

**CITY OF GOOSE CREEK,
SOUTH CAROLINA**

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

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**

**CITY OF GOOSE CREEK, SOUTH CAROLINA
TABLE OF CONTENTS
DECEMBER 31, 2013**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Management's Discussion and Analysis	4-12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Fund Type – Enterprise Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund Type – Enterprise Funds	20
Statement of Cash Flows – Proprietary Fund Type – Enterprise Funds	21-22
Statement of Net Position - Fiduciary Funds	23
Notes to Financial Statements	24-48
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	
Budgetary Comparison Schedule – General Fund and Tax Increment Financing Fund	49
Notes to Budgetary Comparison Schedule – General Fund and Tax Increment Financing Fund	50

**CITY OF GOOSE CREEK, SOUTH CAROLINA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2013**

	<u>Page</u>
OTHER FINANCIAL INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	52
Comparative Schedule of Revenues – General Fund.....	53
Comparative Schedule of Expenditures – General Fund.....	54
Comparative Schedule of Expenses – Proprietary Fund Type – Enterprise Funds	55
Schedule of Court Fines, Assessments, and Surcharges.....	56
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Schedule of Findings and Responses.....	59

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, business-type activities, each major fund, and the aggregate remaining fund information of the **City of Goose Creek, South Carolina**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note I.D.7 to the financial statements, in 2013 the City adopted new accounting guidance GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This change had a material effect on the comparability of the format of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Budgetary Comparison Schedule*, and the *Notes to the Budgetary Comparison Schedule* on pages 4-12 and 49-50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules listed in the table of contents as other supplementary financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Fund Statements and Schedules, listed under Other Financial Information on the Table of Contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Combining Fund Statements and Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Goose Creek, South Carolina's basic financial statements for the year ended December 31, 2012, which are not presented with the accompanying financial statements. In our report dated July 25, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goose Creek, South Carolina's financial statements as a whole. The partial comparative information related to the 2012 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statements.

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

The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 partial comparative information presented with the other financial information for 2013, is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Summerville, South Carolina
September 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The governmental activities and business-type activities combined assets of the City of Goose Creek exceed its liabilities at the close of the most recent fiscal year by \$ 60,036,379 (*net position*). Of this amount, \$ 6,543,502 (*unrestricted net position*) 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 \$15,692,739, a decrease of \$ 1,753,015. The decrease was due to construction projects funded by the Tax Increment Financing Fund. At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,225,430 or 48.31% percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and all intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Goose Creek include general government, planning, police, fire, court, sanitation, maintenance, garage, and recreation. The business-type activities include the water, recreation and golf course operations.

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

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 in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the tax increment financing fund and the local option sales tax fund all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Goose Creek adopts an annual appropriated budget for the general fund, the tax increment financing fund and the local option sales tax fund.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

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

The basic fiduciary fund financial statements can be found on page 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 24-48 of this report.

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 49-50 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 51-56 of this report.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets exceeded liabilities by \$ 60,036,379 at the close of the most recent fiscal year.

The largest portion of the City of Goose Creek's net position (78.34 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 Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2013
	2012*	2013	2012*	2013	2012*	2013	
	Current and Other Assets	\$ 21,681,985	\$ 20,081,138	\$ (3,143,365)	\$ (3,158,757)	\$ 18,538,620	
Capital Assets	28,218,056	29,696,315	18,295,806	17,658,017	46,513,862	47,354,332	1.81%
Total Assets	49,900,041	49,777,453	15,152,441	14,499,260	65,052,482	64,276,713	-1.19%
Long-term Liabilities							
Outstanding	172,882	177,622	458,802	363,949	631,684	541,571	-14.27%
Other Liabilities	986,955	809,262	744,653	881,049	1,731,608	1,690,311	-2.38%
Total Liabilities	1,159,837	986,884	1,203,455	1,244,998	2,363,292	2,231,882	-5.56%
Deferred inflows	934,797	1,586,478	448,407	421,974	1,383,204	2,008,452	45.20%
Net Position:							
Net investment in Capital							
Assets	28,218,056	29,696,315	17,884,631	17,338,578	46,102,687	47,034,893	2.02%
Restricted	7,581,813	6,457,984	-	-	7,581,813	6,457,984	-14.82%
Unrestricted	12,005,538	11,049,792	(4,384,052)	(4,506,290)	7,621,486	6,543,502	-14.14%
Total Net Position, as restated †	\$ 47,805,407	\$ 47,204,091	\$ 13,500,579	\$ 12,832,288	\$ 61,305,986	\$ 60,036,379	-2.07%

* Liabilities and Deferred Inflows were restated for comparative purposes as a result of the implementation of GASB 65.

† As restated, see note III.K.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

An additional portion of the City of Goose Creek's net position (\$6,457,984 or 10.76 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,543,502) may be used to meet the government's ongoing obligations to citizens and creditors

Governmental Activities – Governmental activities decreased the City of Goose Creek's net position by \$601,316 thereby decreasing the total growth in net position of the City of Goose Creek.

The City of Goose Creek Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Revenues:							
Program Revenues:							
Charges for Services	\$ 7,822,280	\$ 7,685,383	\$ 4,885,409	\$ 4,779,881	\$ 12,687,669	\$ 12,465,264	(1.75%)
Operating Grants and Contributions	75,227	81,911	-	-	75,227	81,911	8.89%
Capital Grants and Contributions	608,239	1,324,335	244,991	213,558	853,230	1,537,893	80.24%
General Revenues:							
Property Taxes	5,278,851	1,359,184	418,472	463,250	5,697,333	1,852,434	(67.49%)
Local Option Sales Taxes	3,119,729	3,308,419	-	-	3,119,729	3,308,419	6.05%
Franchise	2,282,378	2,287,411	-	-	2,282,378	2,287,411	1.11%
Unrestricted Grants and Contributions	818,500	824,314	-	-	818,500	824,314	0.71%
Unrestricted revenue from use of monies and property	106,367	96,540	9,871	5,574	116,038	102,114	(12.00%)
Miscellaneous	45,832	65,277	45,577	51,090	91,409	116,367	27.30%
Gain on sale of assets	10,265	-	-	-	10,265	-	100.00%
Total Revenues	20,147,658	17,032,774	5,584,120	5,543,353	25,731,778	22,576,127	(12.28%)
Expenses:							
Legislative	164,230	168,179	-	-	164,230	168,179	2.40%
Administration	1,734,156	2,188,400	-	-	1,734,156	2,188,400	26.19%
Police	6,302,367	6,581,576	-	-	6,302,367	6,581,576	4.43%
Fire	3,570,914	3,630,978	-	-	3,570,914	3,630,978	1.68%
Sanitation	1,195,040	1,259,920	-	-	1,195,040	1,259,920	5.43%
Recreation	209,597	217,449	-	-	209,597	217,449	3.75%
Maintenance	1,062,903	1,078,444	-	-	1,062,903	1,078,444	1.46%
Garage	288,746	320,897	-	-	288,746	320,897	11.13%
Court	317,733	329,176	-	-	317,733	329,176	3.60%
Planning	173,164	160,880	-	-	173,164	160,880	(7.09%)
Information Technology	424,540	458,214	-	-	424,540	458,214	7.93%
Water	-	-	3,332,289	3,504,249	3,332,289	3,504,249	5.16%
Golf	-	-	1,524,485	1,355,805	1,524,485	1,355,805	(11.06%)
Recreation	-	-	2,377,911	2,591,567	2,377,911	2,591,567	8.99%
Total Expenses	15,443,390	16,394,113	7,234,685	7,451,621	22,678,075	23,845,734	5.15%
Increase/Decrease in Net Position Before Transfers	4,704,268	638,661	(1,650,565)	(1,908,268)	3,053,703	(1,269,607)	(41.58%)
Transfers	(1,177,756)	(1,239,977)	1,177,756	1,239,977	-	-	-
Increase/Decrease in Net Position	3,526,512	(601,316)	(472,809)	(668,291)	3,053,703	(1,269,607)	(41.58%)
Net Position as restated, January 1 ¹	44,278,895	47,805,407	13,973,388	13,500,579	58,252,283	61,305,986	5.24%
Net Position, December 31	\$47,805,407	\$ 47,204,091	\$ 13,500,579	\$ 12,832,288	\$ 61,305,986	\$60,036,379	(2.07%)

¹ As restated, see note III.K.

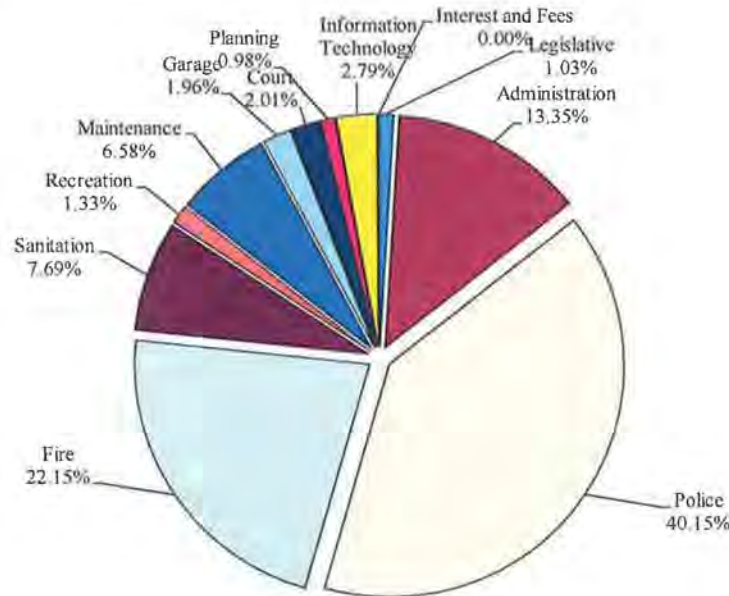
Charges for services were the City's largest program revenue, accounting for \$7,685,383 (45.12 percent) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees.

