

**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, 2011**

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***City of Goose Creek, South Carolina*** (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Goose Creek, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goose Creek, South Carolina, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Notes I.D.10 and III.J to the financial statements, the City adopted the provisions of Government Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012, on our consideration of the City of Goose Creek, South Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules on pages 3 through 12 and 51 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Goose Creek, South Carolina's basic financial statements as a whole. The Schedule of Court Fines, Assessments, and Surcharges listed in the Table of Contents under Other Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements of the City of Goose Creek, South Carolina. The combining financial statements as of and for the year ended December 31, 2011, and the schedules for the year ended December 31, 2011, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Goose Creek, South Carolina. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Goose Creek as of and for the year ended December 31, 2010, which are not presented with the accompanying financial statements. In our report dated September 21, 2011, we expressed unqualified 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 2010 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 partial comparative information presented with the other financial information for 2011, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Webster Rogus LLP

Summerville, South Carolina
August 28, 2012

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

As management of the City of Goose Creek (the City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Goose Creek as of and for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The assets of the City of Goose Creek exceed its liabilities at the close of the most recent fiscal year by \$58,392,985 (*net assets*). Of this amount, \$8,573,728 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Goose Creek's governmental funds reported combined ending fund balance of \$15,863,584, a decrease of \$1,628,470. The decrease was due to an increase in deferred revenue and an increase in funds due to the Tax Increment Financing Fund. At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,772,689, or 54.28 percent of the total general fund expenditures.
- The City of Goose Creek's governmental activities debt was defeased with a \$1,000,000 payment for the 2002 Tax Increment Bond and \$105,013 payment for the 2007 Quint fire truck.
- Fiscal year end 2010 categorized unreserved fund balance between designated and undesignated. At the end of 2010, unreserved, undesignated fund balance for the general fund was \$7,276,611. The implementation of GASB 54 changed the reporting of the fund balance categories. Effective in fiscal year 2011, unrestricted fund balance classifications are committed, assigned and unassigned. At the end of 2011, committed, assigned and unassigned fund balances totaled \$8,147,000.

See note I.D.10 and III.J for further information on the implementation of GASB 54.

Overview of the Financial Statements

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

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

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

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

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 three categories: governmental, proprietary and fiduciary 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the tax increment financing fund both 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 and the tax increment fund.

The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, golf and recreation 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, 2011

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 statement 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 - 50 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53 - 58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Goose Creek's assets exceeded liabilities by \$58,392,985 at the close of the most recent fiscal year.

The largest portion of the City of Goose Creek's net assets (72.54 percent) is its investment in capital assets (e.g. land, buildings, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Goose Creek uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City of Goose Creek Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	Current and Other Assets	\$ 25,017,058	\$ 24,412,902	\$ 379,909	\$ (948,466)	\$ 25,396,967	\$ 23,464,436
Capital Assets	24,314,594	26,179,420	18,478,530	18,474,204	42,793,124	44,653,624	4.35%
Total Assets	49,331,652	50,592,322	18,858,439	17,525,738	68,190,091	68,118,060	(0.11%)
Long-term Liabilities Outstanding	1,105,013	-	3,125,106	2,291,552	4,230,119	2,291,552	(45.83%)
Other Liabilities	5,922,603	6,671,009	1,099,342	762,514	7,021,945	7,433,523	5.86%
Total Liabilities	7,027,616	6,671,009	4,224,448	3,054,066	11,252,064	9,725,075	(13.57%)
Net Assets:							
Invested in Capital Assets, Net of Related	23,209,581	26,179,420	15,353,424	16,182,652	38,563,005	42,362,072	9.85%
Restricted	6,965,294	6,528,953	726,009	928,232	7,691,303	7,457,185	(3.04%)
Unrestricted	12,129,161	11,212,940	(1,445,442)	(2,639,212)	10,683,719	8,573,728	(19.75%)
Total Net Assets*	\$ 42,304,036	\$ 43,921,313	\$ 14,633,991	\$ 14,471,672	\$ 56,938,027	\$ 58,392,985	2.56%

* As restated, see note III.J

An additional portion of the City of Goose Creek's net assets \$7,457,185 (12.76 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$8,573,728, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

Governmental Activities – Governmental activities increased the City of Goose Creek's net assets by \$1,617,277 thereby accounting for 107.67 percent of the total growth in net assets of the City of Goose Creek.

The City of Goose Creek Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
Revenues:							
Program Revenues:							
Charges for Services	\$ 7,443,271	\$ 7,198,589	\$ 4,865,527	\$ 4,869,868	\$12,308,798	\$12,068,457	(1.95%)
Operating Grants and Contributions	353,410	63,289	15,000	-	368,410	63,289	(82.82%)
Capital Grants and Contributions	185,700	218,093	796,434	778,992	982,134	997,085	1.52%
General Revenues:							
Property Taxes	4,889,513	4,576,557	421,821	418,817	5,311,334	4,995,374	(5.95%)
Local Option Sales Taxes	3,184,679	2,903,740	-	-	3,184,679	2,903,740	(8.82%)
Franchise	2,169,588	2,319,825	-	-	2,169,588	2,319,825	6.92%
Unrestricted Grants and Contributions	801,987	720,287	-	-	801,987	720,287	(10.19%)
Unrestricted revenue from use of monies and property	184,354	128,862	40,440	17,943	224,794	146,805	(34.69%)
Miscellaneous	25,005	78,951	658	5,192	25,663	84,143	227.88%
Gain on sale of assets	-	-	900	-	900	-	(100.00%)
Total Revenues	19,237,507	18,208,193	6,140,780	6,090,812	25,378,287	24,299,005	(4.25%)
Expenses:							
Legislative	169,471	188,212	-	-	169,471	188,212	11.06%
Administration	1,579,626	1,766,553	-	-	1,579,626	1,766,553	11.83%
Police	6,039,151	6,237,751	-	-	6,039,151	6,237,751	3.29%
Fire	3,553,220	3,596,836	-	-	3,553,220	3,596,836	1.23%
Sanitation	1,205,897	1,254,265	-	-	1,205,897	1,254,265	4.01%
Recreation	206,580	192,402	-	-	206,580	192,402	(6.86%)
Maintenance	1,030,028	1,058,630	-	-	1,030,028	1,058,630	2.78%
Garage	273,387	264,092	-	-	273,387	264,092	(3.40%)
Court	309,531	301,580	-	-	309,531	301,580	(2.57%)
Planning	161,595	169,478	-	-	161,595	169,478	4.88%
Information Technology	382,409	459,836	-	-	382,409	459,836	20.25%
Interest and Fees	73,821	20,163	-	-	73,821	20,163	(72.69%)
Water	-	-	3,278,411	3,249,030	3,278,411	3,249,030	(0.90%)
Golf	-	-	1,885,323	1,613,267	1,885,323	1,613,267	(14.43%)
Recreation	-	-	2,314,748	2,471,952	2,314,748	2,471,952	6.79%
Total Expenses	14,984,716	15,509,798	7,478,482	7,334,249	22,463,198	22,844,047	1.70%
Increase in Net Assets Before Transfers	4,252,791	2,698,395	(1,337,702)	(1,243,437)	2,915,089	1,454,958	(50.09%)
Transfers	(1,105,195)	(1,081,118)	1,105,195	1,081,118	-	-	0.00%
Increase in Net Assets	3,147,596	1,617,277	(232,507)	(162,319)	2,915,089	1,454,958	(50.09%)
Net Assets as restated, January 1 *	39,232,947	42,304,036	14,866,498	14,633,991	54,099,445	56,938,027	5.25%
Net Assets, December 31	\$42,380,543	\$43,921,313	\$14,633,991	\$14,471,672	\$57,014,534	\$58,392,985	2.42%

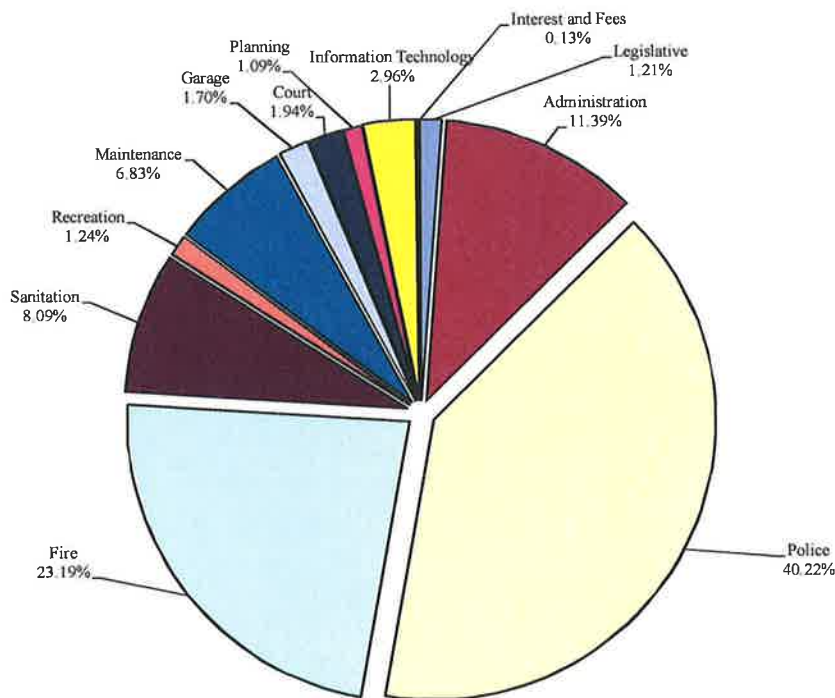
* As restated, see note III.J.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2011

Charges for services were the City's largest program revenue, accounting for \$7,198,589 (39.53 percent) of total governmental revenues. These charges are for fees related to business licenses, building permits, court fines and E911 fees. Property tax revenues account for \$4,576,557 (25.13 percent) of the \$18,208,193 total revenues for governmental activities. Another component of general revenues that is related to property taxes is the revenue received from Local Option Sales Taxes which accounted for \$2,903,740 (15.95 percent). Franchise fees of \$2,319,825 (12.74 percent) and unrestricted grants and contributions of \$720,287 (3.96 percent) complete the top five revenue sources at \$17,718,998 (97.31 percent) for the governmental activities of the City of Goose Creek.

