plan in the City's Tax Increment Financing District.

The *Local Option Sales Tax Fund* is a special revenue fund used to account for the expenditure of the City's local option sales tax revenue. A portion of these revenues is transferred to the General Fund to replace taxpayer rebates mandated by state law. The remainder may be used for capital improvements and other one-time expenditures as directed by Council, and for the continued funding of positions created by public safety grants.

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 and Country 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, 2010**

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

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

Nonmajor Funds

In addition the City reports the following nonmajor governmental 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 *Debt Service Fund – GCPFC* is used to account for the resources accumulated and payments made for principal and interest on the certificates of participation issued by the Goose Creek Public Facilities Corporation. See related footnotes I.A., III.H., IV.C., and IV.E.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital projects.

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

*Measurement focus* is a term used to describe which transactions are recorded within the various financial statements. *Basis of accounting* refers to when transactions are recorded, regardless of the measurement focus applied.

*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, and grant revenues for which all eligibility requirements imposed by the provider have been met. Permits, 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.



**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The City's government-wide financial statements and proprietary funds apply all applicable Government Accounting Standards Board (GASB) pronouncements, as well as the requirements of Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Governments also have the option of applying subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**D. Assets, Liabilities and Equity**

**1. Deposits**

The *deposits* classification is used only in the notes, not on the face of the statement of net assets 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.

**2. 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 has a number of financial instruments, none of which is held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost. Debt securities are reported at cost or amortized cost.

Additional disclosure regarding the City's deposits and investments is located at Note III.A.

**3. 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*.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

**D. Assets, Liabilities and Equity (Continued)**

Advances between funds are offset by a fund balance reserve 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 2010 property tax assessment levied for the 2011 fiscal year, which is deferred in the General Fund, the Tax Increment Financing Special Revenue 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.

**4. Inventories and prepaid items**

Inventories of the general fund are valued at cost determined by the first-in, first-out method. In the Statement of Activities, inventory is recorded as an expense at the time the item is consumed. On the fund statements, inventory is recorded as an expenditure at the time that the item is purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of assets. Inventory items consist of various types of fuel and replacement parts for vehicles and equipment.

Inventories of the enterprise fund 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 and Country Club.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Restricted assets**

Restricted assets consist of funds held by the City because their use is restricted by contractual bond or grant agreements. The funds held by the City in the Water Department enterprise fund represent deposits placed by water system users to obtain service. These deposits are to be refunded upon termination of water services. In addition, certain resources set aside for the repayment of the Golf Department enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond sinking fund is used throughout the year to accumulate resources for the semi-annual debt payment. The contingency and depreciation funds may be used for repairs, maintenance, and contingencies as determined by the City, or may be transferred to the bond sinking fund to prevent a default in the payment of principal and interest on the bond.

**6. 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 activities or business-type activities 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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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

**D. Assets, Liabilities and Equity (Continued)**

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary 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:

Assets	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

**7. Deferred revenue**

Deferred revenues arise when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes collected in advance of the fiscal year for which they were levied are deferred until the beginning of that year.

**8. Compensated absences**

Vested or accumulated vacation leave that is payable from current resources and represents matured liabilities, for example, as a result of employee resignations and retirements, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not payable from current financial resources are reported in the governmental activities of the government-wide financial statement. Vested or accumulated vacation leave of the proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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

**D. Assets, Liabilities and Equity (Continued)**

**9. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Reservations and designations of fund balances**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, when applicable.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$265,261 of net assets which are restricted by enabling legislation.
- c. Unrestricted net assets – Consists of all other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

*Fund Statements*

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the City for financial resource utilization in a future period as documented in the budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

**11. 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, 2010**

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

**D. Assets, Liabilities and Equity (Continued)**

**12. 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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2010, expenditures and other financing uses exceeded appropriations for the following functions:

Fund	Function	Excess expenditures
General	Garage	\$ 12,209
	Court	\$ 12,673
	Debt service principal	\$ 809
	Capital outlay	\$ 157,008

The overexpenditures were funded by use of fund balance.

**B. Deficit Fund Equity**

The Hiker Biker Trail and the Crowfield Golf and Country Club Enterprise Fund had deficit fund equity balances of (\$10,316), and (\$3,141,611), respectively at December 31, 2010. These deficits will be funded by future revenues of the funds.

**C. Compliance with Finance Related Legal and Contractual Provisions**

Management believes that the City incurred no material violations of finance related legal and contractual provisions.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

***Interest Rate Risk***

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

***Credit Risk***

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.

In addition, South Carolina state statutes authorize the Commission 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. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

As of December 31, 2010, the City held \$88,832 in investments, all of which was held in the South Carolina Local Government Investment Pool. The SCLGIP has a weighted average maturity of 90 days.

***Concentration of Credit Risk***

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

***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, 2010, the City's bank balance of \$16,454,366 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

***Custodial Credit Risk – Investments***

For investment, 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.

**B. Receivables**

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

	Governmental Funds			Enterprise Funds		
	General	Tax Increment Financing	Nonmajor Funds	Water Department	Crow field Golf and Country Club	Recreation Department
Receivables						
Current taxes	\$ 522,248	\$ 1,912,354	\$ -	\$ -	\$ -	\$ 167,699
Delinquent taxes	32,340	-	-	-	-	-
Sanitation fees	67,575	-	-	-	-	-
<b>Total taxes</b>	<b>622,163</b>	<b>1,912,354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167,699</b>
Fines	748,048	-	116,998	-	-	-
Accounts	2,515,630	-	10,423	457,837	17,163	-
<b>Gross receivables</b>	<b>3,885,841</b>	<b>1,912,354</b>	<b>127,421</b>	<b>457,837</b>	<b>17,163</b>	<b>167,699</b>
Less allowance for uncollectibles						
Taxes	(45,021)	(34,382)	-	-	-	(3,541)
Fines	(323,542)	-	(43,114)	-	-	-
Accounts	(816,219)	-	-	(217,527)	-	-
<b>Total allowance</b>	<b>(1,184,782)</b>	<b>(34,382)</b>	<b>(43,114)</b>	<b>(217,527)</b>	<b>-</b>	<b>(3,541)</b>
<b>Net receivables</b>	<b>\$ 2,701,059</b>	<b>\$ 1,877,972</b>	<b>\$ 84,307</b>	<b>\$ 240,310</b>	<b>\$ 17,163</b>	<b>\$ 164,158</b>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

