

**CITY OF GOOSE CREEK,
SOUTH CAROLINA**

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

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015**

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Independent Auditors' Report

Honorable Mayor and Members of 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***, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note III. J. to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, schedule of the proportionate share of the net pension liability and the schedule of contributions on pages 4 –13, 56 - 57 and pages 58 - 59 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Goose Creek, South Carolina's basic financial statements for the year ended December 31, 2014, which are not presented with the accompanying financial statements. In our report dated August 9, 2015, 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. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goose Creek, South Carolina's financial statements as a whole. The partial comparative information related to the 2014 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 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 2014 partial comparative information presented with the other financial information for 2015 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 August 9, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Summerville, South Carolina
August 9, 2016

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

As management of the City of Goose Creek (the City), we offer the readers of the City of Goose Creek's financial statements this narrative overview and analysis of the financial activities of the City of Goose Creek for the year ended December 31, 2015. 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 net position of the City of Goose Creek were \$43,587,592 as of December 31, 2015. The mandated change in accounting principles by GASB 68 & 71 require municipalities to account for their proportionate share of the long-term liability for participation in the South Carolina Retirement System. The restatement required reduced governmental activities' net position by \$15,071,540 with a restated net position as of January 1, 2015 of \$33,202,110. The net position of business-type activities was reduced by \$3,659,762 leaving a restated balance on January 1, 2015 of \$8,792,855. Refer to Note III J Change in Accounting Principles in the accompanying footnotes for more information on the restatement.
- On December 31, 2015 the City of Goose Creek's governmental funds reported a combined ending fund balance of \$13,735,099, a decrease of \$ 6,644,276. The decrease was due to the project funding for the construction of a new fire station headquarters and a substation. Fund balance for the general fund was \$9,037,693 or 52.57% percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 14-15 of this report.

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

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 six 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 capital projects fund, the Municipal Financing Corporation fund and all special revenue funds.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, 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 20-23 of this report.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015

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 24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-55 of this report.

Other Information – The City adopts an annual appropriated budget for its general fund and some of the special revenue funds. A budgetary comparison schedule has been presented as required supplementary information for the major governmental funds to demonstrate compliance with the budget. Required supplementary information pertaining to the budget can be found on pages 56-57 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 60-64 of this report.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets exceeded liabilities by \$43,587,592 at the close of the most recent fiscal year.

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

The City of Goose Creek Net Position

	Governmental Activities		Business-type Activities		Total		Percentage Change 2014 - 2015
	2014	2015	2014	2015	2014	2015	
Current and Other Assets	\$ 26,326,690	\$ 20,929,883	\$ (3,354,849)	\$ (3,615,023)	\$ 22,971,841	\$ 17,314,860	-24.63%
Capital Assets	33,635,683	41,285,302	17,259,406	17,840,433	50,895,089	59,125,735	16.17%
Total Assets	59,962,373	62,215,185	13,904,557	14,225,410	73,866,930	76,440,595	3.48%
Deferred outflows	-	964,993	-	204,482	-	1,169,475	N/A
Long-term Liabilities Outstanding	7,685,816	23,646,004	278,248	195,498	7,964,064	23,841,502	199.36%
Other Liabilities	1,500,414	2,497,590	749,097	4,742,648	2,249,511	7,240,238	221.86%
Total Liabilities	9,186,230	26,143,594	1,027,345	4,938,146	10,213,575	31,081,740	204.32%
Deferred inflows	2,502,493	2,505,193	424,595	435,545	2,927,088	2,940,738	0.47%
Net Position:							
Invested in Capital Assets,							
Net of Related Debt	33,632,705	35,207,306	17,033,333	17,709,386	50,666,038	52,916,692	4.44%
Restricted	9,566,327	2,168,592	-	-	9,566,327	2,168,592	-77.33%
Unrestricted	5,074,618	(2,844,507)	(4,580,716)	(8,653,185)	493,902	(11,497,692)	-2427.93%
Total Net Position	\$48,273,650	\$34,531,391	\$12,452,617	\$9,056,201	\$60,726,267	\$43,587,592	-28.22%

Governmental Activities – Governmental activities increased the City of Goose Creek's net position after the required GASB restatement by \$1,329,281 thereby increasing the total growth in net position of the City of Goose Creek.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The City of Goose Creek Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2014	2015	2014	2015	2014	2015	Change
Revenues:							
Program Revenues:							
Charges for Services	\$ 8,388,803	\$ 9,137,270	\$ 4,886,387	\$ 5,152,971	\$ 13,275,190	\$ 14,290,241	7.65%
Operating Grants and Contributions	292,557	114,961	-	-	292,557	114,961	(60.70%)
Capital Grants and Contributions	228,207	1,196,292	381,248	82,790	609,455	1,279,082	109.87%
General Revenues:							
Property Taxes	2,098,994	2,491,870	476,355	499,996	2,575,349	2,991,866	16.17%
Local Option Sales Taxes	3,454,208	3,792,919	-	-	3,454,208	3,792,919	9.81%
Hospitality	1,269,899	1,348,708	-	-	1,269,899	1,348,708	6.21%
Franchise	2,498,817	2,645,456	-	-	2,498,817	2,645,456	5.87%
Unrestricted Grants and Contributions	818,767	824,457	-	-	818,767	824,457	0.69%
Unrestricted revenue from use of monies and property	89,365	63,808	3,767	3,203	93,132	67,011	(28.05%)
Miscellaneous	85,210	173,386	52,558	49,791	137,768	223,177	61.99%
Gain on sale of assets	4,290	11,175	435	6,877	4,725	18,052	100.00%
Total Revenues	19,229,117	21,800,302	5,800,750	5,795,628	25,029,867	27,595,930	10.25%
Expenses:							
Legislative	166,933	188,776	-	-	166,933	188,776	13.08%
Administration	1,995,356	2,261,147	-	-	1,995,356	2,261,147	13.32%
Police	6,762,487	7,140,279	-	-	6,762,487	7,140,279	5.59%
Fire	3,709,156	4,244,575	-	-	3,709,156	4,244,575	14.44%
Sanitation	1,237,349	1,234,873	-	-	1,237,349	1,234,873	(0.20%)
Recreation	216,224	218,596	-	-	216,224	218,596	1.10%
Maintenance	1,276,647	1,260,376	-	-	1,276,647	1,260,376	(1.27%)
Garage	340,566	420,785	-	-	340,566	420,785	23.55%
Court	328,168	345,527	-	-	328,168	345,527	5.29%
Planning	227,658	159,330	-	-	227,658	159,330	(30.01%)
Information Technology	472,369	636,647	-	-	472,369	636,647	34.78%
Interest and Fees	180,000	367,716	-	-	180,000	367,716	0.00%
Water	-	-	3,530,328	3,560,484	3,530,328	3,560,484	0.85%
Golf	-	-	1,404,061	1,417,950	1,404,061	1,417,950	0.99%
Recreation	-	-	2,492,677	2,546,242	2,492,677	2,546,242	2.15%
Total Expenses	16,912,913	18,478,627	7,427,066	7,524,676	24,339,979	26,003,303	6.83%
Increase in Net Position Before Transfers	2,316,204	3,321,675	(1,626,316)	(1,729,048)	689,888	1,592,627	130.85%
Transfers	(1,246,645)	(1,992,394)	1,246,645	1,992,394	-	-	
Increase (Decrease) in Net Position	1,069,559	1,329,281	(379,671)	263,346	689,888	1,592,627	130.85%
Net Position January 1, as restated *	47,204,091	33,202,110	12,832,288	8,792,855	60,036,379	41,994,965	(30.05%)
Net Position, December 31	\$ 48,273,650	\$ 34,531,391	\$ 12,452,617	\$ 9,056,201	\$ 60,726,267	\$ 43,587,592	(28.22%)

*Refer to Note III.J for information regarding the effects of a change in accounting principles due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The 2014 amounts have not been restated, as the necessary data is not available.

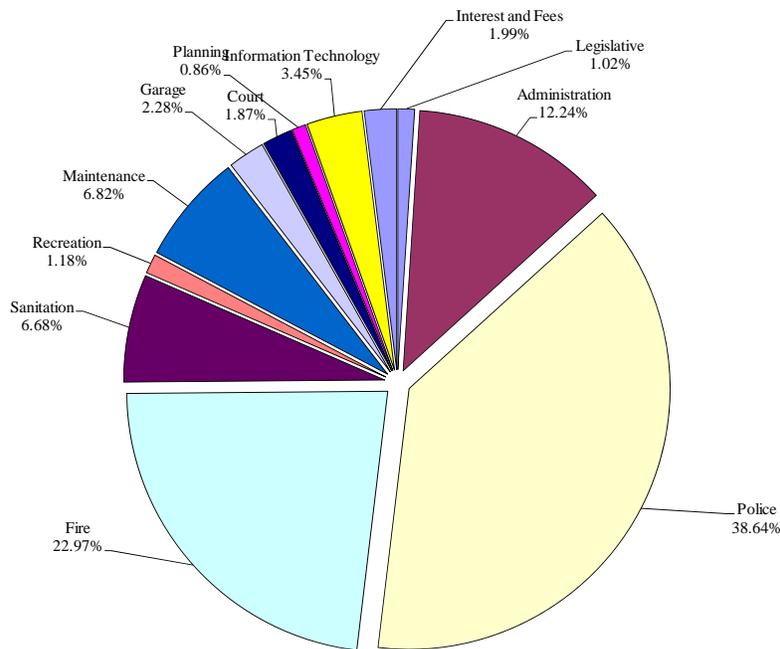
CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015

Charges for services were the City's largest program revenue, accounting for \$9,137,270 (42.07 percent) 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 \$2,491,870 (11.47 percent) of governmental revenues. Another component of general revenues that is related to property taxes is the revenue received from Local Option Sales Taxes which accounted for \$3,792,919 (17.46 percent). Franchise fees of \$2,645,456 (12.18 percent) and local hospitality tax of two percent of the sales of food and beverages generated \$1,348,708 (6.19 percent) in revenue. The top five revenue sources combined for a total of at \$19,416,223 (89.06 percent) of the revenue for the City of Goose Creek.