The Police Department program accounted for \$6,237,751 of the \$15,509,798 total expenses for governmental activities (40.22 percent) of the total expenses. The Fire Department had the next largest program accounting for \$3,596,836 (23.19 percent) of the total governmental expenses.

Governmental Expenses 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, 2011

Governmental Activities – Cost of Services

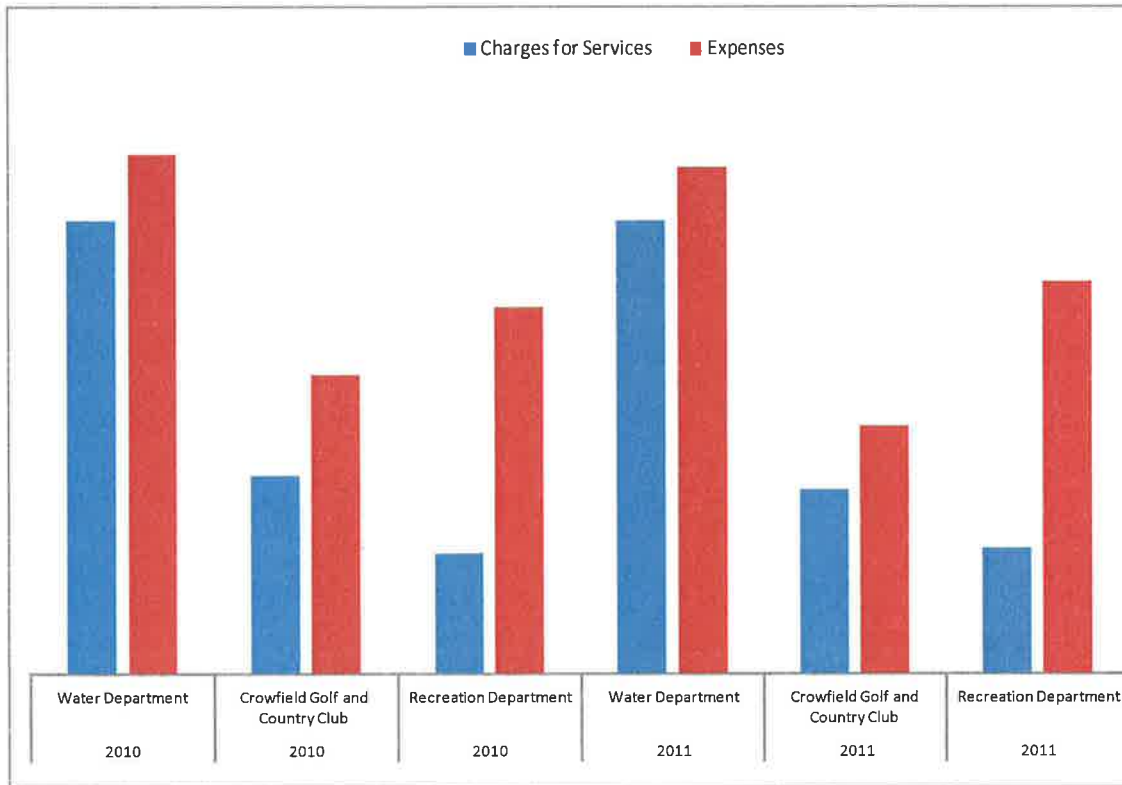
	2010		2011		Total Cost of Services Percentage Change	Total Net Cost of Services Percentage Change
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services		
Legislative	\$ 169,471	\$ (169,471)	\$ 188,212	\$ (188,212)	11.06%	(11.06%)
Administration	1,579,626	3,855,198	1,766,553	3,295,360	11.83%	(14.52%)
Police	6,039,151	(5,121,335)	6,237,751	(5,305,790)	3.29%	(3.60%)
Fire	3,553,220	(2,728,412)	3,596,836	(2,939,659)	1.23%	(7.74%)
Sanitation	1,205,897	(401,812)	1,254,265	(426,845)	4.01%	(6.23%)
Recreation	206,580	(206,580)	192,402	(192,402)	(6.86%)	6.86%
Maintenance	1,030,028	(1,030,028)	1,058,630	(1,058,630)	2.78%	(2.78%)
Garage	273,387	(273,387)	264,092	(264,092)	(3.40%)	3.40%
Court	309,531	(309,531)	301,580	(301,580)	(2.57%)	2.57%
Planning	161,595	(160,747)	169,478	(167,978)	4.88%	(4.50%)
Information Technology	382,409	(382,409)	459,836	(459,836)	20.25%	20.25%
Interest and Fees	73,821	(73,821)	20,163	(20,163)	(72.69%)	72.69%
Total Expenses	\$ 14,984,716	\$ (7,002,335)	\$ 15,509,798	\$ (8,029,827)	3.50%	(14.67%)

Charges for services and operating and capital grants of \$7,479,971 (48.23 percent of the total costs of services) were received and used to fund the general government expenses of the City. The remaining \$8,029,827 in general government expenses is funded by property taxes, Local Option Sales Taxes, franchise fees, unrestricted grants and other revenue.

Business-type Activities - Charges for services were the City's largest program revenue, accounting for \$4,869,868 (79.95 percent) of the total business-type activities. These charges are: water and water services, (i.e. sales of water, tap and impact fees, late charges, administration fees, and fire demand fees) for the water enterprise fund; recreation fund revenue from memberships, recreation fees, class fees and concession stand sales; and memberships, green fees, cart fees, pro shop sales, and food and beverage sales for the golf enterprise fund.

The water enterprise fund also had capital contributions of \$763,924 for the water lines installed at: Liberty Village phase 4B; Carnes, Phase 1-A1; Northwood Assembly at Carnes; and Marrington Phase 1-B. The recreation enterprise fund had capital contributions of \$15,068 for playground equipment.

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2011



Financial Analysis of the City of Goose Creek's Funds

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

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

As of December 31, 2011, the City's governmental funds reported a combined ending fund balance of \$15,863,584. Approximately 48.04 percent of this total, \$7,621,237, is unassigned fund balance. The remaining fund balances are: nonspendable, \$841,313; restricted, \$6,528,953; committed, \$24,088; and assigned, \$847,993. The largest portion of the restricted fund balance is \$5,867,927 for the Tax Increment Fund capital projects.

The general fund is the primary operating fund of the City. At the end of the current year the unassigned fund balance of the general fund was \$7,772,689 with a total fund balance of \$8,313,335. 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 54.28 percent of total general fund expenditures, while total fund balance represents 58.06 percent of that same amount.

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

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

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$3,167,001 for the Water Department, \$(6,012,700) for the Crowfield Golf and Country Club and \$206,487 for the Recreation Department. The total changes in net assets for the funds were: Water, \$444,708; Golf, \$(470,670); and Recreation, \$(136,357). 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 \$976,386 less than budgeted. This is primarily the result of the decrease in property taxes, business licenses, building permits and local option sales tax. The City budgeted for general fund expenditures and other financing uses to exceed revenues and other financing sources by \$(461,232). Expenditures were \$220,022 less than budgeted, minimizing the deficit before other financing sources (uses) at \$756,364.

The City's tax increment financing revenues were \$357,317 less than budgeted. Expenditures were \$1,710,336 more than budgeted due to the ongoing construction in the downtown master plan.

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, 2011 was \$44,653,624 (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:

- Contribution of \$50,700 – land
- Purchase of \$149,134 – 7 police vehicles
- Purchase of \$32,951 – police in car video cameras
- Purchase of \$19,995 – Ford F-250 brush firefighting vehicle and equipment
- Purchase of \$51,246 – 2 Kubota tractors for mowing
- Purchase of \$14,299 – Jacobsen Turcat mower
- Improvements of \$150,222 to the water system
- Contribution of \$763,924 – water lines
- Improvements to municipal lake at City Hall \$109,925

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2011

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
Land	\$ 6,203,873	\$ 6,187,189	\$ 1,956,615	\$ 1,956,615	\$ 8,160,488	\$ 8,143,804	(0.20%)
Construction in progress	1,735,094	4,346,025	8,385	8,385	1,743,479	4,354,410	149.75%
Buildings	11,356,488	11,063,409	1,773,765	1,597,701	13,130,253	12,661,110	(3.57%)
Improvements	502,519	490,442	283,461	264,475	785,980	754,917	(3.95%)
Vehicles	1,855,715	1,536,646	36,919	23,939	1,892,634	1,560,585	(17.54%)
Computers	29,040	21,898	-	-	29,040	21,898	(24.59%)
Mast Arms	1,118,561	1,044,678	-	-	1,118,561	1,044,678	(6.61%)
Equipment	693,095	628,920	334,578	283,703	1,027,673	912,623	(11.20%)
Streetscape	17,095	15,909	-	-	17,095	15,909	(6.94%)
Infrastructure	803,114	844,304	-	-	803,114	844,304	5.13%
Water System	-	-	13,394,104	13,708,485	13,394,104	13,708,485	2.35%
Land Improvements	-	-	690,703	630,901	690,703	630,901	(8.66%)
	<u>\$ 24,314,594</u>	<u>\$ 26,179,420</u>	<u>\$ 18,478,530</u>	<u>\$ 18,474,204</u>	<u>\$ 42,793,124</u>	<u>\$ 44,653,624</u>	<u>4.35%</u>

Long-Term Debt - At the end of the current fiscal year, the City of Goose Creek had total long-term debt outstanding of \$2,291,552. The debt does not comprise debt backed by the full faith and credit of the government. The City has no outstanding governmental activities debt. The business-type activities debt includes capital leases of \$90,429 for the purchase of golf carts, and \$881,123 for the Santee Cooper Regional Water System water line extension, and a revenue bond of \$1,320,000 for the purchase of Crowfield Golf and Country Club. Business-type activity had decreases of \$170,000 (11.41 percent) in revenue bonds, a decrease of \$188,531 (16.24 percent) in leases, and a decrease of \$580,216 in notes payable. All governmental activities debt was retired during the year.