Property tax revenues only accounted for \$1,359,184 (7.98%) of governmental revenues, a decrease of \$3,919,677 (74.25%) as a result of the Tax Increment Financing Fund reaching the sunset provision. Another component of general revenues that is related to property taxes is the revenue received from Local Option Sales Taxes which accounted for \$3,308,419 (19.42 percent). Franchise fees of \$2,287,411 (13.43 percent) and unrestricted grants and contributions of \$824,314 (4.84 percent) complete the top five revenue sources at \$15,464,711 (90.79 percent) for the City of Goose Creek.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

The Police Department program accounted for \$6,581,576 (40.15%) of the \$16,394,113 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$3,630,978 (22.15 %) 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.

Governmental Activities – Cost of Services

	2012		2013		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	\$ 164,230	\$ (164,230)	\$ 168,179	\$ (168,179)	2.40%	2.40%
Administration	1,734,156	3,605,718	2,188,400	4,328,844	26.19%	20.05%
Police	6,302,367	(5,410,659)	6,581,576	(6,123,121)	4.43%	13.17%
Fire	3,570,914	(2,785,922)	3,630,978	(3,042,759)	1.68%	9.22%
Sanitation	1,195,040	293,362	1,259,920	267,791	5.43%	(8.72%)
Recreation	209,597	(209,597)	217,449	(217,449)	3.75%	3.75%
Maintenance	1,062,903	(1,062,903)	1,078,444	(1,078,444)	1.46%	1.46%
Garage	288,746	(288,746)	320,897	(320,897)	11.13%	11.13%
Court	317,733	(317,733)	329,176	(329,176)	3.60%	3.60%
Planning	173,164	(172,414)	160,880	(160,880)	(7.09%)	(6.69%)
Information Technology	424,540	(424,540)	458,214	(458,214)	7.93%	7.93%
Total Expenses	\$15,443,390	\$ (6,937,664)	\$ 16,394,113	\$ (7,302,484)	6.16%	5.26%

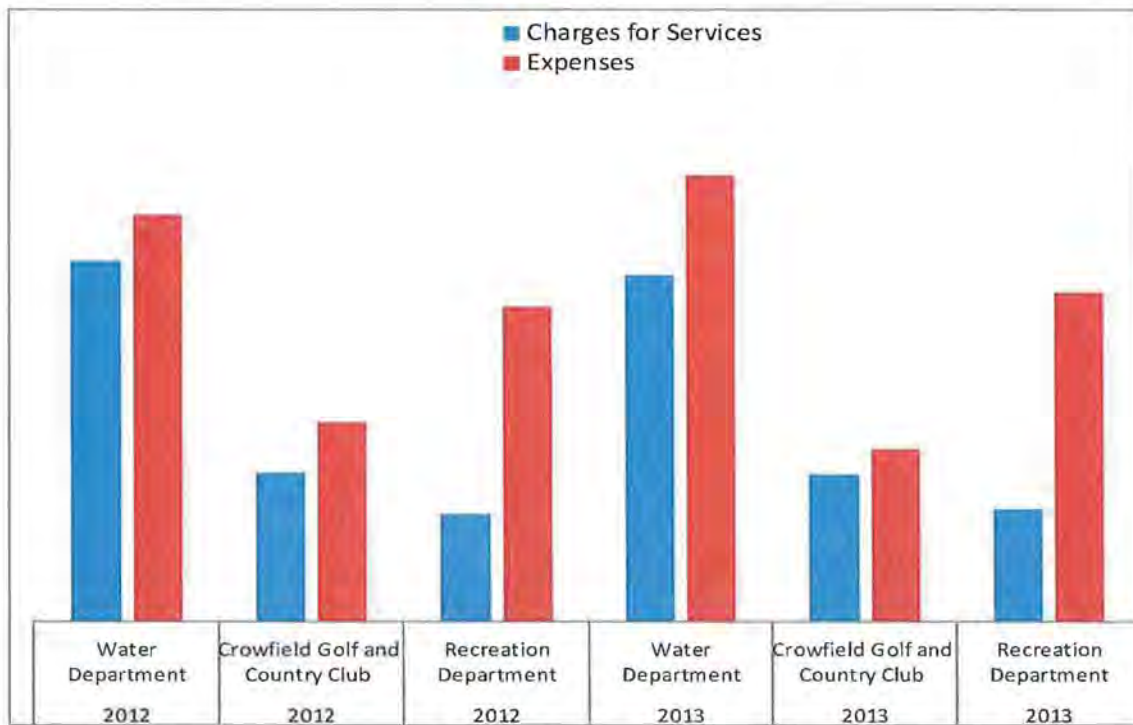
CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

Program revenues from charges for services and operating and capital grants of \$9,091,629 (55.46 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$7,302,484 in general government expenses were 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 business-type program revenue, accounting for \$4,779,881 (95.72 percent) of the total business-type activities revenues. These charges are: water and water services, (i.e. sales of water, tap and impact fees, late charges, administration fees, and fire demand fees) for the water enterprise fund; recreation fund revenue from memberships, recreation fees, class fees and concession stand sales; and memberships, green fees, cart fees, pro shop sales, and food and beverage sales for the golf enterprise fund.

The water enterprise fund also had capital contributions of \$213,558 for the water lines installed at Sophia Landing Phase 3B and Kingdom Hall of the Jehovah's Witness.



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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

Governmental Funds - The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2013, the City's total governmental funds reported a combined ending fund balance of \$15,692,739. Approximately 45.65 percent of this total (\$7,163,357) is unassigned fund balance. The remaining fund balances are: nonspendable, \$880,892; restricted, \$6,457,984; committed, \$14,375; and assigned, \$1,176,131. The largest portion of the restricted fund balance is \$5,794,956 for the Tax Increment Fund capital projects.

The general fund is the primary operating fund of the City. At the end of the current year the unassigned fund balance of the general fund was \$7,225,430 with a total fund balance of \$8,188,096. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.31 percent of total general fund expenditures, while total fund balance represents 54.75 percent of that same amount.

The City's tax increment financing expenditures were \$1,237,240 for the ongoing construction in the downtown master plan.

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 position of the proprietary funds at the end of the year amounted to \$1,714,783 for the Water Department, \$(6,864,653) for the Crowfield Golf and Country Club and \$643,580 for the Recreation Department. The total growths (reductions) in net position for the funds were: Water, \$(529,698); Golf, \$(189,226); and Recreation, \$50,633. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Goose Creek's business-type activities.

Budgetary Highlights

The City's General Fund revenues were \$815,358 less than budgeted. The City budgeted for general fund expenditures and other financing uses to exceed revenues and other financing sources by \$260,645. Expenditures were \$337,762 less than budgeted, resulting in a decrease in the City's net position of \$625,219.

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, 2013 was \$47,354,332 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, mast arms and infrastructure.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

Capital Assets and Debt Administration (Continued)

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

- Upgrade E-911 call center equipment – \$182,464
- Purchase of 8 police vehicles – \$190,574
- Completion of Plantation North hiker/biker trails – \$92,359
- Contribution of roads and sidewalks in Carnes Cross Roads development – \$1,219,576
- Completion of streetscaping Button Hall Avenue and Central Avenue – \$4,303,083
- Improvements to the water system – \$134,917
- Contribution of water lines – \$213,558

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
Land	\$ 6,795,021	\$ 6,795,021	\$ 1,956,615	\$ 1,956,615	\$ 8,751,636	\$ 8,751,636	0.00%
Construction in progress	3,921,218	714,954	8,385	8,385	3,929,603	723,339	(81.59%)
Buildings	10,770,494	10,473,867	1,439,625	1,263,072	12,210,119	11,736,939	(3.88%)
Improvements	478,365	297,607	249,292	242,416	727,657	540,023	(25.79%)
Vehicles	1,329,186	1,191,253	17,134	12,518	1,346,320	1,203,771	(10.59%)
Computers	15,025	8,152	-	-	15,025	8,152	(45.74%)
Mast Arms	970,795	896,912	-	-	970,795	896,912	(7.61%)
Equipment	648,985	718,907	589,862	488,048	1,238,847	1,206,955	(2.57%)
Streetscape	2,056,723	6,139,882	-	-	2,056,723	6,139,882	198.53%
Infrastructure	1,232,244	2,459,760	-	-	1,232,244	2,459,760	99.62%
Water System	-	-	13,483,485	13,194,870	13,483,485	13,194,870	(2.14%)
Land Improvements	-	-	551,408	492,093	551,408	492,093	(10.76%)
	<u>\$ 28,218,056</u>	<u>\$ 29,696,315</u>	<u>\$ 18,295,806</u>	<u>\$ 17,658,017</u>	<u>\$ 46,513,862</u>	<u>\$ 47,354,332</u>	<u>1.81%</u>

Long-Term Debt - At the end of the current fiscal year, the City of Goose Creek had total long-term debt outstanding of \$319,439. The debt does not comprise debt backed by the full faith and credit of the government. The City has no outstanding governmental activities debt. The business-type activities debt includes capital leases of \$319,439 for the purchase of golf equipment.

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
	2012	2013	2012	2013	2012	2013	2012-2013
Compensated absences	\$ 172,882	\$ 177,622	\$ 47,627	\$ 44,510	\$ 220,509	\$ 222,132	0.00%
Leases payable	-	-	411,175	319,439	411,175	319,439	(57.68%)
	<u>\$ 172,882</u>	<u>\$ 177,622</u>	<u>\$ 458,802</u>	<u>\$ 363,949</u>	<u>\$ 631,684</u>	<u>\$ 541,571</u>	<u>(75.09%)</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

Economic Factors and Next Year's Budget

The City of Goose Creek's growth continues to be slow due to the downturn in the economy in recent years. During 2013 the City only issued 155 new housing construction permits due to the slowdown in the housing market. The City does have development agreements that will provide in excess of over 10,000 new houses and several large commercial development sites over the next twenty years ensuring long term managed growth.