The Police Department program accounted for \$7,140,279 (38.64 percent) of the \$18,478,627 total expenses for governmental activities. The Fire Department had the next largest program accounting for \$4,244,575 (22.97 percent) of the total governmental expenditures.

Expenditures by Department



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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Governmental Activities – Cost of Services

	2014		2015		Total Cost of Services	Total Net Cost of Services
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Percentage Change	Percentage Change
Legislative	\$ 166,933	\$ (166,933)	\$ 188,776	\$ (188,776)	13.08%	13.08%
Administration	1,995,356	3,564,651	2,261,147	4,943,804	13.32%	38.69%
Police	6,762,487	(5,762,908)	7,140,279	(6,233,355)	5.59%	8.16%
Fire	3,709,156	(2,910,535)	4,244,575	(3,480,272)	14.44%	19.57%
Sanitation	1,237,349	314,011	1,234,873	337,472	(0.20%)	7.47%
Recreation	216,224	(216,224)	218,596	(218,596)	1.10%	1.10%
Maintenance	1,276,647	(1,276,647)	1,260,376	(1,260,376)	(1.27%)	(1.27%)
Garage	340,566	(340,566)	420,785	(420,785)	23.55%	23.55%
Court	328,168	(328,168)	345,527	(345,527)	5.29%	5.29%
Planning	227,658	(227,658)	159,330	(159,330)	(30.01%)	(30.01%)
Information Technology	472,369	(472,369)	636,647	(636,647)	34.78%	34.78%
Interest and Fees	180,000	(180,000)	367,716	(367,716)	104.29%	104.29%
Total Expenses	\$ 16,912,913	\$ (8,003,346)	\$ 18,478,627	\$ (8,030,104)	9.26%	0.33%

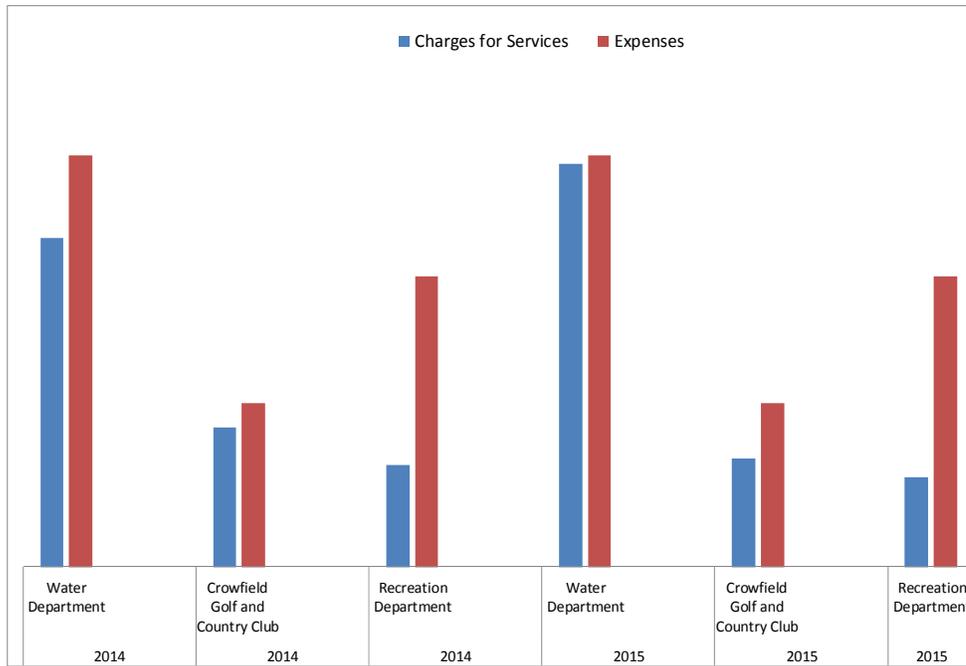
Program revenues from charges for services and operating and capital grants of \$10,448,523 (47.93 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$8,030,104 in general government expenses were funded by property taxes, Local Option Sales Taxes, franchise fees, unrestricted grants and other revenue.

Business-type Activities

Charges for services were the City's largest business-type program revenue, accounting for \$5,152,971 (98.42 percent) of the total business-type activities revenues. These charges are: water and water services, (i.e. sales of water, tap and impact fees, late charges, administration fees, and fire demand fees) for the water enterprise fund; recreation fund revenue from memberships, recreation fees, class fees and concession stand sales; and memberships, green fees, cart fees, pro shop sales, and food and beverage sales for the golf enterprise fund. The recreation fund received \$1,269,165 during 2015 from the general fund for recreation operations.

The water enterprise fund also had capital contributions of \$82,790 for the water lines installed at Marrington Villa Phases 1C and 3 and the Neighborhood Wal-Mart.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015



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, 2015, the City's total governmental funds reported a combined ending fund balance of \$13,735,099. Approximately 75.38 percent of this total (\$10,353,754) is unassigned fund balance. The remaining fund balances are: nonspendable, \$805,632; restricted, \$2,168,592; committed, \$14,449; and assigned, \$392,672. The largest portion of the restricted fund balance is \$1,243,719 for capital projects for the construction of two new fire stations.

The general fund is the primary operating fund of the City. At the end of the current year the unassigned fund balance of the general fund was \$8,691,932 with a total fund balance of \$9,037,693. 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 50.56 percent of total general fund expenditures, while total fund balance represents 52.56 percent of that same amount.

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

The City of Goose Creek instituted a two percent hospitality tax on food and beverages in 2014. Revenue generated from the hospitality fee must be used for purposes which include, but aren't restricted to, tourism-related cultural, recreational or historical facilities. During 2015 \$912,294 was spent for capital projects for the Recreation and Golf Enterprise Funds. The hospitality fund revenue for 2015 was \$1,349,634.

The Goose Creek Municipal Finance Corporation is the funding mechanism for the construction of the Headquarters Fire station and a substation; all expenditures in 2015 were construction related costs and one principal and interest payment. The fire stations will be completed in 2016.

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

As stated earlier business-type activities' net position was reduced by \$3,659,762 leaving a restated balance January 1, 2015 of \$8,792,855. The total growths (reductions) in net position for the funds were: Water, \$19,034; Golf, \$243,732; and Recreation, \$580. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Goose Creek's business-type activities.

Budgetary Highlights

The City's General Fund revenues were \$865,587 more than budgeted. Expenditures were \$389,982 more than budgeted. The actual increase in the City's General Fund net position was \$335,161. The Hospitality Fund had an increase in fund balance of \$437,340, which was \$10,103 less than budget. The Goose Creek Municipal Finance Corporation had \$7,528,118 in expenditures, which were \$311,415 over budget, largely due to overages in the construction of the fire stations.

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, 2015 was \$59,125,735 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, improvements, vehicles, computers, software, equipment, mast arms and infrastructure.

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

- Donated land – \$1,010,400
- Purchase of eight police vehicles – \$199,496
- Purchase of a pumper fire truck – \$455,000
- Purchase of sanitation truck – \$262,993
- Purchase of two trucks for the water enterprise fund – \$68,427
- Construction of two comfort stations for Crowfield Golf Club – \$374,611
- Capital improvements to the golf course for greens, tee boxes and fairways – \$348,619
- Improvements to the water system – \$147,501
- Contribution of water lines – \$82,790

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015

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

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2014	2015	2014	2015	2014	2015	Change
	2014 - 2015						
Land	\$ 6,945,660	\$ 7,952,070	\$ 1,956,615	\$ 1,956,615	\$ 8,902,275	\$ 9,908,685	11.31%
Construction in progress	5,271,272	12,247,993	-	410,994	5,271,272	12,658,987	140.15%
Buildings	10,233,547	9,897,492	1,102,174	1,287,792	11,335,721	11,185,284	(1.33%)
Improvements	243,799	121,446	225,290	307,960	469,089	429,406	(8.46%)
Vehicles	1,093,311	1,716,944	39,778	145,818	1,133,089	1,862,762	64.40%
Software	-	-	-	-	-	-	0.00%
Computers	22,575	20,140	-	-	22,575	20,140	100.00%
Mast Arms	823,029	749,146	-	-	823,029	749,146	(8.98%)
Equipment	760,709	777,702	386,662	350,999	1,147,371	1,128,701	(1.63%)
Streetscape	5,818,655	5,524,646	-	-	5,818,655	5,524,646	
Infrastructure	2,423,126	2,277,723	-	-	2,423,126	2,277,723	(6.00%)
Water System	-	-	13,112,472	12,674,903	13,112,472	12,674,903	(3.34%)
Land Improvements	-	-	436,415	705,352	436,415	705,352	61.62%
	<u>\$ 33,635,683</u>	<u>\$ 41,285,302</u>	<u>\$ 17,259,406</u>	<u>\$ 17,840,433</u>	<u>\$ 50,895,089</u>	<u>\$ 59,125,735</u>	16.17%

Long-Term Debt - At the end of the current fiscal year, the City of Goose Creek had a total long-term debt outstanding of \$7,301,044. The debt does not comprise debt backed by the full faith and credit of the government. The governmental activities debt consists of a revenue bond payable of \$7,169,996 for the construction of two fire stations. The business-type activities debt includes capital leases of \$131,048 for the purchase of golf and recreation equipment. Additional information on the City's long-term debt can be found in Note III. H.

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

	Governmental Activities		Business-type Activities		Total		Percentage
	2014	2015	2014	2015	2014	2015	Change
	2014 - 2015						
Revenue bonds	\$ 7,500,000	\$ 7,169,996	\$ -	\$ -	\$ 7,500,000	\$ 7,169,996	(4.40%)
Leases payable	-	-	226,073	131,048	226,073	131,048	(42.03%)
	<u>\$ 7,500,000</u>	<u>\$ 7,169,996</u>	<u>\$ 226,073</u>	<u>\$ 131,048</u>	<u>\$ 7,726,073</u>	<u>\$ 7,301,044</u>	(5.50%)

Economic Factors and Next Year's Budget

The City of Goose Creek's growth continues to improve as the overall economy has improved. Business license revenue was up \$402,589 from the previous year; and, the City issued 175 new housing construction permits, an increase of 58 over the previous year. The City has development agreements that will provide in excess of 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 fund balance increased \$335,161 in the general fund, \$437,340 in Hospitality and \$110,542 in the other governmental funds. The Goose Creek Municipal Finance Corporation fund balance was reduced by \$7,527,319 due to expenditures from a \$7,500,000 revenue bond issued in the prior year for the construction of the two fire stations. The City still maintains the funds necessary to continue to provide quality services to the residents.

