

**CITY OF GOOSE CREEK,
SOUTH CAROLINA**

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

**CITY OF GOOSE CREEK, SOUTH CAROLINA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Goose Creek, South Carolina** (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 5 through 15), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund (on page 72), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Local Hospitality Tax Fund (on page 73), the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Goose Creek Municipal Finance Corporation, (on page 74), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System (page 76), the Schedule of Proportionate Share of the Net Pension Liability – Police Officers Retirement System (page 76), the Schedule of Contributions – South Carolina Retirement System (page 77) and the Schedule of Contributions – Police Officers Retirement System (page 77) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goose Creek, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements (on pages 79 - 82), the Comparative Schedules of Revenues – General Fund (on page 83), the Comparative Schedules of Expenditures – General Fund (on page 84), and the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds (on page 85) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) (on pages 86 - 87) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds, and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds, and the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We 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, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 25, 2018. 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 basic financial statements as a whole. The partial comparative information included in the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, and the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds for the year ended December 31, 2017, 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 2017 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 2017 partial comparative information included in the Comparative Schedules of Revenues – General Fund, the Comparative Schedules of Expenditures – General Fund, and the Comparative Schedules of Expenses – Proprietary Fund Type – Enterprise Funds 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 May 7, 2019, on our consideration of the City of Goose Creek, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Goose Creek, South Carolina's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
May 7, 2019

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

As management of the City of Goose Creek (the City), we offer the readers of our financial statements this narrative, overview and analysis of the financial activities of the City for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The governmental activities and business-type activities combined assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2018 by \$53,601,467 (*net position*). The unrestricted net position deficit was \$8,007,016 due to the Governmental Accounting Standards Board's requirement to record a net pension liability of \$26,156,739. Total net position increased \$1,694,488. The increase was largely due to increased revenues from business licenses, property taxes, and local option sales tax revenues.
- On December 31, 2018, the City's governmental funds reported a combined ending fund balance of \$8,911,511, an increase of \$379,699. The increase was primarily the result of an increase in business license collections, property taxes, and local option sales tax revenue in the general fund. The fund balance for the general fund was \$6,482,414, or 32.5% of the total general fund expenditures.
- The City's governmental activities capital assets decreased by \$11,270,915 (21.7%). This decrease was primarily the result of the completion of a recreation activity center with hospitality tax funds and the transfer of the asset to the business-type activities. Current year capital asset additions were 2,693,580 being offset by depreciation expense of \$1,781,399. The City's business-type activities capital assets increased by \$12,004,289 (43.6%), with current year capital asset additions of \$22,401,510 being offset by depreciation expense of \$1,417,325.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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'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 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 16-18 of this report.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

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

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

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

The basic fiduciary fund financial statements can be found on page 27 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 23-26 of this report.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 28-71 of this report.

Other Information – The City adopts an annual appropriated budget for its general fund and all of the special revenue funds. A budgetary comparison schedule has been presented as required supplementary information for the general fund and major governmental funds to demonstrate compliance with the budget. Required supplementary information can be found on pages 72-78 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 79-82 of this report.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,601,467 at the close of the most recent fiscal year.

The largest portion of the City's net position is its investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to the citizens; consequently, they 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		Percent
	2017	2018	2017	2018	2017	2018	Change 2017 - 2018
Current and Other Assets	\$ 16,899,468	\$ 15,236,777	\$ 6,890,078	\$ 7,977,414	\$ 23,789,546	\$ 23,214,191	(2.4%)
Capital Assets	51,920,276	40,649,361	27,531,798	39,536,087	79,452,074	80,185,448	0.9%
Total Assets	68,819,744	55,886,138	34,421,876	47,513,501	103,241,620	103,399,639	0.2%
Deferred outflows	3,348,628	3,162,988	702,426	676,306	4,051,054	3,839,294	(5.2%)
Long-term Liabilities Outstanding	34,443,143	34,089,073	10,999,983	11,484,867	45,443,126	45,573,940	0.3%
Other Liabilities	4,629,135	2,903,056	1,763,520	961,244	6,392,655	3,864,300	(39.6%)
Total Liabilities	39,072,278	36,992,129	12,763,503	12,446,111	51,835,781	49,438,240	(4.6%)
Deferred inflows	3,133,249	3,725,747	416,665	473,479	3,549,914	4,199,226	18.3%
Net Position:							
Invested in Capital Assets, Net							
of Related Debt	36,718,984	26,570,673	20,910,723	32,698,627	57,629,707	59,269,300	2.8%
Restricted	3,209,487	2,339,183	-	-	3,209,487	2,339,183	(27.1%)
Unrestricted	(9,965,626)	(10,578,606)	1,033,411	2,571,590	(8,932,215)	(8,007,016)	(10.4%)
Total Net Position	\$ 29,962,845	\$ 18,331,250	\$ 21,944,134	\$ 35,270,217	\$ 51,906,979	\$ 53,601,467	3.3%

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Governmental Activities – Governmental activities increased the City of Goose Creek's total net position by \$2,004,839 before transfers. This was primarily due to increased business license and local option sales tax revenues.

The City of Goose Creek Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total
	2017	2018	2017	2018	2017	2018	Percent 2017 - 2018
Revenues:							
Program Revenues:							
Charges for Services	\$11,445,168	\$10,911,657	\$7,857,014	\$7,322,013	\$19,302,182	\$18,233,670	(5.5%)
Operating Grants and Contributions	24,352	136,997	-	-	24,352	136,997	462.6%
Capital Grants and Contributions	141,313	208,951	1,219,581	716,089	1,360,894	925,040	(32.0%)
General Revenues:							
Property Taxes	2,797,473	3,238,027	523,147	539,523	3,320,620	3,777,550	13.8%
Local Option Sales Taxes	4,405,499	4,820,636	-	-	4,405,499	4,820,636	9.4%
Hospitality	1,527,829	1,655,000	-	-	1,527,829	1,655,000	8.3%
Franchise	2,549,174	2,767,905	-	-	2,549,174	2,767,905	8.6%
Unrestricted Grants and Contributions	836,245	837,038	-	-	836,245	837,038	0.1%
Unrestricted revenue from use of monies and property	76,084	176,625	10,216	80,628	86,300	257,253	198.1%
Miscellaneous	103,802	128,395	464,845	156,871	568,647	285,266	(49.8%)
Total Revenues	23,906,939	24,881,231	10,074,803	8,815,124	33,981,742	33,696,355	(0.8%)
Expenses:							
Legislative	240,025	253,938	-	-	240,025	253,938	5.8%
Administration	2,466,607	2,890,727	-	-	2,466,607	2,890,727	17.2%
Police	7,414,566	8,102,108	-	-	7,414,566	8,102,108	9.3%
Fire	5,588,320	6,246,419	-	-	5,588,320	6,246,419	11.8%
Sanitation	1,536,675	1,692,766	-	-	1,536,675	1,692,766	10.2%
Recreation	226,850	220,708	-	-	226,850	220,708	(2.7%)
Maintenance	1,107,239	1,233,535	-	-	1,107,239	1,233,535	11.4%
Garage	415,439	420,514	-	-	415,439	420,514	1.2%
Court	446,959	458,674	-	-	446,959	458,674	2.6%
Planning	209,184	203,388	-	-	209,184	203,388	(2.8%)
Information Technology	709,786	789,191	-	-	709,786	789,191	11.2%
Interest and Fees	384,166	364,424	-	-	384,166	364,424	0.0%
Water	-	-	4,068,940	4,202,330	4,068,940	4,202,330	3.3%
Recreation	-	-	4,170,533	4,923,145	4,170,533	4,923,145	18.0%
Total Expenses	20,745,816	22,876,392	8,239,473	9,125,475	28,985,289	32,001,867	10.4%
Increase in Net Position Before Transfers	3,161,123	2,004,839	1,835,330	(310,351)	4,996,453	1,694,488	(66.1%)
Transfers	(1,920,223)	(13,636,434)	1,920,223	13,636,434	-	-	
Increase (Decrease) in Net Position	1,240,900	(11,631,595)	3,755,553	13,326,083	4,996,453	1,694,488	(66.1%)
Net Position January 1	28,721,945	29,962,845	18,188,581	21,944,134	46,910,526	51,906,979	10.7%
Net Position, December 31	\$29,962,845	\$18,331,250	\$21,944,134	\$35,270,217	\$51,906,979	\$53,601,467	3.3%

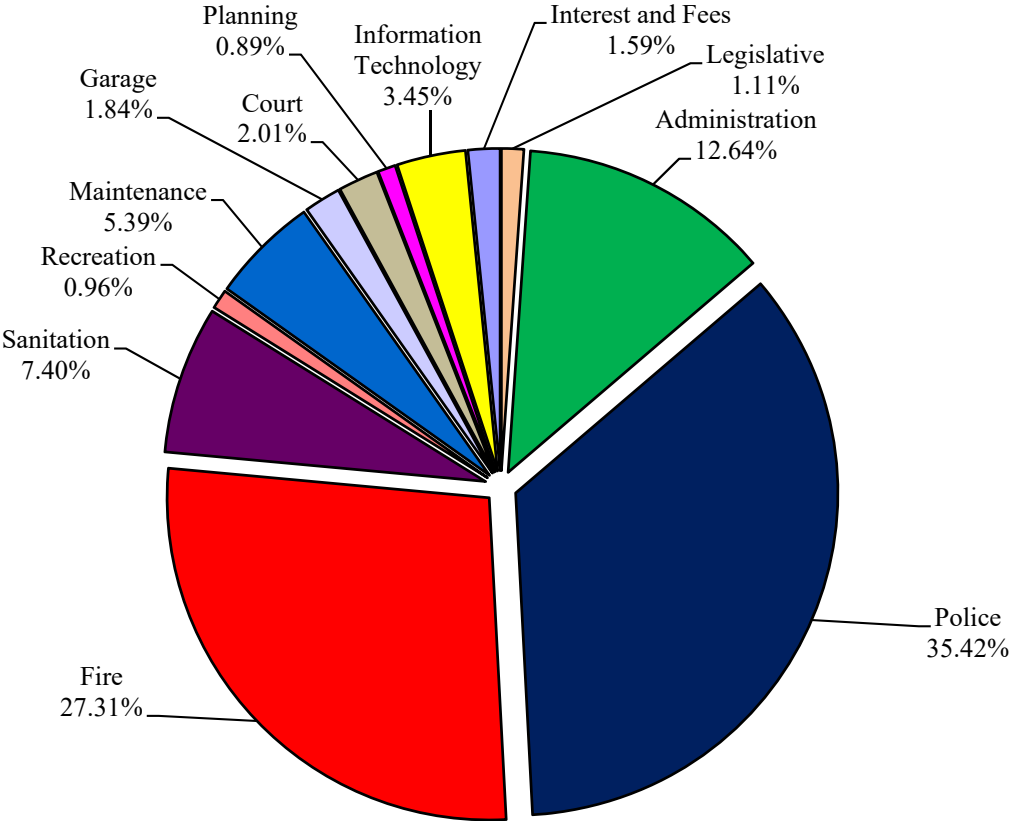
Charges for services were the City's largest program revenue, accounting for \$10,911,657 (43.9%) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees.

