

**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, 2014**

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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 51 and 52, 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 Schedule of Court Fines, Assessments, and Surcharges is presented for the purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements. The Combining Fund Statements and Schedules, listed under Other Supplementary 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, the 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, 2013, which are not presented with the accompanying financial statements. In our report dated September 30, 2014, 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 2013 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 2013 basic financial statements.

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 2013 partial comparative information presented with the other financial information for 2014, 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 July 6, 2015 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
July 6, 2015

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 \$ 60,726,267 (*net position*). Of this amount, \$ 493,902 (*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 \$20,379,375, an increase of \$ 4,686,636. The increase was due to the project funding for the construction of two new fire stations: a new headquarters station and an additional station. The project funding was secured through Installment Purchase Revenue Bonds funded by the Goose Creek Municipal Finance Corporation. At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,635,894 or 49.16% 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, 2014

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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the Local Hospitality Tax Fund, and the Goose Creek Municipal Finance Corporation, which are considered to be major funds. The City has elected to present the Local Hospitality Tax Fund as major due to its significance. Data from the other seven 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 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, 2014

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 24-50 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 51-52 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 53-58 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 \$ 60,726,267 at the close of the most recent fiscal year.

The largest portion of the City of Goose Creek's net position (83.43 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
	2013	2014	2013	2014	2013	2014	2013-2014
Current and Other Assets	\$ 20,081,138	\$ 26,326,690	\$ (3,158,757)	\$ (3,354,849)	\$ 16,922,381	\$ 22,971,841	35.75%
Capital Assets	29,696,315	33,835,683	17,658,017	17,259,408	47,354,332	50,895,089	7.48%
Total Assets	49,777,453	59,962,373	14,499,260	13,904,557	64,276,713	73,866,930	14.92%
Long-term Liabilities							
Outstanding	177,622	7,685,816	363,949	278,248	541,571	7,964,064	1370.55%
Other Liabilities	809,262	1,500,414	881,049	749,097	1,690,311	2,249,511	33.08%
Total Liabilities	986,884	9,186,230	1,244,998	1,027,345	2,231,882	10,213,575	357.62%
Deferred inflows	1,586,478	2,502,493	421,974	424,595	2,008,452	2,927,088	45.74%
Net Position:							
Net investment in Capital							
Assets	29,696,315	33,832,705	17,338,578	17,033,333	47,034,893	50,866,038	7.72%
Restricted	6,457,984	9,566,327	-	-	6,457,984	9,566,327	48.13%
Unrestricted	11,049,792	5,074,618	(4,506,290)	(4,580,716)	6,543,502	493,902	-92.45%
Total Net Position	\$ 47,204,091	\$ 48,273,650	\$ 12,832,288	\$ 12,452,617	\$ 60,036,379	\$ 60,726,267	1.15%

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

An additional portion of the City of Goose Creek's net position (\$9,566,327 or 15.75 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$493,902) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the City of Goose Creek's net position by \$1,069,559 thereby increasing 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 2013-2014
	2013 *	2014	2013 *	2014	2013 *	2014	
Revenues:							
Program Revenues:							
Charges for Services	\$ 7,685,383	\$ 8,388,803	\$ 4,779,881	\$ 4,886,387	\$ 12,465,264	\$ 13,275,190	6.50%
Operating Grants and Contributions	81,911	292,557	-	-	81,911	292,557	257.16%
Capital Grants and Contributions	1,324,335	228,207	213,558	381,248	1,537,893	609,455	(60.37%)
General Revenues:							
Property Taxes	1,359,184	2,098,994	493,250	476,355	1,852,434	2,575,349	39.03%
Local Option Sales Taxes	3,308,419	3,454,208	-	-	3,308,419	3,454,208	4.41%
Hospitality	-	1,269,899	-	-	-	1,269,899	100.00%
Franchise	2,287,411	2,498,817	-	-	2,287,411	2,498,817	9.24%
Unrestricted Grants and Contributions	824,314	818,767	-	-	824,314	818,767	(0.67%)
Unrestricted revenue from use of monies and property	96,540	89,365	5,574	3,767	102,114	93,132	(8.80%)
Miscellaneous	65,277	85,210	51,090	52,558	116,367	137,768	18.39%
Gain on sale of assets	-	4,290	-	435	-	4,725	100.00%
Total Revenues	17,032,774	19,229,117	5,543,353	5,800,750	22,576,127	25,029,867	10.87%
Expenses:							
Legislative	168,179	166,933	-	-	168,179	166,933	(0.74%)
Administration	2,188,400	1,995,356	-	-	2,188,400	1,995,356	(8.82%)
Police	6,581,576	6,762,487	-	-	6,581,576	6,762,487	2.75%
Fire	3,630,978	3,709,156	-	-	3,630,978	3,709,156	2.15%
Sanitation	1,259,920	1,237,349	-	-	1,259,920	1,237,349	(1.79%)
Recreation	217,449	216,224	-	-	217,449	216,224	(0.56%)
Maintenance	1,078,444	1,278,647	-	-	1,078,444	1,278,647	18.38%
Garage	320,897	340,566	-	-	320,897	340,566	6.13%
Court	329,176	328,168	-	-	329,176	328,168	(0.31%)
Planning	160,880	227,658	-	-	160,880	227,658	41.51%
Information Technology	458,214	472,369	-	-	458,214	472,369	3.09%
Interest and Fees	-	180,000	-	-	-	180,000	100.00%
Water	-	-	3,504,249	3,530,328	3,504,249	3,530,328	0.74%
Golf	-	-	1,355,805	1,404,061	1,355,805	1,404,061	3.56%
Recreation	-	-	2,591,567	2,492,677	2,591,567	2,492,677	(3.82%)
Total Expenses	16,394,113	16,912,913	7,451,621	7,427,086	23,845,734	24,339,979	2.07%
Increase/Decrease in Net Position Before Transfers	638,661	2,316,204	(1,908,268)	(1,626,316)	(1,269,607)	689,888	(154.34%)
Transfers	(1,239,977)	(1,246,645)	1,239,977	1,246,645	-	-	-
Increase/Decrease in Net Position	(601,316)	1,069,559	(668,291)	(379,671)	(1,269,607)	689,888	(154.34%)
Net Position, January 1	47,805,407	47,204,091	13,500,579	12,832,288	61,305,986	60,036,379	(2.07%)
Net Position, December 31	\$ 47,204,091	\$ 48,273,650	\$ 12,832,288	\$ 12,452,617	\$ 60,036,379	\$ 60,726,267	1.15%

*Beginning net position was restated in 2013.

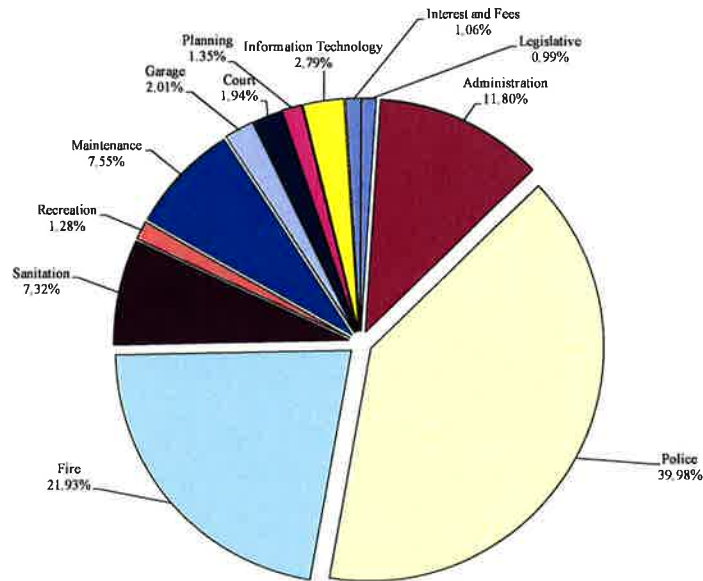
Charges for services were the City's largest program revenue, accounting for \$8,388,803 (43.63 percent) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees.

Property tax revenues only accounted for \$2,098,994 (10.92 percent) of governmental revenues, an increase of \$739,810 (54.43 percent) 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 \$3,454,208 (17.96 percent). Franchise fees of \$2,498,817 (12.99 percent) and the establishment of a local hospitality tax of two percent of the sales of food and beverages generated \$1,269,899 (6.60 percent) in revenue. The top five revenue sources combined for a total of at \$17,710,721 (92.10 percent) of the revenue 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, 2014**

The Police Department program accounted for \$6,762,487 (39.98 percent) of the \$16,912,913 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$3,709,156 (21.93 percent) of the total governmental expenditures.