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

The City of Goose Creek actively works with the Economic Development Advisory Committee to recruit new businesses, light industries and restaurants to meet the residents' growing demand to be able to live, work and shop within the City's corporate limits. In 2015 the City has started to implement the recommendations from an economic development study to achieve the City's economic development goals. The City has development agreements for commercial and residential construction in the Carnes Crossroads area, where over 2,400 acres will be developed in the coming years.

The water enterprise fund installed 151 new water taps during 2015 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; 8,195 meters have been installed or converted through 2015, leaving approximately 1,635 to be converted over the next year to complete the project.

The golf enterprise fund completed the twelfth full year of operations. In response to continuous operating losses, in 2010 the City implemented a five year plan to make Crowfield Golf and Country Club self-sufficient. The Hospitality Fund funded \$723,229 in capital projects that included greens replacement, closing one half of the course for six months during 2015. The transfer resulted in an increase in fund balance of \$243,732. The operating loss without the transfer, excluding depreciation, was \$295,530 in 2015 which is \$267,687 less than 2009, the fund's worst year of operations.

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

These indicators were taken into account when adopting the General Fund budget for the 2016 fiscal year. The City of Goose Creek is a vibrant community that will continue to grow dynamically in the coming years. The budget will continue to expand to meet the service needs of the growing community.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,314,377	\$ 2,369,612	\$ 7,683,989
Restricted cash	1,092,000	-	1,092,000
Receivables, net of allowance			
Taxes	1,013,663	198,786	1,212,449
Fines	454,210	-	454,210
Accounts	2,312,486	343,287	2,655,773
Due from county treasurer	2,562,193	195,357	2,757,550
Due from other governments	1,251,367	-	1,251,367
Internal balances	6,848,933	(6,848,933)	-
Inventories	80,620	117,631	198,251
Prepaid items	34	9,237	9,271
Capital assets, not being depreciated	20,200,063	2,367,609	22,567,672
Capital assets, net of accumulated depreciation	21,085,239	15,472,824	36,558,063
TOTAL ASSETS	62,215,185	14,225,410	76,440,595
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions made subsequent to measurement date	514,308	108,650	622,958
Differences between expected and actual experience related to pension expense	302,022	67,163	369,185
Differences between projected and actual investment earnings	128,917	28,669	157,586
Changes in proportion and differences between employer contribution and proportionate share of contributions	19,746	-	19,746
TOTAL DEFERRED OUTFLOWS OF RESOURCES	964,993	204,482	1,169,475
LIABILITIES			
Accounts payable	649,283	244,955	894,238
Accrued salaries and related liabilities	451,941	93,679	545,620
Escrow and retainage payable	1,224,286	-	1,224,286
Unearned revenue	-	75,327	75,327
Due to developers	-	410,731	410,731
Accrued interest payable	172,080	-	172,080
Net pension liability	16,246,552	3,917,955	20,164,507
Noncurrent liabilities			
Due within one year	680,657	195,499	876,156
Due in more than one year	6,718,795	-	6,718,795
TOTAL LIABILITIES	26,143,594	4,938,146	31,081,740
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for future years	2,336,855	422,300	2,759,155
Deferred property tax credit	97,440	-	97,440
Business licenses collected in advance	33,973	-	33,973
Differences between expected and actual experience related to pension expense	19,533	7,007	26,540
Changes in proportion and differences between employer contribution and proportionate share of contributions	17,392	6,238	23,630
TOTAL DEFERRED INFLOWS OF RESOURCES	2,505,193	435,545	2,940,738
NET POSITION			
Net investment in capital assets	35,207,306	17,709,385	52,916,691
Restricted for			
Liberty Hall	290,728	-	290,728
Public safety	555,941	-	555,941
Tourism	78,204	-	78,204
Capital projects	1,243,719	-	1,243,719
Unrestricted	(2,844,507)	(8,653,184)	(11,497,691)
TOTAL NET POSITION	\$ 34,531,391	\$ 9,056,201	\$ 43,587,592

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 188,776	\$ -	\$ -	\$ -
Administrative	2,261,147	6,078,923	-	1,126,028
Police	7,140,279	721,699	114,961	70,264
Fire	4,244,575	764,303	-	-
Sanitation	1,234,873	1,572,345	-	-
Recreation	218,596	-	-	-
Maintenance	1,260,376	-	-	-
Garage	420,785	-	-	-
Court	345,527	-	-	-
Planning	159,330	-	-	-
Information technology	636,647	-	-	-
Interest and fees	367,716	-	-	-
Total governmental activities	<u>18,478,627</u>	<u>9,137,270</u>	<u>114,961</u>	<u>1,196,292</u>
Business-type activities				
Water Department	3,560,484	3,452,857	-	82,790
Crowfield Golf and Country Club	1,417,950	934,001	-	-
Recreation Department	<u>2,546,242</u>	<u>766,113</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>7,524,676</u>	<u>5,152,971</u>	<u>-</u>	<u>82,790</u>
Total government	<u>\$ 26,003,303</u>	<u>\$ 14,290,241</u>	<u>\$ 114,961</u>	<u>\$ 1,279,082</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				
Gain (loss) on sale of assets				
Unrestricted revenue from use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position				
Beginning of year, as restated				
End of year				

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (188,776)	\$ -	\$ (188,776)
4,943,804	-	4,943,804
(6,233,355)	-	(6,233,355)
(3,480,272)	-	(3,480,272)
337,472	-	337,472
(218,596)	-	(218,596)
(1,260,376)	-	(1,260,376)
(420,785)	-	(420,785)
(345,527)	-	(345,527)
(159,330)	-	(159,330)
(636,647)	-	(636,647)
<u>(367,716)</u>	<u>-</u>	<u>(367,716)</u>
<u>(8,030,104)</u>	<u>-</u>	<u>(8,030,104)</u>
-	(24,837)	(24,837)
-	(483,949)	(483,949)
<u>-</u>	<u>(1,780,129)</u>	<u>(1,780,129)</u>
<u>-</u>	<u>(2,288,915)</u>	<u>(2,288,915)</u>
<u>(8,030,104)</u>	<u>(2,288,915)</u>	<u>(10,319,019)</u>
2,491,870	499,996	2,991,866
3,792,919	-	3,792,919
1,348,708	-	1,348,708
2,645,456	-	2,645,456
824,457	-	824,457
11,175	6,877	18,052
63,808	3,203	67,011
173,386	49,791	223,177
<u>(1,992,394)</u>	<u>1,992,394</u>	<u>-</u>
<u>9,359,385</u>	<u>2,552,261</u>	<u>11,911,646</u>
1,329,281	263,346	1,592,627
<u>33,202,110</u>	<u>8,792,855</u>	<u>41,994,965</u>
<u>\$ 34,531,391</u>	<u>\$ 9,056,201</u>	<u>\$ 43,587,592</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corporation	Other Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,964,085	\$ 1,540,693	\$ 88,366	\$ 721,233	\$ 5,314,377
Receivables, net of allowance					
Taxes	1,013,663	-	-	-	1,013,663
Fines	378,493	-	-	75,717	454,210
Accounts	2,185,191	118,686	-	8,609	2,312,486
Due from county treasurer	2,562,193	-	-	-	2,562,193
Due from other governments	1,241,317	-	-	10,050	1,251,367
Due from other funds	8,226,882	2,443	1,122,411	570,368	9,922,104
Advances to other funds	50,000	-	674,978	-	724,978
Inventories	80,620	-	-	-	80,620
Prepaid items	34	-	-	-	34
Restricted cash	-	-	1,092,000	-	1,092,000
TOTAL ASSETS	\$ 18,702,478	\$ 1,661,822	\$ 2,977,755	\$ 1,385,977	\$ 24,728,032
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 648,815	\$ -	\$ 468	\$ -	\$ 649,283
Accrued salaries and related liabilities	451,941	-	-	-	451,941
Escrow and retainage payable	10,634	-	1,136,742	76,910	1,224,286
Due to other funds	3,759,838	-	-	38,311	3,798,149
TOTAL LIABILITIES	4,871,228	-	1,137,210	115,221	6,123,659
Deferred inflows of resources					
Property taxes levied for future years	2,336,855	-	-	-	2,336,855
Business licenses collected in advance	33,973	-	-	-	33,973
Deferred property tax credit	97,440	-	-	-	97,440
Unavailable revenue	2,325,289	-	-	75,717	2,401,006
TOTAL DEFERRED INFLOWS OF RESOURCES	4,793,557	-	-	75,717	4,869,274
Fund balances					
Nonspendable					
Inventory and prepaids	80,654	-	-	-	80,654
Interfund advances	50,000	-	674,978	-	724,978
Restricted:					
Public safety	-	-	-	555,941	555,941
Tourism	-	-	-	78,204	78,204
Liberty Hall impact fees	-	-	-	290,728	290,728
Capital items and projects	-	-	1,165,567	78,152	1,243,719
Committed:					
Tree replacement	14,449	-	-	-	14,449
Assigned:					
Fleet replacement	22,766	-	-	-	22,766
Capital items	177,892	-	-	-	177,892
Capital projects	-	-	-	192,014	192,014
Unassigned	8,691,932	1,661,822	-	-	10,353,754
TOTAL FUND BALANCE	9,037,693	1,661,822	1,840,545	1,195,039	13,735,099
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 18,702,478	\$ 1,661,822	\$ 2,977,755	\$ 1,385,977	\$ 24,728,032

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total governmental fund balances \$ 13,735,099

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

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

Cost of assets	\$ 54,503,193	
Accumulated depreciation	(13,217,891)	
		41,285,302

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	\$ 364,849	
Fines and forfeitures	454,209	
EMS revenue	1,581,948	
		2,401,006

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	\$ 514,308	
Differences between expected and actual experience related to pension expense	302,022	
Differences between projected and actual investment earnings	128,917	
Changes in proportion and differences between employer contribution and proportionate share of contributions	19,746	
		964,993