Property tax revenues accounted for \$3,238,027 (13.0%) of governmental revenues. Another component of general revenues that is related to property taxes is the revenue received from local option sales taxes which accounted for \$4,820,636 (19.4%). Franchise fees of \$2,767,905 (11.1%) and the local hospitality tax of two percent of the sales of food and beverages generated \$1,655,000 (6.7%) in revenue. The top five revenue sources combined for a total of at \$23,393,225 (94.0%) of the revenue for the City.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2018**

The Police Department program accounted for \$8,102,108 (35.4%) of the \$22,876,392 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$6,246,419 (27.3%) of the total governmental expenditures.

Expenditures by Department



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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Governmental Activities – Cost of Services

	2017		2018		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	\$ 240,025	\$ (240,025)	\$ 253,938	\$ (253,938)	5.80%	(5.80%)
Administration	2,466,607	5,785,644	2,890,727	4,757,824	17.19%	(17.77%)
Police	7,414,566	(6,604,236)	8,102,108	(7,096,539)	9.27%	(7.45%)
Fire	5,588,320	(4,659,797)	6,246,419	(5,289,724)	11.78%	(13.52%)
Sanitation	1,536,675	83,054	1,692,766	(48,976)	10.16%	158.97%
Recreation	226,850	(226,850)	220,708	(220,708)	(2.71%)	2.71%
Maintenance	1,107,239	(1,107,239)	1,233,535	(1,233,535)	11.41%	(11.41%)
Garage	415,439	(415,439)	420,514	(420,514)	1.22%	(1.22%)
Court	446,959	(446,959)	458,674	(458,674)	2.62%	(2.62%)
Planning	209,184	(209,184)	203,388	(203,388)	(2.77%)	2.77%
Information Technology	709,786	(709,786)	789,191	(789,191)	11.19%	11.19%
Interest and Fees	384,166	(384,166)	364,424	(364,424)	(5.14%)	(5.14%)
Total Expenses	\$ 20,745,816	\$ (9,134,983)	\$ 22,876,392	\$ (11,621,787)	10.27%	(27.22%)

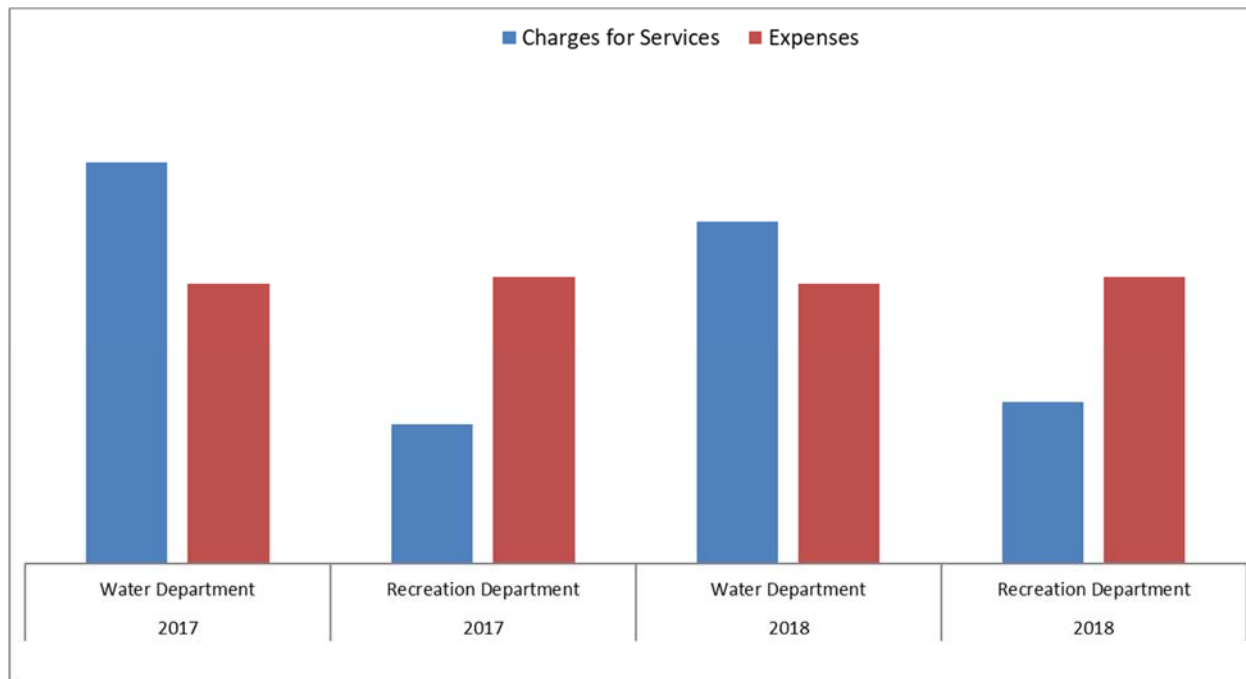
Program revenues from charges for services and operating and capital grants of \$10,911,657 (47.7% of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$11,964,735 in general government expenses were funded by property taxes, local option sales taxes, hospitality tax, franchise fees, unrestricted grants and other revenue.

Business-type Activities

Charges for services were the City's largest business-type program revenue, accounting for \$7,322,013 (91.1% 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 \$1,505,086 during 2018 from the general fund for recreation operations.

The water enterprise fund also had capital contributions of \$716,089 for the water lines installed at Carnes Crossing and Liberty Village.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2018**



Financial Analysis of the City of Goose Creek's Funds

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

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

As of December 31, 2018, the City's total governmental funds reported a combined ending fund balance of \$8,911,511. Approximately 68.3% of this total (\$6,087,739) is unassigned fund balance. The remaining fund balances are: nonspendable, \$379,990; restricted, \$2,339,183 committed, \$14,685; and assigned, \$89,914. The largest portion of the restricted fund balance is \$835,481 for tourism.

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 \$6,087,739 with a total fund balance of \$6,482,414. 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 30.5% of total general fund expenditures, while total fund balance represents 32.5% of that same amount.

The City instituted a two percent hospitality tax on food and beverages in 2014. Revenue generated from the hospitality fee must be used for purposes which include; tourism-related, cultural, recreational or historical facilities. During 2018 \$1,945,790 was spent for capital projects for the recreation and golf enterprise funds. The hospitality fund revenue for 2018 was \$1,628,762.

The Goose Creek Municipal Finance Corporation is the funding mechanism for the construction of the Headquarters Fire Station and the substation and repayment of the associated debt; all expenditures in 2018 were spent for construction related costs and principal and interest payments.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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

As stated earlier the business-type activities net position increased by \$13,326,083 primarily due to the completion of the recreation activity center using hospitality tax fund revenues and the associated transfer in of \$12,131,348. Another contributing factor for this increase was capital contributions of water lines in the water fund totaled \$716,089. The total growth in net position for the funds was \$1,611,889 in the water department and \$11,714,194 in the recreation department. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

The City's general fund revenues were \$1,041,633 more than budgeted and was primarily due from an increase in licenses and permits as well as interest income. Expenditures were \$134,121 less than budgeted. The actual increase in the City's general fund balance was \$1,183,144. The hospitality fund had a decrease in fund balance of \$1,235,138, which was \$2,235,650 more than budget. This was primarily due to construction on the new Recreation Activity Center using unspent bond proceeds from the prior year as well as a budgeted debt issuance not taking place. The Goose Creek Municipal Finance Corporation had \$662,078 in expenditures, which was \$9,225 more than budgeted. This was largely due to the construction on the fire stations taking longer than anticipated.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, was \$80,185,448 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, mast arms and infrastructure.

Capital Assets and Debt Administration (Continued)

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

- Construction in progress additions for the new recreation activity center - \$1,882,512
- Completion of the recreation activity center and transfer out of construction in progress - \$12,068,069
- Completion of the 1.5 MG water tower and transfer out of construction in progress - \$3,648,473
- Completion of a 24" transmission line and transfer out of construction in progress - \$5,331,423
- Purchase of thirteen police vehicles - \$320,098
- Court security upgrades - \$80,005
- Purchase of a one sanitation rear steer loader truck - \$172,263
- Purchase of one truck for the water department - \$19,785
- Contribution of water lines - \$716,089

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2017	2018	2017	2018	2017	2018	2017 - 2018
Land	\$ 7,956,070	\$ 7,956,070	\$ 1,956,615	\$ 1,956,615	\$ 9,912,685	\$ 9,912,685	0.0%
Construction in progress	10,240,765	88,031	8,642,553	-	18,883,318	88,031	(99.5%)
Buildings	23,212,870	22,564,016	973,023	12,709,922	24,185,893	35,273,938	45.8%
Improvements	40,177	113,612	444,637	413,107	484,814	526,719	8.6%
Vehicles	2,196,211	2,272,774	141,109	145,397	2,337,320	2,418,171	3.5%
Software	-	-	-	-	-	-	0.0%
Mast Arms	601,380	527,147	-	-	601,380	527,147	(12.3%)
Equipment and computers	806,632	729,639	572,824	583,418	1,379,456	1,313,057	(4.8%)
Streetscape	4,879,154	4,556,408	-	-	4,879,154	4,556,408	(6.6%)
Infrastructure	1,987,017	1,841,664	-	-	1,987,017	1,841,664	(7.3%)
Water System	-	-	13,874,618	22,837,632	13,874,618	22,837,632	64.6%
Land Improvements	-	-	926,419	889,996	926,419	889,996	(3.9%)
	<u>\$ 51,920,276</u>	<u>\$ 40,649,361</u>	<u>\$ 27,531,798</u>	<u>\$ 39,536,087</u>	<u>\$ 79,452,074</u>	<u>\$ 80,185,448</u>	0.9%

Long-Term Debt - At the end of the current fiscal year, the City had a total long-term debt outstanding of \$20,916,148. 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 \$5,776,604 for the construction of two fire stations; a revenue bond of \$7,856,482 for the construction of a recreation facility; a note payable of \$326,811 for the purchase of three sanitation trucks; and a capital lease payable of \$118,791 for the purchase of emergency medical equipment for the fire department. The business-type activities debt includes a note payable of \$6,507,829 for the construction of a water tower and expansion of the water system and capital leases of \$329,631 for the purchase of golf maintenance equipment.

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

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	2017 - 2018
Revenue bonds	\$ 14,638,395	\$ 13,633,086	\$ -	\$ -	\$ 14,638,395	\$ 13,633,086	(6.9%)
Notes payable	416,109	326,811	6,200,178	6,507,829	6,616,287	6,834,640	3.3%
Leases payable	146,788	118,791	420,897	329,631	567,685	448,422	(21.0%)
	<u>\$ 15,201,292</u>	<u>\$ 14,078,688</u>	<u>\$ 6,621,075</u>	<u>\$ 6,837,460</u>	<u>\$ 21,822,367</u>	<u>\$ 20,916,148</u>	(4.2%)

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Economic Factors and Next Year's Budget

The City continues to experience both economic and population growth. According to one estimate, the City population climbed over 45,000 as of 2019. The City was 35,938 in the 2010 census. Population is expected to reach near 50,000 by 2024.

The City issued approximately 250 fewer business licenses during 2018 than the prior year, however experienced a 5.6% increase in business license revenue. This was attributable to an increase of \$123,914,670 in reported gross sales by companies doing work within the city limits, having a positive impact on business license revenue of \$394,442. Building permit revenue was down \$48,178 from 2017, and 50 more permits were issued, a 2.82% decrease.

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The City issued 308 new housing construction permits, an increase of 28 or 10% over the previous year. The City has development agreements that will provide in excess of over 10,000 new houses and several large commercial development sites over the next twenty years ensuring long term managed growth.

