

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

Management of the County of Georgetown, South Carolina, offers readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Revenues of the County totaled approximately \$66.4 million and expenses amounted to approximately \$55.0 million, resulting in an increase to net assets of approximately \$11.4 million, or about 13.3%, for the fiscal year.
- Unrestricted net assets totaled approximately \$15.1 million at year-end. This is the excess of the County's assets over its liabilities that may be used to meet ongoing obligations to citizens and creditors.
- The County increased its net investment in capital assets by roughly \$27.5 million during the current year bringing the total book value of capital assets at year-end to approximately \$99.5 million.
- Total outstanding debt of the County decreased by approximately \$3.0 million, bringing the total outstanding debt at year-end to approximately \$47.7 million.
- At the close of the fiscal year, the County's governmental funds reported combined fund balances of approximately \$40.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 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* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County'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 County is improving or deteriorating.

The *statement of activities* presents information showing how the County'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 County that are principally supported by taxes and 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 County include general government, public safety, public works, health & welfare, economic development, and culture & recreation functions. The business-type activities of the County include environmental services and stormwater management functions.

The government-wide financial statements can be found on pages 16 and 17 of this report.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- **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. A County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Georgetown County can be divided into three categories: governmental funds, proprietary funds, 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. Most of the County's basic services are accounted for in various governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the 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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and for each of the other "major" governmental funds. Data from all other 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 basic governmental funds financial statements can be found on pages 18-23 of this report.

Proprietary funds. The County maintains only one type of proprietary fund – the enterprise fund type. An *Enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the environmental services fund which is considered to be a major enterprise fund of the County.

The basic proprietary funds financial statements can be found on pages 24-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs.

The basic fiduciary fund financial statement can be found on page 28 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 29-48 of this report.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information. In addition to the basic financial statements and accompanying notes, a schedule has been presented which reports the funding progress of the County's post-employment healthcare plan. Also, budgetary comparison schedules have been provided for the general fund and each of the major special revenue funds with legally appropriated budgets to demonstrate compliance with the annual appropriated budget. These schedules are presented as *required supplementary information*. Required supplementary information can be found on pages 50-65 of this report.

Other supplementary information is presented immediately following the required supplementary information. This information, which can be found on pages 73-96, includes the combining nonmajor governmental fund statements referred to earlier.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Our analysis of government-wide financial information focuses on the net assets (see Table 1) and changes in net assets (see Table 2) of the County's governmental and business-type activities.

As noted earlier, **net assets** may serve over time as a useful indicator of a government's financial position. The County's total assets exceeded liabilities by approximately \$97.2 million at the close of the most recent fiscal year.

**Table 1
Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and other assets	\$ 70,678,552	\$ 48,526,832	\$ 9,478,537	\$ 11,507,817	\$ 80,157,089	\$ 60,034,649
Capital assets	<u>61,531,508</u>	<u>87,925,767</u>	<u>10,436,154</u>	<u>11,537,329</u>	<u>71,967,662</u>	<u>99,463,096</u>
Total assets	<u>\$ 132,210,060</u>	<u>\$ 136,452,599</u>	<u>\$ 19,914,691</u>	<u>\$ 23,045,146</u>	<u>\$ 152,124,751</u>	<u>\$ 159,497,745</u>
Long-term liabilities outstanding	\$ 49,991,553	\$ 46,749,793	\$ 7,156,903	\$ 9,139,748	\$ 57,148,456	\$ 55,889,541
Other liabilities	<u>8,876,984</u>	<u>6,128,843</u>	<u>275,378</u>	<u>249,778</u>	<u>9,152,362</u>	<u>6,378,621</u>
Total liabilities	<u>\$ 58,868,537</u>	<u>\$ 52,878,636</u>	<u>\$ 7,432,281</u>	<u>\$ 9,389,526</u>	<u>\$ 66,300,818</u>	<u>\$ 62,268,162</u>
Net assets						
Invested in capital assets, net of related debt	\$ 35,498,734	\$ 47,325,284	\$ 8,601,049	\$ 8,237,246	\$ 44,099,783	\$ 55,562,530
Restricted	24,381,619	26,566,997	--	--	24,381,619	26,566,997
Unrestricted	<u>13,461,170</u>	<u>9,681,682</u>	<u>3,881,361</u>	<u>5,418,374</u>	<u>17,342,531</u>	<u>15,100,056</u>
Total net assets	<u>\$ 73,341,523</u>	<u>\$ 83,573,963</u>	<u>\$ 12,482,410</u>	<u>\$ 13,655,620</u>	<u>\$ 85,823,933</u>	<u>\$ 97,229,583</u>

Comprising the largest portion of total net assets is the County's investment in capital assets (e.g., land, land improvements, buildings, machinery & equipment, vehicles, and furniture & fixtures) less any related debt used to acquire those assets that is still outstanding. At year-end that balance totaled approximately \$55.6 million, or about 57.1% of total net assets. The County uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Approximately \$26.6 million, almost 27.3% of total net assets, represents resources that are subject to external restrictions on how they may be used. *Unrestricted* net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled approximately \$15.1 million, or 15.6% of total net assets. Unrestricted net assets include amounts that the County has “earmarked” for projects or other uses.