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	\$ (16,246,552)	
Compensated absences payable	(229,456)	
Accrued interest payable	(172,080)	
Revenue bonds	(7,169,996)	
		(23,818,084)

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	\$ (19,533)	
Changes in proportion and differences between employer contribution and proportionate share of contributions	(17,392)	
		(36,925)

Net position of governmental activities		<u>\$ 34,531,391</u>
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The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	General	Local Hospitality Tax Fund	Goose Creek Municipal Finance Corporation	Other Governmental	Total Governmental Funds
REVENUES					
Local revenues					
Property taxes	\$ 2,476,594	\$ -	\$ -	\$ -	\$ 2,476,594
Licenses and permits	8,533,951	1,348,709	-	-	9,882,660
Charges for services	2,293,990	-	-	-	2,293,990
Fines and forfeitures	425,575	-	-	66,108	491,683
Miscellaneous revenues	317,178	925	799	165,455	484,357
Total local revenues	14,047,288	1,349,634	799	231,563	15,629,284
State revenues	4,713,345	-	-	136,364	4,849,709
Federal revenues	-	-	-	2,108	2,108
TOTAL REVENUES	18,760,633	1,349,634	799	370,035	20,481,101
EXPENDITURES					
Current					
Legislative	186,550	-	-	-	186,550
Administrative	1,572,641	62	4,500	23,957	1,601,160
Police	6,569,551	-	-	229,045	6,798,596
Fire	4,045,446	-	-	-	4,045,446
Sanitation	1,123,149	-	-	-	1,123,149
Recreation	-	-	-	6,491	6,491
Maintenance	1,100,460	-	-	-	1,100,460
Garage	411,711	-	-	-	411,711
Court	338,087	-	-	-	338,087
Planning	153,095	-	2,234	-	155,329
Information technology	591,494	-	-	-	591,494
Capital outlay	1,100,377	189,003	6,815,745	-	8,105,125
Debt service					
Principal	-	-	330,004	-	330,004
Interest	-	-	375,635	-	375,635
TOTAL EXPENDITURES	17,192,561	189,065	7,528,118	259,493	25,169,237
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,568,072	1,160,569	(7,527,319)	110,542	(4,688,136)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	15,175	-	-	-	15,175
Insurance proceeds	21,079	-	-	-	21,079
Transfers out	(1,269,165)	(723,229)	-	-	(1,992,394)
TOTAL OTHER FINANCING SOURCES (USES)	(1,232,911)	(723,229)	-	-	(1,956,140)
NET CHANGE IN FUND BALANCES	335,161	437,340	(7,527,319)	110,542	(6,644,276)
FUND BALANCES					
Beginning of year	8,702,532	1,224,482	9,367,864	1,084,497	20,379,375
End of year	\$ 9,037,693	\$ 1,661,822	\$ 1,840,545	\$ 1,195,039	\$ 13,735,099

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - total governmental funds		\$ (6,644,276)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$ 8,105,125	
Depreciation expense	<u>(1,414,038)</u>	6,691,087
In the statement of activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds report only proceeds from disposal of capital assets. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		
Cost of capital assets	\$ (222,744)	
Accumulated depreciation	<u>170,877</u>	(51,867)
Capital assets donated to the City increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
		1,010,400
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	\$ (342,060)	
Fines and forfeitures	(396,542)	
EMS revenue	(1,385,806)	
Amounts not meeting current year availability criteria, not recognized in governmental funds in current year:		
State aid to subdivisions	364,849	
Fines and forfeitures	454,209	
EMS Revenue	<u>1,581,948</u>	276,598
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of revenue bonds		330,004
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 resources (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.		
		(246,942)
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	\$ (229,456)	
Prior year	185,813	
Accrued interest expense - current year		
Current year	(172,080)	
Prior year	<u>180,000</u>	(35,723)
Change in net position of governmental activities		<u><u>\$ 1,329,281</u></u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
DECEMBER 31, 2015

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,820,397	\$ 183,827	\$ 365,388	\$ 2,369,612
Accounts receivable, net of allowance	333,475	9,812	-	343,287
Taxes receivable, net of allowance	-	-	198,786	198,786
Due from county treasurer	-	-	195,357	195,357
Due from other funds	-	-	673,731	673,731
Inventories	96,860	20,771	-	117,631
Prepaid items	201	8,034	1,002	9,237
Total current assets	2,250,933	222,444	1,434,264	3,907,641
Noncurrent assets				
Capital assets, net of accumulated depreciation	13,420,558	3,394,909	1,024,966	17,840,433
TOTAL ASSETS	15,671,491	3,617,353	2,459,230	21,748,074
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions made subsequent to measurement date	34,857	23,095	50,698	108,650
Differences between expected and actual experience related to pension expense	21,547	14,276	31,340	67,163
Differences between projected and actual investment earnings	9,198	6,094	13,377	28,669
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,602	43,465	95,415	204,482
LIABILITIES				
Current liabilities				
Accounts payable	180,724	12,194	52,037	244,955
Accrued salaries and related liabilities	34,169	21,858	37,652	93,679
Compensated absences payable	19,199	17,233	28,019	64,451
Due to other funds	18,372	6,779,314	-	6,797,686
Unearned revenue	-	72,981	2,346	75,327
Due to developers	410,731	-	-	410,731
Current portion of lease payable	-	131,048	-	131,048
Total current liabilities	663,195	7,034,628	120,054	7,817,877
Noncurrent liabilities				
Net pension liability	1,256,962	832,807	1,828,186	3,917,955
Advances from other funds	-	724,978	-	724,978
Total noncurrent liabilities	1,256,962	1,557,785	1,828,186	4,642,933
TOTAL LIABILITIES	1,920,157	8,592,413	1,948,240	12,460,810
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for future years	-	-	422,300	422,300
Differences between expected and actual experience related to pension expense	2,247	1,490	3,270	7,007
Changes in proportion and differences between employer contribution and proportionate share of contributions	2,001	1,326	2,911	6,238
TOTAL DEFERRED INFLOWS OF RESOURCES	4,248	2,816	428,481	435,545
NET POSITION (DEFICIT)				
Net investment in capital assets	13,420,558	3,263,861	1,024,966	17,709,385
Unrestricted	392,130	(8,198,272)	(847,042)	(8,653,184)
TOTAL NET POSITION (DEFICIT)	\$ 13,812,688	\$ (4,934,411)	\$ 177,924	\$ 9,056,201

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
OPERATING REVENUES				
Property taxes	\$ -	\$ -	\$ 499,996	\$ 499,996
Charges for sales and services	3,452,857	934,001	766,113	5,152,971
Miscellaneous	41,636	3,484	4,671	49,791
TOTAL OPERATING REVENUES	3,494,493	937,485	1,270,780	5,702,758
OPERATING EXPENSES				
Salaries and related expenses	1,044,365	723,283	1,458,811	3,226,459
Cost of goods sold	1,295,735	147,233	5,994	1,448,962
Administrative	147,394	72,244	142,666	362,304
Contractual services	144,809	80,157	260,229	485,195
Materials and supplies	108,036	94,062	229,318	431,416
Repairs and maintenance	71,550	46,709	79,174	197,433
Depreciation	718,865	183,967	151,008	1,053,840
Utilities	29,730	67,076	219,042	315,848
TOTAL OPERATING EXPENSES	3,560,484	1,414,731	2,546,242	7,521,457
OPERATING (LOSS)	(65,991)	(477,246)	(1,275,462)	(1,818,699)
NONOPERATING REVENUES (EXPENSES)				
Interest income	2,235	968	-	3,203
Interest expense	-	(3,219)	-	(3,219)
Gain/(loss) on sale of assets	-	-	6,877	6,877
TOTAL NONOPERATING REVENUES (EXPENSES)	2,235	(2,251)	6,877	6,861
LOSS BEFORE TRANSFERS	(63,756)	(479,497)	(1,268,585)	(1,811,838)
Transfers from other funds	-	723,229	1,269,165	1,992,394
INCOME (LOSS) BEFORE CONTRIBUTIONS	(63,756)	243,732	580	180,556
Capital contributions	82,790	-	-	82,790
CHANGE IN NET POSITION (DEFICIT)	19,034	243,732	580	263,346
NET POSITION (DEFICIT)				
Beginning of year, as restated	13,793,654	(5,178,143)	177,344	8,792,855
End of year	<u>\$ 13,812,688</u>	<u>\$ (4,934,411)</u>	<u>\$ 177,924</u>	<u>\$ 9,056,201</u>

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,437,786	\$ 938,050	\$ 1,272,852	\$ 5,648,688
Cash paid to suppliers	(1,748,015)	(503,669)	(921,486)	(3,173,170)
Cash paid to employees	(1,003,202)	(697,697)	(1,407,429)	(3,108,328)
Internal activity-payments from (to) other funds	(92,624)	398,623	218,645	524,644
Net cash provided (used) by operating activities	<u>593,945</u>	<u>135,307</u>	<u>(837,418)</u>	<u>(108,166)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	723,229	1,269,165	1,992,394
Net cash provided by noncapital financing activities	<u>-</u>	<u>723,229</u>	<u>1,269,165</u>	<u>1,992,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	-	(95,024)	-	(95,024)
Payment of interest expense	-	(3,219)	-	(3,219)
Sale of asset	-	-	6,877	6,877
Acquisition and construction of capital assets	(626,922)	(733,229)	(191,927)	(1,552,078)
Net cash used by capital and related financing activities	<u>(626,922)</u>	<u>(831,472)</u>	<u>(185,050)</u>	<u>(1,643,444)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	2,235	968	-	3,203
Net cash provided by investing activities	<u>2,235</u>	<u>968</u>	<u>-</u>	<u>3,203</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,742)	28,032	246,697	243,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,851,139	155,795	118,691	2,125,625
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,820,397</u>	<u>\$ 183,827</u>	<u>\$ 365,388</u>	<u>\$ 2,369,612</u>

(Continued)

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
RECONCILIATION OF OPERATING LOSS				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (65,991)	\$ (477,246)	\$ (1,275,462)	\$ (1,818,699)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	718,865	183,967	151,008	1,053,840
Provision for allowance for uncollectibles	44,491	-	-	44,491
(Increase) decrease in:				
Accounts and taxes receivable	(101,198)	5,115	3,376	(92,707)
Due from county treasurer	-	-	(1,028)	(1,028)
Inventory	25,112	(527)	-	24,585
Prepaid items	4,299	(134)	10	4,175
Increase (decrease) in:				
Accounts payable	19,828	4,473	14,929	39,230
Accrued salaries and related liabilities	41,163	25,588	51,379	118,130
Due to/from other funds	(92,624)	398,622	218,645	524,643
Unearned revenue	-	(4,551)	(275)	(4,826)
Total adjustments	659,936	612,553	438,044	1,710,533
Net cash provided (used) by operating activities	\$ 593,945	\$ 135,307	\$ (837,418)	\$ (108,166)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributed capital assets	\$ 82,790	\$ -	\$ -	\$ 82,790

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 92,505</u>
Total assets	<u><u>\$ 92,505</u></u>
Liabilities	
Assets held for others	<u>\$ 92,505</u>
Total liabilities	<u><u>\$ 92,505</u></u>

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 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.