During the current fiscal year, the City's general fund balance increased \$1,183,144, primarily the result of increased revenues from business licenses, property taxes, and local option sales taxes. The Goose Creek Municipal Finance Corporation Fund's fund balance increased \$184,086, as the result of transfers in from the General Fund to cover debt service payments on bonds used to construct the Fire Station Headquarters as well as Fire Station III.

The hospitality tax fund balance decreased by \$1,235,138 as the result of the construction of the Recreation Activity Center and use of unspent bond proceeds from the prior year. The total other governmental fund balances increased by \$247,607 which was primarily the result of an increase in impact fees.

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

In 2018, the City continued to see strong economic development and activity growth; Goose Creek Village, the city's largest ever retail and amenity development broke ground. The City also worked with stakeholders to assist J.W. Aluminum's \$250 million expansion.

City Council authorized the use of its incentive ordinance to attract CR Hipp to relocate their corporate headquarters to town. CR Hipp is a mechanical manufacturer, and their relocation represents a \$2.3 total investment and approximately 100 new employees.

Commercial Development continued its rapid pace in the city, with over 750,000,000 in gross taxable sales for the year (Department of Revenue). The Carnes Crossroads community continued to make progress in commercial growth. In late fall of 2018, the medical office building at the new Roper Hospital opened. The full hospital will open in the fourth quarter of 2019 and represents the first hospital in Berkeley County in generations.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

The City undertook a multi-year water system improvements project and has been able to complete installation of a second water meter vault to provide an additional supply point for our customers. Funding for the meter vault installation were provided by capital funds from the Lake Moultrie Water Agency / Santee-Cooper. The City also completed the construction of 25,962 linear feet of 24" ductile iron pipe water main and a 1.5-million-gallon elevated water storage tank in 2018. These projects were funded by a loan from the South Carolina Water Quality Revolving Fund Authority.

The water enterprise fund installed 244 new water taps during 2018 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; 10,518 meters have been installed or converted through 2018, leaving approximately 337 to be converted over the next year for complete the project.

The General Fund 2019 budget is \$1,506,640 (6.7%) higher than the approved 2018 budget for revenues and \$1,636,902 (7.4%) higher for expenditures. A large portion of the budgeted increase in revenue comes from anticipated increases in property taxes, local option sales taxes, and business licenses. The General Fund 2019 expenditure budget continues to focus on strengthening the police and fire departments as well as funding more municipal services.

Requests for Information

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

City of Goose Creek
Finance Director
Post Office Drawer 1768
Goose Creek, South Carolina 29445

CITY OF GOOSE CREEK, SOUTH CAROLINA

STATEMENT OF NET POSITION DECEMBER 31, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,370,002	\$ 7,074,690	\$ 15,444,692
Restricted cash	177,302	-	177,302
Receivables, net of allowance			
Taxes	1,508,609	218,114	1,726,723
Accounts	1,200,799	418,784	1,619,583
Fines	584,516	-	584,516
Due from county treasurer	1,434,919	139,702	1,574,621
Due from other governments	1,557,782	-	1,557,782
Internal balances	22,858	(22,858)	-
Inventories	60,379	138,458	198,837
Prepaid items	319,611	10,524	330,135
Capital assets:			
Non-depreciable	8,044,101	1,956,615	10,000,716
Depreciable, net of accumulated depreciation	32,605,260	37,579,472	70,184,732
Total assets	<u>55,886,138</u>	<u>47,513,501</u>	<u>103,399,639</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made subsequent to measurement date	803,000	169,166	972,166
Differences between expected and actual experience related to pension expense	231,929	12,781	244,710
Pension assumption changes	1,035,550	181,000	1,216,550
Differences between projected and actual investment earnings	351,801	91,700	443,501
Changes in proportion and differences between employer contribution and proportionate share of contributions	740,708	221,659	962,367
Total deferred outflows of resources	<u>3,162,988</u>	<u>676,306</u>	<u>3,839,294</u>
LIABILITIES			
Accounts payable	724,115	219,768	943,883
Accrued salaries and related liabilities	593,999	127,981	721,980
Escrow and retainage payable	99,547	-	99,547
Unearned revenue	-	92,994	92,994
Due to developers	-	91,950	91,950
Accrued interest payable	86,813	29,285	116,098
Noncurrent liabilities			
Due within one year	1,398,582	399,266	1,797,848
Due in more than one year	12,927,107	6,490,094	19,417,201
Net pension liability	21,161,966	4,994,773	26,156,739
Total liabilities	<u>36,992,129</u>	<u>12,446,111</u>	<u>49,438,240</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future years	3,311,495	445,470	3,756,965
Deferred property tax credit	16,531	-	16,531
Business licenses collected in advance	229,064	-	229,064
Differences between expected and actual experience related to pension expense	86,779	27,079	113,858
Changes in proportion and differences between employer contribution and proportionate share of contributions	81,878	930	82,808
Total deferred inflows of resources	<u>3,725,747</u>	<u>473,479</u>	<u>4,199,226</u>
NET POSITION			
Net investment in capital assets	26,570,673	32,698,627	59,269,300
Restricted for:			
Public safety	743,058	-	743,058
Tourism	835,481	-	835,481
Debt service	14,550	-	14,550
Capital projects	746,094	-	746,094
Unrestricted	(10,578,606)	2,571,590	(8,007,016)
Total net position	<u>\$ 18,331,250</u>	<u>\$ 35,270,217</u>	<u>\$ 53,601,467</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 253,938	\$ -	\$ -	\$ -
Administrative	2,890,727	7,648,551	-	-
Police	8,102,108	727,727	71,891	208,951
Fire	6,246,419	891,589	65,106	-
Sanitation	1,692,766	1,643,790	-	-
Recreation	220,708	-	-	-
Maintenance	1,233,535	-	-	-
Garage	420,514	-	-	-
Court	458,674	-	-	-
Planning	203,388	-	-	-
Information technology	789,191	-	-	-
Interest and fees	364,424	-	-	-
Total governmental activities	<u>22,876,392</u>	<u>10,911,657</u>	<u>136,997</u>	<u>208,951</u>
Business-type activities:				
Water Department	4,202,330	4,979,098	-	716,089
Recreation Department	4,923,145	2,342,915	-	-
Total business-type activities	<u>\$ 9,125,475</u>	<u>\$ 7,322,013</u>	<u>\$ -</u>	<u>\$ 716,089</u>

General revenues:

Taxes
Property, including fee in lieu of taxes
Local option sales tax
Hospitality
Franchise
Grants and contributions not restricted to specific programs
Unrestricted revenue from use of money and property
Miscellaneous revenues
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year
Net position, end of year

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

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

Governmental Activities	Business-type Activities	Total
\$ (253,938)	\$ -	\$ (253,938)
4,757,824	-	4,757,824
(7,093,539)	-	(7,093,539)
(5,289,724)	-	(5,289,724)
(48,976)	-	(48,976)
(220,708)	-	(220,708)
(1,233,535)	-	(1,233,535)
(420,514)	-	(420,514)
(458,674)	-	(458,674)
(203,388)	-	(203,388)
(789,191)	-	(789,191)
(364,424)	-	(364,424)
<u>(11,618,787)</u>	<u>-</u>	<u>(11,618,787)</u>
-	1,492,857	1,492,857
-	(2,580,230)	(2,580,230)
<u>\$ -</u>	<u>\$ (1,087,373)</u>	<u>\$ (1,087,373)</u>

3,238,027	539,523	3,777,550
4,820,636	-	4,820,636
1,655,000	-	1,655,000
2,767,905	-	2,767,905
837,038	-	837,038
176,625	80,628	257,253
128,395	156,871	285,266
(13,636,434)	13,636,434	-
<u>(12,808)</u>	<u>14,413,456</u>	<u>14,400,648</u>
(11,631,595)	13,326,083	1,694,488
29,962,845	21,944,134	51,906,979
<u>\$ 18,331,250</u>	<u>\$ 35,270,217</u>	<u>\$ 53,601,467</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,203,553	\$ 402,687	\$ -	\$ 763,762	\$ 8,370,002
Receivables, net of allowance					
Taxes	1,508,609	-	-	-	1,508,609
Accounts	1,050,289	145,161	-	5,349	1,200,799
Fines	487,291	-	-	97,225	584,516
Due from county treasurer	1,434,919	-	-	-	1,434,919
Due from governments	1,525,764	-	-	32,018	1,557,782
Due from other funds	353,446	-	251,382	1,025,238	1,630,066
Inventories	60,379	-	-	-	60,379
Prepaid expenditures	319,611	-	-	-	319,611
Restricted cash	-	177,302	-	-	177,302
Total assets	\$ 13,943,861	\$ 725,150	\$ 251,382	\$ 1,923,592	\$ 16,843,985
LIABILITIES					
Accounts payable	\$ 478,045	\$ 9,125	\$ 236,832	\$ 113	\$ 724,115
Accrued salaries and related liabilities	593,999	-	-	-	593,999
Escrow payable	13,646	-	-	85,901	99,547
Due to other funds	1,565,377	34	-	41,797	1,607,208
Total liabilities	2,651,067	9,159	236,832	127,811	3,024,869
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,311,495	-	-	-	3,311,495
Business licenses collected in advance	16,531	-	-	-	16,531
Deferred property tax credit	229,064	-	-	-	229,064
Unavailable revenue - intergovernmental	1,253,290	-	-	97,225	1,350,515
Total deferred inflows of resources	4,810,380	-	-	97,225	4,907,605
FUND BALANCES					
Nonspendable					
Inventories and prepaids	379,990	-	-	-	379,990
Restricted for:					
Public safety	-	-	-	743,058	743,058
Tourism	-	715,991	-	119,490	835,481
Debt service	-	-	14,550	-	14,550
Capital projects	-	-	-	746,094	746,094
Committed for:					
Tree replacement	14,685	-	-	-	14,685
Assigned for:					
Capital projects	-	-	-	89,914	89,914
Unassigned	6,087,739	-	-	-	6,087,739
Total fund balances	6,482,414	715,991	14,550	1,698,556	8,911,511
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,943,861	\$ 725,150	\$ 251,382	\$ 1,923,592	\$ 16,843,985

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total governmental fund balances: \$ 8,911,511

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

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

Cost of assets	\$ 57,359,787	
Accumulated depreciation	<u>(16,710,426)</u>	40,649,361

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	\$ 405,871	
State accommodations tax	42,255	
Fines and forfeitures	584,516	
EMS revenue	<u>317,873</u>	1,350,515

Other long-term assets related to pension expense are not available to pay for current expenditures and are; therefore, not reported or are deferred in the funds:

Contributions made subsequent to measurement date	\$ 803,000	
Differences between expected and actual experience related to pension	231,929	
Pension assumption changes	1,035,550	
Differences between projected and actual investment earnings	351,801	
Changes in proportion and differences between employer contribution and proportionate share of contributions	<u>740,708</u>	3,162,988

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liabilities	\$ (21,161,966)	
Compensated absences payable	(247,001)	
Accrued interest payable	(86,813)	
Capital leases	(118,791)	
Notes payable	(326,811)	
Revenues bonds	<u>(13,633,086)</u>	(35,574,468)

Other long-term liabilities related to pension expense do not consume current financial resources and are; therefore, not reported in the funds:

Differences between expected and actual experience related to pension expense	\$ (86,779)	
Changes in proportion and differences between employer contribution and proportionate share of contributions	<u>(81,878)</u>	(168,657)