	Balance 12/31/2009	Additions	Deletions	Transfers	Balance 12/31/2010
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 6,006,042	\$ 207,132	\$ (9,301)	\$ -	\$ 6,203,873
Construction in progress	818,742	1,199,747	(142,791)	(140,604)	1,735,094
Total capital assets, not being depreciated	<u>6,824,784</u>	<u>1,406,879</u>	<u>(152,092)</u>	<u>(140,604)</u>	<u>7,938,967</u>
Capital assets, being depreciated					
Building	14,023,524	-	-	-	14,023,524
Improvements	1,196,031	-	(5,281)	-	1,190,750
Vehicles	5,014,217	188,948	(241,829)	(21,000)	4,940,336
Computers	88,131	35,896	-	-	124,027
Software	64,567	-	-	-	64,567
Mast arms	1,338,002	125,004	-	-	1,463,006
Equipment	1,510,641	163,204	-	-	1,673,845
Streetscapes	-	17,787	-	-	17,787
Infrastructure	1,248,567	-	-	-	1,248,567
Total capital assets, being depreciated	<u>24,483,680</u>	<u>530,839</u>	<u>(247,110)</u>	<u>(21,000)</u>	<u>24,746,409</u>
Less accumulated depreciation for					
Building	(2,373,138)	(293,898)	-	-	(2,667,036)
Improvements	(681,211)	(12,301)	5,281	-	(688,231)
Vehicles	(2,832,481)	(491,856)	218,716	21,000	(3,084,621)
Computers	(81,703)	(13,284)	-	-	(94,987)
Software	(64,567)	-	-	-	(64,567)
Mast arms	(273,221)	(71,224)	-	-	(344,445)
Equipment	(861,298)	(119,452)	-	-	(980,750)
Streetscapes	-	(692)	-	-	(692)
Infrastructure	(384,776)	(60,677)	-	-	(445,453)
Total accumulated depreciation	<u>(7,552,395)</u>	<u>(1,063,384)</u>	<u>223,997</u>	<u>21,000</u>	<u>(8,370,782)</u>
Total capital assets, being depreciated, net	<u>16,931,285</u>	<u>(532,545)</u>	<u>(23,113)</u>	<u>-</u>	<u>16,375,627</u>
Governmental activities capital assets, net	<u>\$ 23,756,069</u>	<u>\$ 874,334</u>	<u>\$ (175,205)</u>	<u>\$ (140,604)</u>	<u>\$ 24,314,594</u>

Current year asset additions are comprised of the following:

Capital outlay - funds statement	<u>\$ 1,609,227</u>
Land - donated from developers	185,700
Completed Construction in progress	<u>142,791</u>
Total reconciling items	<u>328,491</u>
Total additions	<u>\$ 1,937,718</u>
Additions, not being depreciated	\$ 1,406,879
Additions, being depreciated	<u>530,839</u>
Total additions	<u>\$ 1,937,718</u>



**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

	Balance 12/31/2009	Additions	Deletions	Transfers	Balance 12/31/2010
<b>Business-type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 1,956,615	\$ -	\$ -	\$ -	\$ 1,956,615
Construction in Progress	-	8,385	-	-	8,385
Total capital assets, not being depreciated	<u>1,956,615</u>	<u>8,385</u>	<u>-</u>	<u>-</u>	<u>1,965,000</u>
Capital assets, being depreciated					
Building	2,914,136	-	-	-	2,914,136
Improvements	331,621	-	-	-	331,621
Land improvements	1,039,689	-	-	140,604	1,180,293
Vehicles	321,016	-	-	21,000	342,016
Computers	7,611	-	-	-	7,611
Software	39,204	-	-	-	39,204
Equipment	777,854	20,872	(6,360)	-	792,366
Water system	18,277,601	939,805	(825)	-	19,216,581
Total capital assets, being depreciated	<u>23,708,732</u>	<u>960,677</u>	<u>(7,185)</u>	<u>161,604</u>	<u>24,823,828</u>
Less accumulated depreciation for					
Building	(964,526)	(175,845)	-	-	(1,140,371)
Improvements	(32,094)	(16,066)	-	-	(48,160)
Land improvements	(407,992)	(81,598)	-	-	(489,590)
Vehicles	(264,010)	(20,087)	-	(21,000)	(305,097)
Computers	(7,611)	-	-	-	(7,611)
Software	(39,204)	-	-	-	(39,204)
Equipment	(358,536)	(105,612)	6,360	-	(457,788)
Water system	(5,259,131)	(564,171)	825	-	(5,822,477)
Total accumulated depreciation	<u>(7,333,104)</u>	<u>(963,379)</u>	<u>7,185</u>	<u>(21,000)</u>	<u>(8,310,298)</u>
Total capital assets, being depreciated, net	<u>16,375,628</u>	<u>(2,702)</u>	<u>-</u>	<u>140,604</u>	<u>16,513,530</u>
Business-type activities capital assets, net	<u>\$ 18,332,243</u>	<u>\$ 5,683</u>	<u>\$ -</u>	<u>\$ 140,604</u>	<u>\$ 18,478,530</u>

Included in current year additions are contributed water systems valued at \$796,434. Included in current year transfers is a pump house contributed by the governmental activities to the business-type activities of \$140,604 (net). This transfer is reflected as a capital contribution in the Crowfield Golf and Country Club, and is included in transfers in the statement of activities.

Depreciation was charged to the activities as follows:

Governmental Activities		Business-type Activities	
Administrative	\$ 166,556	Water Department	\$ 643,949
Police	216,715	Crowfield Golf and Country Club	161,536
Fire	228,284	Recreation Department	<u>157,894</u>
Sanitation	156,145		
Recreation	184,908	Total business-type activities	<u>\$ 963,379</u>
Maintenance	94,419		
Garage	7,416		
Court	1,054		
Information Technology	7,887		
Total governmental activities	<u>\$ 1,063,384</u>		

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Interfund Receivables and Payables**

The composition of interfund balances as of December 31, 2010, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Governmental Funds		
Major		
General Fund	\$ 5,578,541	\$ 3,889,844
Tax Increment Financing Fund	3,141,581	-
Local Option Sales Tax	434,509	309,942
Nonmajor	-	197,249
Enterprise Funds		
Major		
Water Department	-	23,678
Crowfield Golf and Country Club	-	4,617,346
Recreation Department	623,696	740,268
	<u>\$ 9,778,327</u>	<u>\$ 9,778,327</u>

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.