The Board of Directors of the Corporation are:

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

Government-wide Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units, when applicable. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and 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.

Major Funds

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Nonmajor Funds

In addition the City reports the following fund types:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

D. Assets, Liabilities and Net Position/Fund Balance

1. Deposits and cash and cash equivalents

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

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

2. Investments

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

The City did not have any investments as of December 31, 2015. Additional disclosure regarding the City's deposits and investments is located at Note III.A.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and payables

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

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

Taxes receivable shown are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2015 property tax assessment levied for the 2016 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.

4. Inventories and prepaid items

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

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

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

5. Capital assets

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

6. Impact fee

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

7. Deferred Outflows / Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

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

1. Pension contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

Deferred Inflows of Resources

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

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

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.

8. 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 same basis as they are reported by SCRS and PORS, respectively. 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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Net Position and Fund Balance

Government-wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Consists of all other net position that do not meet the definition of "net investment in capital assets" or "restricted."

Net Position Flow Assumption

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

Fund Statements

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

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

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assigned – Amounts the City intends to use for a specific purpose but do not meet the criteria to be classified as committed. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority. Council has not delegated such authority as of December 31, 2015. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - All amounts not included in other spendable classifications.

Fund Balance Flow Assumption

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

Fund balance policy

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

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

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

10. Accounting estimates

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

E. Revenues and expenditures/expenses

1. Program revenues

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses (Continued)

2. Property taxes and sanitation fees

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

Taxes recognized as revenue and used for the 2015 calendar year are based on property assessed as of December 31, 2013, and billed in September 2014. The City tax rate to finance general governmental services for the year ended December 31, 2015, was set at 40.5 mills (\$4.05 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$21,995,260), within the City's district as of December 31, 2013, was \$104,499,321 according to records of the Berkeley County Auditor.

The City's levy on property assessed as of December 31, 2014, and billed in September 2015, will generate taxes to be used for the 2016 calendar year. Although a receivable is recorded at December 31, 2015, 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.

3. Compensated absences

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

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations for the following functions:

Fund	Function	Excess expenditures
General	Legislative	\$ 11,368
	Garage	\$ 57,634
	Court	\$ 744
	Information technology	\$ 59,126
	Capital outlay	\$ 861,725
Goose Creek Municipal Finance Corp	Administrative	\$ 4,500
	Planning	\$ 2,234
	Capital outlay	\$ 304,681

B. Deficit Fund Equity

The Crowfield Golf and Country Club Enterprise Fund had deficit fund equity balance of (\$4,934,411) at December 31, 2015. This deficit will be funded by future revenues of the fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina and political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2015, the City's bank balance of \$9,810,677 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

Interest Rate Risk - Investments

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

A. Deposits and Investments (Continued)

Credit Risk - Investments

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

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

In addition, South Carolina state statutes authorize the City to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

As of December 31, 2015, the City did not have any investments.

Concentration of Credit Risk - Investments

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

Custodial Credit Risk – Investments

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

B. Receivables

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

	Governmental Funds			Enterprise Funds		
	General	Local Hospitality Tax Fund	Nonmajor Funds	Water Department	Crowfield Golf and Country Club	Recreation Department
Receivables						
Current taxes	\$ 893,763	\$ -	\$ -	\$ -	\$ -	\$ 203,052
Delinquent taxes	35,408	-	-	-	-	9,206
Sanitation fees	143,505	-	-	-	-	-
Total taxes	1,072,676	-	-	-	-	212,258
Fines	812,021	-	148,318	-	-	-
Accounts	3,548,858	118,686	8,609	610,537	9,812	-
Gross receivables	5,433,555	118,686	156,927	610,537	9,812	212,258
Less allowance for uncollectibles						
Taxes	(59,013)	-	-	-	-	(13,472)
Fines	(433,528)	-	(72,601)	-	-	-
Accounts	(1,363,667)	-	-	(277,062)	-	-
Total allowance	(1,856,208)	-	(72,601)	(277,062)	-	(13,472)
Net receivables	<u>\$ 3,577,347</u>	<u>\$ 118,686</u>	<u>\$ 84,326</u>	<u>\$ 333,475</u>	<u>\$ 9,812</u>	<u>\$ 198,786</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2015, is as follows:

	Receivable Fund	Payable Fund
Governmental Funds		
Major		
General Fund	\$ 8,226,882	\$ 3,759,838
Local Hospitality Tax Fund	2,443	-
Goose Creek Municipal Finance Corporation	1,122,411	-
Nonmajor	570,368	38,311
Enterprise Funds		
Major		
Water Department	-	18,372
Crowfield Golf and Country Club	-	6,779,314
Recreation Department	673,731	-
	<u>\$ 10,595,835</u>	<u>\$ 10,595,835</u>

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

D. Advances to (from) Other Funds

	Receivable Fund	Payable Fund
Governmental Funds		
Major		
General Fund	\$ 50,000	\$ -
Goose Creek Municipal Finance Corporation	674,978	-
Enterprise Fund		
Crowfield Golf and Country Club	-	724,978
	\$ 724,978	\$ 724,978

The City's General Fund advanced money to the Crowfield Golf and Country Club in the amount of \$50,000. The former Tax Increment Financing Fund advanced to the Crowfield Golf and Country Club \$674,978, which was assumed by the Goose Creek Municipal Finance Corporation when the Tax Increment Financing Fund was closed during 2014. These amounts funded the acquisition, early operations, and the bunker renovation of the golf course. The repayment terms are indefinite, resulting in the advance being reflected as a noncurrent liability on the Enterprise Fund Statement of Net Position.

E. Capital Assets

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 6,945,660	\$ 1,010,400	\$ (3,990)	7,952,070
Construction in progress	5,271,272	6,976,721	-	12,247,993
Total capital assets, not being depreciated	12,216,932	7,987,121	(3,990)	20,200,063
Capital assets, being depreciated				
Building	14,068,869	-	(49,845)	14,019,024
Improvements	1,190,750	-	-	1,190,750
Vehicles	5,029,207	921,987	(145,828)	5,805,366
Computers	65,885	-	-	65,885
Mast arms	1,463,006	-	-	1,463,006
Equipment	1,957,298	178,440	(23,081)	2,112,657
Streetscapes	6,418,608	27,977	-	6,446,585
Infrastructure	3,199,857	-	-	3,199,857
Total capital assets, being depreciated	33,393,480	1,128,404	(218,754)	34,303,130
Less accumulated depreciation for				
Building	(3,835,322)	(288,187)	1,977	(4,121,532)
Improvements	(946,951)	(122,353)	-	(1,069,304)
Vehicles	(3,935,896)	(298,344)	145,818	(4,088,422)
Computers	(43,310)	(2,435)	-	(45,745)
Mast arms	(639,977)	(73,883)	-	(713,860)
Equipment	(1,196,589)	(161,447)	23,081	(1,334,955)
Streetscapes	(599,953)	(321,986)	-	(921,939)
Infrastructure	(776,731)	(145,403)	-	(922,134)
Total accumulated depreciation	(11,974,729)	(1,414,038)	170,876	(13,217,891)
Total capital assets, being depreciated, net	21,418,751	(285,634)	(47,878)	21,085,239
Governmental activities capital assets, net	\$ 33,635,683	\$ 7,701,487	\$ (51,868)	\$ 41,285,302

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

E. Capital Assets (Continued)

Current year asset additions are comprised of the following:

Capital outlay - funds statement	\$	8,105,125
Land - donated by developers		1,010,400
Total additions	\$	9,115,525
Additions, not being depreciated	\$	7,987,121
Additions, being depreciated		1,128,404
Total additions	\$	9,115,525

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 1,956,615	\$ -	\$ -	\$ 1,956,615
Construction in Progress	-	410,994	-	410,994
Total capital assets, not being depreciated	1,956,615	410,994	-	2,367,609
Capital assets, being depreciated				
Building	2,942,916	374,610	-	3,317,526
Improvements	472,080	104,774	-	576,854
Land improvements	971,054	348,619	-	1,319,673
Vehicles	331,748	118,142	(43,946)	405,944
Software	39,204	-	-	39,204
Equipment	936,769	47,437	(5,429)	978,777
Water system	21,448,639	230,291	-	21,678,930
Total capital assets, being depreciated	27,142,410	1,223,873	(49,375)	28,316,908
Less accumulated depreciation for				
Building	(1,840,742)	(188,992)	-	(2,029,734)
Improvements	(246,790)	(22,104)	-	(268,894)
Land improvements	(534,639)	(79,682)	-	(614,321)
Vehicles	(291,970)	(12,102)	43,946	(260,126)
Software	(39,204)	-	-	(39,204)
Equipment	(550,107)	(83,100)	5,429	(627,778)
Water system	(8,336,167)	(667,860)	-	(9,004,027)
Total accumulated depreciation	(11,839,619)	(1,053,840)	49,375	(12,844,084)
Total capital assets, being depreciated, net	15,302,791	170,033	-	15,472,824
Business-type activities capital assets, net	\$ 17,259,406	\$ 581,027	\$ -	\$ 17,840,433

Included in current year additions are contributed water systems valued at \$82,790.