Net position of governmental activities		<u>\$ 18,331,250</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Local Revenues:					
Property taxes	\$ 3,221,148	\$ -	\$ -	\$ -	\$ 3,221,148
Licenses, permits, and franchise taxes	11,012,999	1,625,646	-	-	12,638,645
Charges for services	2,717,274	-	-	-	2,717,274
Fines and forfeitures	309,018	-	-	98,253	407,271
Miscellaneous	301,960	3,116	678	346,045	651,799
Total local revenues	<u>17,562,399</u>	<u>1,628,762</u>	<u>678</u>	<u>444,298</u>	<u>19,636,137</u>
State revenues	5,686,634	-	-	180,264	5,866,898
Federal revenues	195,038	-	-	-	195,038
Total revenues	<u>23,444,071</u>	<u>1,628,762</u>	<u>678</u>	<u>624,562</u>	<u>25,698,073</u>
Expenditures:					
Current:					
Legislative	241,793	-	-	-	241,793
Administrative	1,886,071	208,902	9,226	116,508	2,220,707
Police	7,419,331	-	-	226,915	7,646,246
Fire	5,286,234	-	-	-	5,286,234
Sanitation	1,527,694	-	-	-	1,527,694
Recreation	-	-	-	8,604	8,604
Maintenance	1,059,424	-	-	-	1,059,424
Garage	386,273	-	-	-	386,273
Court	425,730	-	-	-	425,730
Planning	187,106	-	-	-	187,106
Information technology	718,742	-	-	-	718,742
Capital outlay	722,861	1,945,790	-	24,928	2,693,579
Debt Service:					
Principal retirement	117,295	527,455	477,854	-	1,122,604
Interest	14,483	181,753	174,998	-	371,234
Total expenditures	<u>19,993,037</u>	<u>2,863,900</u>	<u>662,078</u>	<u>376,955</u>	<u>23,895,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,451,034</u>	<u>(1,235,138)</u>	<u>(661,400)</u>	<u>247,607</u>	<u>1,802,103</u>
Other financing sources (uses):					
Transfers in	-	-	845,486	-	845,486
Transfers out	(2,350,572)	-	-	-	(2,350,572)
Proceeds from sale of capital assets	20,884	-	-	-	20,884
Insurance proceeds	61,798	-	-	-	61,798
Total other financing sources (uses)	<u>(2,267,890)</u>	<u>-</u>	<u>845,486</u>	<u>-</u>	<u>(1,422,404)</u>
Net change in fund balances	1,183,144	(1,235,138)	184,086	247,607	379,699
Fund balances (deficit), beginning of year	<u>5,299,270</u>	<u>1,951,129</u>	<u>(169,536)</u>	<u>1,450,949</u>	<u>8,531,812</u>
Fund balances, end of year	<u>\$ 6,482,414</u>	<u>\$ 715,991</u>	<u>\$ 14,550</u>	<u>\$ 1,698,556</u>	<u>\$ 8,911,511</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds \$ 379,699

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$	2,693,580	
Depreciation expense		(1,781,399)	
Contribution of capital assets to business-type activities		<u>(12,131,348)</u>	(11,219,167)

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

Cost of capital assets	\$	(622,335)	
Accumulated depreciation		<u>570,587</u>	(51,748)

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	\$	(405,871)	
State accommodations tax		(43,520)	
State E911 surcharges		(10,816)	
Fines and forfeitures		(436,416)	
EMS revenue		<u>(1,270,734)</u>	

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

State aid to subdivisions	\$	405,871	
State accommodations tax		42,255	
Fines and forfeitures		584,516	
EMS revenue		<u>317,873</u>	(816,842)

The issuance of long-term debt (e.g., bonds, notes, 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. 1,122,604

Pension expense that is related to net pension liability as recorded in the statement of activities is based on the City's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of financial resource (e.g., required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the City's proportionate share of pension expense exceeds actual contributions. (1,045,395)

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	\$	(247,001)	
Prior year		239,445	
Accrued interest expense:			
Current year		(86,813)	
Prior year		<u>93,623</u>	(746)

Change in net position of governmental activities \$ (11,631,595)

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

ASSETS	Water Department	Recreation Department	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,992,868	\$ 2,081,822	\$ 7,074,690
Accounts receivable, net of allowance	406,823	11,961	418,784
Taxes receivable, net of allowance	-	218,114	218,114
Due from county treasurer	-	139,702	139,702
Due from other funds	-	261,843	261,843
Inventories	107,557	30,901	138,458
Prepaid items	399	10,125	10,524
Total current assets	<u>5,507,647</u>	<u>2,754,468</u>	<u>8,262,115</u>
NONCURRENT ASSETS			
Capital Assets			
Non-depreciable	-	1,956,615	1,956,615
Depreciable, net of accumulated depreciation	23,109,733	14,469,739	37,579,472
Total noncurrent assets	<u>23,109,733</u>	<u>16,426,354</u>	<u>39,536,087</u>
Total assets	<u>28,617,380</u>	<u>19,180,822</u>	<u>47,798,202</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made subsequent to measurement date	53,065	116,101	169,166
Differences between expected and actual experience related to pension expense	5,180	7,601	12,781
Pension assumption changes	61,819	119,181	181,000
Differences between projected and actual investment earnings	24,159	67,541	91,700
Changes in proportion and differences between employer contribution and proportionate share of contributions	65,267	156,392	221,659
Total deferred outflows of resources	<u>209,490</u>	<u>466,816</u>	<u>676,306</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	162,503	57,265	219,768
Accrued salaries and related liabilities	36,854	91,127	127,981
Accrued interest	29,285	-	29,285
Compensated absences payable	15,875	36,025	51,900
Due to other funds	4,095	280,606	284,701
Unearned revenue	-	92,994	92,994
Due to developers	91,950	-	91,950
Current portion of notes payable	251,669	-	251,669
Current portion of lease payable	-	95,697	95,697
Total current liabilities	<u>592,231</u>	<u>653,714</u>	<u>1,245,945</u>
LONG-TERM LIABILITIES			
Net pension liability	1,580,490	3,414,283	4,994,773
Long-term portion of notes payable	6,256,160	-	6,256,160
Long-term portion of lease payable	-	233,934	233,934
Total long-term liabilities	<u>7,836,650</u>	<u>3,648,217</u>	<u>11,484,867</u>
Total liabilities	<u>8,428,881</u>	<u>4,301,931</u>	<u>12,730,812</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future years	-	445,470	445,470
Differences between expected and actual experience related to pension expense	7,508	19,571	27,079
Changes in proportion and differences between employer contribution and proportionate share of contributions	430	500	930
Total deferred inflows of resources	<u>7,938</u>	<u>465,541</u>	<u>473,479</u>
NET POSITION			
Net investment in capital assets	16,601,904	16,096,723	32,698,627
Unrestricted	3,788,147	(1,216,557)	2,571,590
Total net position	<u>\$ 20,390,051</u>	<u>\$ 14,880,166</u>	<u>\$ 35,270,217</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Water Department</u>	<u>Recreation Department</u>	<u>Total</u>
OPERATING REVENUE			
Property taxes	\$ -	\$ 539,523	\$ 539,523
Charges for services and sales	4,979,098	2,342,915	7,322,013
Miscellaneous	53,849	103,022	156,871
Total operating revenues	<u>5,032,947</u>	<u>2,985,460</u>	<u>8,018,407</u>
OPERATING EXPENSES			
Salaries and related expenses	1,085,219	2,728,185	3,813,404
Cost of goods sold	1,486,073	204,784	1,690,857
Administrative	170,622	298,060	468,682
Contractual services	143,845	340,198	484,043
Materials and supplies	125,828	358,008	483,836
Repairs and maintenance	125,633	105,889	231,522
Depreciation	883,962	533,363	1,417,325
Utilities	43,318	331,778	375,096
Total operating expenses	<u>4,064,500</u>	<u>4,900,265</u>	<u>8,964,765</u>
Operating income (loss)	<u>968,447</u>	<u>(1,914,805)</u>	<u>(946,358)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	65,183	15,445	80,628
Interest expense	<u>(137,830)</u>	<u>(22,880)</u>	<u>(160,710)</u>
Total non-operating expenses	<u>(72,647)</u>	<u>(7,435)</u>	<u>(80,082)</u>
Income (loss) before capital contributions and transfers	895,800	(1,922,240)	(1,026,440)
Capital contributions	716,089	12,131,348	12,847,437
Transfers in	<u>-</u>	<u>1,505,086</u>	<u>1,505,086</u>
Net change in fund balances	1,611,889	11,714,194	13,326,083
Net position, beginning of year	18,778,162	3,165,972	21,944,134
Net position, end of year	<u>\$ 20,390,051</u>	<u>\$ 14,880,166</u>	<u>\$ 35,270,217</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Department	Recreation Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 5,090,179	\$ 3,054,291	\$ 8,144,470
Cash paid to suppliers	(2,508,544)	(1,651,747)	(4,160,291)
Cash paid to employees	(1,016,222)	(2,529,454)	(3,545,676)
Internal activity-payments from other funds	1,897	257,182	259,079
Net cash provided (used) by operating activities	<u>1,567,310</u>	<u>(869,728)</u>	<u>697,582</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	1,505,086	1,505,086
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,505,086</u>	<u>1,505,086</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of notes payable	1,042,499	-	1,042,499
Principal paid on capital leases	-	(91,264)	(91,264)
Principal paid on notes payable	(345,953)	-	(345,953)
Payment of interest expense	(133,099)	(22,880)	(155,979)
Acquisition and construction of capital assets	<u>(849,704)</u>	<u>(85,357)</u>	<u>(935,061)</u>
Net cash used in capital and related financing activities	<u>(286,257)</u>	<u>(199,501)</u>	<u>(485,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	<u>65,183</u>	<u>15,445</u>	<u>80,628</u>
Net cash provided by investing activities	<u>65,183</u>	<u>15,445</u>	<u>80,628</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,346,236	451,302	1,797,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,646,632</u>	<u>1,630,520</u>	<u>5,277,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,992,868</u>	<u>\$ 2,081,822</u>	<u>\$ 7,074,690</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Water Department</u>	<u>Recreation Department</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 968,447	\$ (1,914,805)	\$ (946,358)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	883,962	533,363	1,417,325
Provision for allowance for uncollectible	59,287	12,215	71,502
(Increase) decrease in:			
Accounts and taxes receivables	(2,055)	(63,031)	(65,086)
Due from county treasurer	-	86,139	86,139
Inventory	(22,200)	(7,327)	(29,527)
Prepaid items	-	(800)	(800)
Deferred outflows of resources	7,044	19,076	26,120
Increase (decrease) in:			
Accounts payable	(391,025)	(4,903)	(395,928)
Accrued salaries and compensated absences payable	7,784	32,942	40,726
Due to/from other funds	1,897	257,182	259,079
Net pension liability	48,174	130,474	178,648
Deferred inflows of resources	5,995	50,819	56,814
Unearned revenue	-	(1,072)	(1,072)
Total adjustments	<u>598,863</u>	<u>1,045,077</u>	<u>1,643,940</u>
Net cash provided (used) by operating activities	<u>\$ 1,567,310</u>	<u>\$ (869,728)</u>	<u>\$ 697,582</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributed capital assets	\$ 716,089	\$ -	\$ 716,089
Purchase of capital assets by other funds	-	12,131,348	12,131,348
Due from other governments - loan proceeds	(388,895)	-	(388,895)

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 80,794
Total assets	<u>80,794</u>
LIABILITIES	
Assets held for others	<u>80,794</u>
Total liabilities	<u>\$ 80,794</u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Goose Creek, South Carolina (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

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

Blended Component Unit

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Board of Directors of the Corporation are:

<u>Name</u>	<u>Officer</u>
Jake Broom – City Administrator	President
Gregory Habib – Mayor	Vice President
Tyler Howanyk – Finance Director	Treasurer/Secretary

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

B. Government-wide and Fund Financial Statements

Government-wide Statements

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

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

Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Funds

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

The *Recreation Department Fund* accounts for the operations and maintenance of the recreation facilities managed by the City as well as the Crowfield Golf Club.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Nonmajor Funds

In addition, the City reports the following fund types:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Cash and Cash Equivalents

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

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

E. Investments

In accordance with 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, 2018.