**E. Advances to (from) Other Funds**

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Governmental Funds		
Major		
Tax Increment Financing Fund	\$ 674,978	\$ -
Local Option Sales Tax Fund	50,000	-
Enterprise Fund		
Crowfield Golf and Country Club	-	724,978
	<u>\$ 724,978</u>	<u>\$ 724,978</u>

The City's Tax Increment Financing Fund and Local Option Sales Tax Fund have advanced money to the Crowfield Golf and Country Club in the amount of \$674,978 and \$50,000, respectively. These amounts funded the acquisition, early operations, and the bunker renovation of the golf course. The repayment terms are indefinite, resulting in the advance being reflected as a noncurrent liability on the Enterprise Fund Statement of Net Assets.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Transfers from (to) Other Funds**

The composition of interfund transfers as of December 31, 2010, is as follows:

	Funds statements		Asset transfers (Note III.C)	Government- wide statements
	Transfers In	Transfers Out		
General Fund	\$ 919,135	\$ (1,137,497)		
Local Option Sales Tax	-	(919,135)		
Nonmajor Governmental Funds	234,845	(61,939)		
<b>Total governmental funds/activities</b>	<b>1,153,980</b>	<b>(2,118,571)</b>	<b>\$ (140,604)</b>	<b>\$ (1,105,195)</b>
Water Department	-	(136,392)		
Crowfield Golf and Country Club	3,486	-		
Recreation Department	1,097,497	-		
<b>Total enterprise funds/business -type activities</b>	<b>1,100,983</b>	<b>(136,392)</b>	<b>140,604</b>	<b>1,105,195</b>
<b>Total transfers</b>	<b>\$ 2,254,963</b>	<b>\$ (2,254,963)</b>	<b>\$ -</b>	<b>\$ -</b>

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.

**G. Deferred Revenues**

Governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At December 31, 2010, the various components of deferred and unearned revenue reported in the governmental fund activities were as follows:

	Fund Statement	Government-wide
<b>Deferred</b>		
State aid to subdivisions	\$ 330,350	\$ -
EMS revenue	947,293	-
Fines and forfeitures	498,390	-
E911 revenue	6,931	-
<b>Unearned</b>		
Property taxes receivable	4,640,311	4,640,311
State grant revenue	153,600	153,600
Business license fees	27,280	27,280
Local option sales tax	54,616	54,616
	<b>\$ 6,658,771</b>	<b>\$ 4,875,807</b>

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt**

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

Certificates of Participation (COPs) – The COPs were issued by the Goose Creek Public Facilities Corporation, a nonprofit corporation whose principal purpose was to facilitate the financing of public capital projects. The corporation issued \$1,860,000 Series 1997 Refunding Certificates of Participation with an average interest rate of 4.5% to refund \$1,965,000 of outstanding Series 1991 Certificates of Participation with an average interest rate of 6.37%. Loan issuance costs of \$98,629 were amortized over 12 years. The final COPs payment was made and the loan issuance costs were fully amortized during fiscal year 2010.

The proceeds of new Certificates of Participation were placed in an irrevocable trust to provide for all future debt service on the old Certificates. Accordingly, the trust account assets and the liability for the defeased Certificates are not included in the City's financial statements. During 2010 the final payment on the defeased debt was made.

The City leases assets that the Goose Creek Public Facilities Corporation acquired with the Certificates of Participation proceeds. For financial reporting purposes the City accounts for the certificates as its own debt. Approximately 70% and 30% of the COPs repayment are funded by the Water Department and Impact Fee Funds, respectively. See related footnotes I.A., I.B., IV.C., and IV.E.

Tax Increment Bonds – The City issues tax increment bonds for capital improvements as outlined in the City's redevelopment plan. The bonds, together with interest thereon, are payable from and secured by a pledge of the increments of tax revenues resulting from redevelopment within the Redevelopment Project Area (the "incremental tax revenues") held in the Tax Increment Financing Fund. The City has also pledged its impact fees from the Impact Fee Special Revenue Fund, franchise fees from the General Fund and net revenues from the water system proprietary fund. In the event that sufficient incremental tax revenues, impact fees, franchise fees from the General Fund, and net revenues from the water system are not available to pay debt service on the tax increment bonds, the revenues collected from the State of South Carolina's County/Municipal Revenue Fund, which are reflected as state revenue in the Local Option Sales Tax Special Revenue Fund, may be used by the City to pay the principal and interest on the bonds. For fiscal year 2010, the bond payments were funded entirely from incremental tax revenues.

Revenue Bonds – The City's revenue bonds were used to finance a portion of the acquisition of the Crowfield Golf and Country Club. The bonds, together with interest thereon, are payable solely from and secured equally and ratably by a lien upon the gross revenues of the Crowfield Golf and Country Club.

Notes Payable – This obligation financed the City's acquisition and construction of an elevated water tank and water lines. Repayment of the notes is funded by revenue of the Water Department.

Lease Obligations – The City uses notes and leases to finance the purchase of various equipment, extension of water lines, and lease-purchase of golf carts. Repayment is budgeted in the General Fund, the Impact Fee Fund, the Water Department, and the Golf and Country Club.

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2010, is as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within one Year
<b>Governmental activities</b>					
Certificates of participation payable	\$ 190,000	\$ -	\$ (190,000)	\$ -	\$ -
Less deferred charge for issuance costs	(9,215)	-	9,215	-	-
Total certificates of participation	180,785	-	(180,785)	-	-
Tax increment bonds payable	1,500,000	-	(500,000)	1,000,000	500,000
Leases payable	258,261	-	(153,248)	105,013	105,013
Total long-term debt	1,939,046	-	(834,033)	1,105,013	605,013
Compensated absences	149,591	427,999	(405,088)	172,502	172,502
Total long-term liabilities	<u>\$ 2,088,637</u>	<u>\$ 427,999</u>	<u>\$ (1,239,121)</u>	<u>\$ 1,277,515</u>	<u>\$ 777,515</u>
<b>Business-type activities</b>					
Revenue bonds payable	\$ 1,660,000	\$ -	\$ (170,000)	\$ 1,490,000	\$ 170,000
Notes payable	610,435	-	(30,219)	580,216	31,686
Leases payable	1,134,051	-	(79,161)	1,054,890	82,521
Total long-term debt	3,404,486	-	(279,380)	3,125,106	284,207
Compensated absences	46,666	112,656	(118,398)	40,924	40,924
Total long-term liabilities	<u>\$ 3,451,152</u>	<u>\$ 112,656</u>	<u>\$ (397,778)</u>	<u>\$ 3,166,030</u>	<u>\$ 325,131</u>

Interest cost incurred by the business-type activities was \$145,974, all of which was charged to expense. No interest was capitalized during the year.