Expenditures by Department



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

Governmental Activities – Cost of Services

	2013		2014		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	\$ 168,179	\$ (168,179)	\$ 166,933	\$ (166,933)	(0.74%)	(0.74%)
Administration	2,188,400	4,328,844	1,995,356	3,564,651	(8.82%)	(17.65%)
Police	6,581,576	(6,123,121)	6,762,487	(5,762,908)	2.75%	(5.88%)
Fire	3,630,978	(3,042,759)	3,709,156	(2,910,535)	2.15%	(4.35%)
Sanitation	1,259,920	267,791	1,237,349	314,011	(1.79%)	17.26%
Recreation	217,449	(217,449)	216,224	(216,224)	(0.56%)	(0.56%)
Maintenance	1,078,444	(1,078,444)	1,276,647	(1,276,647)	18.38%	18.38%
Garage	320,897	(320,897)	340,566	(340,566)	6.13%	6.13%
Court	329,176	(329,176)	328,168	(328,168)	(0.31%)	(0.31%)
Planning	160,880	(160,880)	227,658	(227,658)	41.51%	41.51%
Information Technology	458,214	(458,214)	472,369	(472,369)	3.09%	3.09%
Interest and Fees	-	-	180,000	(180,000)	100.00%	100.00%
Total Expenses	\$ 16,394,113	\$ (7,302,484)	\$ 16,912,913	\$ (8,003,346)	3.16%	9.60%

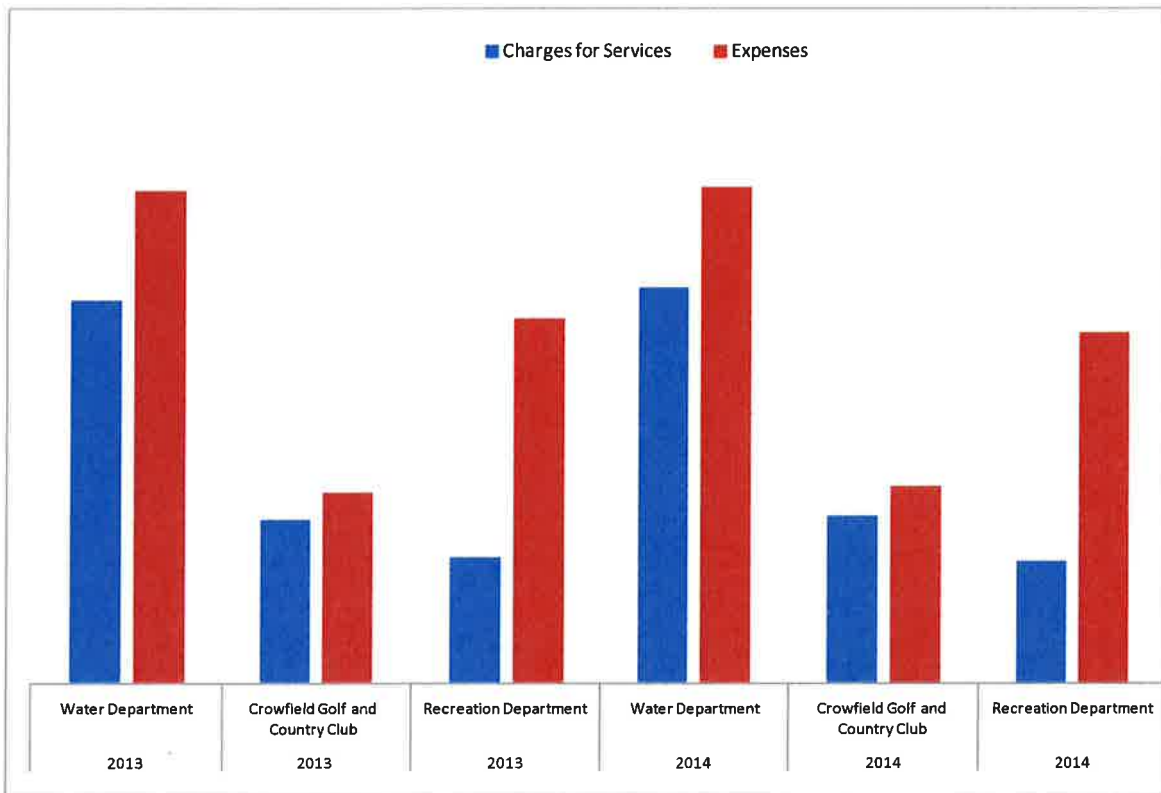
**CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

Program revenues from charges for services and operating and capital grants of \$8,909,567 (52.68 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$8,003,346 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 \$4,886,387 (92.76 percent) of the total business-type activities program revenues. These charges are: water and water services, (i.e. sales of water, tap and impact fees, late charges, administration fees, and fire demand fees) for the water enterprise fund; recreation fund revenue from memberships, recreation fees, class fees and concession stand sales; and memberships, green fees, cart fees, pro shop sales, and food and beverage sales for the golf enterprise fund. The recreation fund received \$1,246,645 during 2014 from the general fund for recreation operations.

The water enterprise fund also had capital contributions of \$381,248 for the water lines installed at Carnes Crossroad residential 1-A-2 phase, Northwood Church’s football field, Medway Landing phase 1B, and Marrington Villas Epcon Commercial.



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, 2014

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, 2014, the City's total governmental funds reported a combined ending fund balance of \$20,379,375. Approximately 43.45 percent of this total (\$8,855,775) is unassigned fund balance. The remaining fund balances are: nonspendable, \$808,516; restricted, \$9,566,327; committed, \$14,449; and assigned, \$1,134,308. The largest portion of the restricted fund balance is \$8,692,886 for capital projects for the construction of two new fire stations.

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 \$7,635,894 with a total fund balance of \$8,702,532. 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 49.24 percent of total general fund expenditures, while total fund balance represents 56.12 percent of that same amount.

The City of Goose Creek instituted a two percent hospitality tax on food and beverages in 2014. Revenue generated from the hospitality fee must be used for purposes which include, but aren't limited to, tourism-related cultural, recreational or historical facilities. The hospitality fund revenue for 2014 was \$1,270,452.

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 \$1,538,073 for the Water Department, \$(7,019,792) for the Crowfield Golf and Country Club and \$901,003 for the Recreation Department. The total growths (reductions) in net position for the funds were: Water, \$(278,481); Golf, \$(206,067); and Recreation, \$104,867. 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 \$464,124 more than budgeted. Expenditures were \$289,899 less than budgeted, resulting in an increase in the City's net position of \$514,436.

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, 2014 was \$50,895,089 (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, 2014

Capital Assets and Debt Administration (Continued)

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

- Purchase property – \$150,639
- Purchase of eight police vehicles – \$188,194
- Completion of Wannamaker hiker/biker trails – \$103,827
- Purchase of an emergency generator for the main computer server – \$33,660
- Purchase of information storage area network – \$21,296
- Purchase of two vehicles for the Water Enterprise Fund – \$33,128
- Improvements to the water system – \$190,336
- Contribution of water lines – \$381,248

Additional information on the City's capital assets can be found at Note III. D.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2015
	2013	2014	2013	2014	2013	2014	
Land	\$ 6,795,021	\$ 6,945,660	\$ 1,956,615	\$ 1,956,615	\$ 8,751,636	\$ 8,902,275	1.72%
Construction in progress	714,954	5,271,272	8,385	-	723,339	5,271,272	628.74%
Buildings	10,473,867	10,233,547	1,263,072	1,102,174	11,736,939	11,335,721	(3.42%)
Improvements	297,607	243,799	242,416	225,290	540,023	469,089	(13.14%)
Vehicles	1,191,253	1,093,311	12,518	39,778	1,203,771	1,133,089	(5.87%)
Computers	8,152	22,575	-	-	8,152	22,575	176.93%
Mast Arms	896,912	823,029	-	-	896,912	823,029	(8.24%)
Equipment	718,907	760,709	488,048	386,662	1,206,955	1,147,371	(4.94%)
Streetscape	6,139,882	5,818,655	-	-	6,139,882	5,818,655	(5.23%)
Infrastructure	2,459,760	2,423,126	-	-	2,459,760	2,423,126	(1.49%)
Water System	-	-	13,194,870	13,112,472	13,194,870	13,112,472	(0.62%)
Land Improvements	-	-	492,093	436,415	492,093	436,415	(11.31%)
	<u>\$ 29,696,315</u>	<u>\$ 33,635,683</u>	<u>\$ 17,658,017</u>	<u>\$ 17,259,406</u>	<u>\$ 47,354,332</u>	<u>\$ 50,895,089</u>	<u>7.48%</u>