During the current fiscal year the City's net position, as restated, decreased \$1,269,607 due to the decrease in growth. The City still maintains the funds necessary to continue to provide quality services to the residents; however, a five mills tax increase in the next fiscal year will be levied by City Council. The tax increase will be the first in 34 years and will ensure funding for the construction of a new headquarters fire station and an additional fire substation which will increase fire department staffing by 12 fire fighters.

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 2013 the City contracted for an economic development study with an outside contractor to chart the best course of action to achieve the City's economic development goals. The City has development agreements for commercial and residential construction in the Carnes Crossroads area, where over 2,400 acres will be developed in the coming years.

The water enterprise fund installed 141 new water taps during 2013 as a result of new housing construction. The radio-read meter upgrade program installation to convert all manual-read water meters to radio-read meters has continued on schedule; 7,115 meters have been installed or converted through 2013, leaving 2,381 to be converted over the next 2 years.

The golf enterprise fund completed the tenth full year of operations. In response to continuous operating losses, in 2010 the City implemented a five year plan to make Crowfield Golf and Country Club self-sufficient. The operating loss, excluding depreciation, was \$34,257 in 2013 which is \$431,073 less than 2009, the golf enterprise fund's worst year of operations.

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

These indicators were taken into account when adopting the General Fund budget for the 2014 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 POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,268,807	\$ 2,813,875	\$ 11,082,682
Receivables, net of allowance			
Taxes	597,991	180,431	778,422
Fines	404,951	-	404,951
Accounts	1,800,177	279,682	2,079,859
Due from county treasurer	875,276	97,039	972,315
Due from other governments	1,325,190	-	1,325,190
Internal balances	6,652,832	(6,652,832)	-
Inventories	118,582	115,665	234,247
Prepaid items	37,332	7,383	44,715
Capital assets, not being depreciated	7,509,975	1,965,000	9,474,975
Capital assets, net of accumulated depreciation	22,186,340	15,693,017	37,879,357
TOTAL ASSETS	49,777,453	14,499,260	64,276,713
LIABILITIES			
Accounts payable	439,108	252,461	691,569
Accrued salaries and related liabilities	285,625	48,677	334,302
Escrow and retainage payable	84,529	-	84,529
Unearned revenue	-	88,630	88,630
Due to developers	-	491,281	491,281
Noncurrent liabilities			
Due within one year	177,622	137,876	315,498
Due in more than one year	-	226,073	226,073
TOTAL LIABILITIES	986,884	1,244,998	2,231,882
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future years	1,550,223	421,974	1,972,197
Business licenses collected in advance	36,255	-	36,255
TOTAL DEFERRED INFLOWS OF RESOURCES	1,586,478	421,974	2,008,452
NET POSITION			
Net investment in capital assets	29,696,315	17,338,578	47,034,893
Restricted for			
Liberty Hall	290,728	-	290,728
Public safety	307,104	-	307,104
Tourism	65,196	-	65,196
TIF projects	5,794,956	-	5,794,956
Unrestricted	11,049,792	(4,506,290)	6,543,502
TOTAL NET POSITION	\$ 47,204,091	\$ 12,832,288	\$ 60,036,379

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 168,179	\$ -	\$ -	\$ -
Administrative	2,188,400	5,192,909	-	1,324,335
Police	6,581,576	376,544	81,911	-
Fire	3,630,978	588,219	-	-
Sanitation	1,259,920	1,527,711	-	-
Recreation	217,449	-	-	-
Maintenance	1,078,444	-	-	-
Garage	320,897	-	-	-
Court	329,176	-	-	-
Planning	160,880	-	-	-
Information Technology	458,214	-	-	-
Total governmental activities	16,394,113	7,685,383	81,911	1,324,335
Business-type activities				
Water Department	3,504,249	2,721,312	-	213,558
Crowfield Golf and Country Club	1,355,805	1,162,815	-	-
Recreation Department	2,591,567	895,754	-	-
Total business-type activities	7,451,621	4,779,881	-	213,558
Total government	\$23,845,734	\$12,465,264	\$ 81,911	\$ 1,537,893
General revenues				
Taxes				
Property, including fee in lieu of taxes				
Local option sales tax				
Franchise				
Grants and contributions not restricted to specific programs				
Unrestricted revenue from use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position				
Beginning of year, as restated				
End of year				

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (168,179)	\$ -	\$ (168,179)
4,328,844	-	4,328,844
(6,123,121)	-	(6,123,121)
(3,042,759)	-	(3,042,759)
267,791	-	267,791
(217,449)	-	(217,449)
(1,078,444)	-	(1,078,444)
(320,897)	-	(320,897)
(329,176)	-	(329,176)
(160,880)	-	(160,880)
(458,214)	-	(458,214)
<u>(7,302,484)</u>	<u>-</u>	<u>(7,302,484)</u>
-	(569,379)	(569,379)
-	(192,990)	(192,990)
-	(1,695,813)	(1,695,813)
<u>-</u>	<u>(2,458,182)</u>	<u>(2,458,182)</u>
<u>(7,302,484)</u>	<u>(2,458,182)</u>	<u>(9,760,666)</u>
1,359,184	493,250	1,852,434
3,308,419	-	3,308,419
2,287,411	-	2,287,411
824,314	-	824,314
96,540	5,574	102,114
65,277	51,090	116,367
(1,239,977)	1,239,977	-
<u>6,701,168</u>	<u>1,789,891</u>	<u>8,491,059</u>
(601,316)	(668,291)	(1,269,607)
<u>47,805,407</u>	<u>13,500,579</u>	<u>61,305,986</u>
<u>\$ 47,204,091</u>	<u>\$ 12,832,288</u>	<u>\$60,036,379</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,684,350	\$ 2,501,752	\$ 1,082,705	\$ 8,268,807
Receivables, net of allowance				
Taxes	597,991	-	-	597,991
Fines	339,545	-	65,406	404,951
Accounts	1,792,111	-	8,066	1,800,177
Due from county treasurer	875,276	-	-	875,276
Due from other governments	1,318,093	-	7,097	1,325,190
Due from other funds	6,837,841	3,293,854	-	10,131,695
Advances to other funds	50,000	674,978	-	724,978
Inventories	118,582	-	-	118,582
Prepaid items	37,332	-	-	37,332
TOTAL ASSETS	\$ 16,651,121	\$ 6,470,584	\$ 1,163,274	\$ 24,284,979
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 435,279	\$ 650	\$ 3,179	\$ 439,108
Accrued salaries and related liabilities	285,625	-	-	285,625
Escrow and retainage payable	49,752	-	34,777	84,529
Due to other funds	4,178,638	-	25,203	4,203,841
TOTAL LIABILITIES	4,949,294	650	63,159	5,013,103
Deferred inflows of resources				
Property taxes levied for future years	1,550,223	-	-	1,550,223
Business licenses collected in advance	36,255	-	-	36,255
Unavailable revenue	1,927,253	-	65,406	1,992,659
TOTAL DEFERRED INFLOWS OF RESOURCES	3,513,731	-	65,406	3,579,137
Fund balances				
Nonspendable	205,914	674,978	-	880,892
Restricted:				
Public safety	-	-	307,104	307,104
Tourism	-	-	65,196	65,196
Liberty Hall impact fees	-	-	290,728	290,728
TIF projects	-	5,794,956	-	5,794,956
Committed:				
Tree replacement	14,375	-	-	14,375
Assigned:				
Fleet replacement	22,760	-	-	22,760
Computer replacement	26,058	-	-	26,058
Capital items	43,240	-	-	43,240
Capital projects	-	-	433,754	433,754
Water system	650,319	-	-	650,319
Unassigned	7,225,430	-	(62,073)	7,163,357
TOTAL FUND BALANCE	8,188,096	6,469,934	1,034,709	15,692,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,651,121	\$ 6,470,584	\$ 1,163,274	\$ 24,284,979

The accompanying Notes to the 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 POSITION
DECEMBER 31, 2013**

Total governmental fund balances	\$ 15,692,739
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Amounts reported for governmental activities in the statement of net position are different because of the following:

Capital assets used for governmental activities are not financial resources and therefore are not reported in the government funds:

Cost of assets	\$40,660,209	
Accumulated depreciation	<u>(10,963,894)</u>	
		29,696,315

Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:

State aid to subdivisions	\$ 332,944	
Fines and forfeitures	404,949	
EMS revenue	<u>1,254,766</u>	
		1,992,659

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:

Compensated absences payable	\$ (177,622)	
		<u>(177,622)</u>

Net position of governmental activities	<u>\$ 47,204,091</u>
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The accompanying Notes to the 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, 2013**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
REVENUES				
Local revenues				
Property taxes	\$ 1,245,282	\$ 99,082	\$ -	\$ 1,344,364
Licenses and permits	7,327,180	-	-	7,327,180
Charges for services	2,201,512	-	-	2,201,512
Fines and forfeitures	369,404	-	56,517	425,921
Miscellaneous revenues	247,953	8,614	133,477	390,044
Total local revenues	11,391,331	107,696	189,994	11,689,021
State revenues	4,196,037	-	164,428	4,360,465
Federal revenues	-	-	48,156	48,156
TOTAL REVENUES	15,587,368	107,696	402,578	16,097,642
EXPENDITURES				
Current				
Legislative	168,180	-	-	168,180
Administrative	1,578,514	-	60,810	1,639,324
Police	6,040,403	-	222,931	6,263,334
Fire	3,510,304	-	-	3,510,304
Sanitation	1,162,166	-	-	1,162,166
Recreation	-	-	11,289	11,289
Maintenance	984,073	-	-	984,073
Garage	318,332	-	-	318,332
Court	329,437	-	-	329,437
Planning	133,630	27,671	-	161,301
Information technology	428,326	-	-	428,326
Capital outlay	302,384	1,209,569	182,464	1,694,417
TOTAL EXPENDITURES	14,955,749	1,237,240	477,494	16,670,483
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	631,619	(1,129,544)	(74,916)	(572,841)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	22,430	-	-	22,430
Insurance proceeds	37,373	-	-	37,373
Transfers in	-	76,664	-	76,664
Transfers out	(1,316,641)	-	-	(1,316,641)
TOTAL OTHER FINANCING SOURCES (USES)	(1,256,838)	76,664	-	(1,180,174)
NET CHANGE IN FUND BALANCES				
	(625,219)	(1,052,880)	(74,916)	(1,753,015)
FUND BALANCES				
Beginning of year, as restated	8,813,315	7,522,814	1,109,625	17,445,754
End of year	<u>\$ 8,188,096</u>	<u>\$ 6,469,934</u>	<u>\$ 1,034,709</u>	<u>\$ 15,692,739</u>