***Bonds Payable***

There are a number of limitations and restrictions contained in the various bond indentures. Management believes the City is in compliance with all significant limitations and restrictions.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

The following is a summary of each long-term bond obligation of the City at December 31, 2010:

Year Issued	Primary Use of Funds	Interest Rates and Payment Dates	Annual Principal Payments	Maturity	Original Issue	Outstanding at 12/31/10
<b>Governmental activities</b>						
<i>Tax Increment Bonds</i>						
		3.78%				
2003	Recreation Facilities	6/1 and 12/1	\$500,000	2012	<u>\$ 5,000,000</u>	<u>\$ 1,000,000</u>
<i>Certificates of Participation</i>						
		4.5%	\$110,000 to			
1997	Refund 1991 Certificates	2/1 and 8/1	\$190,000	2010	<u>\$ 1,860,000</u>	<u>\$ -</u>
<b>Business-type activities</b>						
<i>Revenue Bonds</i>						
	Crowfield Golf and Country Club	4.155%	\$120,000 to			
2003		6/2 and 12/2	\$210,000	2018	<u>\$ 2,500,000</u>	<u>\$ 1,490,000</u>

At December 31, 2010, future debt service requirements for bonds were as follows:

Year ending December 31,	Tax Increment Bonds		
	Principal	Interest	Total
2011	\$ 500,000	\$ 28,718	\$ 528,718
2012	500,000	9,608	509,608
	<u>\$ 1,000,000</u>	<u>\$ 38,326</u>	<u>\$ 1,038,326</u>

Year ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2011	\$ 170,000	\$ 58,308	\$ 228,308
2012	170,000	51,253	221,253
2013	180,000	43,990	223,990
2014	180,000	36,520	216,520
2015	190,000	28,843	218,843
2016-2018	600,000	38,180	638,180
	<u>\$ 1,490,000</u>	<u>\$ 257,094</u>	<u>\$ 1,747,094</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

**Notes Payable**

Notes payable from the business-type activities at December 31, 2010, are as follows:

Description	Outstanding at 12/31/10
South Carolina State Budget and Control Board 4.75%, 25 year note, \$4,880 due monthly including interest. Final payment due May 2024. Secured by elevated water tank and water lines with a carrying value of \$970,462. See Note IV. G.	\$ 580,216
	\$ 580,216

Year ending December 31,	Principal	Interest	Total
2011	\$ 31,686	\$ 26,876	\$ 58,562
2012	33,224	25,338	58,562
2013	34,837	23,725	58,562
2014	36,529	22,034	58,563
2015	38,302	20,260	58,562
2016-2020	221,275	71,537	292,812
2021-2024	184,363	15,726	200,089
	\$ 580,216	\$ 205,496	\$ 785,712

**Capital Leases Payable**

The City has entered into lease agreements as lessee for financing the acquisition of fire trucks, water system expansion, and golf carts. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

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

	Governmental Activities	Business-type Activities
Fire trucks	\$ 990,172	\$ -
Golf carts	-	268,513
Water pipe extension	-	1,162,023
Less accumulated depreciation	(536,808)	(559,087)
Carrying value	\$ 453,364	\$ 871,449

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Long-Term Debt (Continued)**

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2010, was \$7,682 and \$82,521 for Governmental Activities and Business-type Activities, respectively.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2011	\$ 108,018	\$ 142,009
2012	-	181,342
2013	-	87,407
2014	-	87,467
2015	-	87,575
2016-2020	-	428,238
2021-2025	-	373,830
2026-2030	-	272,282
	<u>108,018</u>	<u>1,660,150</u>
Less amount representing interest	(3,005)	(605,260)
Present value of minimum lease payments	105,013	1,054,890
Less current portion	(105,013)	(82,521)
Long-term portion of leases	<u>\$ -</u>	<u>\$ 972,369</u>

***Operating Lease Obligation***

In October 2007, the City entered into a lease agreement for golf course equipment. The lease agreement is for a forty-eight month period commencing April 2008 with a minimum monthly charge of \$8,270 for a total minimum commitment of \$396,936 over the term of the lease. Payments on this lease are funded from the golf course fund.

Future minimum lease payments for the leases for each of the succeeding fiscal years are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2011	<u>\$ 99,234</u>
Total	<u>\$ 99,234</u>



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Changes in Fund Balances**

**General Fund Designated Fund Balance.** The following is a summary of changes in the designated fund balance for the fiscal year:

	December 31, 2009	Increase (Decrease)	December 31, 2010
Designated for computer replacement	\$ 44,771	\$ (18,713)	\$ 26,058
Designated for fleet replacement	24,069	-	24,069
Designated for capital items	43,240	-	43,240
Designated for water system	-	74,529	74,529
	<u>\$ 112,080</u>	<u>\$ 55,816</u>	<u>\$ 167,896</u>

The designation for computer replacement required current year resources and is reported in the financial statements as follows:

Department	December 31, 2009	Funds Designated	Expenditures and transfers	December 31, 2010
Police	\$ 7,760	\$ -	\$ (7,760)	\$ -
Administration	18,744	-	(10,953)	7,791
Fire	11,283	-	-	11,283
Court	3,987	-	-	3,987
Maintenance	893	-	-	893
Sanitation	893	-	-	893
Garage	1,211	-	-	1,211
	<u>\$ 44,771</u>	<u>\$ -</u>	<u>\$ (18,713)</u>	<u>\$ 26,058</u>

The designation for fleet replacement required current year resources and is reported in the financial statements as follows:

Department	December 31, 2009	Funds Designated	Expenditures and transfers	December 31, 2010
Police	\$ -	\$ 176,000	\$ (176,000)	\$ -
Fire	659	-	-	659
Sanitation	10,033	-	-	10,033
Maintenance	13,377	-	-	13,377
	<u>\$ 24,069</u>	<u>\$ 176,000</u>	<u>\$ (176,000)</u>	<u>\$ 24,069</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Changes in Fund Balances (Continued)**

**Reserved Fund Balances.** The following is a summary of the changes in the reserved fund balance for the fiscal year:

	December 31, 2009	Increase (Decrease)	December 31, 2010
Reserved for inventory – General Fund	\$ 67,637	\$ 20,548	\$ 88,185
Reserved for Liberty Hall	\$ 252,671	\$ 12,590	\$ 265,261
Reserved for advances – Tax Increment Financing	\$ 674,978	\$ -	\$ 674,978
Reserved for advances – Local Option Sales Tax	\$ 50,000	\$ -	\$ 50,000

**IV. OTHER INFORMATION**

**A. 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 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16<sup>th</sup> – three percent; February 2<sup>nd</sup> – an additional seven percent; March 16<sup>th</sup> – an additional five percent. If not paid by October 1<sup>st</sup>, 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.

Taxes recognized as revenue and used for the 2010 calendar year are based on property assessed as of December 31, 2008, and billed in September 2009. The City tax rate to finance general governmental services for the year ended December 31, 2010, was set at 40.0 mills (\$4.00 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$12,479,240), within the City's district as of December 31, 2008, was \$117,585,605 according to records of the Berkeley County Auditor.

The City's levy on property assessed as of December 31, 2009, and billed in September 2010, will generate taxes to be used for the 2011 calendar year. Although a receivable is recorded at December 31, 2010, all revenue is deferred.

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 for the year ended December 31, 2010, was \$75 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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

**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.

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.

**C. Related Party Transactions**

On February 1, 1991, the City entered into a lease agreement with the Public Facilities Corporation. Under the terms of the lease agreement, the Corporation constructed and equipped a public works complex and acquired land for a city hall facility. In return, the lessee (the City) pays a sum equal to the principal and interest payments due annually on the Certificates of Participation. In 2010, the City made principal and interest payments of \$190,000 and \$4,845, respectively. The lessee pays all taxes, assessments, insurance, utilities, and operating expenses, inclusive of structural maintenance. The lease agreement terminated during 2010 when the final payment was made on the Certificates of Participation. Coincident with the termination of the lease, the City owns the capital assets and the Public Facilities Corporation has terminated. See related footnotes I.A., I.B., III.H. and IV.E.

**D. Employee Retirement Systems and Plans**

***South Carolina Police Officers' Retirement System***

*Plan Description.*

In addition to participating in the Police Officer Retirement System (PORS), effective January 2004, the City also became a part of the South Carolina Retirement System (SCRS). Both the SCRS and the PORS are cost-sharing multiple-employer defined benefit pension plans administered by the Retirement Division of the State Budget and Control Board. Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the SC Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System is issued and publicly available on the internet at [www.retirement.sc.gov](http://www.retirement.sc.gov), or by writing the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

*Funding Policy.*

Employee-required contributions to the Plans are as follows:

SCRS	6.50% of salary
PORS, Class II	6.50% of salary

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Employee Retirement Systems and Plans (Continued)**

Employers are required to contribute at the following actuarially determined rates:

	January 1 - June 30, 2010	July 1 - December 31, 2010
SCRS, Local Government	9.24% of salary	9.24% of salary
PORS, Class II	10.65% of salary	11.13% of salary

In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. Participating employers under the Police Officers Retirement System also contribute .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for their participants.

The City's contributions to SCRS for the years ended December 31, 2010, 2009, and 2008, were \$643,486, \$625,236, and \$473,154, respectively. The City's contributions to PORS for the years ended December 31, 2010, 2009, and 2008, were \$301,979, \$290,086, and \$241,187, respectively. All employer contributions are equal to the required contributions for the years.

***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 8.39%, 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. The City also contributes on behalf other 14 original full time employees of the Goose Creek Recreation Commission that are not full time employees of the City an amount equal to the health insurance contribution that was paid by the Goose Creek Recreation Commission. All money purchase pension plans are 100% vested immediately. Total contributions to the plan by the City in 2010 were \$179,747.

The City also maintains a money purchase pension plan for the City Administrator and other 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 2010.

***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 2010 were \$31,464, which is equivalent to the required contributions. The annual contribution is recorded as an expenditure in the Fireman's 1% Special Revenue Fund.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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**IV. OTHER INFORMATION (CONTINUED)**

**D. Employee Retirement Systems and Plans (Continued)**

***Length of Service Awards Program***

In 2002, the City established the Length of Service Awards Program for the benefit of volunteer firemen. The Plan was established in accordance with Internal Revenue Code Section 457. The Plan is administered by a three to five member managing committee elected by the Fire Department employees. The Plan is available to all volunteer firemen with one year of service. 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.

The City's contributions to the Plan are determined by the Managing Committee. Volunteers must meet annual level of service criteria prior to becoming eligible for City contributions to the Plan. Annual levels of service criteria are based on the South Carolina volunteer firefighter state tax deduction points system as set by the state fire marshal. For 2010, no active volunteers met the level of service criteria; therefore, there were no contributions to the Plan for 2010.

**E. Commitments and Contingent Liabilities**

***Grants.*** Amounts received or receivable from grantor agencies in previous years 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.

***Contractual Commitments.*** At December 31, 2010, the City had the following contractual commitments:

Streetscape and drainage construction (Central Ave)	\$ 883,914
Streetscape and drainage construction (Highway 52)	711,406
Streetscape and drainage construction (Thomason Blvd)	<u>780,535</u>
	<u>\$ 2,375,855</u>

***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 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 Waterworks 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 toward the purchase of water were \$1,000,146.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. Commitments and Contingent Liabilities (Continued)**

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

<u>Year ending December 31,</u>	<u>Total</u>
2011	\$ 1,055,607
2012	\$ 1,068,348
2013	\$ 1,118,414

**Long-Term Contract – Recreation.** In May 1999, the City entered into a contract with the Goose Creek Recreation Commission whereby the Commission provided recreational services to the residents of the City of Goose Creek. The term of this agreement was five years and provided for automatic extensions for additional terms of five years each, unless either party, by written notice to the other given at least eighteen months prior to the expiration of the then term, elected to withdraw from or terminate this agreement. For these services the City paid the Commission semi-annually a sum no more than the equivalent of the sum represented by applying 11 mills to all taxable real and personal property located within the corporate limits of the City.