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

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
Tax increment bonds	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	-100.0%
Leases	105,013	-	1,054,890	971,552	1,159,903	971,552	-16.2%
Revenue bonds	-	-	1,490,000	1,320,000	1,490,000	1,320,000	-11.4%
Notes	-	-	580,216	-	580,216	-	-100.0%
	<u>\$ 1,105,013</u>	<u>\$ -</u>	<u>\$ 3,125,106</u>	<u>\$ 2,291,552</u>	<u>\$ 4,230,119</u>	<u>\$ 2,291,552</u>	<u>-45.8%</u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

Economic Factors and Next Year's Budget

The City of Goose Creek's growth continues to be slow due to the downturn in the economy. During 2011 the City only issued 190 new housing construction permits due to the slowdown in the housing market. The City does have development agreements that will provide over 10,000 new houses and several large commercial development sites over the next twenty years ensuring long term managed growth.

During the current fiscal year the City's net assets, as restated, increased \$1,454,958, providing the City with the funds necessary to continue to provide quality service to the residents without a tax increase in the next fiscal year, the City's 32nd consecutive year without a tax increase.

The City of Goose Creek actively works with the Economic Development Advisory Committee to recruit new businesses, light industries and restaurants to meet the residents growing demand to be able to live, work and shop within the City's corporate limits. In 2011 construction was limited due to the downturn in the economy. The City has development agreements and for commercial and residential construction in the Carnes Crossroads area, where over 2,400 acres will be developed in the coming years.

The water enterprise fund installed 243 new water taps during 2011 as a result of the growth in new housing construction. The radio read meter upgrade program installation to convert all manual read water meters to radio read meters over the next 3 years has continued on schedule; 894 meters were installed or converted in 2011.

The City has implemented a five year plan to make Crowfield Golf and Country Club self-sufficient. The golf enterprise fund completed the eighth full year of operations. Although the golf fund did not operate at a profit the operating loss was down \$180,592 from the previous year.

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

These indicators were taken into account when adopting the General Fund budget for the 2012 fiscal year. The City of Goose Creek is a vibrant community that will continue to grow dynamically in the coming years. The budget will continue to expand to meet the service needs of the growing community.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,032,456	\$ 3,624,575	\$ 12,657,031
Receivables, net of allowance			
Taxes	2,390,425	168,792	2,559,217
Fines	700,547	-	700,547
Accounts	1,830,684	228,031	2,058,715
Due from county treasurer	3,095,937	154,264	3,250,201
Due from other governments	1,102,382	-	1,102,382
Internal balances	6,144,136	(6,144,136)	-
Inventories	66,607	80,677	147,284
Prepaid items	49,728	11,099	60,827
Restricted assets			
Temporarily restricted cash and cash equivalents	-	928,232	928,232
Capital assets, not being depreciated	10,533,214	1,965,000	12,498,214
Capital assets, net of accumulated depreciation	15,646,206	16,509,204	32,155,410
TOTAL ASSETS	50,592,322	17,525,738	68,118,060
LIABILITIES			
Accounts payable	598,541	35,410	633,951
Accrued salaries and related liabilities	330,299	93,307	423,606
Compensated absences payable	190,948	53,117	244,065
Escrow and retainage payable	197,543	-	197,543
Unearned revenue	5,353,678	418,428	5,772,106
Due to developers	-	157,950	157,950
Liabilities payable from restricted assets - customer deposits	-	4,302	4,302
Noncurrent liabilities			
Due within one year	-	298,163	298,163
Due in more than one year	-	1,993,389	1,993,389
TOTAL LIABILITIES	6,671,009	3,054,066	9,725,075
NET ASSETS			
Invested in capital assets, net of related debt	26,179,420	16,182,652	42,362,072
Restricted for			
Liberty Hall	275,563	-	275,563
Debt service	-	928,232	928,232
Public safety	334,211	-	334,211
Tourism	51,252	-	51,252
TIF projects	5,867,927	-	5,867,927
Unrestricted	11,212,940	(2,639,212)	8,573,728
TOTAL NET ASSETS	\$ 43,921,313	\$ 14,471,672	\$ 58,392,985

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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 188,212	\$ -	\$ -	\$ -
Administrative	1,766,553	4,843,820	-	218,093
Police	6,237,751	877,470	54,491	-
Fire	3,596,836	649,879	7,298	-
Sanitation	1,254,265	827,420	-	-
Recreation	192,402	-	-	-
Maintenance	1,058,630	-	-	-
Garage	264,092	-	-	-
Court	301,580	-	-	-
Planning	169,478	-	1,500	-
Information Technology	459,836	-	-	-
Interest and fees	20,163	-	-	-
Total governmental activities	15,509,798	7,198,589	63,289	218,093
Business-type activities				
Water Department	3,249,030	2,911,462	-	763,924
Crowfield Golf and Country Club	1,613,267	1,165,995	-	-
Recreation Department	2,471,952	792,411	-	15,068
Total business-type activities	7,334,249	4,869,868	-	778,992
Total government	\$22,844,047	\$12,068,457	\$ 63,289	\$ 997,085
General revenues				
Taxes				
Property, including fee in lieu of taxes				
Local option sales tax				
Franchise				
Grants and contributions not restricted to specific programs				
Unrestricted revenue from use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets				
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 Assets**

Governmental Activities	Business-type Activities	Total
\$ (188,212)	\$ -	\$ (188,212)
3,295,360	-	3,295,360
(5,305,790)	-	(5,305,790)
(2,939,659)	-	(2,939,659)
(426,845)	-	(426,845)
(192,402)	-	(192,402)
(1,058,630)	-	(1,058,630)
(264,092)	-	(264,092)
(301,580)	-	(301,580)
(167,978)	-	(167,978)
(459,836)	-	(459,836)
(20,163)	-	(20,163)
<u>(8,029,827)</u>	<u>-</u>	<u>(8,029,827)</u>
-	426,356	426,356
-	(447,272)	(447,272)
-	(1,664,473)	(1,664,473)
<u>-</u>	<u>(1,685,389)</u>	<u>(1,685,389)</u>
<u>(8,029,827)</u>	<u>(1,685,389)</u>	<u>(9,715,216)</u>
4,576,557	418,817	4,995,374
2,903,740	-	2,903,740
2,319,825	-	2,319,825
720,287	-	720,287
128,862	17,943	146,805
78,951	5,192	84,143
(1,081,118)	1,081,118	-
<u>9,647,104</u>	<u>1,523,070</u>	<u>11,170,174</u>
1,617,277	(162,319)	1,454,958
<u>42,304,036</u>	<u>14,633,991</u>	<u>56,938,027</u>
<u>\$ 43,921,313</u>	<u>\$ 14,471,672</u>	<u>\$58,392,985</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,151,416	\$ 1,846,074	\$ 1,034,966	\$ 9,032,456
Receivables, net of allowance				
Taxes	764,880	1,625,545	-	2,390,425
Fines	629,172	-	71,375	700,547
Accounts	1,821,914	-	8,770	1,830,684
Due from county treasurer	1,670,295	1,425,642	-	3,095,937
Due from other governments	1,095,301	-	7,081	1,102,382
Due from other funds	6,093,835	4,418,384	-	10,512,219
Advances to other funds	50,000	674,978	-	724,978
Inventories	66,607	-	-	66,607
Prepaid items	49,728	-	-	49,728
TOTAL ASSETS	\$ 18,393,148	\$ 9,990,623	\$ 1,122,192	\$ 29,505,963
LIABILITY AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 567,761	\$ 30,780	\$ -	\$ 598,541
Accrued salaries and related liabilities	330,299	-	-	330,299
Escrow and retainage payable	33,790	130,664	33,089	197,543
Due to other funds	5,089,757	-	3,304	5,093,061
Deferred revenue	4,058,206	3,286,274	78,455	7,422,935
Total liabilities	10,079,813	3,447,718	114,848	13,642,379
Fund balances				
Nonspendable:				
Inventory and prepaids	116,335	-	-	116,335
Interfund advances	50,000	674,978	-	724,978
Restricted:				
Public safety	-	-	334,211	334,211
Tourism	-	-	51,252	51,252
Liberty Hall impact fees	-	-	275,563	275,563
TIF projects	-	5,867,927	-	5,867,927
Committed:				
Tree replacement	24,088	-	-	24,088
Assigned:				
Fleet replacement	23,410	-	-	23,410
Computer replacement	26,058	-	-	26,058
Capital items	43,240	-	-	43,240
Capital projects	-	-	497,770	497,770
Water system	257,515	-	-	257,515
Unassigned	7,772,689	-	(151,452)	7,621,237
Total fund balance	8,313,335	6,542,905	1,007,344	15,863,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,393,148	\$ 9,990,623	\$ 1,122,192	\$ 29,505,963

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 ASSETS
DECEMBER 31, 2011**

Total governmental fund balances \$ 15,863,584

Amounts reported for governmental activities in the statement of net assets 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	\$35,329,959	
Accumulated depreciation	(9,150,539)	
		26,179,420

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	\$ 326,298	
Fines and forfeitures	700,548	
E911 revenue	7,080	
EMS revenue	1,035,331	
		2,069,257

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

Compensated absences payable	\$ (190,948)	
		(190,948)