The accompanying Notes to the 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, 2013**

Net change in fund balances - total governmental funds \$(1,753,015)

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	\$ 1,694,417	
Depreciation expense	<u>(1,317,023)</u>	377,394

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	\$ (398,067)	
Accumulated depreciation	<u>279,356</u>	(118,711)

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. 1,219,576

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	\$ (332,968)	
Fines and forfeitures	(777,006)	
EMS revenue	(1,204,505)	

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

State aid to subdivisions	332,944	
Fines and forfeitures	404,949	
EMS Revenue	<u>1,254,766</u>	(321,820)

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	\$ (177,622)	
Prior year	<u>172,882</u>	<u>(4,740)</u>

Change in net position of governmental activities \$ (601,316)

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
DECEMBER 31, 2013

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,076,346	\$ 182,524	\$ 555,005	\$ 2,813,875
Accounts receivable, net of allowance	266,447	13,235	-	279,682
Taxes receivable, net of allowance	-	-	180,431	180,431
Due from county treasurer	-	-	97,039	97,039
Due from other funds	-	-	308,758	308,758
Inventories	98,577	17,088	-	115,665
Prepaid items	6,792	-	591	7,383
Total current assets	2,448,162	212,847	1,141,824	3,802,833
Noncurrent assets				
Capital assets, net of accumulated depreciation	13,531,480	2,989,932	1,136,605	17,658,017
TOTAL ASSETS	15,979,642	3,202,779	2,278,429	21,460,850
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	203,231	10,030	39,200	252,461
Accrued salaries and related liabilities	17,696	10,614	20,367	48,677
Compensated absences payable	15,979	13,924	14,607	44,510
Due to other funds	5,192	6,231,420	-	6,236,612
Unearned revenue	-	86,534	2,096	88,630
Due to developers	491,281	-	-	491,281
Current portion of leases payable	-	93,366	-	93,366
Total current liabilities	733,379	6,445,888	76,270	7,255,537
Noncurrent liabilities				
Advances from other funds	-	724,978	-	724,978
Leases payable	-	226,073	-	226,073
Total noncurrent liabilities	-	951,051	-	951,051
TOTAL LIABILITIES	733,379	7,396,939	76,270	8,206,588
DEFERRED INFLOWS				
Property taxes levied for future years	-	-	421,974	421,974
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	421,974	421,974
NET POSITION (DEFICIT)				
Net investment in capital assets	13,531,480	2,670,493	1,136,605	17,338,578
Unrestricted	1,714,783	(6,864,653)	643,580	(4,506,290)
TOTAL NET POSITION (DEFICIT)	\$15,246,263	\$ (4,194,160)	\$ 1,780,185	\$12,832,288

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2013

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
OPERATING REVENUES				
Property taxes	\$ -	\$ -	\$ 493,250	\$ 493,250
Charges for sales and services	2,721,312	1,162,815	895,754	4,779,881
Miscellaneous	34,121	3,750	13,219	51,090
TOTAL OPERATING REVENUES	2,755,433	1,166,565	1,402,223	5,324,221
OPERATING EXPENSES				
Salaries and related expenses	998,016	685,167	1,362,519	3,045,702
Cost of goods sold	1,207,016	142,722	34,962	1,384,700
Administrative	108,654	78,677	162,425	349,756
Contractual services	302,319	80,644	356,329	739,292
Materials and supplies	71,909	111,118	156,266	339,293
Repairs and maintenance	100,740	53,827	94,472	249,039
Depreciation	688,524	148,475	159,265	996,264
Utilities	27,071	48,667	265,329	341,067
TOTAL OPERATING EXPENSES	3,504,249	1,349,297	2,591,567	7,445,113
OPERATING (LOSS)	(748,816)	(182,732)	(1,189,344)	(2,120,892)
NONOPERATING REVENUES (EXPENSES)				
Interest income	5,560	14	-	5,574
Interest expense	-	(6,508)	-	(6,508)
TOTAL NONOPERATING REVENUES (EXPENSES)	5,560	(6,494)	-	(934)
LOSS BEFORE TRANSFERS	(743,256)	(189,226)	(1,189,344)	(2,121,826)
Transfers from (to) other funds	-	-	1,239,977	1,239,977
INCOME (LOSS) BEFORE CONTRIBUTIONS	(743,256)	(189,226)	50,633	(881,849)
Capital contributions	213,558	-	-	213,558
CHANGE IN NET POSITION (DEFICIT)	(529,698)	(189,226)	50,633	(668,291)
NET POSITION (DEFICIT)				
Beginning of year, as restated	15,775,961	(4,004,934)	1,729,552	13,500,579
End of year	\$ 15,246,263	\$ (4,194,160)	\$ 1,780,185	\$ 12,832,288

The accompanying Notes to the 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, 2013**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,741,292	\$ 1,167,639	\$ 1,441,818	\$ 5,350,749
Cash paid to suppliers	(1,763,373)	(551,232)	(1,036,987)	(3,351,592)
Cash paid to employees	(1,007,008)	(690,212)	(1,371,668)	(3,068,888)
Internal activity-payments from (to) other funds	(91,845)	157,461	65,394	131,010
Net cash provided (used) by operating activities	<u>(120,934)</u>	<u>83,656</u>	<u>(901,443)</u>	<u>(938,721)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	1,239,977	1,239,977
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,239,977</u>	<u>1,239,977</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	-	(91,736)	-	(91,736)
Payment of interest expense	-	(6,508)	-	(6,508)
Acquisition and construction of capital assets	(134,916)	-	(10,000)	(144,916)
Net cash used by capital and related financing activities	<u>(134,916)</u>	<u>(98,244)</u>	<u>(10,000)</u>	<u>(243,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	5,560	14	-	5,574
Net cash provided by investing activities	<u>5,560</u>	<u>14</u>	<u>-</u>	<u>5,574</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(250,290)	(14,574)	328,534	63,670
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,326,636</u>	<u>197,098</u>	<u>226,471</u>	<u>2,750,205</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,076,346</u>	<u>\$ 182,524</u>	<u>\$ 555,005</u>	<u>\$ 2,813,875</u>

(Continued)

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
RECONCILIATION OF OPERATING LOSS				
TO NET CASH				
PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (748,816)	\$ (182,732)	\$ (1,189,344)	\$ (2,120,892)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	688,524	148,475	159,265	996,264
Provision for allowance for uncollectibles	17,435	-	3,509	20,944
(Increase) decrease in:				
Accounts and taxes receivable	(31,576)	7,382	(76,575)	(100,769)
Due from county treasurer	-	-	44,156	44,156
Inventory	(27,666)	1,322	-	(26,344)
Prepaid items	(4,000)	-	14,065	10,065
Increase (decrease) in:				
Accounts payable	86,002	(36,909)	17,900	66,993
Accrued salaries and compensated absences payable	(8,992)	(5,035)	(8,318)	(22,345)
Due to/from other funds	(91,845)	157,461	65,394	131,010
Deferred inflows	-	-	68,120	68,120
Unearned revenue	-	(6,308)	385	(5,923)
Total adjustments	627,882	266,388	287,901	1,182,171
Net cash provided (used) by operating activities	\$ (120,934)	\$ 83,656	\$ (901,443)	\$ (938,721)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributed capital assets	\$ 213,558	\$ -	\$ -	\$ 213,558

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>85,576</u>
Total assets	<u>\$ 85,576</u>
Liabilities	
Assets held for others	\$ <u>85,576</u>
Total liabilities	<u>\$ 85,576</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

There are no entities which meet the criteria detailed above for inclusion in the City's financial statements as component units. The City is a legally separate and fiscally independent entity whose governing body is a Council whose members are elected in a general election and should, therefore be considered a primary government.

B. Government-wide and Fund Financial Statements

Government-wide Statements

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

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 City reports the following major enterprise 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.

Nonmajor Funds

In addition the City reports the following fund types:

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

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Measurement Focus and Basis of Accounting

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

The government-wide financial statements and proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

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

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance

1. Deposits and cash and cash equivalents

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

The City considers *cash and cash equivalents* to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts, and liquid investments with an original maturity of three months or less when purchased.

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 did not have any investments as of December 31, 2013. 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*.

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

Taxes receivable shown are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2013 property tax assessment levied for the 2014 fiscal year, which is deferred in the General Fund and the Recreation Department Enterprise Fund. The current property tax receivable allowance for uncollectible accounts is estimated at one percent of the current property tax levy. The Tax Increment Financing Special Revenue Fund is no longer receiving current tax assessments and only reflects collections of delinquent property taxes assessed in previous years.

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

4. Inventories and prepaid items

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

Inventories of the enterprise 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 in both the government-wide and fund financial statements. The costs of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of enterprise fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest incurred during construction of governmental-type activities is not capitalized.

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

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	20-30

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

6. 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.

7. Deferred Outflows / Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has inflows which arise under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from state aid to subdivisions, uncollected EMS fees, and court fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amount became available. In addition, the City recognizes deferred inflows in both the fund and government-wide statements for an acquisition of net position (resources collected or billed and receivable) pertaining to amounts of business licenses collected and property taxes billed and/or collected in advance of the year for which levied or imposed.