Long-Term Debt - At the end of the current fiscal year, the City of Goose Creek had total long-term debt outstanding of \$7,726,073. The debt does not comprise debt backed by the full faith and credit of the government. The governmental activities debt consists of a revenue bond payable of \$7,500,000 for the construction of a fire station and fire headquarters. The business-type activities debt includes capital leases of \$226,073 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
 Revenue Bonds and other obligations**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2014
	2013	2014	2013	2014	2013	2014	
Compensated absences	\$ 177,622	\$ 185,816	\$ 44,510	\$ 52,175	\$ 222,132	\$ 237,991	7.14%
Revenue bonds	-	7,500,000	-	-	-	7,500,000	100.00%
Leases payable	-	-	319,439	226,073	319,439	226,073	(29.23%)
	<u>\$ 177,622</u>	<u>\$ 7,685,816</u>	<u>\$ 363,949</u>	<u>\$ 278,248</u>	<u>\$ 541,571</u>	<u>\$ 7,964,064</u>	<u>1370.55%</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

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. Business license revenue was up \$346,835 from the previous year; however, the City only issued 117 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 increased \$689,888 due to the initiation of a two percent hospitality tax on food and beverages and a 5 mills tax increase. The City still maintains the funds necessary to continue to provide quality services to the residents; however, another five mills tax increase in the next fiscal year will be levied by City Council. The tax increase 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 2014 the City completed an economic development study with an outside contractor and is charting 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 122 new water taps during 2014 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; 7,960 meters have been installed or converted through 2014, leaving 1,658 to be converted over the next 2 years.

The golf enterprise fund completed the eleventh 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 \$56,928 in 2014 which is \$408,402 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 2015 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, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,240,932	\$ 2,125,625	\$ 7,366,557
Restricted cash	7,497,022	-	7,497,022
Receivables, net of allowance			
Taxes	1,159,277	202,162	1,361,439
Fines	396,543	-	396,543
Accounts	2,031,674	291,695	2,323,369
Due from county treasurer	2,388,542	194,329	2,582,871
Due from other governments	1,204,874	-	1,204,874
Internal balances	6,324,288	(6,324,288)	-
Inventories	83,538	142,216	225,754
Prepaid items	-	13,412	13,412
Capital assets, not being depreciated	12,216,932	1,956,615	14,173,547
Capital assets, net of accumulated depreciation	21,418,751	15,302,791	36,721,542
TOTAL ASSETS	59,962,373	13,904,557	73,866,930
LIABILITIES			
Accounts payable	551,524	189,225	740,749
Accrued salaries and related liabilities	270,110	52,488	322,598
Escrow and retainage payable	498,780	-	498,780
Unearned revenue	-	80,153	80,153
Due to developers	-	427,231	427,231
Accrued interest payable	180,000	-	180,000
Noncurrent liabilities			
Due within one year	515,820	147,200	663,020
Due in more than one year	7,169,996	131,048	7,301,044
TOTAL LIABILITIES	9,186,230	1,027,345	10,213,575
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future years	2,323,291	424,595	2,747,886
Deferred property tax credit	136,193	-	136,193
Business licenses collected in advance	43,009	-	43,009
TOTAL DEFERRED INFLOWS OF RESOURCES	2,502,493	424,595	2,927,088
NET POSITION			
Net investment in capital assets	33,632,705	17,033,333	50,666,038
Restricted for			
Liberty Hall	290,728	-	290,728
Public safety	510,164	-	510,164
Tourism	72,549	-	72,549
Capital projects	8,692,886	-	8,692,886
Unrestricted	5,074,618	(4,580,716)	493,902
TOTAL NET POSITION	\$ 48,273,650	\$ 12,452,617	\$ 60,726,267

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 166,933	\$ -	\$ -	\$ -
Administrative	1,995,356	5,506,691	28,714	24,602
Police	6,762,487	670,953	125,021	203,605
Fire	3,709,156	659,799	138,822	-
Sanitation	1,237,349	1,551,360	-	-
Recreation	216,224	-	-	-
Maintenance	1,276,647	-	-	-
Garage	340,566	-	-	-
Court	328,168	-	-	-
Planning	227,658	-	-	-
Information Technology	472,369	-	-	-
Interest and fees	180,000	-	-	-
Total governmental activities	16,912,913	8,388,803	292,557	228,207
Business-type activities				
Water Department	3,530,328	2,818,519	-	381,248
Crowfield Golf and Country Club	1,404,061	1,194,318	-	-
Recreation Department	2,492,677	873,550	-	-
Total business-type activities	7,427,066	4,886,387	-	381,248
Total government	\$24,339,979	\$13,275,190	\$ 292,557	\$ 609,455
General revenues				
Taxes				
Property, including fee in lieu of taxes				
Local option sales tax				
Hospitality				
Franchise				
Grants and contributions not restricted to specific programs				
Gain (loss) on sale of assets				
Unrestricted revenue from use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position				
Beginning of year				
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
\$ (166,933)	\$ -	\$ (166,933)
3,564,651	-	3,564,651
(5,762,908)	-	(5,762,908)
(2,910,535)	-	(2,910,535)
314,011	-	314,011
(216,224)	-	(216,224)
(1,276,647)	-	(1,276,647)
(340,566)	-	(340,566)
(328,168)	-	(328,168)
(227,658)	-	(227,658)
(472,369)	-	(472,369)
(180,000)	-	(180,000)
(8,003,346)	-	(8,003,346)
-	(330,561)	(330,561)
-	(209,743)	(209,743)
-	(1,619,127)	(1,619,127)
-	(2,159,431)	(2,159,431)
(8,003,346)	(2,159,431)	(10,162,777)
2,098,994	476,355	2,575,349
3,454,208	-	3,454,208
1,269,899	-	1,269,899
2,498,817	-	2,498,817
818,767	-	818,767
4,290	435	4,725
89,365	3,767	93,132
85,210	52,558	137,768
(1,246,645)	1,246,645	-
9,072,905	1,779,760	10,852,665
1,069,559	(379,671)	689,888
47,204,091	12,832,288	60,036,379
\$ 48,273,650	\$ 12,452,617	\$60,726,267

**CITY OF GOOSE CREEK, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corp	Other Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,273,668	\$ 1,105,609	\$ 205,888	\$ 655,767	\$ 5,240,932
Receivables, net of allowance					
Taxes	1,159,277	-	-	-	1,159,277
Fines	330,935	-	-	65,608	396,543
Accounts	1,916,001	108,465	-	7,208	2,031,674
Due from county treasurer	2,388,542	-	-	-	2,388,542
Due from other governments	1,180,129	-	-	24,745	1,204,874
Due from other funds	7,204,484	10,408	1,834,684	481,309	9,530,885
Advances to other funds	50,000	-	674,978	-	724,978
Inventories	83,538	-	-	-	83,538
Restricted cash	-	-	7,497,022	-	7,497,022
TOTAL ASSETS	\$ 17,586,574	\$ 1,224,482	\$ 10,212,572	\$ 1,234,637	\$ 30,258,265
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 144,876	\$ -	\$ 405,598	\$ 1,050	\$ 551,524
Accrued salaries and related liabilities	270,110	-	-	-	270,110
Escrow and retainage payable	10,015	-	439,110	49,655	498,780
Due to other funds	3,897,748	-	-	33,827	3,931,575
TOTAL LIABILITIES	4,322,749	-	844,708	84,532	5,251,989
Deferred inflows of resources					
Property taxes levied for future years	2,323,291	-	-	-	2,323,291
Business licenses collected in advance	43,009	-	-	-	43,009
Deferred property tax credit	136,193	-	-	-	136,193
Unavailable revenue	2,058,800	-	-	65,608	2,124,408
TOTAL DEFERRED INFLOWS OF RESOURCES	4,561,293	-	-	65,608	4,626,901
Fund balances					
Nonspendable					
Inventory and prepaids	83,538	-	-	-	83,538
Interfund advances	50,000	-	674,978	-	724,978
Restricted:					
Public safety	-	-	-	510,164	510,164
Tourism	-	-	-	72,549	72,549
Liberty Hall impact fees	-	-	-	290,728	290,728
Capital projects	-	-	8,692,886	-	8,692,886
Committed:					
Tree replacement	14,449	-	-	-	14,449
Assigned:					
Fleet replacement	22,766	-	-	-	22,766
Capital items	895,885	-	-	-	895,885
Capital projects	-	-	-	215,657	215,657
Unassigned	7,635,894	1,224,482	-	(4,601)	8,855,775
TOTAL FUND BALANCE	8,702,532	1,224,482	9,367,864	1,084,497	20,379,375
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,586,574	\$ 1,224,482	\$ 10,212,572	\$ 1,234,637	\$ 30,258,265