Unrestricted net assets of governmental activities account for 64.1% of total unrestricted net assets, and unrestricted net assets of business-type activities account for the remaining 35.9% of total unrestricted net assets.

**Table 2
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for services	\$ 7,259,203	\$ 6,812,516	\$ 5,007,148	\$ 4,670,192	\$ 12,266,351	\$ 11,482,708
Operating grants and contributions	3,818,779	3,351,369	33,620	--	3,852,399	3,351,369
Capital grants and contributions	4,605,843	4,618,533	--	56,831	4,605,843	4,675,364
General Revenues						
Property taxes	30,956,913	32,903,860	2,386,179	2,444,954	33,343,092	35,348,814
Local accommodations and hospitality taxes	3,600,514	3,505,610	--	--	3,600,514	3,505,610
Local government fund	3,215,822	3,066,742	--	--	3,215,822	3,066,742
Franchise fees	968,236	1,065,337	--	--	968,236	1,065,337
Road user fees	1,684,725	1,680,765	--	--	1,684,725	1,680,765
Other revenue	1,338,407	1,038,577	4,521	15,254	1,342,928	1,053,831
Investment earnings	1,339,944	669,248	311,461	130,549	1,651,405	799,797
Gain (loss) on disposal of assets	336,489	151,754	9,351	185,949	345,840	337,703
Total Revenues	\$ 59,124,875	\$ 58,864,311	\$ 7,752,280	\$ 7,503,729	\$ 66,877,155	\$ 66,368,040
Expenses						
General government	\$ 14,175,900	\$ 14,667,570	\$ --	\$ --	\$ 14,175,900	\$ 14,667,570
Public safety	19,703,115	21,567,309	--	--	19,703,115	21,567,309
Public works	2,941,628	2,991,269	--	--	2,941,628	2,991,269
Health & welfare	1,701,367	1,541,916	--	--	1,701,367	1,541,916
Economic development	1,669,768	1,197,549	--	--	1,669,768	1,197,549
Culture & recreation	4,680,136	4,590,957	--	--	4,680,136	4,590,957
Environmental services	68,468	66,332	5,254,785	5,560,640	5,323,253	5,626,972
Stormwater management	--	--	456,084	578,611	456,084	578,611
Interest and other charges	1,188,238	2,118,969	78,177	81,268	1,266,415	2,200,237
Total Expenses	\$ 46,128,620	\$ 48,741,871	\$ 5,789,046	\$ 6,220,519	\$ 51,917,666	\$ 54,962,390
Increase in Net Assets before Transfers						
Assets before Transfers	\$ 12,996,255	\$ 10,122,440	\$ 1,963,234	\$ 1,283,210	\$ 14,959,489	\$ 11,405,650
Transfers (net)	(910,034)	110,000	910,034	(110,000)	--	--
Increase in Net Assets	\$ 12,086,221	\$ 10,232,440	\$ 2,873,268	\$ 1,173,210	\$ 14,959,489	\$ 11,405,650
Net Assets – July 1	61,255,302	73,341,523	9,609,142	12,482,410	70,864,444	85,823,933
Net Assets – June 30	\$ 73,341,523	\$ 83,573,963	\$ 12,482,410	\$ 13,655,620	\$ 85,823,933	\$ 97,229,583

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

As reflected above, the County's total revenues decreased by approximately \$0.5 million, or about 0.1%, during the most recent year. Expenses increased by approximately \$3.1 million, or about 5.9 percent. The overall change to net assets resulting from the current year's activities was positive, an increase of approximately \$11.4 million, or about 13.3%.

Our analysis below separately considers the operations of the County's governmental and business-type activities.