Net assets of governmental activities		\$ 43,921,313
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**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
REVENUES				
Local revenues				
Property taxes	\$ 1,420,524	\$ 3,141,118	\$ -	\$ 4,561,642
Licenses and permits	6,970,146	-	-	6,970,146
Charges for services	1,500,696	-	-	1,500,696
Fines and forfeitures	410,118	-	62,497	472,615
Miscellaneous revenues	459,636	17,524	161,534	638,694
Total local revenues	10,761,120	3,158,642	224,031	14,143,793
State revenues	3,454,705	197,086	29,342	3,681,133
Federal revenues	-	-	16,125	16,125
TOTAL REVENUES	14,215,825	3,355,728	269,498	17,841,051
EXPENDITURES				
Current				
Legislative	188,212	-	-	188,212
Administrative	1,585,699	-	16,298	1,601,997
Police	5,712,411	-	210,704	5,923,115
Fire	3,374,636	-	-	3,374,636
Sanitation	1,109,594	-	-	1,109,594
Recreation	-	-	7,977	7,977
Maintenance	965,340	-	-	965,340
Garage	260,974	-	-	260,974
Court	301,325	-	-	301,325
Planning	168,630	582	-	169,212
Information technology	450,346	-	-	450,346
Capital outlay	201,750	2,610,931	127,897	2,940,578
Debt service				
Principal	-	1,000,000	105,013	1,105,013
Interest	-	25,228	2,996	28,224
TOTAL EXPENDITURES	14,318,917	3,636,741	470,885	18,426,543
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(103,092)	(281,013)	(201,387)	(585,492)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,990	-	-	7,990
Insurance proceeds	30,150	-	-	30,150
Transfers out	(1,081,118)	-	-	(1,081,118)
TOTAL OTHER FINANCING SOURCES (USES)	(1,042,978)	-	-	(1,042,978)
NET CHANGE IN FUND BALANCES				
	(1,146,070)	(281,013)	(201,387)	(1,628,470)
FUND BALANCES				
Beginning of year, as restated	9,459,405	6,823,918	1,208,731	17,492,054
End of year	<u>\$ 8,313,335</u>	<u>\$ 6,542,905</u>	<u>\$ 1,007,344</u>	<u>\$ 15,863,584</u>

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds \$(1,628,470)

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	\$ 2,940,578	
Depreciation expense	<u>(1,026,533)</u>	1,914,045

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	\$ (354,306)	
Accumulated depreciation	<u>254,387</u>	(99,919)

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. 50,700

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental

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

State aid to subdivisions	\$ (330,350)	
Fines and forfeitures	(498,390)	
EMS revenue	(947,293)	
E911 revenue	(6,931)	

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

State aid to subdivisions	326,298	
Fines and forfeitures	700,548	
EMS Revenue	1,035,331	
E911 revenue	<u>7,080</u>	286,293

**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 (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

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	\$ (190,948)	
Prior year	172,502	
Accrued interest expense:		
Current year	-	
Prior year	<u>8,061</u>	
		\$ (10,385)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets. Principal repayments are as follows:

Tax increment bonds	\$ 1,000,000	
Capital lease	<u>105,013</u>	
		<u>1,105,013</u>
Change in net assets of governmental activities		<u><u>\$ 1,617,277</u></u>

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
DECEMBER 31, 2011

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,177,417	\$ 158,526	\$ 288,632	\$ 3,624,575
Accounts receivable, net of allowance	214,817	13,214	-	228,031
Taxes receivable, net of allowance	-	-	168,792	168,792
Due from county treasurer	-	-	154,264	154,264
Due from other funds	-	-	30,882	30,882
Inventories	63,351	17,326	-	80,677
Prepaid items	7,662	-	3,437	11,099
Restricted cash and cash equivalents bond reserves	-	928,232	-	928,232
Total current assets	3,463,247	1,117,298	646,007	5,226,552
Noncurrent assets				
Capital assets, net of accumulated depreciation	14,146,333	2,884,722	1,443,149	18,474,204
TOTAL ASSETS	17,609,580	4,002,020	2,089,156	23,700,756
LIABILITIES				
Current liabilities				
Accounts payable	-	4,524	30,886	35,410
Accrued salaries and related liabilities	35,902	25,028	32,377	93,307
Compensated absences payable	18,926	14,269	19,922	53,117
Due to other funds	79,166	5,370,874	-	5,450,040
Unearned revenue	-	62,093	356,335	418,428
Due to developers	157,950	-	-	157,950
Current portion of bonds/notes/leases payable	35,628	262,535	-	298,163
Customer deposits	4,302	-	-	4,302
Total current liabilities	331,874	5,739,323	439,520	6,510,717
Noncurrent liabilities				
Advances from other funds	-	724,978	-	724,978
Leases payable	843,389	-	-	843,389
Bonds payable	-	1,150,000	-	1,150,000
Total noncurrent liabilities	843,389	1,874,978	-	2,718,367
TOTAL LIABILITIES	1,175,263	7,614,301	439,520	9,229,084
NET ASSETS				
Invested in capital assets, net of related debt	13,267,316	1,472,187	1,443,149	16,182,652
Restricted by debt covenants	-	928,232	-	928,232
Unrestricted	3,167,001	(6,012,700)	206,487	(2,639,212)
TOTAL NET ASSETS (DEFICIT)	\$16,434,317	\$ (3,612,281)	\$ 1,649,636	\$14,471,672

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 ASSETS
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2011

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
OPERATING REVENUES				
Property taxes	\$ -	\$ -	\$ 418,817	\$ 418,817
Charges for sales and services	2,911,462	1,165,995	792,411	4,869,868
Miscellaneous	2,711	-	2,481	5,192
TOTAL OPERATING REVENUES	2,914,173	1,165,995	1,213,709	5,293,877
OPERATING EXPENSES				
Salaries and related expenses	998,989	776,474	1,436,661	3,212,124
Cost of goods sold	985,953	154,839	37,337	1,178,129
Administrative	94,309	82,859	156,501	333,669
Contractual services	197,051	14,003	283,646	494,700
Materials and supplies	127,615	284,993	136,975	549,583
Repairs and maintenance	88,318	61,841	57,315	207,474
Depreciation	667,717	128,048	161,100	956,865
Utilities	28,137	46,817	202,417	277,371
TOTAL OPERATING EXPENSES	3,188,089	1,549,874	2,471,952	7,209,915
OPERATING INCOME (LOSS)	(273,916)	(383,879)	(1,258,243)	(1,916,038)
NONOPERATING REVENUES (EXPENSES)				
Interest income	15,641	1,364	938	17,943
Interest expense	(60,941)	(63,393)	-	(124,334)
TOTAL NONOPERATING REVENUES (EXPENSES)	(45,300)	(62,029)	938	(106,391)
INCOME (LOSS) BEFORE TRANSFERS	(319,216)	(445,908)	(1,257,305)	(2,022,429)
Transfers from (to) other funds	-	(24,762)	1,105,880	1,081,118
INCOME (LOSS) BEFORE CONTRIBUTIONS	(319,216)	(470,670)	(151,425)	(941,311)
Capital contributions	763,924	-	15,068	778,992
CHANGE IN NET ASSETS	444,708	(470,670)	(136,357)	(162,319)
NET ASSETS				
Beginning of year	15,989,609	(3,141,611)	1,785,993	14,633,991
End of year	<u>\$ 16,434,317</u>	<u>\$ (3,612,281)</u>	<u>\$ 1,649,636</u>	<u>\$ 14,471,672</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, 2011**

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,567,109	\$ 1,171,630	\$ 1,214,358	\$ 4,953,097
Cash from other sources	-	-	2,481	2,481
Payments to suppliers	(1,529,347)	(615,885)	(807,082)	(2,952,314)
Payments to employees	(977,110)	(765,127)	(1,433,984)	(3,176,221)
Internal activity-payments from (to) other funds	55,488	753,528	(147,454)	661,562
Net cash provided (used) by operating activities	116,140	544,146	(1,171,681)	(511,395)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	4,512	1,076,606	1,081,118
Nonoperating grants	-	-	15,000	15,000
Net cash provided (used) by noncapital financing activities	-	4,512	1,091,606	1,096,118
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital leases	(33,689)	(49,649)	-	(83,338)
Principal paid on note payable	(580,216)	-	-	(580,216)
Principal paid on revenue bonds	-	(170,000)	-	(170,000)
Payment of interest expense	(60,941)	(63,393)	-	(124,334)
Acquisition and construction of capital assets	(150,222)	-	(23,325)	(173,547)
Net cash used by capital and related financing activities	(825,068)	(283,042)	(23,325)	(1,131,435)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned on investments	15,641	1,364	938	17,943
Net cash provided by investing activities	15,641	1,364	938	17,943
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(693,287)	266,980	(102,462)	(528,769)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,870,704	819,778	391,094	5,081,576
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,177,417	\$ 1,086,758	\$ 288,632	\$ 4,552,807

(Continued)

CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

	Water Department	Crowfield Golf and Country Club	Recreation Department	Total
RECONCILIATION OF OPERATING				
INCOME TO NET CASH				
PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (273,916)	\$ (383,879)	\$ (1,258,243)	\$ (1,916,038)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	667,717	128,048	161,100	956,865
Provision for allowance for uncollectibles	(53,559)	-	41	(53,518)
(Increase) decrease in:				
Accounts receivable	79,052	3,949	(4,675)	78,326
Due from County Treasurer	-	-	3,180	3,180
Inventory	(943)	36,055	-	35,112
Prepaid items	65	-	59,879	59,944
Increase (decrease) in:				
Accounts payable	(7,086)	(6,588)	7,230	(6,444)
Accrued salaries and compensated absences payable	21,879	11,347	2,677	35,903
Due to other funds	55,488	753,528	(147,454)	661,562
Deferred revenue	-	1,686	4,584	6,270
Customer deposits	(372,557)	-	-	(372,557)
Total adjustments	390,056	928,025	86,562	1,404,643
Net cash provided (used) by operating activities	\$ 116,140	\$ 544,146	\$ (1,171,681)	\$ (511,395)
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 3,177,417	\$ 158,526	\$ 288,632	\$ 3,624,575
Restricted cash and cash equivalents	-	928,232	-	928,232
Total cash and cash equivalents	\$ 3,177,417	\$ 1,086,758	\$ 288,632	\$ 4,552,807
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of capital assets (to) / from other funds	\$ -	\$ (29,274)	\$ 29,274	\$ -
Contributed capital assets	\$ 763,924	\$ -	\$ 15,068	\$ 778,992

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 94,006
Total assets	<u>\$ 94,006</u>
Liabilities	
Assets held for others	\$ 94,006
Total liabilities	<u>\$ 94,006</u>

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

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CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, which defines a primary government as an entity with a governing body elected in a general election, and which is legally separate and fiscally independent. Any entity which does not meet the above criteria is potentially a component unit of a primary government.