F. Receivables and Payables

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

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

Taxes receivable shown are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2018 property tax assessment levied for the 2019 fiscal year, which is deferred in the General Fund and the Recreation Department Enterprise Fund. The current property tax receivable allowance for uncollectible accounts is estimated at one percent of the current property tax levy.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaid Items

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

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

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

H. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

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

I. Impact Fee

According to City Ordinance 88-12, any person seeking to develop land shall pay an impact fee, which is accounted for in the Impact Fee Special Revenue Fund. Expenditures from the fund shall be specifically approved by City Council and, excepting administrative costs, shall be limited to the expansion or acquisition of capital facilities or equipment made necessary by the new construction from which the fees were collected or for principal payments (including sinking fund payments) on bonds to expand or acquire such facilities or equipment. The current owner of property on which an impact fee has been paid may apply for a refund of such fee if the City fails to expend or encumber, within five 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-year period in which the fees must be spent from date of collection.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

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

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

Deferred Inflows of Resources

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows of Resources (Continued)

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

Unearned Revenue

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

K. Pensions

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

L. Net Position and Fund Balance

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position and Fund Balance (Continued)

Fund Balance (Continued)

Fund balances are classified as follows:

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

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

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by council or by an official or body to which Council delegates the authority. The City Council has not delegated such authority as of December 31, 2018.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position and Fund Balance (Continued)

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

General Fund	35%
Water Department Enterprise Fund	10%
Recreation Department Enterprise Fund	10%

M. Accounting Estimates

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

N. Revenues and Expenditures/Expenses

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

Property Taxes and Sanitation Fees - Property taxes attach as an enforceable lien on property as of January 1 of the current year. Taxes are levied and billed the following September on all property other than vehicles and are payable without penalty by January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16th – 3%; February 2nd – an additional 7%; March 16th – an additional 5%. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenues and Expenditures/Expenses (Continued)

Taxes recognized as revenue and used for the 2018 calendar year are based on property assessed as of December 31, 2016, and billed in September 2017. The City tax rate to finance general governmental services for the year ended December 31, 2018, was set at 50.5 mills (\$5.50 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$16,700,840), within the City's district as of December 31, 2016, was \$130,859,310 according to records of the Berkeley County Auditor. The City's levy on property assessed as of December 31, 2017, and billed in September 2018, will generate taxes to be used for the 2019 calendar year. Although a receivable is recorded at December 31, 2018, such revenue is recorded as a deferred inflow of resources.

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

O. Compensated Absences

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The City's business-type activities accounted for in proprietary funds are chiefly water sales and services; recreation services and property taxes levied to support recreational activities; and golf memberships and fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations for the following functions:

Fund	Function	Excess Expenditures
General	Legislative	\$ 9,225
	Administrative	88,579
	Fire	152,406
	Court	8,368
	Planning	3,056
	Capital outlay	64,757
	Principal retirement	19,924
	Interest	6,904
Local Hospitality Tax Fund	Administrative	\$ 188,902
	Principal retirement	230,803
	Interest	181,753
Goose Creek Municipal Finance Corporation	Administrative	\$ 9,226

The over expenditures in the General Fund, the Local Hospitality Tax Fund, and the Goose Creek Municipal Finance Corporation Fund were funded by greater than anticipated revenues and transfers in from other funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Total deposits and investments as of December 31, 2018, are summarized as follows:

Statement of Net Position:	
Cash	\$ 15,444,692
Restricted cash	177,302
Total cash	<u>15,621,994</u>
Statement of Fiduciary Net Position	
Cash	80,794
	<u>\$ 15,702,788</u>
Cash deposited with financial institutions	\$ 4,709,781
South Carolina Local Governmental Investment Pool	10,993,007
	<u>\$ 15,702,788</u>

At December 31, 2018, the City's pooled cash included local government pools, which is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina and political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2018, the City's bank balance of \$4,875,496 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Investments

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

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

Credit Risk – Investments

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables as of December 31, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Enterprise Funds	
	General Fund	Local Hospitality Tax Fund	Nonmajor Governmental Funds	Water Department	Recreation Department
Receivables:					
Current taxes	\$ 1,381,408	\$ -	\$ -	\$ -	\$ 222,614
Delinquent taxes	233,321	-	-	-	29,519
Sanitation fees	160,650	-	-	-	-
Total taxes	1,775,379	-	-	-	252,133
Fines	1,012,987	-	201,889	-	-
Accounts	1,131,118	145,161	5,349	763,936	11,961
Gross receivables	3,919,484	145,161	207,238	763,936	264,094
Less allowance for uncollectibles					
Taxes	(266,770)	-	-	-	(34,019)
Fines	(525,696)	-	(104,664)	-	-
Accounts	(80,829)	-	-	(357,113)	-
Total allowance	(873,295)	-	(104,664)	(357,113)	(34,019)
Net receivables	\$ 3,046,189	\$ 145,161	\$ 102,574	\$ 406,823	\$ 230,075

NOTES TO FINANCIAL STATEMENTS

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

	Receivable Fund	Payable Fund
Governmental Funds		
Major		
General Fund	\$ 353,446	\$ 1,565,377
Local Hospitality Fund	-	34
Goose Creek Municipal Finance Corporation	251,382	-
Nonmajor	1,025,238	41,797
Enterprise Funds		
Water Department	-	4,095
Recreation Department	261,843	280,606
	\$ 1,891,909	\$ 1,891,909

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

The composition of interfund transfers for the year ended December 31, 2018, is as follows:

	Transfers In	Transfers Out
Governmental Funds		
Major		
General Fund	\$ -	\$ 2,350,572
Goose Creek Municipal Finance Corporation	845,486	-
Total Governmental Funds	845,486	2,350,572
Enterprise Funds		
Recreation Department	1,505,086	-
Total Enterprise Funds	1,505,086	-
Total Transfers	\$ 2,350,572	\$ 2,350,572

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,956,070	\$ -	\$ -	\$ -	\$ 7,956,070
Construction in progress	10,240,765	1,915,335	-	(12,068,069)	88,031
Total	<u>18,196,835</u>	<u>1,915,335</u>	<u>-</u>	<u>(12,068,069)</u>	<u>8,044,101</u>
Capital assets, being depreciated:					
Buildings	28,258,565	-	-	-	28,258,565
Improvements	1,190,750	128,685	-	(48,680)	1,270,755
Vehicles	6,241,946	531,078	(574,197)	-	6,198,827
Mast arms	1,463,006	-	-	-	1,463,006
Equipment and computers	2,422,346	118,482	(48,138)	(14,599)	2,478,091
Streetscapes	6,446,585	-	-	-	6,446,585
Infrastructure	3,199,857	-	-	-	3,199,857
Total	<u>49,223,055</u>	<u>778,245</u>	<u>(622,335)</u>	<u>(63,279)</u>	<u>49,315,686</u>
Less accumulated depreciation for:					
Buildings	(5,045,695)	(648,854)	-	-	(5,694,549)
Improvements	(1,150,573)	(6,570)	-	-	(1,157,143)
Vehicles	(4,045,735)	(400,144)	519,826	-	(3,926,053)
Mast arms	(861,626)	(74,233)	-	-	(935,859)
Equipment and computers	(1,615,714)	(183,499)	50,761	-	(1,748,452)
Streetscapes	(1,567,431)	(322,746)	-	-	(1,890,177)
Infrastructure	(1,212,840)	(145,353)	-	-	(1,358,193)
Total	<u>(15,499,614)</u>	<u>(1,781,399)</u>	<u>570,587</u>	<u>-</u>	<u>(16,710,426)</u>
Total capital assets, being depreciated, net	<u>33,723,441</u>	<u>(1,003,154)</u>	<u>(51,748)</u>	<u>(63,279)</u>	<u>32,605,260</u>
Governmental activities capital assets, net	<u>\$ 51,920,276</u>	<u>\$ 912,181</u>	<u>\$ (51,748)</u>	<u>\$ (12,131,348)</u>	<u>\$ 40,649,361</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 1,956,615	\$ -	\$ -	\$ -	\$ 1,956,615
Construction in progress	8,642,553	337,343	-	(8,979,896)	-
Total	<u>10,599,168</u>	<u>337,343</u>	<u>-</u>	<u>(8,979,896)</u>	<u>1,956,615</u>
Capital assets, being depreciated:					
Buildings	3,317,526	-	-	12,068,069	15,385,595
Improvements	758,259	-	-	-	758,259
Land improvements	1,697,781	-	-	48,680	1,746,461
Vehicles	430,794	43,100	-	-	473,894
Software	39,204	-	-	-	39,204
Equipment	1,112,105	116,955	-	14,599	1,243,659
Water system	24,268,026	792,868	(66,760)	8,979,896	33,974,030
Total	<u>31,623,695</u>	<u>952,923</u>	<u>(66,760)</u>	<u>21,111,244</u>	<u>53,621,102</u>
Less accumulated depreciation for:					
Buildings	(2,344,503)	(331,170)	-	-	(2,675,673)
Improvements	(313,623)	(31,529)	-	-	(345,152)
Land improvements	(771,362)	(85,103)	-	-	(856,465)
Vehicles	(289,684)	(38,813)	-	-	(328,497)
Software	(39,204)	-	-	-	(39,204)
Equipment	(539,281)	(120,960)	-	-	(660,241)
Water system	(10,393,408)	(809,750)	66,760	-	(11,136,398)
Total	<u>(14,691,065)</u>	<u>(1,417,325)</u>	<u>66,760</u>	<u>-</u>	<u>(16,041,630)</u>
Total capital assets, being depreciated, net	<u>16,932,630</u>	<u>(464,402)</u>	<u>-</u>	<u>21,111,244</u>	<u>37,579,472</u>
Business-type activities capital assets, net	<u>\$ 27,531,798</u>	<u>\$ (127,059)</u>	<u>\$ -</u>	<u>\$ 12,131,348</u>	<u>\$ 39,536,087</u>

Included in current year additions are contributed water systems in the amount of \$716,089.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
Administrative	\$ 504,176
Police	241,658
Fire	541,504
Sanitation	100,847
Recreation	212,104
Maintenance	151,002
Garage	3,264
Information technology	26,844
Total depreciation expense - governmental activities	\$ 1,781,399
Business-type activities	
Water Department	\$ 883,962
Recreation Department	533,363
Total depreciation expense - business-type activities	\$ 1,417,325

NOTE 7. UNAVAILABLE REVENUE

The components of unavailable revenue in the Balance Sheet-Governmental Funds as of December 31, 2018, are as follows:

	General	Nonmajor Governmental Funds
Unavailable revenue:		
State aid to subdivisions	\$ 405,871	\$ -
State accommodations tax	42,255	-
Fines and forfeitures	487,291	97,225
EMS revenue	317,873	-
Total unavailable	\$ 1,253,290	\$ 97,225

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

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

Lease Obligations – The City has entered into lease-purchase agreements for golf maintenance equipment accounted for in the Recreation Department Fund and fire/paramedic equipment accounted for the City’s governmental activities. Debt service expenditures including principal and interest are reported in the General Fund.