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, 2014**

Total governmental fund balances \$ 20,379,375

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	\$45,610,412	
Accumulated depreciation	(11,974,729)	
		33,635,683

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	\$ 342,060	
Fines and forfeitures	396,542	
EMS revenue	1,385,806	
		2,124,408

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	\$ (185,816)	
Accrued interest payable	(180,000)	
Revenue bonds	(7,500,000)	
		(7,865,816)

Net position of governmental activities		<u>\$ 48,273,650</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, 2014**

	General	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corp	Other Governmental	Total Governmental Funds
REVENUES					
Local revenues					
Property taxes	\$ 2,084,078	\$ -	\$ -	\$ -	\$ 2,084,078
Licenses and permits	7,838,342	1,269,900	-	-	9,108,242
Charges for services	2,199,068	-	-	-	2,199,068
Fines and forfeitures	422,524	-	-	59,384	481,908
Miscellaneous revenues	252,820	552	4,083	139,105	396,560
Total local revenues	12,796,832	1,270,452	4,083	198,489	14,269,856
State revenues	4,292,454	-	-	324,968	4,617,422
Federal revenues	149,090	-	-	7,613	156,703
TOTAL REVENUES	17,238,376	1,270,452	4,083	531,070	19,043,981
EXPENDITURES					
Current					
Legislative	166,933	-	-	-	166,933
Administrative	1,448,249	270	7,600	21,519	1,477,638
Police	6,282,219	-	-	268,918	6,551,137
Fire	3,599,653	-	-	-	3,599,653
Sanitation	1,142,160	-	-	-	1,142,160
Recreation	-	-	-	7,333	7,333
Maintenance	1,128,212	-	-	-	1,128,212
Garage	343,048	-	-	-	343,048
Court	327,289	-	-	-	327,289
Planning	139,796	-	87,935	-	227,731
Information technology	436,415	-	-	-	436,415
Capital outlay	492,604	45,700	4,510,618	208,206	5,257,128
TOTAL EXPENDITURES	15,506,578	45,970	4,606,153	505,976	20,664,677
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,731,798	1,224,482	(4,602,070)	25,094	(1,620,696)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	7,871	-	-	-	7,871
Insurance proceeds	46,106	-	-	-	46,106
Bond proceeds	-	-	7,500,000	-	7,500,000
Transfers in	-	-	6,469,934	24,694	6,494,628
Transfers out	(1,271,339)	-	-	(6,469,934)	(7,741,273)
TOTAL OTHER FINANCING SOURCES (USES)	(1,217,362)	-	13,969,934	(6,445,240)	6,307,332
NET CHANGE IN FUND BALANCES	514,436	1,224,482	9,367,864	(6,420,146)	4,686,636
FUND BALANCES					
Beginning of year	8,188,096	-	-	7,504,643	15,692,739
End of year	\$ 8,702,532	\$ 1,224,482	\$ 9,367,864	\$ 1,084,497	\$ 20,379,375

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, 2014**

Net change in fund balances - total governmental funds \$ 4,686,636

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	\$	5,257,128	
Depreciation expense		<u>(1,317,179)</u>	
			3,939,949

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	\$	(309,925)	
Accumulated depreciation		<u>306,344</u>	
			(3,581)

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. 3,000

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	\$	(332,944)	
Fines and forfeitures		(404,949)	
EMS revenue		(1,254,766)	

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

State aid to subdivisions		342,060	
Fines and forfeitures		396,542	
EMS Revenue		<u>1,385,806</u>	
			131,749

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of revenue obligation bonds. (7,500,000)

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	\$	(185,816)	
Prior year		177,622	
Accrued interest expense - current year		<u>(180,000)</u>	
			(188,194)

Change in net position of governmental activities \$ 1,069,559

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, 2014

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,851,139	\$ 155,795	\$ 118,691	\$ 2,125,625
Accounts receivable, net of allowance	276,768	14,927	-	291,695
Taxes receivable, net of allowance	-	-	202,162	202,162
Due from county treasurer	-	-	194,329	194,329
Due from other funds	-	-	892,376	892,376
Inventories	121,972	20,244	-	142,216
Prepaid items	4,500	7,900	1,012	13,412
Total current assets	2,254,379	198,866	1,408,570	3,861,815
Noncurrent assets				
Capital assets, net of accumulated depreciation	13,429,709	2,845,648	984,049	17,259,406
TOTAL ASSETS	15,684,088	3,044,514	2,392,619	21,121,221
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities				
Accounts payable	144,394	7,721	37,110	189,225
Accrued salaries and related liabilities	18,566	12,979	20,943	52,488
Compensated absences payable	15,119	14,758	22,298	52,175
Due to other funds	110,996	6,380,690	-	6,491,686
Unearned revenue	-	77,532	2,621	80,153
Due to developers	427,231	-	-	427,231
Current portion of leases payable	-	95,025	-	95,025
Total current liabilities	716,306	6,588,705	82,972	7,387,983
Noncurrent liabilities				
Advances from other funds	-	724,978	-	724,978
Leases payable	-	131,048	-	131,048
Total noncurrent liabilities	-	856,026	-	856,026
TOTAL LIABILITIES	716,306	7,444,731	82,972	8,244,009
DEFERRED INFLOWS				
Property taxes levied for future years	-	-	424,595	424,595
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	424,595	424,595
NET POSITION (DEFICIT)				
Net investment in capital assets	13,429,709	2,619,575	984,049	17,033,333
Unrestricted	1,538,073	(7,019,792)	901,003	(4,580,716)
TOTAL NET POSITION (DEFICIT)	\$14,967,782	\$ (4,400,217)	\$ 1,885,052	\$ 12,452,617

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, 2014

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
OPERATING REVENUES				
Property taxes	\$ -	\$ -	\$ 476,355	\$ 476,355
Charges for sales and services	2,818,519	1,194,318	873,550	4,886,387
Miscellaneous	46,666	3,653	2,239	52,558
TOTAL OPERATING REVENUES	2,865,185	1,197,971	1,352,144	5,415,300
OPERATING EXPENSES				
Salaries and related expenses	1,040,076	714,016	1,357,780	3,111,872
Cost of goods sold	1,259,424	156,530	33,402	1,449,356
Administrative	130,987	77,486	148,527	357,000
Contractual services	231,856	92,331	324,957	649,144
Materials and supplies	46,466	98,931	195,135	340,532
Repairs and maintenance	87,770	51,336	66,114	205,220
Depreciation	706,482	144,284	142,926	993,692
Utilities	27,267	64,269	223,836	315,372
TOTAL OPERATING EXPENSES	3,530,328	1,399,183	2,492,677	7,422,188
OPERATING (LOSS)	(665,143)	(201,212)	(1,140,533)	(2,006,888)
NONOPERATING REVENUES (EXPENSES)				
Interest income	3,734	33	-	3,767
Interest expense	-	(4,878)	-	(4,878)
Gain/(loss) on capital asset	1,680	-	(1,245)	435
TOTAL NONOPERATING REVENUES (EXPENSES)	5,414	(4,845)	(1,245)	(676)
LOSS BEFORE TRANSFERS	(659,729)	(206,057)	(1,141,778)	(2,007,564)
Transfers from (to) other funds	-	-	1,246,645	1,246,645
INCOME (LOSS) BEFORE CONTRIBUTIONS	(659,729)	(206,057)	104,867	(760,919)
Capital contributions	381,248	-	-	381,248
CHANGE IN NET POSITION (DEFICIT)	(278,481)	(206,057)	104,867	(379,671)
NET POSITION (DEFICIT)				
Beginning of year	15,246,263	(4,194,160)	1,780,185	12,832,288
End of year	<u>\$ 14,967,782</u>	<u>\$ (4,400,217)</u>	<u>\$ 1,885,052</u>	<u>\$ 12,452,617</u>