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

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. There are no entities which meet the criteria detailed above for inclusion in the City's financial statements as component units.

B. Government-wide and Fund Financial Statements

Government-wide Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, when applicable, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

Major Funds

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

Nonmajor Funds

In addition the City reports the following fund types:

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

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities and Equity

1. Deposits

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

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

2. Investments

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

The City did not have any investments as of December 31, 2011. Additional disclosure regarding the City's deposits and investments is located at Note III.A.

3. Receivables and payables

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

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

Taxes receivable shown are comprised of delinquent real property taxes, net of an allowance for uncollectible accounts, and the January 2011 property tax assessment levied for the 2012 fiscal year, which is deferred in the General Fund, the Tax Increment Financing Special Revenue Fund, and the Recreation Department Enterprise Fund. The current property tax receivable allowance for uncollectible accounts is estimated at one percent of the current property tax levy.

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

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

4. Inventories and prepaid items

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

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

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

5. Restricted assets

Restricted assets consist of funds held by the City for which use is restricted by contractual bond or grant agreements. Resources set aside for the repayment of the Golf Department enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond sinking fund is used throughout the year to accumulate resources for the semi-annual debt payment. The contingency and depreciation funds may be used for repairs, maintenance, and contingencies as determined by the City, or may be transferred to the bond sinking fund to prevent a default in the payment of principal and interest on the bond.

6. Capital assets

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

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

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

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

7. Deferred revenue

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

8. 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.

9. Long-term obligations

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

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

10. Reservations and designations of fund balances

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$275,563 of net assets which are restricted by enabling legislation.
- c. Unrestricted net assets – Consists of all other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Fund Statements

The City has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications and clarifies the existing governmental fund type definitions. 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 and to consider the appropriateness of fund types used (see Note III.J.). The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent wither because they are not in a spendable form, such as inventory or prepaid insurance, 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 purposed because of state or federal laws, or externally imposed conditions by grantors or creditors – such as millage adopted by the primary government to pay the City's debt, or fees assessed by the City to be used for specific purposes.

Committed – Amounts constrained to specific purposes by the Council itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Council takes the same highest level action or removed or change the constraint.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity (Continued)

Assigned – Amounts the City intends to use for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority.

Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. 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 balance before using unassigned fund balance.

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%

11. 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.

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses

1. Program revenues

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

2. Property taxes and sanitation fees

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

Taxes recognized as revenue and used for the 2011 calendar year are based on property assessed as of December 31, 2009, and billed in September 2010. The City tax rate to finance general governmental services for the year ended December 31, 2011, was set at 36.5 mills (\$3.65 per \$100 assessed valuation) for general uses and purposes of the City. The assessed valuation of properties, exclusive of vehicles (valued at \$10,528,930), within the City's district as of December 31, 2009, was \$109,176,750 according to records of the Berkeley County Auditor.

The City's levy on property assessed as of December 31, 2010, and billed in September 2011, will generate taxes to be used for the 2012 calendar year. Although a receivable is recorded at December 31, 2011, all revenue is deferred.

The City levies the sanitation fees for permanent improvements and for the purpose of paying current expenditures of the City. Revenue is recognized when fees are received during the current calendar year or within 60 days subsequent to year-end. The sanitation fee rate for the year ended December 31, 2010, was \$75 on every single-family occupied residential lot within the corporate limits of the City. Berkeley County bills and collects sanitation fees under a contractual agreement with the City.

3. Compensated absences

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and expenditures/expenses (Continued)

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

The Crowfield Golf and Country Club Enterprise Fund had deficit fund equity balance of (\$3,612,281), at December 31, 2011. This deficit will be funded by future revenues of the funds.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Interest Rate Risk

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

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

Credit Risk

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

- (1) Obligations of the United States and agencies thereof;
- (2) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations;

CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

A. Deposits and Investments (Continued)

- (3) General obligations of the State of South Carolina or any of its political units;
- (4) Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
- (5) Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
- (6) No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

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

As of December 31, 2011, the City did not have any investments.

Concentration of Credit Risk

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

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, 2011, the City's bank balance of \$13,993,238 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the City's name.

Custodial Credit Risk – Investments

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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	Tax Increment Financing	Nonmajor Funds	Water Department	Crowfield Golf and Country Club	Recreation Department
Receivables						
Current taxes	\$ 708,480	\$ 1,658,740	\$ -	\$ -	\$ -	\$ 172,374
Delinquent taxes	34,431	-	-	-	-	-
Sanitation fees	75,075	-	-	-	-	-
Total taxes	817,986	1,658,740	-	-	-	172,374
Fines	940,911	-	113,980	-	-	-
Accounts	2,726,699	-	8,770	378,785	13,214	-
Gross receivables	4,485,596	1,658,740	122,750	378,785	13,214	172,374
Less allowance for uncollectibles						
Taxes	(53,106)	(33,195)	-	-	-	(3,582)
Fines	(311,739)	-	(42,605)	-	-	-
Accounts	(904,785)	-	-	(163,968)	-	-
Total allowance	(1,269,630)	(33,195)	(42,605)	(163,968)	-	(3,582)
Net receivables	\$ 3,215,966	\$ 1,625,545	\$ 80,145	\$ 214,817	\$ 13,214	\$ 168,792

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

C. Capital Assets

	Balance 12/31/2010	Additions	Deletions	Transfers	Balance 12/31/2011
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 6,203,873	\$ 50,700	\$ (67,384)	\$ -	\$ 6,187,189
Construction in progress	1,735,094	2,610,931	-	-	4,346,025
Total capital assets, not being depreciated	<u>7,938,967</u>	<u>2,661,631</u>	<u>(67,384)</u>	<u>-</u>	<u>10,533,214</u>
Capital assets, being depreciated					
Building	14,023,524	-	-	-	14,023,524
Improvements	1,190,750	-	-	-	1,190,750
Vehicles	4,940,336	158,890	(156,376)	-	4,942,850
Computers	124,027	-	(6,572)	7,611	125,066
Software	64,567	-	-	-	64,567
Mast arms	1,463,006	-	-	-	1,463,006
Equipment	1,673,845	42,860	(66,131)	-	1,650,574
Streetscapes	17,787	-	-	-	17,787
Infrastructure	1,248,567	127,897	(57,843)	-	1,318,621
Total capital assets, being depreciated	<u>24,746,409</u>	<u>329,647</u>	<u>(286,922)</u>	<u>7,611</u>	<u>24,796,745</u>
Less accumulated depreciation for					
Building	(2,667,036)	(293,079)	-	-	(2,960,115)
Improvements	(688,231)	(12,077)	-	-	(700,308)
Vehicles	(3,084,621)	(477,959)	156,376	-	(3,406,204)
Computers	(94,987)	(7,142)	6,572	(7,611)	(103,168)
Software	(64,567)	-	-	-	(64,567)
Mast arms	(344,445)	(73,883)	-	-	(418,328)
Equipment	(980,750)	(99,934)	59,030	-	(1,021,654)
Streetscapes	(692)	(1,186)	-	-	(1,878)
Infrastructure	(445,453)	(61,273)	32,409	-	(474,317)
Total accumulated depreciation	<u>(8,370,782)</u>	<u>(1,026,533)</u>	<u>254,387</u>	<u>(7,611)</u>	<u>(9,150,539)</u>
Total capital assets, being depreciated, net	<u>16,375,627</u>	<u>(696,886)</u>	<u>(32,535)</u>	<u>-</u>	<u>15,646,206</u>
Governmental activities capital assets, net	<u>\$ 24,314,594</u>	<u>\$ 1,964,745</u>	<u>\$ (99,919)</u>	<u>\$ -</u>	<u>\$ 26,179,420</u>

Current year asset additions are comprised of the following:

Capital outlay - funds statement	<u>\$ 2,940,578</u>
Land - donated by developers	<u>50,700</u>
Total reconciling items	<u>50,700</u>
Total additions	<u>\$ 2,991,278</u>
Additions, not being depreciated	<u>\$ 2,661,631</u>
Additions, being depreciated	<u>329,647</u>
Total additions	<u>\$ 2,991,278</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