Governmental Activities

Governmental activities accounted for increases in the County's net assets of \$10.2 million, accounting for approximately 89.7% of the total growth in the County's net assets. The cost of all governmental activities this year was \$48.7 million; however, as shown in the Statement of Activities on page 17 of this report, the amount that our taxpayers ultimately financed through County taxes and fees was only \$39.2 million because some of the costs were paid for by those who directly benefited from the programs (\$6.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.0 million). The County paid for the remaining costs of governmental activities with other general revenues, such as shared revenues from state government, impact fees, E-911 system fees, investment earnings, and miscellaneous reimbursements.

Program revenues accounted for approximately 25.1% of total revenues from governmental activities in fiscal year 2009. In this category, grant funding decreased by about 5.4% from the prior year, while revenue from fees charged for services declined by about 6.2%. Significantly contributing to that decline were further large reductions in building permits, documentary stamps, and recording fees, all largely dependent on the housing market. An increase in fee revenue generated from EMS transport helped to offset some of the declines.

General revenues, which accounted for the remaining 74.9% of revenues generated from governmental activities, included an increase in property tax revenues resulting primarily from growth and legislative changes which results in a step up to market value for assessment purposes when certain properties are sold. The County is also realizing some additional tax revenue as new properties are now put on the tax rolls earlier than in the past due to a local ordinance adopted by County Council. There were some significant declines in *general* revenue as well, including a reduction in State shared revenues (local government fund) and a large reduction in interest earnings because of continuing declines in interest rates on our invested balances. Most other general revenues showed little or no growth from the prior year. In total, the County's *general revenues* increased by about \$0.6 million, or approximately 1.5%, from the prior year.

Expenses of the County's governmental activities increased approximately \$2.6 million, or about 5.7%, for the current year. The increase is substantially accounted for by increases in grant expenditures and normal inflationary pressures on personnel and other operating costs.

Business-Type Activities

Business-type activities accounted for increases in the County's net assets of \$1.2 million, accounting for approximately 10.3% of the total growth in the County's net assets. This compares with an increase in the previous year of \$2.9 million, which represented about 19.2% of the total growth that year. The County's business-type activities includes the operations of the County landfill, along with related environmental services functions such as waste collection, recycling and composting. It also includes the operations of the stormwater drainage management utility. Revenues of the business-type activities decreased by approximately \$0.2 million, with reduced landfill tipping fee revenue accounting for the decline. This reduction can be attributed to the economic decline in the housing market which results in less construction and demolition debris going to the landfill. Expenses increased by approximately \$0.4 million, or about 7.5%. This increase was predominantly due to necessary "one-time" adjustments in recognition of landfill closure and postclosure care costs.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2009**

CAPITAL ASSETS

At the end of fiscal year 2009, the County had almost \$99.5 million (net of accumulated depreciation) invested in a broad range of capital assets. (See Table 3 below) This amount represents a net increase of about \$27.5 million, or 38.2%, over last year.

Table 3

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 6,850,491	\$ 16,544,148	\$ 740,718	\$ 740,718	\$ 7,591,209	\$ 17,284,866
Improvements	13,668,850	17,090,367	9,668,312	9,697,012	23,337,162	26,787,379
Infrastructure	15,210,314	16,503,328	--	--	15,210,314	16,503,328
Buildings	26,782,400	50,187,579	401,271	401,271	27,183,671	50,588,850
Mining rights	--	--	--	225,000	--	225,000
Software	--	80,700	--	70,623	--	151,323
Furniture & fixtures	268,644	763,083	--	--	268,644	763,083
Machinery & equipment	14,098,786	14,713,765	4,329,225	5,757,210	18,428,011	20,470,975
Automotive equipment	15,226,251	16,561,259	1,791,097	1,937,632	17,017,348	18,498,891
Construction in progress	<u>17,287,243</u>	<u>7,802,391</u>	<u>377,392</u>	<u>464,657</u>	<u>17,664,635</u>	<u>8,267,048</u>
	\$ 109,392,979	\$ 140,246,620	\$ 17,308,015	\$ 19,294,123	\$ 126,700,994	\$ 159,540,743
Total accumulated depreciation	<u>(47,861,471)</u>	<u>(52,320,853)</u>	<u>(6,871,861)</u>	<u>(7,756,794)</u>	<u>(54,733,332)</u>	<u>(60,077,647)</u>
Net Capital Assets	<u>\$ 61,531,508</u>	<u>\$ 87,925,767</u>	<u>\$ 10,436,154</u>	<u>\$ 11,537,329</u>	<u>\$ 71,967,662</u>	<u>\$ 99,463,096</u>

This year's major capital purchases included:

- Purchase of land for parks and recreational improvements (\$9,626,000)
- Purchase of fleet vehicles (\$1,607,000)
- Purchase of communications equipment for E911 (\$182,000)
- Purchase of storm shutters for fire stations (\$163,000)
- Purchase of wheeled loader (\$161,000)
- Purchase of defibrillators/heart monitors for EMS (\$146,000)

The following capital expenditures were for projects, some of which were still in progress at year-end.