Unearned Revenue

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

8. Net Position and Fund Balance

Government-wide Statements

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

- a. Net investment in capital assets - 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.
- b. Restricted net position - Consists of net position 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.
- c. Unrestricted net position - Consists of all other net position that do not meet the definition of "net investment in capital assets" or "restricted."

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Statements

Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form, such as inventory, prepaid insurance or loans receivable, or because they are legally or contractually required to be maintained intact – such as a trust.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors – such as a millage adopted by the primary government to pay the City's debt, or fees assessed by the City to be used for a specific purpose, as outlined in enabling legislation.

Committed - Amounts constrained to specific purposes pursuant to constraints imposed by formal action (ordinance or resolution) by City Council itself. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same formal action (ordinance or resolution) that was employed when the funds were originally committed.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

8. Net Position and Fund Balance (Continued)

Assigned – Amounts the City intends to use for a specific purpose but do not meet the criteria to be classified as committed. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority. Council has not delegated such authority as of December 31, 2013. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - All amounts not included in other spendable classifications.

Fund Balance Flow Assumption

In the governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less restricted classifications – committed and then assigned fund balances before using unassigned fund balance.

Fund balance policy

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

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

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

9. 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.

E. Revenues and expenditures/expenses

1. Program revenues

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses (Continued)

2. Property taxes and sanitation fees

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

Taxes recognized as revenue and used for the 2013 calendar year are based on property assessed as of December 31, 2011, and billed in September 2012. The City tax rate to finance general governmental services for the year ended December 31, 2013, was set at 36.5 mills (\$3.65 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$12,705,220), within the City's district as of December 31, 2011, was \$100,618,100 according to records of the Berkeley County Auditor.

The City's levy on property assessed as of December 31, 2012, and billed in September 2013, will generate taxes to be used for the 2014 calendar year. Although a receivable is recorded at December 31, 2013, all revenue recorded as a deferred inflow of resources.

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

3. Compensated absences

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses (Continued)

4. Proprietary funds operating and nonoperating revenues and expenses

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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations for the following functions:

Fund	Function	Excess expenditures
General	Garage	\$ 40,040
	Court	\$ 7,022
	Information Technology	\$ 1,744
	Capital outlay	\$ 121,361
Tax Increment Financing Fund	Planning	\$ 27,671
	Capital outlay	\$ 921,800

B. Deficit Fund Equity

The Crowfield Golf and Country Club Enterprise Fund had deficit fund equity balance of (\$4,194,160), at December 31, 2013. This deficit will be funded by future revenues of the fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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, 2013, the City's bank balance of \$11,303,045 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

Interest Rate Risk - Investments

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Credit Risk - Investments

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

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

In addition, South Carolina state statutes authorize the City to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. 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, 2013, the City did not have any investments.

Concentration of Credit Risk - Investments

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

Custodial Credit Risk - Investments

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Receivables

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

	Governmental Funds		Enterprise Funds		
	General	Nonmajor Funds	Water Department	Crowfield Golf and Country Club	Recreation Department
Receivables					
Current taxes	\$ 477,800	\$ -	\$ -	\$ -	\$ 184,693
Delinquent taxes	39,297	-	-	-	11,275
Sanitation fees	135,945	-	-	-	-
Total taxes	653,042	-	-	-	195,968
Fines	698,523	120,596	-	-	-
Accounts	2,860,677	8,066	458,891	13,325	-
Gross receivables	4,212,242	128,662	458,891	13,325	195,968
Less allowance for uncollectibles					
Taxes	(55,051)	-	-	-	(15,537)
Fines	(358,978)	(55,190)	-	-	-
Accounts	(1,068,566)	-	(192,444)	-	-
Total allowance	(1,482,595)	(55,190)	(192,444)	-	(15,537)
Net receivables	\$ 2,729,647	\$ 73,472	\$ 266,447	\$ 13,325	\$ 180,431

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

	Receivable Fund	Payable Fund
Governmental Funds		
Major		
General Fund	\$ 6,837,841	\$ 4,178,638
Tax Increment Financing Fund	3,293,854	-
Nonmajor	-	25,203
Enterprise Funds		
Major		
Water Department	-	5,192
Crowfield Golf and Country Club	-	6,231,420
Recreation Department	308,758	-
	<u>\$ 10,440,453</u>	<u>\$ 10,440,453</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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets

	Balance 12/31/2012	Additions	Deletions	Transfers	Balance 12/31/2013
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 6,795,021	\$ -	\$ -	\$ -	\$ 6,795,021
Construction in progress	3,921,218	1,301,927	(111,249)	(4,396,942)	714,954
Total capital assets, not being depreciated	<u>10,716,239</u>	<u>1,301,927</u>	<u>(111,249)</u>	<u>(4,396,942)</u>	<u>7,509,975</u>
Capital assets, being depreciated					
Building	14,023,524	-	(4,500)	-	14,019,024
Improvements	1,190,750	-	-	-	1,190,750
Vehicles	4,945,739	190,574	(124,286)	-	5,012,027
Computers	125,066	-	(80,477)	-	44,589
Mast arms	1,463,006	-	-	-	1,463,006
Equipment	1,781,839	201,916	(77,555)	-	1,906,200
Streetscapes	2,115,525	-	-	4,303,083	6,418,608
Infrastructure	1,782,595	1,219,576	-	93,859	3,096,030
Total capital assets, being depreciated	<u>27,428,044</u>	<u>1,612,066</u>	<u>(286,818)</u>	<u>4,396,942</u>	<u>33,150,234</u>
Less accumulated depreciation for					
Building	(3,253,030)	(292,127)	-	-	(3,545,157)
Improvements	(712,385)	(180,758)	-	-	(893,143)
Vehicles	(3,616,553)	(327,462)	123,241	-	(3,820,774)
Computers	(110,041)	(6,873)	80,477	-	(36,437)
Mast arms	(492,211)	(73,883)	-	-	(566,094)
Equipment	(1,132,854)	(130,077)	75,638	-	(1,187,293)
Streetscapes	(58,802)	(219,924)	-	-	(278,726)
Infrastructure	(550,351)	(85,919)	-	-	(636,270)
Total accumulated depreciation	<u>(9,926,227)</u>	<u>(1,317,023)</u>	<u>279,356</u>	<u>-</u>	<u>(10,963,894)</u>
Total capital assets, being depreciated, net	<u>17,501,817</u>	<u>295,043</u>	<u>(7,462)</u>	<u>4,396,942</u>	<u>22,186,340</u>
Governmental activities capital assets, net	<u>\$ 28,218,056</u>	<u>\$ 1,596,970</u>	<u>\$ (118,711)</u>	<u>\$ -</u>	<u>\$ 29,696,315</u>

Current year asset additions are comprised of the following:

Capital outlay - funds statement	\$ 1,694,417
Infrastructure - donated by developers	<u>1,219,576</u>
Total additions	<u>\$ 2,913,993</u>
Additions, not being depreciated	\$ 1,301,927
Additions, being depreciated	<u>1,612,066</u>
Total additions	<u>\$ 2,913,993</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Capital Assets (Continued)

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Business-type Activities				
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>1,965,000</u>	<u>-</u>	<u>-</u>	<u>1,965,000</u>
Capital assets, being depreciated				
Building	2,942,916	-	-	2,942,916
Improvements	462,080	10,000	-	472,080
Land improvements	971,054	-	-	971,054
Vehicles	342,016	-	(14,702)	327,314
Software	39,204	-	-	39,204
Equipment	1,004,226	-	(6,248)	997,978
Water system	20,528,580	348,475	-	20,877,055
Total capital assets, being depreciated	<u>26,290,076</u>	<u>358,475</u>	<u>(20,950)</u>	<u>26,627,601</u>
Less accumulated depreciation for				
Building	(1,503,291)	(176,553)	-	(1,679,844)
Improvements	(212,788)	(16,876)	-	(229,664)
Land improvements	(419,646)	(59,315)	-	(478,961)
Vehicles	(324,882)	(4,616)	14,702	(314,796)
Software	(39,204)	-	-	(39,204)
Equipment	(414,364)	(101,814)	6,248	(509,930)
Water system	(7,045,095)	(637,090)	-	(7,682,185)
Total accumulated depreciation	<u>(9,959,270)</u>	<u>(996,264)</u>	<u>20,950</u>	<u>(10,934,584)</u>
Total capital assets, being depreciated, net	<u>16,330,806</u>	<u>(637,789)</u>	<u>-</u>	<u>15,693,017</u>
Business-type activities capital assets, net	<u>\$ 18,295,806</u>	<u>\$ (637,789)</u>	<u>\$ -</u>	<u>\$ 17,658,017</u>

Included in current year additions are contributed water systems valued at \$213,558.

Depreciation was charged to the activities as follows:

Governmental Activities		Business-type Activities	
Administrative	\$ 549,343	Water Department	\$ 688,524
Police	215,925	Crowfield Golf and Country Club	148,475
Fire	118,523	Recreation Department	<u>159,265</u>
Sanitation	97,204		
Recreation	206,160	Total business-type activities	<u>\$ 996,264</u>
Maintenance	95,470		
Garage	1,978		
Information Technology	32,420		
Total governmental activities	<u>\$ 1,317,023</u>		

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Advances to (from) Other Funds

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

The City's General Fund and Tax Increment Financing Fund have advanced money to the Crowfield Golf and Country Club in the amount of \$50,000 and \$674,978, 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 Position.