C. Capital Assets (Continued)

	Balance 12/31/2010	Additions	Deletions	Transfers	Balance 12/31/2011
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 1,956,615	\$ -	\$ -	\$ -	\$ 1,956,615
Construction in Progress	8,385	-	-	-	8,385
Total capital assets, not being depreciated	<u>1,965,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,965,000</u>
Capital assets, being depreciated					
Building	2,914,136	-	-	-	2,914,136
Improvements	331,621	-	-	-	331,621
Land improvements	1,180,293	-	(50,000)	-	1,130,293
Vehicles	342,016	-	-	-	342,016
Computers	7,611	-	-	(7,611)	-
Software	39,204	-	-	-	39,204
Equipment	792,366	38,393	-	-	830,759
Water system	19,216,581	914,146	-	-	20,130,727
Total capital assets, being depreciated	<u>24,823,828</u>	<u>952,539</u>	<u>(50,000)</u>	<u>(7,611)</u>	<u>25,718,756</u>
Less accumulated depreciation for					
Building	(1,140,371)	(176,064)	-	-	(1,316,435)
Improvements	(48,160)	(18,986)	-	-	(67,146)
Land improvements	(489,590)	(59,802)	50,000	-	(499,392)
Vehicles	(305,097)	(12,980)	-	-	(318,077)
Computers	(7,611)	-	-	7,611	-
Software	(39,204)	-	-	-	(39,204)
Equipment	(457,788)	(89,268)	-	-	(547,056)
Water system	(5,822,477)	(599,765)	-	-	(6,422,242)
Total accumulated depreciation	<u>(8,310,298)</u>	<u>(956,865)</u>	<u>50,000</u>	<u>7,611</u>	<u>(9,209,552)</u>
Total capital assets, being depreciated, net	<u>16,513,530</u>	<u>(4,326)</u>	<u>-</u>	<u>-</u>	<u>16,509,204</u>
Business-type activities capital assets, net	<u>\$18,478,530</u>	<u>\$ (4,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,474,204</u>

Included in current year additions are contributed water systems valued at \$763,924 and playground equipment valued at \$15,068. Included in current year transfers for the business-type activities are the pool, pool house, tennis courts and an aerator with a net book value of \$29,274 that were transferred between the Golf and Recreation funds. Also included in transfers was a computer that was transferred from the business-type activities to the governmental activities, with an original cost of \$7,611 and accumulated depreciation of \$7,611.

Depreciation was charged to the activities as follows:

Governmental Activities		Business-type Activities	
Administrative	\$ 162,643	Water Department	\$ 667,717
Police	211,270	Crowfield Golf and Country Club	128,048
Fire	222,887	Recreation Department	161,100
Sanitation	143,254		
Recreation	184,425	Total business-type activities	<u>\$ 956,865</u>
Maintenance	90,955		
Garage	1,978		
Information Technology	9,121		
Total governmental activities	<u>\$ 1,026,533</u>		

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

D. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011, is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Governmental Funds		
Major		
General Fund	\$ 6,093,835	\$ 5,089,757
Tax Increment Financing Fund	4,418,384	-
Nonmajor	-	3,304
Enterprise Funds		
Major		
Water Department	-	79,166
Crowfield Golf and Country Club	-	5,370,874
Recreation Department	30,882	-
	<u>\$ 10,543,101</u>	<u>\$ 10,543,101</u>

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

E. Advances to (from) Other Funds

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

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

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

F. Transfers from (to) Other Funds

The composition of interfund transfers as of December 31, 2011, is as follows:

	Funds statements	
	Transfers In	Transfers Out
General Fund	\$ -	\$ (1,081,118)
Total governmental funds/activities	-	(1,081,118)
Water Department	-	-
Crowfield Golf and Country Club	-	(24,762)
Recreation Department	1,105,880	-
Total enterprise funds/business-type activities	1,105,880	(24,762)
Total transfers	\$ 1,105,880	\$ (1,105,880)

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

G. Deferred Revenues

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

At December 31, 2011, the various components of deferred and unearned revenue reported in the governmental fund activities were as follows:

	Fund Statement	Government-wide
Deferred		
State aid to subdivisions	\$ 326,298	\$ -
EMS revenue	1,035,331	-
Fines and forfeitures	700,548	-
E911 revenue	7,080	-
Unearned		
Property taxes receivable	5,120,833	5,120,833
State grant revenue	153,600	153,600
Business license fees	49,395	49,395
Local option sales tax	29,850	29,850
	\$ 7,422,935	\$ 5,353,678

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

H. Long-Term Debt

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

Tax Increment Bonds – The City issued tax increment bonds for capital improvements as outlined in the City's redevelopment plan. The bonds, together with interest thereon, were payable from and secured by a pledge of the increments of tax revenues resulting from redevelopment within the Redevelopment Project Area (the "incremental tax revenues") held in the Tax Increment Financing Fund. For fiscal year 2011, the bond payments were funded entirely from incremental tax revenues. During 2011, the Tax Increment Bonds were extinguished early with incremental tax revenues.

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

Notes Payable – This obligation financed the City's acquisition and construction of an elevated water tank and water lines. Repayment of the notes was funded by revenue of the Water Department. During 2011, these notes were retired early.

Lease Obligations – The City uses notes and leases to finance the purchase of various equipment, extension of water lines, and lease-purchase of golf carts. Repayment is budgeted in the General Fund, the Impact Fee Fund, the Water Department, and the Golf and Country Club. During 2011, the leases in governmental activities were paid in full.

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

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, is as follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within one Year
Governmental activities					
Tax increment bonds payable	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
Leases payable	105,013	-	(105,013)	-	-
Total long-term debt	1,105,013	-	(1,105,013)	-	-
Compensated absences	172,502	459,603	(441,157)	190,948	190,948
Total long-term liabilities	<u>\$ 1,277,515</u>	<u>\$ 459,603</u>	<u>\$ (1,546,170)</u>	<u>\$ 190,948</u>	<u>\$ 190,948</u>
Business-type activities					
Revenue bonds payable	\$ 1,490,000	\$ -	\$ (170,000)	\$ 1,320,000	\$ 170,000
Notes payable	580,216	-	(580,216)	-	-
Leases payable	1,054,890	-	(83,338)	971,552	128,163
Total long-term debt	3,125,106	-	(833,554)	2,291,552	298,163
Compensated absences	40,924	125,200	(113,007)	53,117	53,117
Total long-term liabilities	<u>\$ 3,166,030</u>	<u>\$ 125,200</u>	<u>\$ (946,561)</u>	<u>\$ 2,344,669</u>	<u>\$ 351,280</u>

Interest cost incurred by the business-type activities was \$124,334, all of which was charged to expense. No interest was capitalized during the year.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

H. Long-Term Debt (Continued)

Bonds Payable

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

The following is a summary of each long-term bond obligation of the City at December 31, 2011:

Year Issued	Primary Use of Funds	Interest Rates and Payment Dates	Annual Principal Payments	Maturity	Original Issue	Outstanding at 12/31/11
Business-type activities						
<i>Revenue Bonds</i>						
2003	Crowfield Golf and Country Club	4.155% 6/2 and 12/2	\$120,000 to \$210,000	2018	<u>\$ 2,500,000</u>	<u>\$ 1,320,000</u>

At December 31, 2011, future debt service requirements for bonds were as follows:

Year ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2012	\$ 170,000	\$ 51,253	\$ 221,253
2013	180,000	43,990	223,990
2014	180,000	36,520	216,520
2015	190,000	28,843	218,843
2016	190,000	20,958	210,958
2017-2018	410,000	17,222	427,222
	<u>\$ 1,320,000</u>	<u>\$ 198,786</u>	<u>\$ 1,518,786</u>

Capital Leases Payable

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

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

	Business-type Activities
Golf carts	\$ 268,513
Water pipe extension	1,162,023
Less accumulated depreciation	<u>(597,821)</u>
Carrying value	<u>\$ 832,715</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

H. Long-Term Debt (Continued)

Amortization expense for equipment under capital leases is included in depreciation expense. Total interest paid on capital leases for the year ended December 31, 2011, was \$2,996 and \$55,045 for Governmental Activities and Business-type Activities, respectively.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31,	Business-type Activities
2012	\$ 181,342
2013	87,407
2014	87,467
2015	87,575
2016	87,695
2017-2021	423,198
2022-2026	346,554
2027-2030	216,903
Total minimum lease payments	1,518,141
Less amount representing interest	(546,589)
Present value of minimum lease payments	971,552
Less current portion	(128,163)
Long-term portion of leases	<u>\$ 843,389</u>

I. Changes in Fund Balances

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

	December 31, 2010	Increase (Decrease)	December 31, 2011
Assigned for computer replacement	\$ 26,058	\$ -	\$ 26,058
Assigned for fleet replacement	24,069	(659)	23,410
Assigned for capital items	43,240	-	43,240
Assigned for water system	74,529	182,986	257,515
	<u>\$ 167,896</u>	<u>\$ 182,327</u>	<u>\$ 350,223</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

I. Changes in Fund Balances (Continued)

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

Department	December 31, 2010	Funds Assigned	Expenditures and transfers	December 31, 2011
Administration	\$ 7,791	\$ -	\$ -	\$ 7,791
Fire	11,283	-	-	11,283
Court	3,987	-	-	3,987
Maintenance	893	-	-	893
Sanitation	893	-	-	893
Garage	1,211	-	-	1,211
	<u>\$ 26,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,058</u>

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

Department	December 31, 2010	Funds Assigned	Expenditures and transfers	December 31, 2011
Police	\$ -	\$ 132,714	\$ (132,714)	\$ -
Fire	659	-	(659)	-
Sanitation	10,033	-	-	10,033
Maintenance	13,377	-	-	13,377
	<u>\$ 24,069</u>	<u>\$ 132,714</u>	<u>\$ (133,373)</u>	<u>\$ 23,410</u>

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

	December 31, 2010	Increase (Decrease)	December 31, 2011
Inventory – General Fund	\$ 88,185	\$ (21,578)	\$ 66,607
Prepays – General Fund	45,964	3,764	49,728
Total General Fund Nonspendable	<u>\$ 134,149</u>	<u>\$ (17,814)</u>	<u>\$ 116,335</u>
Advances – Tax Increment Financing	<u>\$ 674,978</u>	<u>\$ -</u>	<u>\$ 674,978</u>
Advances – General Fund	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

J. Equity Restatement

As a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which clarified the types of activities permitted by the various fund types, and the criteria under which separate funds may be maintained, management transferred the activity for some funds to the General Fund and re-characterized the fund established to account for the Fireman's 1% funds to an agency fund.