Depreciation was charged to the activities as follows:

Governmental Activities		Business-type Activities	
Administrative	\$ 587,458	Water Department	\$ 718,865
Police	230,142	Crowfield Golf and Country Club	183,967
Fire	114,477	Recreation Department	151,008
Sanitation	87,321		
Recreation	212,104	Total business-type activities	\$ 1,053,840
Maintenance	145,808		
Information Technology	36,728		
Total governmental activities	\$ 1,414,038		

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

F. Transfers from (to) Other Funds

The composition of interfund transfers as of December 31, 2015, is as follows:

	Transfers In	Transfers Out
Major governmental funds		
General Fund	\$ -	\$ 1,269,165
Local Hospitality Tax Fund	-	723,229
Total governmental funds	-	1,992,394
Enterprise funds		
Recreation Department	1,269,165	-
Crowfield Golf and Country Club	723,229	-
Total enterprise funds	1,992,394	-
Total transfers	\$ 1,992,394	\$ 1,992,394

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

G. Unavailable Revenue

The components of unavailable revenues in the Balance Sheet – Governmental Funds as of December 31, 2015, are as follows:

	General	Victims' Assistance
Unavailable revenue		
State aid to subdivisions	\$ 364,849	\$ -
Fines and forfeitures	378,492	75,717
EMS revenue	1,581,948	-
Total unavailable	\$ 2,325,289	\$ 75,717

H. Long-Term Debt

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

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

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

H. Long-Term Debt (Continued)

Changes in long-term liabilities - Long-term liability activity for the year ended December 31, 2015, is as follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within one Year
Governmental activities					
Revenue bonds	\$ 7,500,000	\$ -	\$ (330,004)	\$ 7,169,996	\$ 451,201
Compensated absences	185,816	413,854	(370,214)	229,456	229,456
Total long-term liabilities	<u>\$ 7,685,816</u>	<u>\$ 413,854</u>	<u>\$ (700,218)</u>	<u>\$ 7,399,452</u>	<u>\$ 680,657</u>
Business-type activities					
Leases payable	\$ 226,073	\$ -	\$ (95,025)	\$ 131,048	\$ 131,048
Compensated absences	52,175	77,195	(64,919)	64,451	64,451
Total long-term liabilities	<u>\$ 278,248</u>	<u>\$ 77,195</u>	<u>\$ (159,944)</u>	<u>\$ 195,499</u>	<u>\$ 195,499</u>

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

Revenue Bond

Revenue bond payable at December 31, 2015, is comprised of the following issue:

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

\$ 7,169,996

Debt service requirement for the revenue bond is as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 451,201	\$ 201,652	\$ 652,853
2017	464,336	188,516	652,852
2018	477,854	174,998	652,852
2019	491,766	161,087	652,853
2020	506,082	146,770	652,852
2021-25	2,760,180	504,084	3,264,264
2026-29	<u>2,018,577</u>	<u>103,196</u>	<u>2,121,773</u>
Total	<u>\$7,169,996</u>	<u>\$1,480,303</u>	<u>\$ 8,650,299</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

H. Long-Term Debt (Continued)

Authorized, unissued debt

In June 2015, Council approved a resolution to apply to the South Carolina Water Quality Revolving Fund Authority for a loan from the fund of \$8,500,000 to finance the costs of the Water System improvements. The City will grant a pledge of and lien on all revenues of the City's water system for repayment of the loan. See Note IV.E. for additional information.

Capital Leases Payable

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

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

	Business-type Activities
Golf maintenance equipment	\$ 487,112
Less accumulated depreciation	(278,115)
Carrying value	\$ 208,997

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2015, was \$3,219 for Business-type Activities.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending December 31,	Business-type Activities
2016	\$ 131,590
Less amount representing interest	(542)
Present value of minimum lease	131,048
Less current portion	(131,048)
Long-term portion of leases	\$ -

I. Operating Leases Obligation

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

I. Operating Leases Obligation (Continued)

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

Future minimum lease payments for the leases are as follow:

Year ending December 31,	Amount
2016	\$ 18,261
	\$ 18,261

J. Change in Accounting Principle

During the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of this implementation, the City was required to record their proportionate share of the state retirement system's net pension liability. The implementation of this new accounting principle was retroactive. The details and effect of the restatement are as follows:

	Governmental Activities	Business-type Activities	Total
Net position as originally presented, December 31, 2014	\$ 48,273,650	\$ 12,452,617	\$ 60,726,267
Implementation of change in accounting policy			
Net pension liability	(14,589,593)	(3,564,364)	(18,153,957)
Deferred outflows	488,420	104,105	592,525
Deferred inflows	(970,367)	(199,503)	(1,169,870)
Net restatement	(15,071,540)	(3,659,762)	(18,731,302)
Net position as restated, December 31, 2014	\$ 33,202,110	\$ 8,792,855	\$ 41,994,965
		Crowfield	
	Water Department	Golf and Country Club	Recreation Department
Net position as originally presented, December 31, 2014	\$ 14,967,782	\$ (4,400,217)	\$ 1,885,052
Implementation of change in accounting policy			
Net pension liability	(1,143,522)	(757,648)	(1,663,194)
Deferred outflows	33,399	22,129	48,577
Deferred inflows	(64,005)	(42,407)	(93,091)
Net restatement	(1,174,128)	(777,926)	(1,707,708)
Net position as restated, December 31, 2014	\$ 13,793,654	\$ (5,178,143)	\$ 177,344

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION

A. Commitments and Contingent Liabilities

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

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

Construction Commitments. At December 31, 2015, the City had the following construction commitments:

Construction services (Headquarters Fire Station and Station III)	\$3,022,775
Construction services (Recreation Phase II)	\$ 600,757

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

Under the contract, the City owns eighteen percent of the capacity of the Lake Moultrie Water Agency water supply system for the term of the contract, and agrees to purchase and pay for 3.6 million gallons per day of water capacity. Cost per gallon is established annually on a cost of service basis, calculated following the guidelines of the American City Association. Any variances in actual operations costs from the projected costs related to the City's proportionate share are calculated annually, and the City is credited or assessed for any differences at year-end. The City has the right to purchase or sell excess capacity to other contract participants according to need or availability. The current year expenditures for the purchase of water were \$1,295,735.

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

Year ending December 31,	Total
2016	\$ 1,237,331
2017	\$ 1,319,319
2018	\$ 1,666,808

Long-Term Contract – Recreation. In May 2008, the City entered into a contract with the Goose Creek Recreation Commission whereby the City assumed the operations of the Recreation District to provide recreational services to all residents served by the Commission, both within and without the City. The term of this agreement is twenty years and provides for automatic extensions for additional terms of twenty years each, unless either party, by written notice to the other given at least twenty-four months prior to the expiration of the then term, elects to withdraw from or terminate this agreement. For these services the City will receive a sum no more than the equivalent of the sum represented by applying the City's millage rate designated and budgeted for recreational services to all taxable real and personal property located within the boundaries of the District. The transition under this agreement was completed January 1, 2009, and the Recreation Department is now accounted for by the City as an enterprise fund.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Risk Management

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

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

C. Defined Benefit Pension Plan

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

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

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

Membership

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

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

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

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

Benefits

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

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

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

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

Contributions

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

Required employee contribution rates for the plan's fiscal years are as follows:

	<u>Fiscal year ended June 30, 2015</u>	<u>Fiscal year ended June 30, 2016</u>
SCRS		
Employee Class Two	8.00% of earnable compensation	8.16% of earnable compensation
Employee Class Three	8.00% of earnable compensation	8.16% of earnable compensation
PORS		
Employee Class Two	8.41% of earnable compensation	8.74% of earnable compensation
Employee Class Three	8.41% of earnable compensation	8.74% of earnable compensation

Required employer contribution rates for the plan's fiscal years are as follows:

	<u>Fiscal year ended June 30, 2015</u>	<u>Fiscal year ended June 30, 2016</u>
SCRS		
Employer Class Two	10.75% of earnable compensation	10.91% of earnable compensation
Employer Class Three	10.75% of earnable compensation	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation	0.15% of earnable compensation
PORS		
Employer Class Two	13.01% of earnable compensation	13.34% of earnable compensation
Employer Class Three	13.01% of earnable compensation	13.34% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation
Employer Accidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

Required and actual contributions are as follows:

	Plan's fiscal year ended June 30, 2015	City's fiscal year ended December 31, 2015
SCRS		
Governmental Activities		
Required contributions	\$588,606	\$601,395
Actual contributions	\$588,606	\$601,395
Business-type Activities		
Required contributions	\$211,130	\$215,718
Actual contributions	\$211,130	\$215,718
PORS		
Governmental Activities		
Required contributions	\$405,786	\$418,572
Actual contributions	\$405,786	\$418,572

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statutes requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015, annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2014, actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases (varies by service)	3.5% to 12.5%	4.0% to 10.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each retirement system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2015, the City's proportional share of the NPL amounts for SCRS is presented below:

<u>System</u>	<u>Measurement Period Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
SCRS		
Governmental Activities	\$ 10,922,914	\$ 9,937,132
Business-type Activities	\$ 3,917,955	\$ 3,564,364
City's proportion of the net pension liability	0.078252%	0.078421%
PORS		
Governmental Activities	\$ 5,323,638	\$ 4,652,461
City's proportion of the net pension liability	0.244260%	0.243021%

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations was based upon the 30-year capital market outlook at the end of the fourth quarter 2013, as developed by Retirement System Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represents assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.00%		
Cash	2.00%	1.90%	0.04%
Short Duration	3.00%	2.00%	0.06%
Domestic Fixed Income	13.00%		
Core Fixed Income	7.00%	2.70%	0.19%
Mixed Credit	6.00%	3.80%	0.23%
Global Fixed Income	9.00%		
Global Fixed Income	3.00%	2.80%	0.08%
Emerging Markets Debt	6.00%	5.10%	0.31%
Global Public Equity	31.00%	7.10%	2.20%
Global Tactical Asset Allocation Alternatives	10.00%	4.90%	0.49%
Hedge Funds (Low Beta)	8.00%	4.30%	0.34%
Private Debt	7.00%	9.90%	0.69%
Private Equity	9.00%	9.90%	0.89%
Real Estate (Broad Market)	5.00%	6.00%	0.30%
Commodities	3.00%	5.90%	0.18%
Total Expected Real Return	100.00%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

Sensitivity Analysis

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Governmental Activities			
SCRS	\$ 13,770,630	\$ 10,922,914	\$ 8,536,103
PORS	\$ 7,252,037	\$ 5,323,638	\$ 3,599,753
Business-type Activities			
SCRS	\$ 4,939,465	\$ 3,917,955	\$ 3,061,863

Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended December 31, 2015, the City recognized pension expense of \$1,293,582 for governmental activities and \$287,194 for business-type activities.