- Judicial Center project (\$8,450,000)
- Carroll A. Campbell Marine Complex (\$3,752,000)
- Airport runway extension project (\$1,853,000)
- Airport terminal building project (\$1,494,000)
- Airport wetlands mitigation and taxiway project (\$533,000)
- Airport hangar door replacement and refurbishment project (\$303,000)
- Corporate airport hangar project (\$280,000)
- Regional parks improvement project (\$922,000)
- Road paving projects (\$680,000)
- Law enforcement equipment storage project (\$230,000)

Additional information about the County's capital assets, including significant remaining commitments for construction in progress at year-end, is presented in Note 6 and Note 13 to the financial statements.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

DEBT ADMINISTRATION

As shown in Table 4 below, the County had \$47.7 million in bonds, notes and lease obligations outstanding at year-end versus \$50.7 million last year, a decrease of about 5.9%. More detailed information about the County's debt obligations and future debt service requirements can be found in Note 7 to the financial statements.

Table 4
Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
General obligation bonds	\$ 16,355,000	\$ 15,315,000	\$ --	\$ --	\$ 16,355,000	\$ 15,315,000
Plus: Unamortized premium	<u>38,232</u>	<u>32,227</u>	<u>--</u>	<u>--</u>	<u>38,232</u>	<u>32,227</u>
Net general obligation bonds	\$ 16,393,232	\$ 15,347,227	\$ --	\$ --	\$ 16,393,232	\$ 15,347,227
Bond anticipation notes	2,400,000	--	--	--	2,400,000	--
Installment purchase revenue bonds	26,000,000	25,160,000	--	--	26,000,000	25,160,000
Capital lease obligations	<u>3,923,196</u>	<u>4,113,658</u>	<u>1,992,295</u>	<u>3,117,310</u>	<u>5,915,491</u>	<u>7,230,968</u>
Totals	<u>\$ 48,716,428</u>	<u>\$ 44,620,885</u>	<u>\$ 1,992,295</u>	<u>\$ 3,117,310</u>	<u>\$ 50,708,723</u>	<u>\$ 47,738,195</u>

Under current state statutes, the County can issue general obligation debt without referendum whenever the new debt and outstanding balances of existing debt in total do not exceed 8% of taxable assessed values on property located within the County limits. As of June 30, 2009, the amount of new general obligation debt that could be issued without referendum was approximately \$29.9 million. General obligation debt issued pursuant to referendum is not subject to the statutory limitation.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County'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.

At the completion of the County's fiscal year, its governmental funds (as presented in the balance sheet on page 19 of this report) reported a *combined* fund balance of \$40.4 million, a decrease of \$20.2 million compared to last year's total, a decrease of about 33.3%. This large decrease results primarily from spending bond proceeds that were on hand at the beginning of the year. Included in this year's total change in fund balance is a decrease of about \$0.5 million to the fund balance of the General Fund. Most of the decrease was to the reserved fund balance of the general fund. The Judicial Center project fund reflects current year expenditures of approximately \$8.4 million on completion of the building, grounds and equipment prior to year-end.

Proprietary Funds

The County's *proprietary funds* generally provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. The County's two proprietary funds are the environmental services fund and the stormwater drainage utility fund. At year-end, net assets of the Environmental Services Fund totaled approximately \$9.1 million and net assets of the stormwater drainage utility fund totaled about \$4.5 million.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS For the Year Ended June 30, 2009

BUDGET HIGHLIGHTS OF THE GENERAL FUND

The *original* general fund budget, as presented in this report, includes the original appropriations authorized by County Council just prior to the start of the fiscal year. Budget amendments are adopted through formal process by County Council for encumbered capital purchases recorded and outstanding at the conclusion of the prior fiscal year. In addition, amendments are enacted by Council, at their discretion, to appropriate additional funds from accumulated fund balances or from new revenues sources that were previously unbudgeted.

Supplemental appropriations in the amount of \$569,926 were authorized by Council for the general fund during the year. Of that amount, \$544,381 was for "rollover" of previously budgeted funds for encumbrances outstanding at the commencement of the fiscal year. Not included in the supplemental appropriations, was \$531,981 that Council authorized to be spent using fund balance in lieu of current year revenues after a mid-year budget review projected revenue shortfalls of that amount. This was only after other actions were implemented by Council to combat reduced revenue projections.