Fund name	December 31, 2010		
	Fund balance as originally presented	Implementation of GASB 54	Fund balance as restated
General	\$ 7,532,692	\$ 1,926,713	\$ 9,459,405
Tree Trust Fund	24,088	(24,088)	-
Hiker-Biker Trail	(10,316)	10,316	-
Local Option Sales Tax	1,912,941	(1,912,941)	-
Total General	<u>9,459,405</u>	<u>-</u>	<u>9,459,405</u>
Tax Increment Financing Major Fund	<u>6,823,918</u>	<u>-</u>	<u>6,823,918</u>
All other funds			
Impact Fee Fund	175,802	-	175,802
Confiscated Drug Monies	26,346	-	26,346
911 Fund	193,172	-	193,172
Tourism	59,229	-	59,229
Victims' Assistance	115,024	-	115,024
Capital Projects	639,158	-	639,158
* Fireman's 1% Fund	76,507	(76,507)	-
Total nonmajor governmental funds	<u>1,285,238</u>	<u>(76,507)</u>	<u>1,208,731</u>
Total Fund Balance	<u>\$ 17,568,561</u>	<u>\$ (76,507)</u>	<u>\$ 17,492,054</u>

* Fireman's 1% Fund has been reclassified to an Agency Fund

The effect of these changes on net assets of the governmental activities in the Government-Wide Financial statements is as follows:

Net assets as originally presented, December 31, 2010	\$ 42,380,543
Change in accounting policy	
Implementation of GASB 54 -	
reclassify Fireman's 1% Fund to Agency Fund	<u>(76,507)</u>
Net assets as restated	<u>\$ 42,304,036</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

IV. OTHER INFORMATION

A. Commitments and Contingent Liabilities

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

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

Construction Commitments. At December 31, 2011, the City had the following construction commitments:

Streetscape and drainage construction (Central Ave)	\$ 75,040
Streetscape and drainage construction (Highway 52)	197,897
Underground utilities and light poles	220,310
	\$ 493,247

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

Under the contract, the City owns eighteen percent of the capacity of the Lake Moultrie Agency water supply system for the term of the contract, and agrees to purchase and pay for 3.6 million gallons per day of water capacity. Cost per gallon is established annually on a cost of service basis, calculated following the guidelines of the American Waterworks Association. Any variances in actual operations costs from the projected costs related to the City's proportionate share are calculated annually, and the City is credited or assessed for any differences at year-end. The City has the right to purchase or sell excess capacity to other contract participants according to need or availability. The current year expenditures for the purchase of water were \$985,953.

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

Year ending December 31,	Total
2012	\$ 1,087,290
2013	\$ 1,115,714
2014	\$ 1,173,822

Long-Term Contract – Recreation. In May 2008, the City entered into a contract with the Goose Creek Recreation Commission whereby the City assumes 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, 2011**

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. Employee Retirement Systems and Plans

South Carolina Police Officers' Retirement System

Plan Description.

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

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

Funding Policy.

Employee-required contributions to the Plans are as follows:

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

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

	January 1 - June 30, 2011	July 1 - December 31, 2011
SCRS, Local Government	9.24% of salary	9.385% of salary
PORS, Class II	11.13% of salary	11.363% of salary

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Systems and Plans (Continued)

South Carolina Police Officers' Retirement System

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

The City's contributions to SCRS for the years ended December 31, 2011, 2010, and 2009, were \$661,319, \$643,486, and \$625,236, respectively. The City's contributions to PORS for the years ended December 31, 2011, 2010, and 2009, were \$319,852, \$301,979, and \$290,086, respectively. All employer contributions are equal to the required contributions for the years.

Money Purchase Pension Plans

The City maintains a money purchase pension plan for grandfathered employees that are not in the South Carolina Retirement Systems (SCRS) and sworn police officers who have been employed for one year. The City contributes one percent (1%) of the annual compensation of the sworn police officers after 1 year of employment and an amount equal to the voluntary contributions up to a maximum of two percent (2%). The City also contributes an amount up to 1% less than the City's contribution rate for SCRS and group life insurance, currently 9.54%, for grandfathered employees that are not in SCRS. All employees can also make voluntary, tax deferred contributions at an amount equal to the maximum amount allowed under Internal Revenue Service regulations. The City also contributes on behalf of 17 original full time employees of the Goose Creek Recreation Commission that are now full time employees of the City an amount equal to the health insurance contribution that was paid by the Goose Creek Recreation Commission. All money purchase pension plans are 100% vested immediately. Total contributions to the plan by the City in 2011 were \$177,148.

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 2011.

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 2011 were \$28,719, which is equivalent to the required contributions. The annual contribution is recorded as a disbursement in the Fireman's 1% Agency Fund.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

IV. OTHER INFORMATION (CONTINUED)

D. New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The City will implement the new requirements for the 2013 financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The City will implement the new guidance with the 2012 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011, improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The City will implement the new guidance with the 2012 financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, intends to improve financial reporting by clarifying the appropriate use of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources" to ensure consistency in financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. The City will implement the new guidance with the 2013 financial statements.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, intends to improve financial reporting by resolving conflicting guidance in previous pronouncements regarding the accounting and presentation of risk financing activities, operating leases and certain loan transactions. The statement is effective for financial statements for periods beginning after December 15, 2012. The City will implement the new guidance with the 2013 financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, intends to improve financial reporting for most governments that provide their employees with pension benefits. The statement is effective for financial statements for periods beginning after June 15, 2014. The City will implement the new guidance with the 2015 financial statements.

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

E. Subsequent Events

In 2012, the City has awarded contracts to various companies for the following:

Purpose	Award
Construction of hiker biker trails	\$ 216,919
Streetscaping improvements	1,308,760
Purchase of six police cars	126,258
48 month lease of golf equipment and carts	666,191
	\$ 2,318,128

**CITY OF GOOSE CREEK, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

IV. OTHER INFORMATION (CONTINUED)

E. Subsequent Events (Continued)

In July 2012, City Council authorized the defeasance of the Revenue Bond debt (\$1,320,000 at December 31, 2011 – see Note III.H) for the Crowfield Golf and Country Club fund and the defeasance the Water Department fund leases payable (\$880,295 of \$971,552 leases payable at December 31, 2011 – see Note III.H).

Management has assessed subsequent events through August 28, 2012, the date the financial statements were available to be issued.

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

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**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND AND TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2011**

	General Fund		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local revenues			
Property taxes	\$ 1,567,939	\$ 1,420,524	\$ (147,415)
Licenses and permits	7,202,273	6,970,146	(232,127)
Charges for services	1,501,612	1,500,696	(916)
Fines and forfeitures	477,023	410,118	(66,905)
Miscellaneous revenues	453,357	459,636	6,279
Total local revenues	<u>11,202,204</u>	<u>10,761,120</u>	<u>(441,084)</u>
State revenues	3,990,007	3,454,705	(535,302)
TOTAL REVENUES	<u>15,192,211</u>	<u>14,215,825</u>	<u>(976,386)</u>
EXPENDITURES			
Current			
Legislative	189,234	188,212	1,022
Administrative	1,486,349	1,585,699	(99,350)
Police	6,066,162	5,712,411	353,751
Fire	3,372,358	3,374,636	(2,278)
Sanitation	1,138,463	1,109,594	28,869
Maintenance	1,003,440	965,340	38,100
Garage	252,882	260,974	(8,092)
Court	293,056	301,325	(8,269)
Planning	168,469	168,630	(161)
Information technology	425,312	450,346	(25,034)
Capital outlay	143,214	201,750	(58,536)
Debt service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>14,538,939</u>	<u>14,318,917</u>	<u>220,022</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>653,272</u>	<u>(103,092)</u>	<u>(756,364)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	21,400	7,990	(13,410)
Insurance proceeds	-	30,150	30,150
Transfers in	54,943	-	(54,943)
Transfers out	(1,190,847)	(1,081,118)	109,729
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,114,504)</u>	<u>(1,042,978)</u>	<u>71,526</u>
NET CHANGE IN FUND BALANCES	<u>\$ (461,232)</u>	<u>(1,146,070)</u>	<u>\$ (684,838)</u>
FUND BALANCES			
Beginning of year, as restated		<u>9,459,405</u>	
End of year		<u>\$ 8,313,335</u>	

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

Tax Increment Financing Fund

Original and Final Budget	Actual	Variance with Final Budget
\$ 3,684,327	\$ 3,141,118	\$ (543,209)
-	-	-
-	-	-
-	-	-
28,718	17,524	(11,194)
3,713,045	3,158,642	(554,403)
-	197,086	197,086
3,713,045	3,355,728	(357,317)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	582	(582)
-	-	-
1,419,905	2,610,931	(1,191,026)
500,000	1,000,000	(500,000)
6,500	25,228	(18,728)
1,926,405	3,636,741	(1,710,336)
1,786,640	(281,013)	(2,067,653)
-	-	-
-	-	-
-	-	-
-	-	-
\$ 1,786,640	(281,013)	\$ (2,067,653)
	6,823,918	
	\$ 6,542,905	

**CITY OF GOOSE CREEK, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND AND TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2011**

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 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 previously reported in the Tree Trust Fund and the Local Option Sales Tax Fund is now reported in the General Fund. In order for the budgetary comparison schedule to be meaningful, the following changes were made in presentation of the budget as adopted.