At December 31, 2015, the City reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Differences between actual and expected experience	\$ 302,022	\$ 19,533
Net difference between projected and actual earnings on pension plan investments	128,917	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	19,746	17,392
Contributions subsequent to the measurement date	514,308	-
Total	<u>\$ 964,993</u>	<u>\$ 36,925</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Business-type Activities		
Differences between actual and expected experience	\$ 67,163	\$ 7,007
Net difference between projected and actual earnings on pension plan investments	28,669	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	-	6,238
Contributions subsequent to the measurement date	<u>108,650</u>	<u>-</u>
Total	<u>\$ 204,482</u>	<u>\$ 13,245</u>

The City reported \$514,308 and \$108,650 as deferred outflows of resources 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, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the City's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2015. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2015, was 4.164 and 4.796 years for SCRS and PORS, respectively.

Measurement Period Ending June 30,	Fiscal year Ending December 31,		
<u>Governmental Activities</u>		SCRS	PORS
2015	2016	\$ (41,266)	\$ (21,758)
2016	2017	(41,266)	(21,758)
2017	2018	25,391	(17,097)
2018	2019	<u>(173,112)</u>	<u>(122,894)</u>
Net balance of deferred outflows (inflows)		<u>\$ (230,253)</u>	<u>\$ (183,507)</u>
 <u>Business-type Activities</u>			
2015	2016	\$ (14,802)	\$ -
2016	2017	(14,802)	-
2017	2018	9,108	-
2018	2019	<u>(62,091)</u>	<u>-</u>
Net balance of deferred outflows (inflows)		<u>\$ (82,587)</u>	<u>\$ -</u>

Payables to the pension plans

At December 31, 2015, the City reported payables of \$111,933 and \$55,317 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

IV. OTHER INFORMATION (CONTINUED)

C. Defined Benefit Pension Plan (Continued)

Money Purchase Pension Plans

The City maintains a money purchase pension plan for grandfathered employees that are not in the South Carolina Retirement Systems (SCRS) and sworn police officers who have been employed for one year. The City contributes one percent (1%) of the annual compensation of the sworn police officers after 1 year of employment and an amount equal to the voluntary contributions up to a maximum of two percent (2%). The City also contributes an amount up to 1% less than the City's contribution rate for SCRS and group life insurance, currently 10.06%, for grandfathered employees that are not in SCRS. All employees can also make voluntary, tax deferred contributions at an amount equal to the maximum amount allowed under Internal Revenue Service regulations. All money purchase pension plans are 100% vested immediately. Total contributions to the plan by the City in 2015 were \$ 154,428.

The City also maintains a money purchase pension plan for the City Administrator and others deemed eligible by a majority vote of City Council. The City contributes \$10,000 for each participant per year, which is 100% vested immediately. Total contributions to the plan by the City were \$10,000 in 2015.

South Carolina State Firemen's Association Retirement Plan and Trust

In 2002, the City established a supplemental retirement plan for paid firemen under the provisions of the South Carolina Firemen's Association Retirement Plan and Trust, a defined contribution plan established under Section 401(a) of the Internal Revenue Code. The Plan is administered by a three to five member managing committee elected by the Fire Department employees. The Plan is available to all paid fire department employees with one year of service. Plan members may make voluntary contributions at an amount up to 10 percent of the employee's annual compensation. The assets of the Plan are held for the exclusive benefit of the Plan participants and their beneficiaries, and are not available to creditors of the City.

Employer contributions to the Plan are determined by the Managing Committee of the Fire Department from funds provided pursuant to Sections 23-9-450 and 23-9-460 of the Code of Laws of the State of South Carolina (firemen's insurance and inspection funds). Total contributions to the Plan by the City in 2015 were \$54,200, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

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

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

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, intends to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

IV. OTHER INFORMATION (CONTINUED)

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

This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and amends No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The statement is effective for financial statements for periods beginning after June 15, 2016. The City will implement the new guidance with the 2017 financial statements.

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

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City will implement the new guidance with the 2016 financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City will implement the new guidance with the 2016 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance to improve accounting and financial reporting for governments which are beneficiaries of irrevocable split-interest agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries using trusts or other legally enforceable agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City will implement the new guidance with the 2017 financial statements.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

IV. OTHER INFORMATION (CONTINUED)

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

GASB Statement No. 82 *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Management has not yet determined the impact implementation of these standards will have on the City's financial statements, if any.

E. Subsequent Events

Subsequent to year end the City entered into the following equipment leases:

- A four year lease for golf carts, commencing in February 2016, with a minimum monthly charge of \$5,145 and a total commitment of \$241,776.
- A five year lease agreement for golf equipment, commencing in February 2016, with a minimum monthly charge of \$9,108 and a total commitment of \$546,480 and an option to purchase upon completion of \$90,708.
- A five year lease agreement for recreation equipment, with a minimum monthly charge of \$806 and a total commitment of \$48,348 and an option to purchase upon completion at fair market value.

In May of 2016, the City of Goose Creek entered into a loan agreement with the South Carolina Water Quality Revolving Fund Authority for the amount of \$8,031,032 at an annual stated interest rate of 1.8% to be repaid in quarterly principal and interest installments of \$119,762 for 20 years, with payments beginning in August of 2016.

Also in May of 2016, Council approved contracts amounting to \$7,282,271 for the construction of water transmission lines and a 1.5 million gallon elevated water storage tank, as well as contracts for golf course improvements with a cost of \$120,200.

Subsequent to year end, the City received contributed water systems from developers valued at approximately \$300,000.

In June of 2016, Council authorized management to issue revenue bonds, secured by hospitality tax revenue, not to exceed \$9,000,000. The proceeds will be used for the construction of a second recreation center.

Management has assessed subsequent events through August 9, 2016, the date the financial statements were available to be issued.

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND, LOCAL HOSPITALITY TAX FUND AND
GOOSE CREEK MUNICIPAL FINANCE CORPORATION
YEAR ENDED DECEMBER 31, 2015**

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local revenues			
Property taxes	\$ 2,611,278	\$ 2,476,594	\$ (134,684)
Licenses and permits	7,953,871	8,533,951	580,080
Charges for services	2,316,030	2,293,990	(22,040)
Fines and forfeitures	400,000	425,575	25,575
Miscellaneous revenues	219,436	317,178	97,742
Total local revenues	<u>13,500,615</u>	<u>14,047,288</u>	<u>546,673</u>
State revenues	<u>4,394,431</u>	<u>4,713,345</u>	<u>318,914</u>
TOTAL REVENUES	<u><u>17,895,046</u></u>	<u><u>18,760,633</u></u>	<u><u>865,587</u></u>
EXPENDITURES			
Current			
Legislative	175,182	186,550	(11,368)
Administrative	1,614,935	1,572,641	42,294
Police	6,768,303	6,569,551	198,752
Fire	4,093,198	4,045,446	47,752
Sanitation	1,310,290	1,123,149	187,141
Maintenance	1,217,250	1,100,460	116,790
Garage	354,077	411,711	(57,634)
Court	337,343	338,087	(744)
Planning	160,981	153,095	7,886
Information technology	532,368	591,494	(59,126)
Capital outlay	238,652	1,100,377	(861,725)
Debt service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>16,802,579</u>	<u>17,192,561</u>	<u>(389,982)</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>1,092,467</u>	<u>1,568,072</u>	<u>475,605</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	24,800	15,175	(9,625)
Insurance proceeds	-	21,079	21,079
Transfers in	369,199	-	(369,199)
Transfers out	(1,969,355)	(1,269,165)	700,190
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,575,356)</u>	<u>(1,232,911)</u>	<u>342,445</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (482,889)</u></u>	<u>335,161</u>	<u><u>\$ 818,050</u></u>
FUND BALANCES			
Beginning of year		<u>8,702,532</u>	
End of year		<u><u>\$ 9,037,693</u></u>	

The accompanying Notes to Budgetary Comparison Schedule – General Fund, Local Hospitality Tax Fund and Goose Creek Municipal Finance Corporation (Unaudited) are an integral part of this financial schedule.

Local Hospitality Tax Fund			Goose Creek Municipal Finance Corp		
Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,207,156	1,348,709	141,553	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
287	925	638	150	799	649
1,207,443	1,349,634	142,191	150	799	649
-	-	-	-	-	-
1,207,443	1,349,634	142,191	150	799	649
-	-	-	-	-	-
10,000	62	9,938	-	4,500	(4,500)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,234	(2,234)
-	-	-	-	-	-
750,000	189,003	560,997	6,511,064	6,815,745	(304,681)
-	-	-	330,004	330,004	-
-	-	-	375,635	375,635	-
760,000	189,065	570,935	7,216,703	7,528,118	(311,415)
447,443	1,160,569	713,126	(7,216,553)	(7,527,319)	(310,766)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	705,639	-	(705,639)
-	(723,229)	(723,229)	-	-	-
-	(723,229)	(723,229)	705,639	-	(705,639)
\$ 447,443	437,340	\$ (10,103)	\$ (6,510,914)	(7,527,319)	\$ (1,016,405)
	1,224,482			9,367,864	
	\$ 1,661,822			\$ 1,840,545	

**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
YEAR ENDED DECEMBER 31, 2015**

A. Summary of Significant Accounting Policies

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

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

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

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

No supplemental budgetary appropriations were made during the year.