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, 2014**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,854,864	\$ 1,187,277	\$ 1,236,270	\$ 5,278,411
Cash paid to suppliers	(1,927,760)	(554,248)	(994,482)	(3,476,490)
Cash paid to employees	(1,040,066)	(710,817)	(1,341,129)	(3,092,012)
Internal activity-payments from (to) other funds	105,804	149,271	(583,618)	(328,543)
Net cash provided (used) by operating activities	(7,158)	71,483	(1,682,959)	(1,618,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	1,246,645	1,246,645
Net cash provided (used) by noncapital financing activities	-	-	1,246,645	1,246,645
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	-	(93,367)	-	(93,367)
Payment of interest expense	-	(4,878)	-	(4,878)
Sale of asset	1,680	-	-	1,680
Acquisition and construction of capital assets	(223,463)	-	-	(223,463)
Net cash used by capital and related financing activities	(221,783)	(98,245)	-	(320,028)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	3,734	33	-	3,767
Net cash provided by investing activities	3,734	33	-	3,767
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(225,207)	(26,729)	(436,314)	(688,250)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,076,346	182,524	555,005	2,813,875
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,851,139	\$ 155,795	\$ 118,691	\$ 2,125,625

(Continued)

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
RECONCILIATION OF OPERATING LOSS				
TO NET CASH				
PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (665,143)	\$ (201,212)	\$ (1,140,533)	\$ (2,006,888)
Adjustments to reconcile operating				
income (loss) to net cash provided				
(used) by operating activities:				
Depreciation	706,482	144,284	142,926	993,692
Loss on disposal of construction in progress	-	-	8,385	8,385
Provision for allowance for uncollectibles	40,125	-	4,061	44,186
(Increase) decrease in:				
Accounts and taxes receivable	(50,446)	(1,692)	(25,792)	(77,930)
Due from county treasurer	-	-	(97,290)	(97,290)
Inventory	(23,395)	(3,156)	-	(26,551)
Prepaid items	2,292	(7,900)	(421)	(6,029)
Increase (decrease) in:				
Accounts payable	(122,887)	(2,309)	(2,090)	(127,286)
Accrued salaries and compensated absences payable	10	3,199	8,267	11,476
Due to/from other funds	105,804	149,271	(583,618)	(328,543)
Deferred inflows	-	-	2,621	2,621
Unearned revenue	-	(9,002)	525	(8,477)
Total adjustments	657,985	272,695	(542,426)	388,254
Net cash provided (used) by operating activities	\$ (7,158)	\$ 71,483	\$ (1,682,959)	\$ (1,618,634)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Abandonment of construction in process	\$ -	\$ -	\$ 8,385	\$ 8,385
Contributed capital assets	\$ 381,248	\$ -	\$ -	\$ 381,248

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, 2014**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 88,546
Total assets	<u>\$ 88,546</u>
Liabilities	
Assets held for others	\$ 88,546
Total liabilities	<u>\$ 88,546</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, 2014**

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 represent the government and its component unit. A component unit is a legally separate entity for which a primary government is financially accountable, or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading, or by virtue of the fact that either the primary government appoints the majority of the governing board, or the entity is fiscally dependent on the primary government. Additionally, in order for such an entity to be a component unit, the primary government is able to impose its will on the component unit, or the component unit provides financial benefits or imposes a financial burden on the primary government. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

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

Blended Component Unit

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

The Board of Directors of the Corporation are:

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

Government-wide Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units, when applicable. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and 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 *Local Hospitality Tax Fund* is a special revenue fund used to account for taxes collected on the sales of prepared meals and beverages sold in establishments. The expenditures of these taxes must be related to or for the promotion of tourism.

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

The City reports the following major 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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Nonmajor Funds

In addition the City reports the following fund types:

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

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

The *Fiduciary 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.

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2014. Additional disclosure regarding the City's deposits and investments is located at Note III.A.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2014 property tax assessment levied for the 2015 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.

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

<u>Assets</u>	<u>Years</u>
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

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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 the modified accrual basis of accounting that qualify 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.

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

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.

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, 2014. 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%

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity (Continued)

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.

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 2014 calendar year are based on property assessed as of December 31, 2012, and billed in September 2013. The City tax rate to finance general governmental services for the year ended December 31, 2014, 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 \$14,746,030), within the City's district as of December 31, 2012, was \$101,316,850 according to records of the Berkeley County Auditor.

The City's levy on property assessed as of December 31, 2013, and billed in September 2014, will generate taxes to be used for the 2015 calendar year. Although a receivable is recorded at December 31, 2014, such revenue is recorded as a deferred inflow of resources.

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses (Continued)

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.

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, 2014, expenditures exceeded appropriations for the following functions:

Fund	Function	Excess expenditures
General	Fire	\$ 40,212
	Capital outlay	\$ 99,109

B. Deficit Fund Equity

The Crowfield Golf and Country Club Enterprise Fund had deficit fund equity balance of (\$4,400,217) at December 31, 2014. This deficit will be funded by future revenues of the fund.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014, the City's bank balance of \$15,342,173 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.

Credit Risk - Investments

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

A. Deposits and Investments (Continued)

In addition, South Carolina state statutes authorize the City to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. 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, 2014, 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.

B. Receivables

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

	Governmental Funds			Enterprise Funds		
	General	Local Hospitality Tax Fund	Nonmajor Funds	Water Department	Crowfield Golf and Country Club	Recreation Department
Receivables						
Current taxes	\$ 1,046,220	\$ -	\$ -	\$ -	\$ -	\$ 206,451
Delinquent taxes	42,965	-	-	-	-	15,309
Sanitation fees	136,620	-	-	-	-	-
Total taxes	1,225,805	-	-	-	-	221,760
Fines	734,295	-	131,198	-	-	-
Accounts	3,070,118	108,465	7,208	509,338	14,927	-
Gross receivables	5,030,218	108,465	138,406	509,338	14,927	221,760
Less allowance for uncollectibles						
Taxes	(66,528)	-	-	-	-	(19,598)
Fines	(403,360)	-	(65,590)	-	-	-
Accounts	(1,154,117)	-	-	(232,570)	-	-
Total allowance	(1,624,005)	-	(65,590)	(232,570)	-	(19,598)
Net receivables	\$ 3,406,213	\$ 108,465	\$ 72,816	\$ 276,768	\$ 14,927	\$ 202,162

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2014, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Governmental Funds		
Major		
General Fund	\$ 7,204,484	\$ 3,897,748
Local Hospitality Tax Fund	10,408	-
Goose Creek Municipal Finance Corporation	1,834,684	-
Nonmajor	481,309	33,827
Enterprise Funds		
Major		
Water Department	-	110,996
Crowfield Golf and Country Club	-	6,380,690
Recreation Department	892,376	-
	<u>\$ 10,423,261</u>	<u>\$ 10,423,261</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, 2014**

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

D. Capital Assets

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 6,795,021	\$ 150,639	\$ -	\$ 6,945,660
Construction in progress	714,954	4,556,318	-	5,271,272
Total capital assets, not being depreciated	<u>7,509,975</u>	<u>4,706,957</u>	<u>-</u>	<u>12,216,932</u>
Capital assets, being depreciated				
Building	14,019,024	49,845	-	14,068,869
Improvements	1,190,750	-	-	1,190,750
Vehicles	5,012,027	188,194	(171,014)	5,029,207
Computers	44,589	21,296	-	65,885
Mast arms	1,463,006	-	-	1,463,006
Equipment	1,906,200	190,009	(138,911)	1,957,298
Streetscapes	6,418,608	-	-	6,418,608
Infrastructure	3,096,030	103,827	-	3,199,857
Total capital assets, being depreciated	<u>33,150,234</u>	<u>553,171</u>	<u>(309,925)</u>	<u>33,393,480</u>
Less accumulated depreciation for				
Building	(3,545,157)	(290,165)	-	(3,835,322)
Improvements	(893,143)	(53,808)	-	(946,951)
Vehicles	(3,820,774)	(286,136)	171,014	(3,935,896)
Computers	(36,437)	(6,873)	-	(43,310)
Mast arms	(566,094)	(73,883)	-	(639,977)
Equipment	(1,187,293)	(144,626)	135,330	(1,196,589)
Streetscapes	(278,726)	(321,227)	-	(599,953)
Infrastructure	(636,270)	(140,461)	-	(776,731)
Total accumulated depreciation	<u>(10,963,894)</u>	<u>(1,317,179)</u>	<u>306,344</u>	<u>(11,974,729)</u>
Total capital assets, being depreciated, net	<u>22,186,340</u>	<u>(764,008)</u>	<u>(3,581)</u>	<u>21,418,751</u>
Governmental activities capital assets, net	<u>\$ 29,696,315</u>	<u>\$ 3,942,949</u>	<u>\$ (3,581)</u>	<u>\$ 33,635,683</u>