Total general fund revenues varied from the revised revenue projections by less than \$1,000. However, there were several revenue sources with notable variances from the amended budget amounts, some of which had been revised very significantly from the original amounts included in the adopted budget:

- Property taxes – Approximately \$26,000 under budget estimates
- Building permit fees – Approximately \$73,000 over budget estimates
- Local government fund (from State) – Approximately \$133,000 under budget estimates
- Insurance claim recoveries – Approximately \$47,000 under budget estimates
- Interest earnings – Approximately \$33,000 under budget estimates
- EMS transport fees – Approximately \$129,000 over budget estimates
- Planning and zoning fees – Approximately \$32,000 under budget estimates
- Master in Equity fees – Approximately \$30,000 over budget estimates

Actual expenditures incurred were \$545,000 less than appropriated. Significant variances from budget result primarily from the following:

- Savings in personnel costs resulting from temporary vacancies and delays in filling positions. These savings totaled approximately \$120,000 for the year.
- Delayed expenditures for capital assets. Any "savings" resulting from such delays are only temporary as these items are rolled-over to the following year and added to that year's budget. Actual expenditures incurred for the year for these items were about \$106,000 less than budgeted.
- Numerous relatively positive variances of fairly small amounts individually that when added together result in significant savings against the budgeted appropriations. These kinds of variances are a consequence of budgetary controls that are designed to ensure that expenditures do not exceed budget appropriations and the large volume of individual line-items reported in the General Fund.

Budgetary comparisons for all general fund revenue sources and functional expenditures can be found on pages 51-61 of this report.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when developing the fiscal year 2010 budget. Some of the factors considered were the national and local economy, tourism trends, population growth rates (both in Georgetown County and in surrounding counties), and trend data regarding growth in property tax base and building permits issued. Analysis of these factors resulted in projections for the new year that again reflect significant reductions in revenue streams associated with housing market problems and the general recessionary economy that is gripping our nation. The tourism industry in Georgetown County has declined some, but has remained "relatively" strong during the past year. Economic factors will put a severe strain on the County's fiscal year 2010 budget and is expected to continue to impact the County's budget for several years to come.

As a result of the negative economic environment, County Council took difficult cost-cutting measures in developing the fiscal year 2010 budget. Most significant were the elimination of approximately 28 personnel positions, elimination of cost of living and merit pay adjustments, and a 3% across the board wage reduction for all County employees. In addition, all budgets were reviewed and analyzed at the line-item level to identify every possible savings available, but with a goal of not seriously impacting our ability to provide critical services to the public.

Despite concerns about the economy and its short-term effects on the County's budget, fund balance of the General Fund remain strong. At year-end, amounts available in the General Fund for future appropriation are approximately \$9.5 million, a reduction of only 0.1 million from the prior year. In conjunction with a fund balance policy adopted by County Council in 2006, \$8.0 million of fund balance in the General Fund is to be maintained to provide a reserve for future emergencies and contingencies as well as to meet cash flow needs that vary significantly throughout the year.

In establishing the annual budget for the 2010 fiscal year, Council approved a 1.7 mill tax increase in the General Fund, but this increase is completely offset by a 1.7 mill decrease in the Debt Service Fund.

Other significant provisions included in the fiscal year 2010 budget include:

- Continuation of the Capital Equipment Replacement Fund ("CERF") created to provide for funding, acquisition and debt service related to the County's vehicle and major equipment replacement needs. Each governmental fund makes annual transfers to the CERF in amounts that are reasonably stable from year-to-year and sufficient to provide for fleet replacement on a prudent predetermined basis.
- Continue Phase I implementation of the County's Visions II Capital Improvement Plan (CIP). Some of the more significant segments planned for the upcoming year include:
 - Completion of the Carroll A. Campbell Marine Complex on the Sampit River.
 - Complete property acquisition for Recreation & Leisure Services projects included in the CIP.
 - Complete master site plans and begin site work for Recreation & Leisure Services projects included in the CIP.
 - Begin construction and renovation work of certain Recreational facilities.
 - Construction of a new spec building and pad-ready site at the County's industrial park for marketing to prospective industries. This is a carry-over from the prior fiscal year.
 - Renovation and expansion of Andrews Library.
 - Remodel the existing County courthouse facility for alternative utilization by County staff.
- Additional construction of stormwater utility improvements.

COUNTY OF GEORGETOWN, SOUTH CAROLINA

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2009

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's Finance Department at: 129 Screven Street, Georgetown, South Carolina 29442.