B. Budget Reconciliation

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
General Fund budget as adopted	\$ 16,852,235	\$ 16,802,579	\$ (35,356)	\$ 14,300
Presentation adjustment:				
Plus separately budgeted funds:				
Tree Trust Fund	80	-	-	80
Local Option Sales Tax Fund	1,042,731	-	(1,540,000)	(497,269)
Budget as presented	<u>\$ 17,895,046</u>	<u>\$ 16,802,579</u>	<u>\$(1,575,356)</u>	<u>\$ (482,889)</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

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

Year Ended June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.078252%	\$ 14,840,869	\$ 7,329,345	202%	59.92%
2014	0.078421%	\$ 13,501,496	\$ 7,268,870	186%	56.39%

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

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

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 (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

**SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

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

**SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

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

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

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
ASSETS					
Cash	\$ -	\$ 117,249	\$ 411,970	\$ -	\$ -
Receivables, net of allowance					
Fines	-	-	-	-	75,717
Accounts	-	1,884	6,725	-	-
Due from other funds	368,880	-	-	78,204	123,284
Due from other governments	-	-	10,050	-	-
TOTAL ASSETS	<u>\$ 368,880</u>	<u>\$ 119,133</u>	<u>\$ 428,745</u>	<u>\$ 78,204</u>	<u>\$ 199,001</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
LIABILITIES					
Escrow payable	\$ -	\$ 76,910	\$ -	\$ -	\$ -
Due to other funds	-	392	23	-	37,896
TOTAL LIABILITIES	<u>-</u>	<u>77,302</u>	<u>23</u>	<u>-</u>	<u>37,896</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	75,717
FUND BALANCE					
Restricted for					
Public safety	-	41,831	428,722	-	85,388
Tourism	-	-	-	78,204	-
Capital projects	78,152	-	-	-	-
Impact fees-Liberty Hall	290,728	-	-	-	-
Assigned					
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCE	<u>368,880</u>	<u>41,831</u>	<u>428,722</u>	<u>78,204</u>	<u>85,388</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 368,880</u>	<u>\$ 119,133</u>	<u>\$ 428,745</u>	<u>\$ 78,204</u>	<u>\$ 199,001</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 192,014	\$ 721,233
-	75,717
-	8,609
-	570,368
-	10,050
<u>\$ 192,014</u>	<u>\$ 1,385,977</u>
\$ -	\$ 76,910
-	38,311
-	115,221
<u>-</u>	<u>75,717</u>
-	555,941
-	78,204
-	78,152
-	290,728
192,014	192,014
<u>-</u>	<u>-</u>
<u>192,014</u>	<u>1,195,039</u>
<u>\$ 192,014</u>	<u>\$ 1,385,977</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
REVENUES					
Local Revenue					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 66,108
Miscellaneous revenues	82,753	1,919	80,469	-	-
Total local revenues	82,753	1,919	80,469	-	66,108
State	-	22,375	101,843	12,146	-
Federal	-	2,108	-	-	-
TOTAL REVENUES	82,753	26,402	182,312	12,146	66,108
EXPENDITURES					
Current					
Administrative	-	-	-	-	-
Police	-	43,497	115,968	-	69,580
Recreation	-	-	-	6,491	-
TOTAL EXPENDITURES	-	43,497	115,968	6,491	69,580
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	82,753	(17,095)	66,344	5,655	(3,472)
NET CHANGE IN FUND BALANCES	82,753	(17,095)	66,344	5,655	(3,472)
FUND BALANCE					
Beginning of year	286,127	58,926	362,378	72,549	88,860
End of year	<u>\$ 368,880</u>	<u>\$ 41,831</u>	<u>\$ 428,722</u>	<u>\$ 78,204</u>	<u>\$ 85,388</u>

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 66,108
314	165,455
314	231,563
-	136,364
-	2,108
314	370,035
23,957	23,957
-	229,045
-	6,491
23,957	259,493
(23,643)	110,542
(23,643)	110,542
215,657	1,084,497
\$ 192,014	\$ 1,195,039

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF REVENUES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
LOCAL REVENUES		
Property taxes		
Real and personal	\$ 1,935,751	\$ 1,638,714
Vehicle	399,750	327,658
Homestead tax	141,093	117,706
Total property taxes	<u>2,476,594</u>	<u>2,084,078</u>
Licenses and permits		
Business licenses	5,427,289	5,024,700
Building permits	461,206	314,825
Franchise fees	2,645,456	2,498,817
Total licenses and permits	<u>8,533,951</u>	<u>7,838,342</u>
Charges for services		
Police and fire	718,946	646,209
Sanitation fees	1,572,345	1,551,360
Administrative fees	2,699	1,499
Total charges for services	<u>2,293,990</u>	<u>2,199,068</u>
Fines and forfeitures		
Court fines	425,575	422,524
Miscellaneous		
Interest	5,939	9,820
Rent	55,881	74,417
Other	255,358	168,583
Total miscellaneous revenues	<u>317,178</u>	<u>252,820</u>
TOTAL LOCAL REVENUES	<u><u>\$ 14,047,288</u></u>	<u><u>\$ 12,796,832</u></u>
STATE REVENUES		
Inventory tax and manufacturers' exemption	\$ 15,276	\$ 14,916
Accommodations tax	25,639	25,697
Local government fund - quarterly	763,883	770,720
Local option sales tax - municipal revenue	1,118,405	1,075,331
Local option sales tax - rebatable	2,674,514	2,378,876
Grants	115,628	26,914
TOTAL STATE REVENUES	<u><u>\$ 4,713,345</u></u>	<u><u>\$ 4,292,454</u></u>
FEDERAL REVENUES		
Department of Justice	\$ -	\$ 10,268
Assistance to firefighters	-	138,822
TOTAL FEDERAL REVENUES	<u><u>\$ -</u></u>	<u><u>\$ 149,090</u></u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENDITURES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Personnel	Other	Total	Personnel	Other	Total
Current						
Legislative	\$ 104,164	\$ 82,386	\$ 186,550	\$ 99,694	\$ 67,239	\$ 166,933
Administrative	1,298,164	274,477	1,572,641	1,189,806	258,443	1,448,249
Police	5,662,141	907,410	6,569,551	5,331,239	950,980	6,282,219
Fire	3,267,895	777,551	4,045,446	3,144,853	454,800	3,599,653
Sanitation	869,164	253,985	1,123,149	832,405	309,755	1,142,160
Maintenance	593,640	506,820	1,100,460	601,002	527,210	1,128,212
Garage	248,068	163,643	411,711	208,966	134,082	343,048
Court	279,329	58,758	338,087	281,730	45,559	327,289
Planning	136,484	16,611	153,095	128,317	11,479	139,796
Information						
Technology	206,583	384,911	591,494	159,005	277,410	436,415
Capital outlay	-	1,100,377	1,100,377	-	492,604	492,604
Total						
expenditures	<u>\$ 12,665,632</u>	<u>\$ 4,526,929</u>	<u>\$ 17,192,561</u>	<u>\$ 11,977,017</u>	<u>\$ 3,529,561</u>	<u>\$ 15,506,578</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENSES
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	<u>\$ 1,044,365</u>	<u>\$ 2,516,119</u>	<u>\$ 3,560,484</u>	<u>\$ 1,040,076</u>	<u>\$ 2,490,252</u>	<u>\$ 3,530,328</u>
Crowfield Golf and Country Club						
Administration	132,028	70,811	202,839	114,675	83,600	198,275
Course and grounds	338,157	334,441	672,598	333,964	295,824	629,788
Cart rental	43,556	83,650	127,206	53,808	95,331	149,139
Pro shop	147,798	77,357	225,155	146,515	86,761	233,276
Food and beverage	<u>61,744</u>	<u>125,189</u>	<u>186,933</u>	<u>65,054</u>	<u>123,651</u>	<u>188,705</u>
Total Crowfield Golf Country Club expenses	<u>723,283</u>	<u>691,448</u>	<u>1,414,731</u>	<u>714,016</u>	<u>685,167</u>	<u>1,399,183</u>
Recreation Department						
Administration	333,731	285,033	618,764	305,656	276,980	582,636
Maintenance	604,546	228,804	833,350	561,747	226,728	788,475
Sports programs	136,296	194,273	330,569	117,176	159,908	277,084
Concessions	2,895	9,365	12,260	12,779	36,904	49,683
Community education	209,082	191,456	400,538	185,557	264,028	449,585
Special events	-	52,318	52,318	2,559	49,855	52,414
Community center	134,465	76,978	211,443	131,341	59,562	190,903
Pool	37,796	42,888	80,684	40,965	44,473	85,438
Tennis	<u>-</u>	<u>6,316</u>	<u>6,316</u>	<u>-</u>	<u>16,459</u>	<u>16,459</u>
Total Recreation Department expenses	<u>1,458,811</u>	<u>1,087,431</u>	<u>2,546,242</u>	<u>1,357,780</u>	<u>1,134,897</u>	<u>2,492,677</u>
Total operating expenses	<u>\$ 3,226,459</u>	<u>\$ 4,294,998</u>	<u>\$ 7,521,457</u>	<u>\$ 3,111,872</u>	<u>\$ 4,310,316</u>	<u>\$ 7,422,188</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
YEAR ENDED DECEMBER 31, 2015**

Fines, assessments and surcharges	\$	1,040,503
Remitted to state treasurer		<u>(556,673)</u>
Retained by the City	\$	<u>483,830</u>
Fines, assessments and surcharges retained by the City		
General Fund	\$	417,722
Victims' assistance services		<u>66,108</u>
Total	\$	<u>483,830</u>
Funds allocated to victims' assistance services		
Surcharges and assessments retained	\$	<u>66,108</u>
Funds available for victims' assistance services		<u>66,108</u>
Expenditures		
Salaries		63,505
Training and seminars		658
Postage		1,981
Office supplies		87
Small equipment purchase		<u>3,349</u>
Total program expenditures		<u>69,580</u>
Excess of revenues over expenditures		<u>(3,472)</u>
Net change in fund balance		(3,472)
Balances carried forward		
Beginning of year		<u>88,860</u>
End of year	\$	<u>85,388</u>

INTERNAL CONTROL AND COMPLIANCE REPORT

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goose Creek, South Carolina, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City of Goose Creek's, South Carolina's basic financial statements, and have issued our report thereon dated August 9, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Webster Rogers LLP

Summerville, South Carolina
August 9, 2016