Revenue Bonds – The Installment Revenue Repurchase Bonds are funded by the General Fund and were used for the construction of a fire station and fire headquarters, and the Special Obligation Bonds (Hospitality Fee Pledge) are funded by the Hospitality Tax Fund and were used for the construction of a recreation activity center.

Notes Payable – The City has entered into various note payable agreements with a financial institution as well as with the State of South Carolina State Revolving Loan Fund for the purchase of three new sanitation trucks and for the construction of a water system upgrade, respectively. The sanitation vehicle note payable is reported in the City’s governmental activities with the associated debt service expenditures reported in the General Fund. The water system upgrade note payable is accounted for in the Water Department Fund.

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, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	\$ 14,638,395	\$ -	\$ (1,005,309)	\$ 13,633,086	\$ 1,031,028
Notes payable	416,109	-	(89,298)	326,811	91,079
Capital leases payable	146,788	-	(27,997)	118,791	29,474
Compensated absences	239,445	472,092	(464,536)	247,001	247,001
Total long-term liabilities	<u>\$ 15,440,737</u>	<u>\$ 472,092</u>	<u>\$ (1,587,140)</u>	<u>\$ 14,325,689</u>	<u>\$ 1,398,582</u>
Business-type activities					
Notes payable	\$ 6,200,178	\$ 653,604	\$ (345,953)	\$ 6,507,829	\$ 251,669
Capital leases payable	420,897	-	(91,266)	329,631	95,697
Compensated absences	33,001	112,339	(93,440)	51,900	51,900
Total long-term liabilities	<u>\$ 6,654,076</u>	<u>\$ 765,943</u>	<u>\$ (530,659)</u>	<u>\$ 6,889,360</u>	<u>\$ 399,266</u>

Interest cost incurred by the business-type activities was \$160,710 during the year ended December 31, 2018, all of which was charged to expense. No interest was capitalized during the year.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Revenue bonds payable at December 31, 2018, is comprised of the following issues:

In March 2014, the City issued an installment purchase revenue bond in the amount of \$7,500,000 at 2.880%, for the purpose of acquiring and the construction of Fire Stations. Annual payments range from \$652,852 to \$705,639 including interest with a maturity date of March 2029. Revenues from the General Fund and existing resources in the Goose Creek Municipal Finance Corporation will be used to repay these bonds. The amount outstanding as of December 31, 2018 is \$5,776,604.

In August 2016, the City issued Special Obligation Bonds (Hospitality Fee Pledge), Series 2016 in the amount of \$9,000,000 at 2.220%, for the purpose of the construction of a recreation facility. Annual payments range from \$531,905 to \$709,207 including interest with a maturity of September 2031. Revenues from the Hospitality Tax Fund will be used to repay these bonds. The amount outstanding as of December 31, 2018 is \$7,856,482.

Debt service requirement for the revenue bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,031,028	\$ 331,032	\$ 1,362,060
2020	1,057,416	304,644	1,362,060
2021	1,084,491	277,569	1,362,060
2022	1,112,272	249,788	1,362,060
2023	1,140,776	221,284	1,362,060
2024 - 2028	6,158,152	642,148	6,800,300
2029 - 2031	2,048,951	64,580	2,113,531
Total	<u>\$ 13,633,086</u>	<u>\$ 2,091,045</u>	<u>\$ 15,724,131</u>

Notes Payable

In May 2016, the City entered into an agreement with the South Carolina Water Quality Revolving Fund Authority to borrow funds, not to exceed \$8,500,000, to be used to finance the costs of the Water System improvements. The City has granted a pledge of and lien on net revenues of the City's Water System for repayment of the loan. The loan bears a fixed interest rate of 1.80%. Payments are made quarterly and are payable in equal installments of \$109,774 over a 20-year period. Draw requests for the loan funds are made once costs for the project have been incurred. In November 2018, the loan was amended after the final draw was made and the project completed. The final loan amount for the project was \$7,361,200. Totals draws on the loan during the year ended December 31, 2018 totaled \$653,604.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

The notes payable have been fully drawn down as of December 31, 2018 and are thus no longer in the draw down phase.

Debt service requirements for the water system improvement note payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 251,669	\$ 87,538	\$ 339,207
2020	328,695	110,400	439,095
2021	334,652	104,444	439,096
2022	340,717	98,379	439,096
2023	346,891	92,205	439,096
2024 - 2028	1,831,059	364,421	2,195,480
2029 - 2033	2,003,093	192,386	2,195,479
2034 - 2036	1,071,053	26,687	1,097,740
Total	<u>\$ 6,507,829</u>	<u>\$ 1,076,460</u>	<u>\$ 7,584,289</u>

In March 2017 the City entered into an agreement with a financial institution to borrow funds to be used to finance the purchase of three new sanitation trucks. The total amount financed was \$460,000 and bear a fixed interest rate of 1.98%. Payments are made quarterly and are payable in equal installments of \$24,219 over a five-year period. The first payment was made in July 2017 and the note matures in April 2022. Revenues from the General Fund will be used to repay this note.

Debt service requirements for the sanitation trucks note payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 91,079	\$ 5,797	\$ 96,876
2020	92,896	3,981	96,877
2021	94,749	2,128	96,877
2022	48,087	352	48,439
Total	<u>\$ 326,811</u>	<u>\$ 12,258</u>	<u>\$ 339,069</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Rate Covenants

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

Capital Leases Payable

In February 2016, the City entered into a lease agreement for financing the acquisition of golf maintenance equipment. Lease payments are made in equal installments of \$9,108 over 60 months, with a final balloon payment of \$90,710. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of their future minimum lease payments as of the inception date. Included in the minimum lease payments is equipment which does not qualify for the capitalization threshold and therefore is not depreciated, the aggregate value of this equipment is \$22,357.

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

Golf Maintenance Equipment	\$	536,422
Less: Accumulated depreciation		(212,206)
	\$	<u>324,216</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, 2018 was \$18,035 for Business-type Activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Capital Leases Payable (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year ending December 31,	Amount
2019	\$ 109,299
2020	109,299
2021	136,251
Total minimum lease payments	354,849
Less: Amounts representing interest	(25,218)
Present value of future minimum lease payments	329,631
Less current portion	(95,697)
Long-term portion of capital leases	\$ 233,934

In September 2017, the City entered into a lease agreement for financing the acquisition of fire/paramedic equipment. Lease payments are made in equal installments of \$2,909 over 60 months. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of their future minimum lease payments as of the inception date. Included in the minimum lease payments is equipment which does not qualify for the capitalization threshold and therefore is not depreciated, the aggregate value of this equipment is \$18,500.

The carrying value of assets acquired through this capital lease is as follows:

Fire/Paramedic equipment	\$ 135,065
Less: Accumulated depreciation	(31,515)
	\$ 103,550

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2018, was \$1,948 for Governmental Activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Capital Leases Payable (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 34,902
2020	34,902
2021	34,902
2022	<u>26,177</u>
Total minimum lease payments	130,883
Less: Amounts representing interest	<u>(12,092)</u>
Present value of future minimum lease payments	118,791
Less current portion	<u>(29,474)</u>
Long-term portion of leases	<u>\$ 89,317</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OPERATING LEASES

In February 2016, the City entered into a lease agreement for golf carts. The lease agreement is for a 48-month period and commences in April 2016 with a minimum monthly payment of \$5,145 for a total lease commitment of \$246,965. Rental expense for the year ending December 31, 2018 was \$61,740. The payment of this lease is funded through the Recreation Department Fund.

In February 2016, the City entered into a lease agreement for grounds maintenance equipment. The lease agreement is for a 60-month period and commences in April 2016 with a minimum monthly payment of \$870 for a total lease commitment of \$52,216. Rental expense for the year ending December 31, 2018 was \$10,440. The payment of this lease is funded through the Recreation Department Fund.

In June 2016, the City entered into a lease agreement for fitness equipment. The lease agreement is for a 36-month period and commences in July 2016 with a minimum monthly payment of \$270 for a total lease commitment of \$9,719. Rental expense for the year ending December 31, 2018 was \$3,240. The payment of this lease is funded through the Recreation Department Fund.

In November 2016, the City entered into a lease agreement for fitness equipment. The lease agreement is for a 36-month period and commences in December 2016 with a minimum monthly payment of \$729 for a total lease commitment of \$26,251. Rental expense for the year ending December 31, 2018 was \$8,748. The payment of this lease is funded through the Recreation Department Fund.

In December 2017, the City entered into a lease agreement for fitness equipment. The lease agreement is for a 36-month period and commences in December 2017 with a minimum monthly payment of \$1,289 for a total lease commitment of \$46,404. Rental expense for the year ending December 31, 2018 was \$15,468. The payment of this lease is funded through the Recreation Department Fund.

Future minimum lease payments for the leases are as follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 97,288
2020	40,054
2021	<u>2,610</u>
Total	<u>\$ 139,952</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER INFORMATION

A. Commitments and Contingent Liabilities

Grants

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

Litigation

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

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 18% of the capacity of the Lake Moultrie Water Agency water supply system for the term of the contract, and agrees to purchase and pay for 3.6 million gallons per day of water capacity. Cost per gallon is established annually on a cost of service basis, calculated following the guidelines of the American City Association. Any variances in actual operations costs from the projected costs related to the City's proportionate share are calculated annually, and the City is credited or assessed for any differences at year-end. The City has the right to purchase or sell excess capacity to other contract participants according to need or availability. The current year expenditures for the purchase of water were \$1,486,073.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER INFORMATION (CONTINUED)

A. Commitments and Contingent Liabilities (Continued)

Long-Term Contract – Water Purchases (Continued)

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

<u>Year ending December 31,</u>	<u>Total</u>
2019	\$ 1,546,058
2020	\$ 1,568,485
2021	\$ 1,586,470

Long-Term Contract – Recreation

In May 2008, the City entered into a contract with the Goose Creek Recreation Commission whereby the City assumed the operations of the Recreation District to provide recreational services to all residents served by the Commission, both within and outside the City. The term of this agreement is 20 years and provides for automatic extensions for additional terms of 20 years each, unless either party, by written notice to the other given at least 24 months prior to the expiration of the then term, elects to withdraw from or terminate this agreement. For these services the City will receive a sum no more than the equivalent of the sum represented by applying the City's millage rate designated and budgeted for recreational services to all taxable real and personal property located within the boundaries of the District. The transition under this agreement was completed January 1, 2009, and the Recreation Department is accounted for by the City as an enterprise fund.