F. Transfers from (to) Other Funds

The composition of interfund transfers as of December 31, 2013, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,316,641
Tax Increment Financing Fund	76,664	-
Total governmental funds	<u>76,664</u>	<u>1,316,641</u>
Recreation Department	1,239,977	-
Total enterprise funds	<u>1,239,977</u>	<u>-</u>
Total transfers	<u>\$ 1,316,641</u>	<u>\$ 1,316,641</u>

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 Inflows of Resources

The components of deferred inflows of resources as of December 31, 2013, are as follows:

	<u>Fund Statement</u>	<u>Government-wide Governmental Activities</u>	<u>Proprietary Fund/Business Type Activities</u>
Unavailable revenue			
State aid to subdivisions	\$ 332,944	\$ -	\$ -
Fines and forfeitures	404,949	-	-
EMS revenue	1,254,766	-	-
Total unavailable	<u>1,992,659</u>	<u>-</u>	<u>-</u>
Property taxes levied for future years	1,550,223	1,550,223	421,974
Business licenses collected in advance	36,255	36,255	-
	<u>\$ 3,579,137</u>	<u>\$ 1,586,478</u>	<u>\$ 421,974</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Long-Term Debt

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

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

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

Changes in long-term liabilities - Long-term liability activity for the year ended December 31, 2013, is as follows:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within one Year
Governmental activities					
Compensated absences	\$ 172,882	\$ 507,728	\$ (502,988)	\$ 177,622	\$ 177,622
Total long-term liabilities	<u>\$ 172,882</u>	<u>\$ 507,728</u>	<u>\$ (502,988)</u>	<u>\$ 177,622</u>	<u>\$ 177,622</u>
Business-type activities					
Leases payable	\$ 411,175	\$ -	\$ (91,736)	\$ 319,439	\$ 93,366
Total long-term debt	411,175	-	(91,736)	319,439	93,366
Compensated absences	47,627	104,454	(107,571)	44,510	44,510
Total long-term liabilities	<u>\$ 458,802</u>	<u>\$ 104,454</u>	<u>\$ (199,307)</u>	<u>\$ 363,949</u>	<u>\$ 137,876</u>

Interest cost incurred by the business-type activities was \$6,508, all of which was charged to expense. No interest was capitalized during the year.

Capital Leases Payable

The City has entered into a lease agreement as lessee for financing the acquisition of golf maintenance equipment. Lease payments are made in equal installments of \$8,187 over forty-eight months, with a final balloon payment of approximately \$115,000. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

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

	Business-type Activities
Golf maintenance equipment	\$ 487,112
Less accumulated depreciation	<u>(89,591)</u>
Carrying value	<u>\$ 397,521</u>

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2013, was \$6,508 for Business-type Activities.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

H. Long-Term Debt (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>
2014	\$ 98,244
2015	98,244
2016	<u>131,590</u>
Total minimum lease payments	328,078
Less amount representing Present value of minimum lease payments	<u>(8,639)</u>
	319,439
Less current portion	<u>(93,366)</u>
Long-term portion of leases	<u>\$ 226,073</u>

I. Operating Leases Obligation

In 2012, the City entered into lease agreements for golf carts. These lease agreements are for a forty-eight month period commencing April 2012 with a minimum monthly charge of \$5,037 for a total minimum commitment of \$241,776 over the lease terms. Payments of these leases are funded from the golf course fund.

In May of 2013, the City entered into a lease agreement for fitness equipment. This lease agreement is for a thirty-six month period commencing June 2013 with a minimum monthly charge of \$630 for a total minimum commitment of \$19,919. The payment of this lease is funded through the recreation fund.

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

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 68,004
2015	68,004
2016	<u>18,261</u>
	<u>\$ 154,269</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

J. Changes in Fund Balances

General Fund Assigned Fund Balance. The following is a summary of changes in the assigned fund balance for the fiscal year:

	December 31, 2012	Increase (Decrease)	December 31, 2013
Assigned for computer replacement	\$ 26,058	\$ -	\$ 26,058
Assigned for fleet replacement	23,410	(650)	22,760
Assigned for capital items	43,240	-	43,240
Assigned for water system	450,925	199,394	650,319
	<u>\$ 543,633</u>	<u>\$ 198,744</u>	<u>\$ 742,377</u>

Changes in the assigned for water system fund balance are related to franchise fees from the Charleston Water System. City Council decided to assign 100% of the Charleston Water System franchise fees to be used towards the purchase of a water system. No other changes in assigned fund balance have occurred in the General Fund as of December 31, 2013.

The assignments for computer replacements are as follows:

Department	December 31, 2012	Funds Assigned	Expenditures and transfers	December 31, 2013
Administration	\$ 7,791	\$ -	\$ -	\$ 7,791
Fire	11,283	-	-	11,283
Court	3,987	-	-	3,987
Maintenance	893	-	-	893
Sanitation	893	-	-	893
Garage	1,211	-	-	1,211
	<u>\$ 26,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,058</u>

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

Department	December 31, 2012	Funds Assigned	Expenditures and transfers	December 31, 2013
Police	\$ -	\$ 134,400	\$ (134,400)	\$ -
Sanitation	10,033	-	-	10,033
Maintenance	13,377	15,500	(16,150)	12,727
	<u>\$ 23,410</u>	<u>\$ 149,900</u>	<u>\$ (150,550)</u>	<u>\$ 22,760</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

J. Changes in Fund Balances (Continued)

Nonspendable Fund Balances. The following is a summary of the changes in nonspendable fund balance for the fiscal year:

	December 31, 2012	Increase (Decrease)	December 31, 2013
Inventory – General Fund	\$ 68,759	\$ 49,823	\$ 118,582
Prepays – General Fund	49,728	(12,396)	37,332
Nonspendable for inventory and prepaids	118,487	37,427	155,914
Interfund Advances	50,000	-	50,000
Total General Fund Nonspendable	<u>\$ 168,487</u>	<u>\$ 37,427</u>	<u>\$ 205,914</u>
Interfund Advances – Tax Increment Financing	<u>\$ 674,978</u>	<u>\$ -</u>	<u>\$ 674,978</u>

K. Equity Restatement

The City's accounts payable balances were incorrect as a result of a previous software conversion in which old accounts payable balances that were converted into the new system were never properly reversed out. This error was discovered in 2013 when the new system was able to generate a time sensitive accounts payable detail listing which the City could use to compare accounts payable general ledger balances to the detail listing.

The effect of these corrections is as follows:

	General Fund	Tax Increment Financing Fund	Non-Major Funds	Total Governmental Funds
Fund balance as originally presented, December 31, 2012	\$ 8,446,512	\$ 7,530,370	\$ 1,111,290	\$ 17,088,172
Correction of error	366,803	(7,556)	(1,665)	357,582
Fund Balance as restated, December 31, 2012	<u>\$ 8,813,315</u>	<u>\$ 7,522,814</u>	<u>\$ 1,109,625</u>	<u>\$ 17,445,754</u>
	Water Department	Crowfield Golf and Country Club	Recreation Department	Total Proprietary Fund Type - Enterprise Funds
Net position as originally presented, December 31, 2012	\$ 15,871,891	\$ (3,957,996)	\$ 1,725,387	\$ 13,639,282
Correction of error	(95,930)	(46,938)	4,165	(138,703)
Net position as restated, December 31, 2012	<u>\$ 15,775,961</u>	<u>\$ (4,004,934)</u>	<u>\$ 1,729,552</u>	<u>\$ 13,500,579</u>
			Governmental Activities	Business-type Activities
Net position as originally presented, December 31, 2012			\$ 47,447,825	\$ 13,639,282
Correction of error			357,582	(138,703)
Net position as restated, December 31, 2012			<u>\$ 47,805,407</u>	<u>\$ 13,500,579</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION

A. Commitments and Contingent Liabilities

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

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

Construction Commitments. At December 31, 2013, the City had the following construction commitments:

Architectural services (Headquarter Fire Station and Station III)	\$	158,335
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Long-Term Contract – Water Purchases. On September 13, 1994, the City entered into a 35 year, automatically renewable contract with the Lake Moultrie Water Agency, a joint municipal water system created under the "Joint Municipal Water Systems Act," Section 6-25-10 et. seq. of the South Carolina Code of Laws, 1976. The Agency water supply system became operational in September of 1994.

Under the contract, the City owns eighteen percent of the capacity of the Lake Moultrie Water Agency water supply system for the term of the contract, and agrees to purchase and pay for 3.6 million gallons per day of water capacity. Cost per gallon is established annually on a cost of service basis, calculated following the guidelines of the American 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 for the purchase of water were \$1,207,016.

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

Year ending December 31,	Total
2014	\$ 1,081,754
2015	\$ 1,134,692
2016	\$ 1,209,521

Long-Term Contract – Recreation. In May 2008, the City entered into a contract with the Goose Creek Recreation Commission whereby the City assumed the operations of the Recreation District to provide recreational services to all residents served by the Commission, both within and 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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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. Retirement Plans

South Carolina Retirement and Police Officers' Retirement System

Plan Description – South Carolina Retirement System

The majority of employees of the City are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent City employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Funding Policy – South Carolina Retirement System

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 10.60%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45% and .15% for the incidental death. The City's actual contributions to the SCRS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death	
	Rate*	Contribution	Rate	Contribution
2013	10.450%	\$ 752,102	0.15%	\$ 10,796
*2012	10.450%	\$ 719,716	0.15%	\$ 10,895
*2011	9.385%	\$ 661,340	0.15%	\$ 10,646

* Rate changes were effective July 1st falling within the fiscal year end.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Plan Description – South Carolina Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Funding Policy – South Carolina Police Officers Retirement System

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 12.64%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44% and .20% for incidental death. The City's actual contributions to the PORS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2013	12.440%	\$ 360,594	0.20%	\$ 5,925
*2012	11.900%	\$ 341,984	0.20%	\$ 5,880
*2011	11.363%	\$ 319,853	0.20%	\$ 5,683

* Rate changes were effective July 1st falling within the fiscal year end.

The amounts paid by the City for pension and incidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plans. Under Title 9 of the South Carolina Code of Laws, the City's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the City recognizes no contingent liability for unfunded costs associated with participation in the plans.

Money Purchase Pension Plans

The City maintains a money purchase pension plan for grandfathered employees that are not in the South Carolina Retirement Systems (SCRS) and sworn police officers who have been employed for one year. The City contributes one percent (1%) of the annual compensation of the sworn police officers after 1 year of employment and an amount equal to the voluntary contributions up to a maximum of two percent (2%). The City also contributes an amount up to 1% less than the City's contribution rate for SCRS and group life insurance, currently 10.60%, 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 of 16 original full time employees of the Goose Creek Recreation Commission that are now 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 2013 were \$139,203.