In May 2008, the City entered into a contract with the Commission whereby the City assumes the operations of the District to all residents served by the Commission, both within and without 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 now accounted for by the City as an enterprise fund.

**Long-Term Contract – Other.** On February 1, 1991, the Goose Creek Public Facilities Corporation (GCPFC) entered into the following contracts which terminated during 2010 with the final debt payment and consequent dissolution of the GCPFC:

**Lease Assignment Agreement between the Corporation and the Bank of New York.**

The Lease Assignment Agreement absolutely and irrevocably assigned and transferred the rights, title, interest, obligations, and responsibilities of the Corporation to the Trustee for the benefit of the Trustee and the holders of the Certificates of Participation.

**Trust Agreement between the Corporation and the Bank of New York.**

The Trust Agreement was established for the benefit of the Certificate holders (i) to administer the monies pursuant to the Lease for credit to the construction fund, payment fund, the advance base rental fund, and the rental reserve fund established by the Agreement, (ii) to receive, hold, sell, lease, and distribute the project, or any portion thereof, recovered by the Trustee here under, and (iii) for certain other purposes provided.

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**IV. OTHER INFORMATION (CONTINUED)**

**E. Commitments and Contingent Liabilities (Continued)**

**First Supplemental Trust Agreement between the Corporation and the Bank of New York.**

On July 1, 1997, the Goose Creek Public Facilities Corporation entered into a supplemental trust agreement with the Bank of New York which incorporates the exercise of lessor's rights to redeem in whole the \$1,965,000 outstanding principal of the Series 1991 Certificates of Participation and to issue the Series 1997 Refunding Certificates of Participation. The establishment of this Corporation does not affect the City's legal debt limitations, which are based on a percentage of the assessed value of property within the City limits. See related footnotes I.A., I.B., III.H., and IV.C.

**F. Pending GASB Statements**

The GASB has issued the following statements:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the City's year ending December 31, 2011.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the City's year ending December 31, 2012.

The effect of implementation of these statements on the financial statements has not been determined.

**G. Subsequent Events**

In 2011, the City has awarded contracts to various companies for the following:

Purpose	Award
Drainage project at Municipal Center	\$ 122,167
Conversion of overhead distribution lines	244,310
	\$ 366,477

In June 2011, the Council approved defeasing the remaining balance of the State Revolving Fund loan as of July 1, 2011, with a payment of \$564,560. See Note III.H, Business-type activities notes payable.

In August 2011, Council approved defeasing the remaining balance of the 2003 Tax Increment Bond with a payment of \$519,215. See Note III.H., Governmental Activities Bonds Payable.

Management has assessed subsequent events through September 21, 2010, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S  
DISCUSSION AND ANALYSIS (UNAUDITED)**



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND, TAX INCREMENT FINANCING FUND,  
AND LOCAL OPTION SALES TAX FUND  
YEAR ENDED DECEMBER 31, 2010**

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Local revenues			
Property taxes	\$ 1,967,887	\$ 1,679,502	\$ (288,385)
Licenses and permits	7,510,290	7,150,153	(360,137)
Charges for services	1,525,233	1,412,662	(112,571)
Fines and forfeitures	477,023	443,356	(33,667)
Miscellaneous revenues	349,180	298,047	(51,133)
Total local revenues	<u>11,829,613</u>	<u>10,983,720</u>	<u>(845,893)</u>
State revenues	2,874,852	2,932,990	58,138
Federal revenues	-	109,805	109,805
<b>TOTAL REVENUES</b>	<u>14,704,465</u>	<u>14,026,515</u>	<u>(677,950)</u>
<b>EXPENDITURES</b>			
Current			
Legislative	192,738	169,471	23,267
Administrative	1,490,643	1,407,979	82,664
Police	5,890,162	5,611,412	278,750
Fire	3,330,410	3,271,546	58,864
Sanitation	1,210,628	1,050,149	160,479
Maintenance	1,003,440	935,982	67,458
Garage	252,882	265,091	(12,209)
Court	295,191	307,864	(12,673)
Planning	243,020	160,994	82,026
Information technology	425,312	373,973	51,339
Capital outlay	233,835	390,843	(157,008)
Debt service			
Principal	51,457	52,266	(809)
Interest	827	814	13
<b>TOTAL EXPENDITURES</b>	<u>14,620,545</u>	<u>13,998,384</u>	<u>622,161</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>83,920</u>	<u>28,131</u>	<u>(55,789)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	21,400	24,370	2,970
Transfers in	1,079,544	919,135	(160,409)
Transfers out	(1,230,201)	(1,137,497)	92,704
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(129,257)</u>	<u>(193,992)</u>	<u>(64,735)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (45,337)</u>	<u>(165,861)</u>	<u>\$ (120,524)</u>
<b>FUND BALANCES</b>			
Beginning of year		7,678,005	
Change in reserves		20,548	
End of year		<u>\$ 7,532,692</u>	

The accompanying Notes to the Budgetary Comparison Schedule - General Fund, Tax Increment Financing Fund, and Local Option Sales Tax Fund (Unaudited) are an integral part of this financial schedule.

Tax Increment Financing Fund			Local Option Sales Tax Fund		
Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
\$ 3,609,225	\$ 3,194,948	\$ (414,277)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
49,102	22,969	(26,133)	62,267	40,213	(22,054)
3,658,327	3,217,917	(440,410)	62,267	40,213	(22,054)
-	217,206	217,206	874,632	810,694	(63,938)
-	-	-	-	-	-
3,658,327	3,435,123	(223,204)	936,899	850,907	(85,992)
-	-	-	-	-	-
-	-	-	-	35	(35)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	43	(43)	-	-	-
-	-	-	-	-	-
1,567,500	949,256	618,244	-	-	-
1,100,000	500,000	600,000	-	-	-
141,670	51,455	90,215	-	-	-
2,809,170	1,500,754	1,308,416	-	35	(35)
849,157	1,934,369	1,085,212	936,899	850,872	(86,027)
-	-	-	-	-	-
-	-	-	(1,024,601)	(919,135)	105,466
-	-	-	(1,024,601)	(919,135)	105,466
\$ 849,157	1,934,369	\$ 1,085,212	\$ (87,702)	(68,263)	\$ 19,439
-	4,889,549	-	-	1,981,204	-
-	\$ 6,823,918	-	-	\$ 1,912,941	-

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
NOTES TO BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND AND TAX INCREMENT FINANCING FUND,  
AND LOCAL OPTION SALES TAX FUND  
YEAR ENDED DECEMBER 31, 2010**

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**A. 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 EMS Grant-In-Aid Fund, Tourism Fund, and the Hiker Biker Funds. Budgets for the general fund and the special revenue funds that are major funds are presented as 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 is the fund level.
- e. Formal budgetary integration is employed as a 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.