Current year asset additions are comprised of the following:

Capital outlay - funds statement	\$ 5,257,128
Infrastructure - donated by developers	<u>3,000</u>
Total additions	<u>\$ 5,260,128</u>
Additions, not being depreciated	\$ 4,706,957
Additions, being depreciated	<u>553,171</u>
Total additions	<u>\$ 5,260,128</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

D. Capital Assets (Continued)

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
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>(8,385)</u>	<u>1,956,615</u>
Capital assets, being depreciated				
Building	2,942,916	-	-	2,942,916
Improvements	472,080	-	-	472,080
Land improvements	971,054	-	-	971,054
Vehicles	327,314	33,128	(28,694)	331,748
Software	39,204	-	-	39,204
Equipment	997,978	-	(61,209)	936,769
Water system	20,877,055	571,584	-	21,448,639
Total capital assets, being depreciated	<u>26,627,601</u>	<u>604,712</u>	<u>(89,903)</u>	<u>27,142,410</u>
Less accumulated depreciation for				
Building	(1,679,844)	(160,898)	-	(1,840,742)
Improvements	(229,664)	(17,126)	-	(246,790)
Land improvements	(478,961)	(55,678)	-	(534,639)
Vehicles	(314,796)	(5,867)	28,693	(291,970)
Software	(39,204)	-	-	(39,204)
Equipment	(509,930)	(100,141)	59,964	(550,107)
Water system	(7,682,185)	(653,982)	-	(8,336,167)
Total accumulated depreciation	<u>(10,934,584)</u>	<u>(993,692)</u>	<u>88,657</u>	<u>(11,839,619)</u>
Total capital assets, being depreciated, net	<u>15,693,017</u>	<u>(388,980)</u>	<u>(1,246)</u>	<u>15,302,791</u>
Business-type activities capital assets, net	<u>\$ 17,658,017</u>	<u>\$ (388,980)</u>	<u>\$ (9,631)</u>	<u>\$ 17,259,406</u>

Included in current year additions are contributed water systems valued at \$381,248.

Depreciation was charged to the activities as follows:

Governmental Activities		Business-type Activities	
Administrative	\$ 518,324	Water Department	\$ 706,482
Police	200,943	Crowfield Golf and Country Club	144,284
Fire	109,658	Recreation Department	<u>142,926</u>
Sanitation	97,204		
Recreation	208,891	Total business-type activities	<u>\$ 993,692</u>
Maintenance	147,710		
Information Technology	34,449		
Total governmental activities	<u>\$ 1,317,179</u>		

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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	\$ -
Goose Creek Municipal Finance Corporation	674,978	-
Enterprise Fund		
Crowfield Golf and Country Club	-	724,978
	\$ 724,978	\$ 724,978

The City's General Fund advanced money to the Crowfield Golf and Country Club in the amount of \$50,000. The Tax Increment Financing Fund advanced to the Crowfield Golf and Country Club \$674,978, which was assumed by the Goose Creek Municipal Finance Corporation when the Tax Increment Financing Fund was closed during 2014. 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, 2014, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds		
General Fund	\$ -	\$ 1,271,339
Goose Creek Municipal Finance Corporation	6,469,934	-
Nonmajor governmental funds	24,694	6,469,934
Total governmental funds	6,494,628	7,741,273
Recreation Department	1,246,645	-
Total enterprise funds	1,246,645	-
Total transfers	\$ 7,741,273	\$ 7,741,273

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

G. Deferred Inflows of Resources

The components of deferred inflows of resources as of December 31, 2014, are as follows:

	Fund Statement	Government-wide Governmental Activities	Proprietary Fund/Business Type Activities
Unavailable revenue			
State aid to subdivisions	\$ 342,060	\$ -	\$ -
Fines and forfeitures	396,542	-	-
EMS revenue	1,385,806	-	-
Total unavailable	2,124,408	-	-
Property taxes levied for future years	2,323,291	2,323,291	424,595
Deferred property tax credit	136,193	136,193	-
Business licenses collected in advance	43,009	43,009	-
	<u>\$ 4,626,901</u>	<u>\$ 2,502,493</u>	<u>\$ 424,595</u>

H. Long-Term Debt

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

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

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

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, 2014, is as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within one Year
Governmental activities					
Revenue bonds	\$ -	\$ 7,500,000	\$ -	\$ 7,500,000	\$ 330,004
Compensated absences	177,622	499,661	(491,467)	185,816	185,816
Total long-term liabilities	<u>\$ 177,622</u>	<u>\$ 7,999,661</u>	<u>\$ (491,467)</u>	<u>\$ 7,685,816</u>	<u>\$ 515,820</u>
Business-type activities					
Leases payable	\$ 319,439	\$ -	\$ (93,366)	\$ 226,073	\$ 95,025
Compensated absences	44,510	102,267	(94,602)	52,175	52,175
Total long-term liabilities	<u>\$ 363,949</u>	<u>\$ 102,267</u>	<u>\$ (187,968)</u>	<u>\$ 278,248</u>	<u>\$ 147,200</u>

Interest cost incurred by the business-type activities was \$4,878, all of which was charged to expense. No interest was capitalized during the year.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

H. Long-Term Debt (Continued)

Revenue Bond

Revenue bond payable at December 31, 2014 is comprised of the following issue:

In March 2014, the City issued an installment purchase revenue bond in the amount of \$7,500,000 at 2.880%, for the purpose of acquiring and the construction of Fire Stations. Annual payments range from \$652,852 to \$705,639 including interest with a maturity date of March 2029. Revenues from the General Fund will be used to repay these bonds.

\$7,500,000

Debt service requirement for the revenue bond is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 330,004	\$ 375,635	\$ 705,639
2016	451,201	201,652	652,853
2017	464,336	188,516	652,852
2018	477,854	174,998	652,852
2019	491,766	161,087	652,853
2020-24	2,682,098	582,166	3,264,264
2025-29	2,602,741	171,885	2,774,626
Total	<u>\$7,500,000</u>	<u>\$1,855,939</u>	<u>\$9,355,939</u>

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:

	<u>Business-type Activities</u>
Golf maintenance equipment	\$ 487,112
Less accumulated depreciation	<u>(198,282)</u>
Carrying value	<u>\$ 288,830</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, 2014, was \$4,878 for Business-type Activities.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014, were as follows:

Year Ending December 31,	Business-type Activities
2015	\$ 98,244
2016	131,590
Total minimum lease payments	229,834
Less amount representing interest	(3,761)
Present value of minimum lease payments	226,073
Less current portion	(95,025)
Long-term portion of leases	\$ 131,048

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:

Year ending December 31,	Amount
2015	\$ 68,004
2016	18,261
	\$ 86,265

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2013	Increase (Decrease)	December 31, 2014
Assigned for computer replacement	\$ 26,058	\$ (26,058)	\$ -
Assigned for fleet replacement	22,760	6	22,766
Assigned for capital items	43,240	852,645	895,885
Assigned for water system	650,319	(650,319)	-
	<u>\$ 742,377</u>	<u>\$ 176,274</u>	<u>\$ 918,651</u>

In prior years, City Council decided to assign 100% of the Charleston Water System franchise fees to be used towards the purchase of a water system. During 2014 it was determined that the purchase of a water system was no longer feasible and these funds are now to be used to purchase capital items. During 2014, \$202,326 in Charleston Water franchise fees was collected. No other changes in assigned fund balance have occurred in the General Fund as of December 31, 2014.