The City also maintains a money purchase pension plan for the City Administrator and others deemed eligible by a majority vote of City Council. The City contributes \$10,000 for each participant per year, which is 100% vested immediately. Total contributions to the plan by the City were \$10,000 in 2013.

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 2013 were \$32,159, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

IV. OTHER INFORMATION (CONTINUED)

D. Governmental Accounting Standards Board (GASB) Pronouncements Pending Implementation

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, intends to improve financial reporting for most governments that provide their employees with pension benefits. The statement is effective for financial statements for periods beginning after June 15, 2014. The City will implement the new guidance with the 2015 financial statements. The City has not yet quantified the impact of the implementation of this statement, but such implementation is expected to have a significant impact on the government-wide financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, intends to improve accounting and financial reporting of combinations and disposals of government operations of US state and local governments. The statement is effective for financial statements for periods beginning after December 15, 2013. The City will implement the new guidance with the 2014 financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, intends to enhance comparability of financial statements among governments by requiring consistent reporting and enhanced information disclosed about a government's obligations and risk exposure extending from nonexchange financial guarantees. The statement is effective for financial statements for periods beginning after June 15, 2013. The City will implement the new guidance with the 2014 financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68*, addresses an issue regarding application of the transition provisions in Statement No. 68 "Accounting and Financial Reporting for Pensions". This statement intends to improve financial reporting by eliminating the source of a potentially significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and non-employer contributing entities. The statement is effective for financial statements for periods beginning after June 15, 2014. The City will implement the new guidance with the 2015 financial statements.

Except for the implementation of GASB Statement No. 68, management has not yet determined the impact implementation of these standards will have on the City's financial statements, if any.

E. Subsequent Events

In February 2014 the City created the Goose Creek Municipal Finance Corporation for the purpose of entering into a Municipal Facilities Purchase Agreement.

In March 2014, the City issued \$7,500,000 of Goose Creek Municipal Finance Corporation Installment Purchase Revenue Bonds Series 2014. This bond is to fund the construction of the Headquarters Fire Station and Fire Station III. The interest rate is fixed at 2.880% and principal and interest payments of \$163,213 are to commence in June 2015, and the final payment is expected to be in March 2029.

In 2014, the City has awarded contracts to various companies for the following:

Purpose	Award
Purchase of land and building	\$ 197,485
Construction of Headquarters Fire Station and Station III	13,120,000
	\$ 13,317,485

Management has assessed subsequent events through September 25, 2014, 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 AND TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2013**

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local revenues			
Property taxes	\$ 1,398,505	\$ 1,245,282	\$ (153,223)
Licenses and permits	7,382,523	7,327,180	(55,343)
Charges for services	2,287,114	2,201,512	(85,602)
Fines and forfeitures	433,164	369,404	(63,760)
Miscellaneous revenues	270,009	247,953	(22,056)
Total local revenues	11,771,315	11,391,331	(379,984)
State revenues	4,631,411	4,196,037	(435,374)
TOTAL REVENUES	16,402,726	15,587,368	(815,358)
EXPENDITURES			
Current			
Legislative	171,055	168,180	2,875
Administrative	1,584,649	1,578,514	6,135
Police	6,251,639	6,040,403	211,236
Fire	3,552,664	3,510,304	42,360
Sanitation	1,227,058	1,162,166	64,892
Maintenance	1,119,122	984,073	135,049
Garage	278,292	318,332	(40,040)
Court	322,415	329,437	(7,022)
Planning	179,012	133,630	45,382
Information technology	426,582	428,326	(1,744)
Capital outlay	181,023	302,384	(121,361)
TOTAL EXPENDITURES	15,293,511	14,955,749	337,762
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,109,215	631,619	(477,596)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	16,800	22,430	5,630
Insurance proceeds	-	37,373	37,373
Transfers in	-	-	-
Transfers out	(1,386,660)	(1,316,641)	70,019
TOTAL OTHER FINANCING SOURCES (USES)	(1,369,860)	(1,256,838)	113,022
NET CHANGE IN FUND BALANCES	\$ (260,645)	(625,219)	\$ (364,574)
FUND BALANCES			
Beginning of year, as restated		8,813,315	
End of year		\$ 8,188,096	

The accompanying Notes to Budgetary Comparison Schedule – General Fund and Tax Increment Financing Fund (Unaudited) are an integral part of this financial schedule.

Tax Increment Financing Fund		
Original and Final Budget	Actual	Variance with Final Budget
\$ -	\$ 99,082	\$ 99,082
-	-	-
-	-	-
-	-	-
12,000	8,614	(3,386)
12,000	107,696	95,696
-	-	-
12,000	107,696	95,696
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	27,671	(27,671)
-	-	-
287,769	1,209,569	(921,800)
287,769	1,237,240	(949,471)
(275,769)	(1,129,544)	(853,775)
-	-	-
-	-	-
-	76,664	-
-	-	-
-	76,664	-
\$ (275,769)	(1,052,880)	\$ (853,775)
	7,522,814	
	\$ 6,469,934	

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 NOTES TO BUDGETARY COMPARISON SCHEDULE –
 GENERAL FUND AND TAX INCREMENT FINANCING FUND
 YEAR ENDED DECEMBER 31, 2013**

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 Tourism Fund. Budgets for the general fund and the special revenue funds that are major funds are presented as required supplemental information.

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

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

B. Budget Reconciliation

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
General Fund budget as adopted	\$ 15,481,707	\$ 15,287,011	\$ 29,618	\$ 224,314
Presentation adjustment:				
Plus separately budgeted funds:				
Tree Trust Fund	50	6,500	-	(6,450)
Local Option Sales Tax Fund	920,969	-	(1,399,478)	(478,509)
Budget as presented	<u>\$ 16,402,726</u>	<u>\$ 15,293,511</u>	<u>\$ (1,369,860)</u>	<u>\$ (260,645)</u>

OTHER FINANCIAL INFORMATION

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
ASSETS					
Cash	\$ 228,655	\$ 84,846	\$ 168,467	\$ 65,196	\$ 101,787
Receivables, net of allowance					
Fines	-	-	-	-	65,406
Accounts	-	1,184	6,882	-	-
Due from other governments	-	-	7,097	-	-
TOTAL ASSETS	\$ 228,655	\$ 86,030	\$ 182,446	\$ 65,196	\$ 167,193
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 3,071	\$ -	\$ 108
Escrow payable	-	34,777	-	-	-
Due to other funds	-	-	112	-	25,091
TOTAL LIABILITIES	-	34,777	3,183	-	25,199
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	65,406
FUND BALANCE					
Restricted for					
Public safety	-	51,253	179,263	-	76,588
Tourism	-	-	-	65,196	-
Impact fees-Liberty Hall	290,728	-	-	-	-
Assigned					
Capital projects	-	-	-	-	-
Unassigned	(62,073)	-	-	-	-
TOTAL FUND BALANCE	228,655	51,253	179,263	65,196	76,588
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 228,655	\$ 86,030	\$ 182,446	\$ 65,196	\$ 167,193

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 433,754	\$ 1,082,705
-	65,406
-	8,066
-	7,097
<u>\$ 433,754</u>	<u>\$ 1,163,274</u>

\$ -	\$ 3,179
-	34,777
-	25,203
<u>-</u>	<u>63,159</u>

<u>-</u>	<u>65,406</u>
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-	307,104
-	65,196
-	290,728

433,754	433,754
<u>-</u>	<u>(62,073)</u>

<u>433,754</u>	<u>1,034,709</u>
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<u>\$ 433,754</u>	<u>\$ 1,163,274</u>
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**CITY OF GOOSE CREEK, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
REVENUES					
Local Revenue					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 56,517
Miscellaneous revenues	50,888	976	80,301	-	-
Total local revenues	50,888	976	80,301	-	56,517
State	-	-	141,570	22,858	-
Federal	-	48,156	-	-	-
TOTAL REVENUES	50,888	49,132	221,871	22,858	56,517
EXPENDITURES					
Current					
Administrative	-	-	-	-	-
Police	-	15,138	132,669	-	75,124
Recreation	-	-	-	11,289	-
Capital outlay	-	-	182,464	-	-
TOTAL EXPENDITURES	-	15,138	315,133	11,289	75,124
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,888	33,994	(93,262)	11,569	(18,607)
FUND BALANCE					
Beginning of year, as restated	177,767	17,259	272,525	53,627	95,195
End of year	<u>\$ 228,655</u>	<u>\$ 51,253</u>	<u>\$ 179,263</u>	<u>\$ 65,196</u>	<u>\$ 76,588</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 56,517
1,312	133,477
1,312	189,994
-	164,428
-	48,156
1,312	402,578
60,810	60,810
-	222,931
-	11,289
-	182,464
60,810	477,494
(59,498)	(74,916)
493,252	1,109,625
\$ 433,754	\$ 1,034,709