B. Risk Management

The City is exposed to various risks of losses related to torts, including theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is a member of the South Carolina Municipal Insurance and Risk Financing Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to the Municipal Insurance and Risk Financing Fund for its general insurance and workers' compensation. The South Carolina Municipal Insurance and Risk Financing Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER INFORMATION (CONTINUED)

B. Risk Management (Continued)

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

NOTE 11. DEFINED BENEFIT PENSION PLAN

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description

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

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

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

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active or retired members of employees who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period. For the year ended December 31, 2018, the City contributed \$1,285,666 to the SCRS plan and \$582,571 to the PORS plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions (Continued)

Required employee contribution rates for the year ended December 31, 2018, are as follows:

South Carolina Retirement System

- 9.00% of earnable compensation from January 1st through June 30th
- 9.00% of earnable compensation from July 1st through December 31st

South Carolina Police Officers Retirement System

- 9.75% of earnable compensation from January 1st through June 30th
- 9.75% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the year ended December 31, 2018, are as follows:

South Carolina Retirement System

- 13.41% of earnable compensation from January 1st through June 30th
- 14.41% of earnable compensation from July 1st through December 31st
- Employer incidental death benefit: 0.15% of earnable compensation

South Carolina Police Officers Retirement System

- 15.84% of earnable compensation from January 1st through June 30th
- 16.84% of earnable compensation from July 1st through December 31st
- Employer incidental death benefit: 0.20% of earnable compensation

Required and actual contributions are as follows:

	Plan's fiscal year ended June 30, 2018	City's fiscal year ended December 31, 2018
SCRS		
Governmental Activities		
Required contributions	\$932,602	\$988,163
Actual contributions	\$932,602	\$988,163
Business-type Activities		
Required contributions	\$280,775	\$297,503
Actual contributions	\$280,775	\$297,503
PORS		
Governmental Activities		
Required contributions	\$540,127	\$582,571
Actual contributions	\$540,127	\$582,571

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2020 annual valuation is complete.

The June 30, 2018 (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2017, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2017, valuations for SCRS and PORS.

	SCRS	PORS
	Entry Age	Entry Age
Actuarial cost method		
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

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

As of December 31, 2018 (measurement date of June 30, 2018), the City's proportional share of the NPL amounts for SCRS and PORS are presented below:

System	Measurement Period Ended June 30,	
	2018	2017
SCRS		
Governmental activities	\$ 14,353,389	\$ 13,760,004
Business-type activities	\$ 4,994,773	\$ 4,816,125
City's proportion of the net pension liability	0.086349%	0.082518%
PORS		
Governmental activities	\$ 6,808,577	\$ 6,604,451
City's proportion of the net pension liability	0.240285%	0.241080%

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs.

Expected returns are net of investment fees. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year of the Systems. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation, which is summarized in the table below.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global public equity	33.0%	6.99%	2.31%
Private equity	9.0%	8.73%	0.79%
Equity options securities	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real estate (private)	6.0%	3.54%	0.21%
Real estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunities	13.0%		
GTAA/Risk parity	8.0%	3.75%	0.30%
Hedge funds (non-PA)	2.0%	3.45%	0.07%
Other opportunistic strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed credit	6.0%	3.05%	0.18%
Emerging markets debt	5.0%	3.94%	0.20%
Private debt	7.0%	3.89%	0.27%
Alternatives	12.0%		
Core fixed income	10.0%	0.94%	0.09%
Cash and short duration (net)	2.0%	0.34%	0.01%
	<u>100.0%</u>		
		Total expected real return	5.03%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u><u>7.28%</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

Sensitivity of the Net Position Liability to Changes in the Discount Rate				
		1% Decrease	Current	1% Increase
		(6.25%)	Discount Rate	(8.25%)
			(7.25%)	
Governmental activities				
SCRS	\$	19,002,272	\$ 14,353,389	\$ 11,917,397
PORS	\$	9,178,813	\$ 6,808,577	\$ 4,867,155
Business-type activities				
SCRS	\$	5,720,955	\$ 4,994,773	\$ 3,587,933

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the City's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, the City recognized pension expense of \$2,266,680 for the SCRS Plan and \$873,958 for the PORS Plan.

At December 31, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Governmental activities</i>		
Differences between expected and actual experience	\$ 231,929	\$ 86,779
Net difference between projected and actual earnings on pension plan investments	351,801	-
Assumption changes	1,035,550	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	740,708	81,878
Employer contributions subsequent to the measurement date	803,000	-
Total	\$ 3,162,988	\$ 168,657
	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Business-type activities</i>		
Differences between expected and actual experience	\$ 12,781	\$ 27,079
Net difference between projected and actual earnings on pension plan investments	91,700	-
Assumption changes	181,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	221,659	930
Employer contributions subsequent to the measurement date	169,166	-
Total	\$ 676,306	\$ 28,009

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

The City reported the following outflows of resources: \$803,000 and \$169,166 related to contributions subsequent to the measurement date in governmental and business-type activities, respectively which will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense in future years. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2018, was 4.080 and 4.348 years for SCRS and PORS, respectively.

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

Governmental Activities			
Measurement Period	Fiscal Year		
Ending June 30,	Ending December 31,	SCRS	PORS
2018	2019	\$ 849,886	\$ 403,867
2019	2020	630,885	277,581
2020	2021	(10,571)	45,239
2021	2022	(12,803)	7,247
Total		<u>\$ 1,457,397</u>	<u>\$ 733,934</u>

Business-type Activities			
Measurement Period	Fiscal Year		
Ending June 30,	Ending December 31,	SCRS	PORS
2018	2019	\$ 296,230	\$ -
2019	2020	189,938	-
2020	2021	(3,182)	-
2021	2022	(3,855)	-
Total		<u>\$ 479,131</u>	<u>\$ -</u>

Payables to the Pension Plans

At December 31, 2018, the City reported payables of \$167,551 and \$75,311 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Money Purchase Pension Plans

The City maintains a money purchase pension plan for grandfathered employees that are not in the South Carolina Retirement Systems (SCRS) and sworn police officers who have been employed for one year. The City contributes 1% of the annual compensation of the sworn police officers after one year of employment and an amount equal to the voluntary contributions up to a maximum of 2%. The City also contributes an amount up to 1% less than the City's contribution rate for SCRS and group life insurance, currently 13.41%, 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 2018 were \$118,296.

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 8% of the employee's base salary per year, which is 100% vested immediately. Total contributions to the plan by the City were \$11,033 in 2018.

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% 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 2018 were \$65,113, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GOOSE CREEK, SOUTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
Revenues:			
Local Revenues:			
Property taxes	\$ 3,503,664	\$ 3,221,148	\$ (282,516)
Licenses, permits, and franchise taxes	10,158,236	11,012,999	854,763
Charges for services	2,744,709	2,717,274	(27,435)
Fines and forfeitures	424,642	309,018	(115,624)
Miscellaneous	116,546	301,960	185,414
Total local revenues	<u>16,947,797</u>	<u>17,562,399</u>	<u>614,602</u>
State revenues	5,446,141	5,686,634	240,493
Federal revenues	8,500	195,038	186,538
Total revenues	<u>22,402,438</u>	<u>23,444,071</u>	<u>1,041,633</u>
Expenditures:			
Current:			
Legislative	232,568	241,793	(9,225)
Administrative	1,797,492	1,886,071	(88,579)
Police	7,605,137	7,419,331	185,806
Fire	5,133,828	5,286,234	(152,406)
Sanitation	1,745,007	1,527,694	217,313
Maintenance	1,082,705	1,059,424	23,281
Garage	420,584	386,273	34,311
Court	417,362	425,730	(8,368)
Planning	184,050	187,106	(3,056)
Information technology	745,371	718,742	26,629
Capital outlay	658,104	722,861	(64,757)
Debt Service:			
Principal retirement	97,371	117,295	(19,924)
Interest	7,579	14,483	(6,904)
Total expenditures	<u>20,127,158</u>	<u>19,993,037</u>	<u>134,121</u>
Excess of revenues over expenditures	<u>2,275,280</u>	<u>3,451,034</u>	<u>1,175,754</u>
Other financing sources (uses):			
Transfers in	72,802	-	(72,802)
Transfers out	(2,049,515)	(2,350,572)	(301,057)
Proceeds from sale of capital assets	24,800	20,884	(3,916)
Insurance proceeds	-	61,798	61,798
Total other financing uses, net	<u>(1,951,913)</u>	<u>(2,267,890)</u>	<u>(315,977)</u>
Net change in fund balances	<u>323,367</u>	<u>1,183,144</u>	<u>859,777</u>
Fund balances, beginning of year	<u>5,299,270</u>	<u>5,299,270</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,622,637</u>	<u>\$ 6,482,414</u>	<u>\$ 859,777</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
LOCAL HOSPITALITY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
Revenues:			
Local Revenues:			
Licenses, permits, and franchise taxes	\$ 1,497,082	\$ 1,625,646	\$ 128,564
Miscellaneous	236	3,116	2,880
Total revenues	<u>1,497,318</u>	<u>1,628,762</u>	<u>131,444</u>
Expenditures:			
Current:			
Administrative	20,000	208,902	(188,902)
Capital outlay	2,680,154	1,945,790	734,364
Debt Service:			
Principal retirement	296,652	527,455	(230,803)
Interest	-	181,753	(181,753)
Total expenditures	<u>2,996,806</u>	<u>2,863,900</u>	<u>132,906</u>
Deficiency of revenues under expenditures	<u>(1,499,488)</u>	<u>(1,235,138)</u>	<u>264,350</u>
Other financing sources:			
Proceeds from issuance of debt	2,500,000	-	(2,500,000)
Total other financing sources	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
Net change in fund balances	<u>1,000,512</u>	<u>(1,235,138)</u>	<u>(2,235,650)</u>
Fund balances, beginning of year	<u>1,951,129</u>	<u>1,951,129</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,951,641</u>	<u>\$ 715,991</u>	<u>\$ (2,235,650)</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
GOOSE CREEK MUNICIPAL FINANCE CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
Revenues:			
Local Revenues:			
Miscellaneous	\$ -	\$ 678	\$ 678
Total revenues	<u>-</u>	<u>678</u>	<u>678</u>
Expenditures:			
Current:			
Administrative	-	9,226	(9,226)
Debt Service:			
Principal retirement	477,854	477,854	-
Interest	174,999	174,998	1
Total expenditures	<u>652,853</u>	<u>662,078</u>	<u>(9,225)</u>
Deficiency of revenues under expenditures	<u>(652,853)</u>	<u>(661,400)</u>	<u>(8,547)</u>
Other financing sources:			
Transfers in	-	845,486	845,486
Total other financing sources	<u>-</u>	<u>845,486</u>	<u>845,486</u>
Net change in fund balances	<u>(652,853)</u>	<u>184,086</u>	<u>836,939</u>
Fund balances, beginning of year	<u>(169,536)</u>	<u>(169,536)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (822,389)</u>	<u>\$ 14,550</u>	<u>\$ 836,939</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE-
GENERAL FUND, LOCAL HOSPITALITY TAX FUND AND
GOOSE CREEK MUNICIPAL FINANCE CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Summary of Significant Accounting Policies

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

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

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

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

No supplemental budgetary appropriations were made during the year.