## **OTHER FINANCIAL INFORMATION**

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	Special Revenue Funds			
	Impact Fee Fund	Tree Trust Fund	Fireman's 1% Fund	Confiscated Drug Monies
<b>ASSETS</b>				
Cash	\$ 333,723	\$ 24,088	\$ 79,538	\$ 53,125
Receivables, net of allowance				
Fines	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 333,723</b>	<b>\$ 24,088</b>	<b>\$ 79,538</b>	<b>\$ 53,125</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 3,031	\$ 2,139
Escrow payable	-	-	-	24,640
Due to other funds	157,921	-	-	-
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>157,921</b>	<b>-</b>	<b>3,031</b>	<b>26,779</b>
<b>FUND BALANCE</b>				
Reserved for Liberty Hall	265,261	-	-	-
Unreserved, undesignated reported in:				
Special revenue funds	(89,459)	24,088	76,507	26,346
Capital projects fund	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>175,802</b>	<b>24,088</b>	<b>76,507</b>	<b>26,346</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 333,723</b>	<b>\$ 24,088</b>	<b>\$ 79,538</b>	<b>\$ 53,125</b>

<u>E911 Fund</u>	<u>Hiker- Biker Trail</u>	<u>Tourism Fund</u>	<u>Victims' Assistance Fund</u>	<u>Debt Service Fund- GCPFC</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 182,749	\$ 6,776	\$ 59,229	\$ 128,669	\$ -	\$ 630,141	\$ 1,498,038
-	-	-	73,884	-	-	73,884
10,423	-	-	-	-	-	10,423
6,931	-	-	-	-	28,601	35,532
<u>\$ 200,103</u>	<u>\$ 6,776</u>	<u>\$ 59,229</u>	<u>\$ 202,553</u>	<u>\$ -</u>	<u>\$ 658,742</u>	<u>\$ 1,617,877</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,993	\$ 16,163
-	-	-	-	-	-	24,640
-	17,092	-	13,645	-	8,591	197,249
6,931	-	-	73,884	-	-	80,815
<u>6,931</u>	<u>17,092</u>	<u>-</u>	<u>87,529</u>	<u>-</u>	<u>19,584</u>	<u>318,867</u>
-	-	-	-	-	-	265,261
193,172	(10,316)	59,229	115,024	-	-	394,591
-	-	-	-	-	639,158	639,158
<u>193,172</u>	<u>(10,316)</u>	<u>59,229</u>	<u>115,024</u>	<u>-</u>	<u>639,158</u>	<u>1,299,010</u>
<u>\$ 200,103</u>	<u>\$ 6,776</u>	<u>\$ 59,229</u>	<u>\$ 202,553</u>	<u>\$ -</u>	<u>\$ 658,742</u>	<u>\$ 1,617,877</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2010**

	Special Revenue Funds			
	Impact Fee Fund	Tree Trust Fund	Fireman's 1% Fund	Confiscated Drug Monies
<b>REVENUES</b>				
Local Revenue				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenues	106,670	1,063	690	245
Total local revenues	106,670	1,063	690	245
State	-	-	72,741	-
Federal	-	-	-	19,895
<b>TOTAL REVENUES</b>	<b>106,670</b>	<b>1,063</b>	<b>73,431</b>	<b>20,140</b>
<b>EXPENDITURES</b>				
Current				
Police	-	-	-	23,783
Fire	-	-	56,331	-
Recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	100,982	-	-	-
Interest	7,368	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>108,350</b>	<b>-</b>	<b>56,331</b>	<b>23,783</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,680)</b>	<b>1,063</b>	<b>17,100</b>	<b>(3,643)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(58,453)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(58,453)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(60,133)</b>	<b>1,063</b>	<b>17,100</b>	<b>(3,643)</b>
<b>FUND BALANCE</b>				
Beginning of year	235,935	23,025	59,407	29,989
End of year	<u>\$ 175,802</u>	<u>\$ 24,088</u>	<u>\$ 76,507</u>	<u>\$ 26,346</u>

<u>E911 Fund</u>	<u>Hiker-Biker Trail</u>	<u>Tourism Fund</u>	<u>Victims' Assistance Fund</u>	<u>Debt Service Fund-GCPFC</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 61,840	\$ -	\$ -	\$ 61,840
96,197	-	-	-	-	7,877	212,742
96,197	-	-	61,840	-	7,877	274,582
139,964	-	31,545	-	-	73,290	317,540
-	-	-	-	-	-	19,895
236,161	-	31,545	61,840	-	81,167	612,017
149,812	-	-	62,504	-	-	236,099
-	-	-	-	-	-	56,331
-	-	21,628	-	-	44	21,672
-	-	-	-	-	269,128	269,128
-	-	-	-	190,000	-	290,982
-	-	-	-	4,845	-	12,213
149,812	-	21,628	62,504	194,845	269,172	886,425
86,349	-	9,917	(664)	(194,845)	(188,005)	(274,408)
-	-	40,000	-	194,845	-	234,845
-	-	-	-	-	(3,486)	(61,939)
-	-	40,000	-	194,845	(3,486)	172,906
86,349	-	49,917	(664)	-	(191,491)	(101,502)
106,823	(10,316)	9,312	115,688	-	830,649	1,400,512
<u>\$ 193,172</u>	<u>\$ (10,316)</u>	<u>\$ 59,229</u>	<u>\$ 115,024</u>	<u>\$ -</u>	<u>\$ 639,158</u>	<u>\$ 1,299,010</u>