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF REVENUES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
LOCAL REVENUES		
Property taxes		
Real and personal	\$ 905,020	\$ 1,614,417
Vehicle	236,363	292,485
Homestead tax	103,899	103,899
Total property taxes	<u>1,245,282</u>	<u>2,010,801</u>
Licenses and permits		
Business licenses	4,677,865	4,331,841
Building permits	361,904	398,540
Franchise fees	2,287,411	2,262,378
Total licenses and permits	<u>7,327,180</u>	<u>6,992,759</u>
Charges for services		
Police and fire	672,520	744,159
Sanitation fees	1,527,711	1,488,402
Administrative fees	1,281	3,286
Total charges for services	<u>2,201,512</u>	<u>2,235,847</u>
Fines and forfeitures		
Court fines	369,404	352,610
Miscellaneous		
Interest	3,333	8,060
Rent	73,959	72,414
Other	170,661	230,923
Total miscellaneous revenues	<u>247,953</u>	<u>311,397</u>
TOTAL LOCAL REVENUES	<u><u>\$ 11,391,331</u></u>	<u><u>\$ 11,903,414</u></u>
STATE REVENUES		
Inventory tax and manufacturers' exemption	\$ 14,820	\$ 14,693
Accommodations tax	26,203	25,678
Local government fund - quarterly	775,277	773,270
Local option sales tax - municipal revenue	1,028,408	1,019,113
Local option sales tax - rebatable	2,280,011	2,100,616
Grants	71,318	185,320
TOTAL STATE REVENUES	<u><u>\$ 4,196,037</u></u>	<u><u>\$ 4,118,690</u></u>
FEDERAL REVENUES		
Department of Energy	\$ -	\$ 153,600
TOTAL FEDERAL REVENUES	<u><u>\$ -</u></u>	<u><u>\$ 153,600</u></u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENDITURES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Personnel	Other	Total	Personnel	Other	Total
Current						
Legislative	\$ 100,081	\$ 68,099	\$ 168,180	\$ 98,791	\$ 65,439	\$ 164,230
Administrative	1,282,539	295,975	1,578,514	1,214,279	307,444	1,521,723
Police	5,252,586	787,817	6,040,403	5,099,332	734,753	5,834,085
Fire	3,155,651	354,653	3,510,304	3,043,146	384,948	3,428,094
Sanitation	831,457	330,709	1,162,166	823,635	274,404	1,098,039
Maintenance	508,741	475,332	984,073	534,355	437,530	971,885
Garage	196,173	122,159	318,332	187,228	99,130	286,358
Court	272,949	56,488	329,437	261,583	57,524	319,107
Planning	115,053	18,577	133,630	139,604	12,409	152,013
Information						
Technology	165,932	262,394	428,326	160,591	240,710	401,301
Capital outlay	-	302,384	302,384	-	723,337	723,337
Total expenditures	<u>\$ 11,881,162</u>	<u>\$ 3,074,587</u>	<u>\$ 14,955,749</u>	<u>\$ 11,562,544</u>	<u>\$ 3,337,628</u>	<u>\$ 14,900,172</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENSES
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 998,016	\$ 2,506,233	\$ 3,504,249	\$ 1,006,825	\$ 2,246,051	\$ 3,252,876
Crowfield Golf and Country Club						
Administration	113,482	76,031	189,513	107,559	73,007	180,566
Course and grounds	330,375	289,332	619,707	393,384	370,835	764,219
Cart rental	54,246	99,055	153,301	8,852	76,432	85,284
Pro shop	124,115	75,715	199,830	100,629	74,739	175,368
Starter/rangers	-	-	-	52,558	-	52,558
Food and beverage	62,949	123,997	186,946	69,611	127,475	197,086
Total Crowfield Golf Country Club expenses	685,167	664,130	1,349,297	732,593	722,488	1,455,081
Recreation Department						
Administration	290,934	300,106	591,040	281,850	291,860	573,710
Maintenance	578,752	251,479	830,231	550,270	257,815	808,085
Sports programs	120,866	191,292	312,158	115,571	151,549	267,120
Concessions	15,765	39,120	54,885	18,043	37,826	55,869
Community education	236,593	348,016	584,609	229,018	244,241	473,259
Special events	80,277	57,990	138,267	85,271	43,225	128,496
Community center	2,604	4,695	7,299	-	-	-
Pool	36,728	30,441	67,169	28,984	35,343	64,327
Tennis	-	5,909	5,909	-	7,045	7,045
Total Recreation Department expenses	1,362,519	1,229,048	2,591,567	1,309,007	1,068,904	2,377,911
Total operating expenses	\$ 3,045,702	\$ 4,399,411	\$ 7,445,113	\$ 3,048,425	\$ 4,037,443	\$ 7,085,868

**CITY OF GOOSE CREEK, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
YEAR ENDED DECEMBER 31, 2013**

Fines, assessments and surcharges	\$	919,556
Remitted to state treasurer		<u>(492,802)</u>
Retained by the City	\$	<u>426,754</u>
Fines, assessments and surcharges retained by the City		
General Fund	\$	370,237
Victims' assistance services		<u>56,517</u>
Total	\$	<u>426,754</u>
Funds allocated to victims' assistance services		
Surcharges and assessments retained	\$	<u>56,517</u>
Funds available for victims' assistance services		<u>56,517</u>
Expenditures		
Salaries		59,430
Crime prevention		11,808
Postage		1,611
Training and seminars		1,473
Travel		477
Small equipment purchase		<u>325</u>
Total program expenditures		<u>75,124</u>
Deficiency of revenues over expenditures		(18,607)
Balances carried forward		
Beginning of year		<u>95,195</u>
End of year	\$	<u>76,588</u>

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

**Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goose Creek, South Carolina, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Goose Creek's, South Carolina's basic financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses [2013-001] that we consider to be a significant deficiency.

Members

SC Association of Certified Public Accountants
NC Association of Certified Public Accountants

Members

Division for CPA Firms, AICPA

Compliance and Other Matters

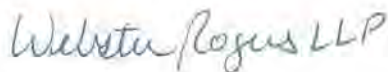
As part of obtaining reasonable assurance about whether City of Goose Creek, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

The City of Goose Creek, South Carolina's Responses to Finding

The City of Goose Creek, South Carolina's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Goose Creek, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

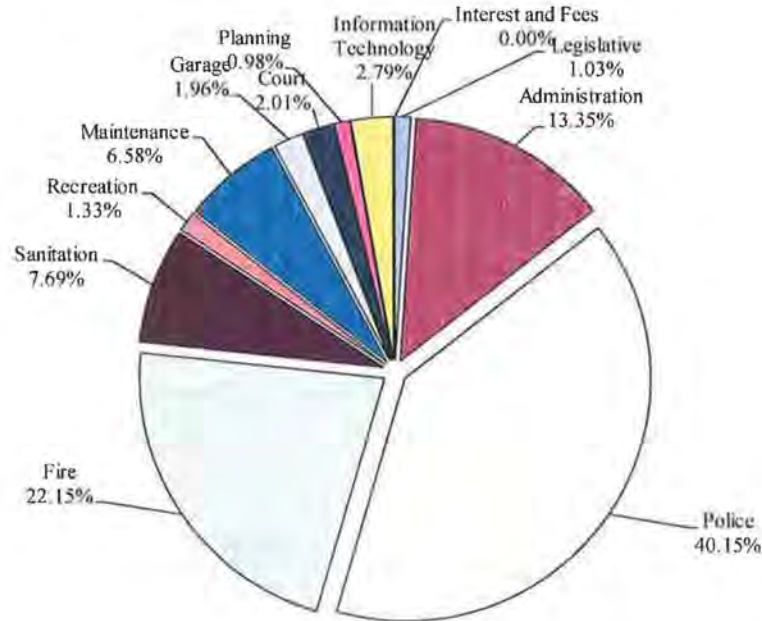


Summerville, South Carolina
September 30, 2014

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2013

The Police Department program accounted for \$6,581,576 (40.15%) of the \$16,394,113 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$3,630,978 (22.15 %) 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.

Governmental Activities – Cost of Services

	2012		2013		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	\$ 164,230	\$ (164,230)	\$ 168,179	\$ (168,179)	2.40%	2.40%
Administration	1,734,156	3,605,718	2,188,400	4,328,844	26.19%	20.05%
Police	6,302,367	(5,410,659)	6,581,576	(6,123,121)	4.43%	13.17%
Fire	3,570,914	(2,785,922)	3,630,978	(3,042,759)	1.68%	9.22%
Sanitation	1,195,040	293,362	1,259,920	267,791	5.43%	(8.72%)
Recreation	209,597	(209,597)	217,449	(217,449)	3.75%	3.75%
Maintenance	1,062,903	(1,062,903)	1,078,444	(1,078,444)	1.46%	1.46%
Garage	288,746	(288,746)	320,897	(320,897)	11.13%	11.13%
Court	317,733	(317,733)	329,176	(329,176)	3.60%	3.60%
Planning	173,164	(172,414)	160,880	(160,880)	(7.09%)	(6.69%)
Information Technology	424,540	(424,540)	458,214	(458,214)	7.93%	7.93%
Total Expenses	\$15,443,390	\$(6,937,664)	\$16,394,113	\$(7,302,484)	6.16%	5.26%

**CITY OF GOOSE CREEK
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013**

<u>Ref #</u>	<u>Department Program/Grant</u>	<u>Finding/Noncompliance</u>
2013-001	Finance	<p><u>Criteria:</u> Procedures should be in place to ensure that all subsidiary ledgers agree to the general ledger.</p> <p><u>Condition:</u> Accounts payable subsidiary ledger did not agree to the general ledger.</p> <p><u>Cause:</u></p> <ul style="list-style-type: none"> • Current procedures do not require that the accounts payable subsidiary ledger be reconciled to the general ledger. • Journal entries were posted to the control account. • Until updated, the software did not have the capability to generate a report detailing the accounts payable for a specified date. <p><u>Effect:</u> Governmental fund balance and governmental activities net position were understated by \$357,582, and proprietary net position was overstated by \$138,703.</p> <p><u>Recommendation:</u></p> <ul style="list-style-type: none"> • Management should review the accounts payable subsidiary ledger on a regular basis, comparing it to the general ledger. • Journal entries should not be posted to control accounts. <p><u>Views of Responsible Officials:</u> The City of Goose Creek worked with the accounting software provider to develop a detailed open item report that is "as of date" allowing the general ledger accounts payable account to be reconciled with the subsidiary accounts payable ledger. There is a policy to reconcile the subsidiary ledger to the general ledger each month.</p> <p>The City of Goose Creek is now posting accounts payable journal entries in a separate accounts payable control account which is being reconciled each month when the general ledger accounts payable account is reconciled with subsidiary ledger.</p>