The assignments for computer replacements are as follows:

Department	December 31, 2013	Funds Assigned	Expenditures and transfers	December 31, 2014
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>\$ (26,058)</u>	<u>\$ -</u>

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

Department	December 31, 2013	Funds Assigned	Expenditures and transfers	December 31, 2014
Police	\$ -	\$ 188,200	\$ (188,194)	\$ 6
Sanitation	10,033	-	-	10,033
Maintenance	12,727	-	-	12,727
	<u>\$ 22,760</u>	<u>\$ 188,200</u>	<u>\$ (188,194)</u>	<u>\$ 22,766</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2013	Increase (Decrease)	December 31, 2014
Inventory – General Fund	\$ 118,582	\$ (35,044)	\$ 83,538
Prepays – General Fund	37,332	(37,332)	-
Nonspendable for inventory and prepaids	155,914	(72,376)	83,538
Interfund Advances	50,000	-	50,000
Total General Fund Nonspendable	<u>\$ 205,914</u>	<u>\$ (72,376)</u>	<u>\$ 133,538</u>
Interfund Advances - Goose Creek Municipal Finance Corporation	\$ -	\$ 674,978	\$ 674,978
Interfund Advances - Tax Increment Financing	<u>\$ 674,978</u>	<u>\$ (674,978)</u>	<u>\$ -</u>

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, 2014, the City had the following construction commitments:

Construction services (Headquarters Fire Station and Station III)	\$ 8,797,499
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CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Commitments and Contingent Liabilities (Continued)

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 \$1,259,424.

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

<u>Year ending December 31,</u>	<u>Total</u>
2015	\$ 1,315,877
2016	\$ 1,277,699
2017	\$ 1,344,795

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.

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

IV. OTHER INFORMATION (CONTINUED)

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).

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.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

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, 2014, employees participating in the SCRS were required to contribute 8.00% of all earnable compensation. The employer contribution rate for SCRS was 10.90%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.75% and .15% for the incidental death. The City's actual contributions, which is equivalent to the required contributions, to the SCRS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death	
	Rate*	Contribution	Rate	Contribution
*2014	10.750%	\$ 776,342	0.15%	\$ 10,988
2013	10.450%	\$ 752,102	0.15%	\$ 10,796
*2012	10.450%	\$ 719,716	0.15%	\$ 10,895

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

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).

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Funding Policy – South Carolina Police Officers Retirement System

Effective July 1, 2014, employees participating in the PORS were required to contribute 8.41% of all earnable compensation. The employer contribution rate for PORS was 13.21%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.010% and .20% for incidental death. The City's actual contributions, which is equivalent to the required contributions, to the PORS were:

Fiscal Year Ended December 31,	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
*2014	13.010%	\$ 387,326	0.20%	\$ 6,090
2013	12.440%	\$ 360,594	0.20%	\$ 5,925
*2012	11.900%	\$ 341,984	0.20%	\$ 5,880

* 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.

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, however see note VI D., regarding the future treatment of unfunded costs.

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 10.90%, for grandfathered employees that are not in SCRS. All employees can also make voluntary, tax deferred contributions at an amount equal to the maximum amount allowed under Internal Revenue Service regulations. All money purchase pension plans are 100% vested immediately. Total contributions to the plan by the City in 2014 were \$149,755.

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 2014.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

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 2014 were \$52,359, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

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 implementation of this statement is expected to have a significant impact on the government-wide financial statements as the City will be required to recognize their share of the defined benefit liability as reported by the South Carolina Public Employee Benefit Authority. The liability is estimated to be approximately \$13,502,000.

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.

GASB Statement No. 72, *Fair Value Measurement and Application* intends to improve financial reporting issues related to fair value measurements. The statement is effective for financial statements for periods beginning after June 15, 2015. The City will implement the new guidance with the 2016 financial statements. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, intends to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The statement is effective for financial statements for periods beginning after June 15, 2015. The City will implement the new guidance with the 2016 financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

IV. OTHER INFORMATION (CONTINUED)

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, intends to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and amends No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The statement is effective for financial statements for periods beginning after June 15, 2016. The City will implement the new guidance with the 2017 financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, intends to improve the usefulness of information about postemployment benefits other than pensions by improving the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended by No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The statement is effective for financial statements for periods beginning after June 15, 2017. The City will implement the new guidance with the 2018 financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, intends to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the extent that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement is effective for financial statements for periods beginning after June 15, 2015. The City will implement the new guidance with the 2016 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 2015, the City has awarded contracts to various companies for the following:

Purpose	Award
Fire Pumper Truck	\$ 455,500
Architectural and Engineering Services for Phase II of Community Center	748,883
Sanitation Truck	262,933
Various equipment purchases, renovations and improvements	423,219
	\$ 1,890,535

Management has assessed subsequent events through July 6, 2015, 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
YEAR ENDED DECEMBER 31, 2014**

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local revenues			
Property taxes	\$ 2,207,166	\$ 2,084,078	\$ (123,088)
Licenses and permits	7,555,412	7,838,342	282,930
Charges for services	2,334,998	2,199,068	(135,930)
Fines and forfeitures	400,000	422,524	22,524
Miscellaneous revenues	182,084	252,820	70,736
Total local revenues	<u>12,679,660</u>	<u>12,796,832</u>	<u>117,172</u>
State revenues	4,094,592	4,292,454	197,862
Federal revenues	-	149,090	149,090
TOTAL REVENUES	<u>16,774,252</u>	<u>17,238,376</u>	<u>464,124</u>
EXPENDITURES			
Current			
Legislative	174,280	166,933	7,347
Administrative	1,605,959	1,448,249	157,710
Police	6,318,668	6,282,219	36,449
Fire	3,559,441	3,599,653	(40,212)
Sanitation	1,245,472	1,142,160	103,312
Maintenance	1,183,772	1,128,212	55,560
Garage	352,911	343,048	9,863
Court	331,456	327,289	4,167
Planning	157,859	139,796	18,063
Information technology	473,164	436,415	36,749
Capital outlay	393,495	492,604	(99,109)
TOTAL EXPENDITURES	<u>15,796,477</u>	<u>15,506,578</u>	<u>289,899</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>977,775</u>	<u>1,731,798</u>	<u>754,023</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	24,800	7,871	(16,929)
Insurance proceeds	-	46,106	46,106
Transfers in	78,092	-	(78,092)
Transfers out	(1,471,366)	(1,271,339)	200,027
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,368,474)</u>	<u>(1,217,362)</u>	<u>151,112</u>
NET CHANGE IN FUND BALANCES	<u>\$ (390,699)</u>	<u>514,436</u>	<u>\$ 905,135</u>
FUND BALANCES			
Beginning of year		<u>8,188,096</u>	
End of year		<u>\$ 8,702,532</u>	

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 NOTES TO BUDGETARY COMPARISON SCHEDULE –
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2014**

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	\$ 15,856,576	\$ 15,796,477	\$ (43,873)	\$ 16,226
Presentation adjustment:				
Plus separately budgeted funds:				
Tree Trust Fund	50	-	-	50
Local Option Sales Tax Fund	917,626	-	(1,324,601)	(406,975)
Budget as presented	<u>\$ 16,774,252</u>	<u>\$ 15,796,477</u>	<u>\$ (1,368,474)</u>	<u>\$ (390,699)</u>

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue Funds					
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund	Tax Increment Financing
ASSETS						
Cash	\$ -	\$ 108,165	\$ 331,945	\$ -	\$ -	\$ -
Receivables, net of allowance						
Fines	-	-	-	-	65,608	-
Accounts	-	448	6,760	-	-	-
Due from other funds	286,127	-	-	72,549	122,633	-
Due from other governments	-	-	24,745	-	-	-
TOTAL ASSETS	\$ 286,127	\$ 108,613	\$ 363,450	\$ 72,549	\$ 188,241	\$ -
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 1,050	\$ -	\$ -	\$ -
Escrow payable	-	49,655	-	-	-	-
Due to other funds	-	32	22	-	33,773	-
TOTAL LIABILITIES	-	49,687	1,072	-	33,773	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	65,608	-
FUND BALANCE						
Restricted for						
Public safety	-	58,926	362,378	-	88,860	-
Tourism	-	-	-	72,549	-	-
Impact fees-Liberty Hall	290,728	-	-	-	-	-
Assigned						
Capital projects	-	-	-	-	-	-
Unassigned	(4,601)	-	-	-	-	-
TOTAL FUND BALANCE	286,127	58,926	362,378	72,549	88,860	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 286,127	\$ 108,613	\$ 363,450	\$ 72,549	\$ 188,241	\$ -