**CITY OF GOOSE CREEK, SOUTH CAROLINA  
COMPARATIVE SCHEDULE OF REVENUES -  
GENERAL FUND  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>LOCAL REVENUES</b>		
Property taxes		
Real and personal	\$ 1,353,270	\$ 678,554
Vehicle	234,029	211,035
Homestead tax	92,203	96,522
Total property taxes	<u>1,679,502</u>	<u>986,111</u>
Licenses and permits		
Business licenses	4,453,653	4,778,734
Building permits	526,912	558,982
Franchise fees	2,169,588	1,984,392
Total licenses and permits	<u>7,150,153</u>	<u>7,322,108</u>
Charges for services		
Police and fire	607,207	612,475
Sanitation fees	804,085	787,144
Administrative fees	1,370	980
Total charges for services	<u>1,412,662</u>	<u>1,400,599</u>
Fines and forfeitures		
Court fines	443,356	421,378
Miscellaneous		
Interest	40,686	52,128
Rent	70,021	75,107
Other	187,340	247,761
Total miscellaneous revenues	<u>298,047</u>	<u>374,996</u>
<b>TOTAL LOCAL REVENUES</b>	<u><u>\$ 10,983,720</u></u>	<u><u>\$ 10,505,192</u></u>
<b>STATE REVENUES</b>		
Inventory tax and manufacturers' exemption	\$ 14,989	\$ 14,816
Accommodations tax	25,477	25,168
Local government fund - quarterly	728,618	811,012
Local option sales tax - rebatable	2,156,780	2,032,567
Grants	7,126	282,280
<b>TOTAL STATE REVENUES</b>	<u><u>\$ 2,932,990</u></u>	<u><u>\$ 3,165,843</u></u>
<b>FEDERAL REVENUES</b>		
Federal COPS grant	\$ 725	\$ 2,034
Department of Justice	11,340	51,046
Assistance to firefighters	97,740	-
Other grant	-	157,277
<b>TOTAL FEDERAL REVENUES</b>	<u><u>\$ 109,805</u></u>	<u><u>\$ 210,357</u></u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
COMPARATIVE SCHEDULE OF EXPENDITURES -  
GENERAL FUND  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009		
	Personnel	Other	Total	Personnel	Other	Total
Current						
Legislative	\$ 102,162	\$ 67,309	\$ 169,471	\$ 84,744	\$ 87,211	\$ 171,955
Administrative	1,119,027	288,952	1,407,979	1,078,316	358,403	1,436,719
Police	4,856,305	755,107	5,611,412	4,611,047	1,075,224	5,686,271
Fire	2,927,300	344,246	3,271,546	2,659,431	449,409	3,108,840
Sanitation	845,569	204,580	1,050,149	815,477	208,915	1,024,392
Maintenance	503,440	432,542	935,982	462,840	393,516	856,356
Garage	178,564	86,527	265,091	161,746	76,619	238,365
Court	244,653	63,211	307,864	228,421	78,743	307,164
Planning	136,315	24,679	160,994	166,845	67,799	234,644
Information Technology	146,264	227,709	373,973	127,787	192,449	320,236
Capital outlay	-	390,843	390,843	-	585,544	585,544
Debt service	-	53,080	53,080	-	53,381	53,381
<b>Total expenditures</b>	<b>\$11,059,599</b>	<b>\$ 2,938,785</b>	<b>\$13,998,384</b>	<b>\$ 10,396,654</b>	<b>\$ 3,627,213</b>	<b>\$14,023,867</b>

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
COMPARATIVE SCHEDULE OF EXPENSES  
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 982,259	\$ 2,222,932	\$ 3,205,191	\$ 898,104	\$ 2,200,235	\$ 3,098,339
Crowfield Golf and Country Club						
Administration	121,254	97,105	218,359	144,536	95,354	239,890
Course and grounds	457,972	452,130	910,102	433,156	439,284	872,440
Cart rental	77,723	69,846	147,569	79,289	71,031	150,320
Pro shop	73,695	130,326	204,021	79,418	148,453	227,871
Practice center	-	7,986	7,986	-	17,930	17,930
Starter/rangers	24,056	-	24,056	20,371	-	20,371
Food and beverage	87,754	147,867	235,621	99,474	173,727	273,201
Pool	-	51,725	51,725	-	48,818	48,818
Tennis	-	13,130	13,130	-	14,229	14,229
Total Crowfield Golf and Country Club expenses	842,454	970,115	1,812,569	856,244	1,008,826	1,865,070
Recreation Department						
Administration	294,573	306,942	601,515	335,811	324,504	660,315
Maintenance	575,708	218,041	793,749	590,115	240,822	830,937
Sports programs	102,204	149,354	251,558	96,854	150,198	247,052
Concessions	19,284	41,168	60,452	23,016	41,325	64,341
Community education	230,442	211,857	442,299	215,233	183,456	398,689
Special events	84,838	80,337	165,175	78,770	49,154	127,924
After school care	-	-	-	27,538	160	27,698
Total Recreation Department expenses	1,307,049	1,007,699	2,314,748	1,367,337	989,619	2,356,956
Total operating expenses	\$ 3,131,762	\$ 4,200,746	\$ 7,332,508	\$ 3,121,685	\$ 4,198,680	\$ 7,320,365

**CITY OF GOOSE CREEK, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES  
YEAR ENDED DECEMBER 31, 2010**

Fines, assessments and surcharges	\$	1,036,941
Remitted to state treasurer		(531,744)
Retained by the City	\$	<u>505,197</u>
Fines, assessments and surcharges retained by the City		
General Fund	\$	443,357
Victims' assistance services		61,840
Total	\$	<u>505,197</u>
Funds allocated to victims' assistance services		
Carryover funds from prior year	\$	115,688
Surcharges and assessments retained		61,840
Funds available for victims' assistance services		<u>177,528</u>
Expenditures		
Salaries		52,940
Audit costs		1,000
Training and seminars		4,020
Travel		864
Postage		655
Crime prevention		2,700
Miscellaneous		325
Total program expenditures		<u>62,504</u>
Remaining balance	\$	<u>115,024</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE AND OTHER MATTERS**

**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**

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

We have audited 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of management, City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Webster Rogers LLP*

Summerville, South Carolina  
September 21, 2011

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