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

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Plan Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.086349%	\$ 19,348,162	\$ 8,948,204	216.2%	54.10%
2017	0.082518%	\$ 18,576,129	\$ 8,325,812	223.1%	53.30%
2016	0.079690%	\$ 17,021,666	\$ 7,712,178	220.7%	52.90%
2015	0.078252%	\$ 14,840,869	\$ 7,329,345	202.5%	57.00%
2014	0.078421%	\$ 13,501,496	\$ 7,268,870	185.7%	59.90%

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

Plan Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.240285%	\$ 6,808,577	\$ 3,367,376	202.2%	61.70%
2017	0.241080%	\$ 6,604,451	\$ 3,288,380	200.8%	60.90%
2016	0.240285%	\$ 6,251,193	\$ 3,168,242	197.3%	60.40%
2015	0.244260%	\$ 5,323,638	\$ 3,068,544	173.5%	64.60%
2014	0.243021%	\$ 4,652,461	\$ 3,031,398	153.5%	67.50%

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

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

FOR THE YEAR ENDED DECEMBER 31, 2018

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

Year Ended December 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2018	\$ 1,285,666	\$ 1,285,666	\$ -	\$ 9,143,274	14.06%
2017	\$ 1,087,319	\$ 1,087,319	\$ -	\$ 8,645,818	12.58%
2016	\$ 912,261	\$ 912,261	\$ -	\$ 8,064,153	11.31%
2015	\$ 816,113	\$ 816,113	\$ -	\$ 7,432,654	10.98%
2014	\$ 787,330	\$ 787,330	\$ -	\$ 7,268,870	10.83%

**SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

Year Ended December 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2018	\$ 582,571	\$ 582,571	\$ -	\$ 3,520,702	16.55%
2017	\$ 495,730	\$ 495,730	\$ -	\$ 3,298,403	15.03%
2016	\$ 445,263	\$ 445,263	\$ -	\$ 3,228,618	13.79%
2015	\$ 418,572	\$ 418,572	\$ -	\$ 3,152,596	13.28%
2014	\$ 393,416	\$ 393,416	\$ -	\$ 3,031,398	12.98%

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

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

FOR THE YEAR ENDED DECEMBER 31, 2018

Note: The actuarial assumptions used to determine the required contributions to the plans as noted on the previous page are as follows:

System	SCRS	PORS
Calculation date	July 1, 2016	July 1, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year Smoothed	5-year Smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	30 years variable, but not to exceed 30 years	30 years variable, but not to exceed 30 years
Investment return	7.50%	7.50%
Inflation	2.25%	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service	3.50% plus step-rate increases for members with less than 15 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and females rates are multiplied by 111%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GOOSE CREEK, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies Fund	E911 Fund	Tourism Fund	Victims' Assistance Fund
ASSETS					
Cash	\$ -	\$ 113,074	\$ 650,688	\$ -	\$ -
Receivables, net of allowance					
Accounts	-	-	5,349	-	-
Fines	-	-	-	-	97,225
Due from other funds	787,864	-	-	119,490	27,970
Due from other governments	-	-	32,018	-	-
Total assets	\$ 787,864	\$ 113,074	\$ 688,055	\$ 119,490	\$ 125,195
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 113	\$ -	\$ -
Escrow payable	-	85,901	-	-	-
Due to other funds	41,770	-	27	-	-
Total liabilities	41,770	85,901	140	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	97,225
Total deferred inflows of resources	-	-	-	-	97,225
FUND BALANCES					
Restricted:					
Public safety	-	27,173	687,915	-	27,970
Tourism	-	-	-	119,490	-
Capital projects	746,094	-	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Total fund balances	746,094	27,173	687,915	119,490	27,970
Total liabilities, deferred inflows of resources and fund balances	\$ 787,864	\$ 113,074	\$ 688,055	\$ 119,490	\$ 125,195

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 763,762
-	5,349
-	97,225
89,914	1,025,238
-	32,018
<u>\$ 89,914</u>	<u>\$ 1,923,592</u>
\$ -	\$ 113
-	85,901
-	41,797
-	127,811
-	97,225
-	97,225
-	743,058
-	119,490
-	746,094
<u>89,914</u>	<u>89,914</u>
<u>89,914</u>	<u>1,698,556</u>
<u>\$ 89,914</u>	<u>\$ 1,923,592</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies Fund	E911 Fund	Tourism Fund	Victims' Assistance Fund
Revenues:					
Local Revenue					
Fines and forfeitures	\$ -	\$ 47,514	\$ -	\$ -	\$ 50,739
Miscellaneous	279,630	-	65,819	136	137
Total local revenues	<u>279,630</u>	<u>47,514</u>	<u>65,819</u>	<u>136</u>	<u>50,876</u>
State revenues	-	13,500	137,410	29,354	-
Total revenues	<u>279,630</u>	<u>61,014</u>	<u>203,229</u>	<u>29,490</u>	<u>50,876</u>
Expenditures:					
Current:					
Administrative	13,508	-	-	-	-
Police	-	42,623	115,627	-	68,665
Recreation	-	-	-	8,604	-
Capital outlay	5,500	-	-	-	19,428
Total expenditures	<u>19,008</u>	<u>42,623</u>	<u>115,627</u>	<u>8,604</u>	<u>88,093</u>
Net change in fund balances	260,622	18,391	87,602	20,886	(37,217)
Fund balances, beginning of year	<u>485,472</u>	<u>8,782</u>	<u>600,313</u>	<u>98,604</u>	<u>65,187</u>
Fund balances, end of year	<u>\$ 746,094</u>	<u>\$ 27,173</u>	<u>\$ 687,915</u>	<u>\$ 119,490</u>	<u>\$ 27,970</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 98,253
323	346,045
<u>323</u>	<u>444,298</u>
-	180,264
<u>323</u>	<u>624,562</u>
103,000	116,508
-	226,915
-	8,604
<u>-</u>	<u>24,928</u>
<u>103,000</u>	<u>376,955</u>
(102,677)	247,607
<u>192,591</u>	<u>1,450,949</u>
<u>\$ 89,914</u>	<u>\$ 1,698,556</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF REVENUES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
LOCAL REVENUES		
Property taxes		
Real and personal	\$ 2,552,277	\$ 2,160,548
Vehicle	494,452	465,654
Homestead tax	174,419	154,352
Total property taxes	<u>3,221,148</u>	<u>2,780,554</u>
Licenses and permits		
Business licenses	7,382,126	6,987,684
Building permits	862,968	911,146
Franchise fees	2,767,905	2,639,880
Total licenses and permits	<u>11,012,999</u>	<u>10,538,710</u>
Charges for services		
Police and fire	998,126	1,051,825
Sanitation fees	1,643,790	1,619,730
Administrative fees	75,358	82,305
Total charges for services	<u>2,717,274</u>	<u>2,753,860</u>
Fines and forfeitures		
Court fines	309,018	368,714
Miscellaneous		
Interest	110,223	18,988
Rent	65,263	56,178
Other	126,474	104,092
Total miscellaneous revenues	<u>301,960</u>	<u>179,258</u>
TOTAL LOCAL REVENUES	<u>\$ 17,562,399</u>	<u>\$ 16,621,096</u>
STATE REVENUES		
Inventory tax and manufacturers' exemption	\$ 16,879	\$ 16,919
Accommodations tax	25,297	33,621
Local government fund - quarterly	811,741	802,625
Local option sales tax - municipal revenue	1,438,514	1,344,010
Local option sales tax - rebatable	3,394,203	2,988,983
TOTAL STATE REVENUES	<u>\$ 5,686,634</u>	<u>\$ 5,186,158</u>
FEDERAL REVENUES		
Grants	\$ 195,038	\$ 10,351
TOTAL FEDERAL REVENUES	<u>\$ 195,038</u>	<u>\$ 10,351</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF EXPENDITURES - GENERAL FUND
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Expenditures:	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Personnel	Other	Total	Personnel	Other	Total
Current:						
Legislative	\$ 139,446	\$ 102,347	\$ 241,793	\$ 136,892	\$ 88,480	\$ 225,372
Administrative	1,522,058	364,013	1,886,071	1,453,087	326,386	1,779,473
Police	6,486,085	933,246	7,419,331	5,861,162	1,023,850	6,885,012
Fire	4,522,314	763,920	5,286,234	4,047,014	645,659	4,692,673
Sanitation	1,238,034	289,660	1,527,694	1,051,515	273,337	1,324,852
Maintenance	271,791	787,633	1,059,424	447,535	438,395	885,930
Garage	282,602	103,671	386,273	255,207	129,361	384,568
Court	358,926	66,804	425,730	333,632	66,222	399,854
Planning	169,669	17,437	187,106	162,968	23,567	186,535
Information Technology	269,376	449,366	718,742	245,125	406,065	651,190
Capital outlay	-	722,861	722,861	-	824,342	824,342
Debt service						
Principal	-	117,295	117,295	-	50,669	50,669
Interest	-	14,483	14,483	-	6,495	6,495
Total expenditures	<u>\$ 15,260,301</u>	<u>\$ 4,732,736</u>	<u>\$ 19,993,037</u>	<u>\$ 13,994,137</u>	<u>\$ 4,302,828</u>	<u>\$ 18,296,965</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA

**COMPARATIVE SCHEDULES OF EXPENSES
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 1,085,219	\$ 2,979,281	\$ 4,064,500	\$ 1,118,816	\$ 2,802,242	\$ 3,921,058
Recreation Department						
Administration	562,833	445,455	1,008,288	502,831	350,349	853,180
Course and grounds	372,725	348,705	721,430	322,973	339,398	662,371
Cart rental	44,679	94,018	138,697	34,720	99,306	134,026
Pro shop	186,829	92,635	279,464	159,497	87,931	247,428
Food and beverage	114,970	213,643	328,613	70,707	197,798	268,505
Maintenance	721,787	218,076	939,863	612,475	269,166	881,641
Sports programs	181,240	163,460	344,700	150,234	166,594	316,828
Concessions	-	5,062	5,062	-	6,096	6,096
Community education	360,055	414,609	774,664	303,588	156,869	460,457
Special events	-	43,863	43,863	-	30,842	30,842
Community center	147,463	79,407	226,870	142,645	58,213	200,858
Pool	35,604	48,666	84,270	36,437	43,055	79,492
Tennis	-	4,481	4,481	-	4,343	4,343
Total Recreation						
Department expenses	2,728,185	2,172,080	4,900,265	2,336,107	1,809,960	4,146,067
Total operating expenses	\$ 3,813,404	\$ 5,151,361	\$ 8,964,765	\$ 3,454,923	\$ 4,612,202	\$ 8,067,125

CITY OF GOOSE CREEK, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)
For The Year Ended December 31, 2018

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 821,129	\$ 821,129
Court fines and assessments remitted to State Treasurer	N/A	N/A	461,372	461,372
Total Court Fines and Assessments retained	N/A	N/A	\$ 359,757	\$ 359,757
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	\$ 13,397	\$ 13,397
Assessments retained	N/A	N/A	37,342	37,342
Total Surcharges and Assessments retained for victim services	N/A	N/A	\$ 50,739	\$ 50,739

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ 65,187	N/A	\$ 65,187
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	37,342	N/A	37,342
Victim Service Surcharges Retained by City/County Treasurer	13,397	N/A	13,397
Interest Earned	137	N/A	137
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 116,063	N/A	\$ 116,063

CITY OF GOOSE CREEK, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)
For The Year Ended December 31, 2018

<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	62,119	N/A	62,119
Operating Expenditures	25,974	N/A	25,974
Victim Service Contract(s):			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	-	N/A	-
Total Expenditures from Victim Service Fund/Program (B)	88,093	N/A	88,093
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	27,970	N/A	27,970
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ 27,970	N/A	27,970

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 7, 2019.

Internal Control Over Financial Reporting

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

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

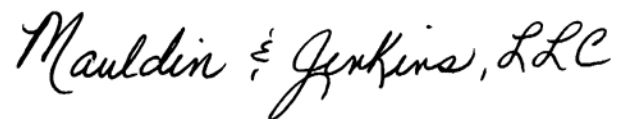
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Columbia, South Carolina
May 7, 2019

CITY OF GOOSE CREEK, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

___ Yes X No

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

There was not an audit of major federal award programs as of December 31, 2018 due to the total amount expended being less than \$750,000.

CITY OF GOOSE CREEK, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None applicable.

**SECTION IV
PRIOR YEAR FINDINGS AND RESPONSES**

None reported.