	Total Revenue	Total Expenditures	Total Other Financing Sources (Uses)	Net Change in Fund Balance
General Fund budget as adopted	\$ 14,285,435	\$ 14,538,439	\$ 263,004	\$ 10,000
Presentation adjustment:				
Plus:				
Tree Trust Fund	227	500	-	(273)
Local Option Sales Tax Fund	906,549	-	(1,377,508)	(470,959)
Budget as presented	<u>\$ 15,192,211</u>	<u>\$ 14,538,939</u>	<u>\$ (1,114,504)</u>	<u>\$ (461,232)</u>

OTHER FINANCIAL INFORMATION

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
ASSETS					
Cash	\$ 124,111	\$ 67,551	\$ 181,211	\$ 51,252	\$ 113,071
Receivables, net of allowance					
Fines	-	-	-	-	71,375
Accounts	-	919	7,851	-	-
Due from other governments	-	-	7,081	-	-
TOTAL ASSETS	\$ 124,111	\$ 68,470	\$ 196,143	\$ 51,252	\$ 184,446
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Escrow payable	\$ -	\$ 33,089	\$ -	\$ -	\$ -
Due to other funds	-	-	1,724	-	1,580
Deferred revenue	-	-	7,080	-	71,375
TOTAL LIABILITIES	-	33,089	8,804	-	72,955
FUND BALANCE					
Restricted for					
Public safety	-	35,381	187,339	-	111,491
Tourism	-	-	-	51,252	-
Impact fees-Liberty Hall	275,563	-	-	-	-
Assigned					
Capital projects	-	-	-	-	-
Unassigned	(151,452)	-	-	-	-
TOTAL FUND BALANCE	124,111	35,381	187,339	51,252	111,491
TOTAL LIABILITIES AND FUND BALANCE	\$ 124,111	\$ 68,470	\$ 196,143	\$ 51,252	\$ 184,446

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 497,770	\$ 1,034,966
-	71,375
-	8,770
-	7,081
<u>\$ 497,770</u>	<u>\$ 1,122,192</u>

\$ -	\$ 33,089
-	3,304
-	78,455
<u>-</u>	<u>114,848</u>

-	334,211
-	51,252
-	275,563
497,770	497,770
-	(151,452)
<u>497,770</u>	<u>1,007,344</u>
<u>\$ 497,770</u>	<u>\$ 1,122,192</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2011**

	Special Revenue Funds				
	Impact Fee Fund	Confiscated Drug Monies	E911 Fund	Tourism Fund	Victims' Assistance Fund
REVENUES					
Local Revenue					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 62,497
Miscellaneous revenues	56,318	8,367	94,042	-	-
Total local revenues	56,318	8,367	94,042	-	62,497
State	-	-	29,342	-	-
Federal	-	16,125	-	-	-
TOTAL REVENUES	56,318	24,492	123,384	-	62,497
EXPENDITURES					
Current					
Administrative	-	-	-	-	-
Police	-	15,457	129,217	-	66,030
Recreation	-	-	-	7,977	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	105,013	-	-	-	-
Interest	2,996	-	-	-	-
TOTAL EXPENDITURES	108,009	15,457	129,217	7,977	66,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,691)	9,035	(5,833)	(7,977)	(3,533)
FUND BALANCE					
Beginning of year	175,802	26,346	193,172	59,229	115,024
End of year	\$ 124,111	\$ 35,381	\$ 187,339	\$ 51,252	\$ 111,491

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 62,497
2,807	161,534
2,807	224,031
-	29,342
-	16,125
2,807	269,498
16,298	16,298
-	210,704
-	7,977
127,897	127,897
-	105,013
-	2,996
144,195	470,885
(141,388)	(201,387)
639,158	1,208,731
<u>\$ 497,770</u>	<u>\$ 1,007,344</u>

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF REVENUES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010 As restated*
LOCAL REVENUES		
Property taxes		
Real and personal	\$ 1,090,329	\$ 1,353,270
Vehicle	231,318	234,029
Homestead tax	98,877	92,203
Total property taxes	<u>1,420,524</u>	<u>1,679,502</u>
Licenses and permits		
Business licenses	4,266,216	4,453,655
Building permits	384,105	526,911
Franchise fees	2,319,825	2,169,588
Total licenses and permits	<u>6,970,146</u>	<u>7,150,154</u>
Charges for services		
Police and fire	671,553	607,207
Sanitation fees	827,420	804,085
Administrative fees	1,723	1,370
Total charges for services	<u>1,500,696</u>	<u>1,412,662</u>
Fines and forfeitures		
Court fines	410,118	443,356
Miscellaneous		
Interest	19,024	81,114
Rent	72,090	70,021
Other	368,522	188,189
Total miscellaneous revenues	<u>459,636</u>	<u>339,324</u>
TOTAL LOCAL REVENUES	<u><u>\$ 10,761,120</u></u>	<u><u>\$ 11,024,998</u></u>
STATE REVENUES		
Inventory tax and manufacturers' exemption	\$ 15,023	\$ 14,989
Accommodations tax	39,617	25,477
Local government fund - quarterly	684,720	728,618
Local option sales tax - municipal revenue	848,343	810,694
Local option sales tax - rebatable	1,858,311	2,156,779
Grants	8,691	7,126
TOTAL STATE REVENUES	<u><u>\$ 3,454,705</u></u>	<u><u>\$ 3,743,683</u></u>
FEDERAL REVENUES		
Federal COPS grant	\$ -	\$ 725
Department of Justice	-	11,340
Other grant	-	97,740
TOTAL FEDERAL REVENUES	<u><u>\$ -</u></u>	<u><u>\$ 109,805</u></u>

* Prior year revenues were restated in accordance with the provisions of GASB 54. See footnote III. J. for further information.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENDITURES – GENERAL FUND
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	Year Ended December 31, 2011			Year Ended December 31, 2010, as restated*		
	Personnel	Other	Total	Personnel	Other	Total
Current						
Legislative	\$ 100,944	\$ 87,268	\$ 188,212	\$ 102,162	\$ 67,309	\$ 169,471
Administrative	1,183,908	401,791	1,585,699	1,119,027	288,987	1,408,014
Police	4,929,810	782,601	5,712,411	4,856,305	755,106	5,611,411
Fire	2,983,992	390,644	3,374,636	2,927,300	344,246	3,271,546
Sanitation	840,319	269,275	1,109,594	845,569	204,581	1,050,150
Maintenance	539,711	425,629	965,340	503,440	432,542	935,982
Garage	168,073	92,901	260,974	178,564	86,527	265,091
Court	240,792	60,533	301,325	244,653	63,211	307,864
Planning	145,001	23,629	168,630	136,315	24,679	160,994
Information						
Technology	150,780	299,566	450,346	146,264	227,709	373,973
Capital outlay	-	201,750	201,750	-	390,843	390,843
Debt service	-	-	-	-	53,080	53,080
Total expenditures	\$ 11,283,330	\$ 3,035,587	\$ 14,318,917	\$ 11,059,599	\$ 2,938,820	\$ 13,998,419

* Prior year expenditures were restated in accordance with the provisions of GASB 54. See footnote III. J. for further information.

**CITY OF GOOSE CREEK, SOUTH CAROLINA
COMPARATIVE SCHEDULE OF EXPENSES
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010		
	Personnel	Other	Total	Personnel	Other	Total
Water Department	\$ 998,989	\$ 2,189,100	\$ 3,188,089	\$ 982,259	\$ 2,222,932	\$ 3,205,191
Crowfield Golf and Country Club						
Administration	110,203	91,803	202,006	121,254	97,105	218,359
Course and grounds	433,209	397,874	831,083	457,972	452,130	910,102
Cart rental	40,610	74,738	115,348	77,723	69,846	147,569
Pro shop	107,227	81,730	188,957	73,695	130,326	204,021
Practice center	-	411	411	-	7,986	7,986
Starter/rangers	18,419	-	18,419	24,056	-	24,056
Food and beverage	66,806	126,844	193,650	87,754	147,867	235,621
Pool	-	-	-	-	51,725	51,725
Tennis	-	-	-	-	13,130	13,130
Total Crowfield Golf and Country Club expenses	776,474	773,400	1,549,874	842,454	970,115	1,812,569
Recreation Department						
Administration	319,554	309,965	629,519	294,573	306,942	601,515
Maintenance	614,031	224,377	838,408	575,708	218,041	793,749
Sports programs	122,253	148,004	270,257	102,204	149,354	251,558
Concessions	20,716	40,739	61,455	19,284	41,168	60,452
Community education	238,306	221,448	459,754	230,442	211,857	442,299
Special events	89,938	33,185	123,123	84,838	80,337	165,175
Pool	31,863	48,668	80,531	-	-	-
Tennis	-	8,905	8,905	-	-	-
Total Recreation Department expenses	1,436,661	1,035,291	2,471,952	1,307,049	1,007,699	2,314,748
Total operating expenses	\$ 3,212,124	\$ 3,997,791	\$ 7,209,915	\$ 3,131,762	\$ 4,200,746	\$ 7,332,508

**CITY OF GOOSE CREEK, SOUTH CAROLINA
 SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
 YEAR ENDED DECEMBER 31, 2011**

Fines, assessments and surcharges	\$	1,003,380
Remitted to state treasurer		(530,765)
Retained by the City	\$	<u>472,615</u>
Fines, assessments and surcharges retained by the City		
General Fund	\$	410,118
Victims' assistance services		62,497
Total	\$	<u>472,615</u>
Funds allocated to victims' assistance services		
Carryover funds from prior year	\$	115,024
Surcharges and assessments retained		62,497
Funds available for victims' assistance services		<u>177,521</u>
Expenditures		
Salaries		55,762
Training and seminars		496
Postage		763
Crime prevention		9,000
Miscellaneous		9
Total program expenditures		<u>66,030</u>
Remaining balance	\$	<u>111,491</u>

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Goose Creek, South Carolina** (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Webster Rogers LLP

Summerville, South Carolina
August 28, 2012