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 215,657	\$ 655,767
-	65,608
-	7,208
-	481,309
-	24,745
<u>\$ 215,657</u>	<u>\$ 1,234,637</u>

\$ -	\$ 1,050
-	49,655
-	33,827
-	84,532

-	65,608
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-	510,164
-	72,549
-	290,728

215,657	215,657
-	(4,601)
<u>215,657</u>	<u>1,084,497</u>

<u>\$ 215,657</u>	<u>\$ 1,234,637</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, 2014**

	Special Revenue Funds					
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund	Tax Increment Financing
REVENUES						
Local Revenue						
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 59,384	\$ -
Miscellaneous revenues	57,472	25	81,050	-	-	-
Total local revenues	57,472	25	81,050	-	59,384	-
State	-	51,397	258,536	13,235	-	-
Federal	-	7,613	-	-	-	-
TOTAL REVENUES	57,472	59,035	339,586	13,235	59,384	-
EXPENDITURES						
Current						
Administrative	-	-	-	-	-	-
Police	-	51,362	145,750	-	71,806	-
Recreation	-	-	-	5,882	-	-
Capital outlay	-	-	10,721	-	-	-
TOTAL EXPENDITURES	-	51,362	156,471	5,882	71,806	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,472	7,673	183,115	7,353	(12,422)	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	24,694	-
Transfers out	-	-	-	-	-	(6,469,934)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	24,694	(6,469,934)
NET CHANGE IN FUND BALANCES	57,472	7,673	183,115	7,353	12,272	(6,469,934)
FUND BALANCE						
Beginning of year	228,655	51,253	179,263	65,196	76,588	6,469,934
End of year	\$ 286,127	\$ 58,926	\$ 362,378	\$ 72,549	\$ 88,860	\$ -

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 59,384
558	139,105
558	198,489
1,800	324,968
-	7,613
2,358	531,070
21,519	21,519
-	268,918
1,451	7,333
197,485	208,206
220,455	505,976
(218,097)	25,094
-	24,694
-	(6,469,934)
-	(6,445,240)
(218,097)	(6,420,146)
433,754	7,504,643
\$ 215,657	\$ 1,084,497

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF REVENUES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
LOCAL REVENUES		
Property taxes		
Real and personal	\$ 1,638,714	\$ 898,301
Vehicle	327,658	236,363
Homestead tax	117,706	110,618
Total property taxes	<u>2,084,078</u>	<u>1,245,282</u>
Licenses and permits		
Business licenses	5,024,700	4,677,865
Building permits	314,825	361,904
Franchise fees	2,498,817	2,287,411
Total licenses and permits	<u>7,838,342</u>	<u>7,327,180</u>
Charges for services		
Police and fire	646,209	672,520
Sanitation fees	1,551,360	1,527,711
Administrative fees	1,499	1,281
Total charges for services	<u>2,199,068</u>	<u>2,201,512</u>
Fines and forfeitures		
Court fines	422,524	369,404
Miscellaneous		
Interest	9,820	3,333
Rent	74,417	73,959
Other	168,583	170,661
Total miscellaneous revenues	<u>252,820</u>	<u>247,953</u>
TOTAL LOCAL REVENUES	<u><u>\$ 12,796,832</u></u>	<u><u>\$ 11,391,331</u></u>
STATE REVENUES		
Inventory tax and manufacturers' exemption	\$ 14,916	\$ 14,820
Accommodations tax	25,697	26,203
Local government fund - quarterly	770,720	775,277
Local option sales tax - municipal revenue	1,075,331	1,028,408
Local option sales tax - rebatable	2,378,876	2,280,011
Grants	26,914	71,318
TOTAL STATE REVENUES	<u><u>\$ 4,292,454</u></u>	<u><u>\$ 4,196,037</u></u>
FEDERAL REVENUES		
Department of Justice	\$ 10,268	\$ -
Assistance to firefighters	138,822	-
TOTAL FEDERAL REVENUES	<u><u>\$ 149,090</u></u>	<u><u>\$ -</u></u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENDITURES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Personnel	Other	Total	Personnel	Other	Total
Current						
Legislative	\$ 99,694	\$ 67,239	\$ 166,933	\$ 100,081	\$ 68,099	\$ 168,180
Administrative	1,189,806	258,443	1,448,249	1,282,539	295,975	1,578,514
Police	5,331,239	950,980	6,282,219	5,252,586	787,817	6,040,403
Fire	3,144,853	454,800	3,599,653	3,155,651	354,653	3,510,304
Sanitation	832,405	309,755	1,142,160	831,457	330,709	1,162,166
Maintenance	601,002	527,210	1,128,212	508,741	475,332	984,073
Garage	208,966	134,082	343,048	196,173	122,159	318,332
Court	281,730	45,559	327,289	272,949	56,488	329,437
Planning	128,317	11,479	139,796	115,053	18,577	133,630
Information						
Technology	159,005	277,410	436,415	165,932	262,394	428,326
Capital outlay	-	492,604	492,604	-	302,384	302,384
Total expenditures	\$ 11,977,017	\$ 3,529,561	\$ 15,506,578	\$ 11,881,162	\$ 3,074,587	\$ 14,955,749

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENSES
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 1,040,076	\$ 2,490,252	\$ 3,530,328	\$ 998,016	\$ 2,506,233	\$ 3,504,249
Crowfield Golf and Country Club						
Administration	114,675	83,600	198,275	113,482	76,031	189,513
Course and grounds	333,964	295,824	629,788	330,375	289,332	619,707
Cart rental	53,808	95,331	149,139	54,246	99,055	153,301
Pro shop	146,515	86,761	233,276	124,115	75,715	199,830
Food and beverage	65,054	123,651	188,705	62,949	123,997	186,946
Total Crowfield Golf Country Club expenses	714,016	685,167	1,399,183	685,167	664,130	1,349,297
Recreation Department						
Administration	305,656	276,980	582,636	290,934	300,106	591,040
Maintenance	561,747	226,728	788,475	578,752	251,479	830,231
Sports programs	117,176	159,908	277,084	120,866	191,292	312,158
Concessions	12,779	36,904	49,683	15,765	39,120	54,885
Community education	185,557	264,028	449,585	236,593	348,016	584,609
Special events	2,559	49,855	52,414	80,277	57,990	138,267
Community center	131,341	59,562	190,903	2,604	4,695	7,299
Pool	40,965	44,473	85,438	36,728	30,441	67,169
Tennis	-	16,459	16,459	-	5,909	5,909
Total Recreation Department expenses	1,357,780	1,134,897	2,492,677	1,362,519	1,229,048	2,591,567
Total operating expenses	\$ 3,111,872	\$ 4,310,316	\$ 7,422,188	\$ 3,045,702	\$ 4,399,411	\$ 7,445,113

**CITY OF GOOSE CREEK, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
YEAR ENDED DECEMBER 31, 2014**

Fines, assessments and surcharges	\$	923,912
Remitted to state treasurer		<u>(494,445)</u>
Retained by the City	\$	<u><u>429,467</u></u>
Fines, assessments and surcharges retained by the City		
General Fund	\$	370,083
Victims' assistance services		<u>59,384</u>
Total	\$	<u><u>429,467</u></u>
Funds allocated to victims' assistance services		
Surcharges and assessments retained	\$	<u>59,384</u>
Funds available for victims' assistance services		<u><u>59,384</u></u>
Expenditures		
Salaries		61,391
Crime prevention		2,147
Postage		1,868
Travel		243
Small equipment purchase		<u>6,157</u>
Total program expenditures		<u><u>71,806</u></u>
Excess of revenues over expenditures		<u>(12,422)</u>
Other financing sources (uses)		
Transfers in		<u>24,694</u>
Total other financing sources (uses)		<u><u>24,694</u></u>
Net change in fund balance		12,272
Balances carried forward		
Beginning of year		<u>76,588</u>
End of year	\$	<u><u>88,860</u></u>

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 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, 2014, 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 July 6, 2015.

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.

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*.

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.

A handwritten signature in blue ink that reads "Walster Rogus LLP". The signature is written in a cursive, flowing style.

Summerville, South Carolina
July 6, 2015