

Robert D. Harper, Jr. CPA  
Stacey C. Moree CPA  
P. O. Box 1550  
106 Wall Street, Litchfield  
Pawleys Island, SC 29585  
Tel (843) 237-9125  
Fax (843) 237-1621  
E-mail: HPM@sc.rr.com

Robin B. Poston CPA  
P. O. Box 576  
307 Church Street  
Georgetown, SC 29442  
Tel (843) 527-3413  
Fax (843) 546-7277

## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and  
Members of City Council  
City of Georgetown, 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 Georgetown, South Carolina, as of and for the year ended June 30, 2006, 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'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 Georgetown, South Carolina, as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 11 and 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Harper, Poston & Moree, P.A.*

Harper, Poston & Moree, P.A.  
Certified Public Accountants

Pawleys Island, South Carolina  
November 15, 2006

## Management's Discussion and Analysis

As management of the City of Georgetown, South Carolina, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages 1-4 of this report.

### Financial Highlights

- The assets of the City of Georgetown exceeded its liabilities at the close of the most recent fiscal year by \$56,343,010 (*net assets*). Of this amount, \$17,764,357 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,829,577. This addition to net assets is generated entirely by the business-type activities.
- As of the close of the current fiscal year, the City of Georgetown's governmental funds reported combined ending fund balances of \$4,117,173, an increase of \$1,309,626 in comparison with the prior year. Approximately 51 percent of this total amount, \$2,107,826, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,372,242, 16 percent of total general fund expenditures.
- The City of Georgetown's total debt decreased by \$386,215 (3.8 percent) during the current fiscal year. The key factor in this decrease was the retirement of General Obligation debt and principal reduction of revenue bonds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 City's finances, 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 City'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 intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and community development. The business-type activities of the City include electric, water, wastewater, and stormwater utilities in addition to a waste management operation and a historic house museum.

The government-wide financial statements include only the operations of the City itself. There are no legally separate entities for which the City is financially accountable.

The government-wide financial statements can be found on pages 24 and 25 of this report.

**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 city, 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 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. 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*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is considered to be a major fund. Data from the other four 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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, stormwater, waste management, and museum operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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 electric utility, the water and wastewater utility, and the stormwater drainage utility, each of which is considered to be a major enterprise fund of the City. The City maintains two additional nonmajor enterprise funds. Individual fund data for each of these nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report.

The City uses internal service funds to account for fleet services and engineering services. Because both of these services predominantly benefit business-type rather than governmental functions, they have been included within *business-type activities* in the government-wide financial statements. The City also uses an internal service fund to account for information technology services that predominantly benefits governmental functions and it has been included within *governmental activities* in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-34 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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 37 and 38 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 39-62 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, a budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget. This schedule is presented as *required supplementary information*. Required supplementary information can be found on pages 64-68 of this report.

Other supplementary information is presented immediately following the required supplementary information. This information, which can be found on pages 72-103, includes the combining statements referred to earlier, as well as various individual fund statements and schedules.

## Government-wide Financial Analysis

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 City'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 City's total assets exceeded liabilities by \$56,343,010 at the close of the most recent fiscal year.

**Table 1**  
**City of Georgetown's Net Assets**  
June 30, 2005 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 5,064,735	5,374,757	\$19,370,537	20,233,472	\$24,435,272	\$25,608,229
Capital assets	12,313,240	12,571,021	34,698,599	33,745,291	47,011,839	46,316,312
Total assets	17,377,975	17,945,778	54,069,136	53,978,763	71,447,111	71,924,541
Long-term liabilities	1,180,139	1,180,601	9,361,110	9,003,080	10,541,249	10,183,681
Other liabilities	1,793,830	933,930	4,598,599	4,463,920	6,392,429	5,397,850
Total liabilities	2,973,969	2,114,531	13,959,709	13,467,000	16,933,678	15,581,531
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	11,273,063	11,561,207	25,444,619	24,874,577	36,717,682	36,435,784
Restricted	943,759	2,142,869	-	-	943,759	2,142,869
Unrestricted	2,187,184	2,127,171	14,664,808	15,637,186	16,851,992	17,764,357
Total net assets	\$14,404,006	\$15,831,247	\$40,109,427	\$40,511,763	\$54,513,433	\$56,343,010

The largest portion of total net assets, 64.7%, reflects the City's investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Approximately 4% of net assets represent 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 \$17,764,357 or 31.5% of total net assets. Unrestricted net assets include amounts that the City has "earmarked" for projects or other uses.

Unrestricted net assets of governmental activities account for 12% of total unrestricted net assets and unrestricted net assets of business-type activities account for the remaining 88% of total unrestricted net assets.

Table 2

## City of Georgetown's Changes in Net Assets

June 30, 2005 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,457,530	\$ 2,707,711	\$17,265,423	\$18,514,586	\$19,722,953	\$21,222,297
Operating grants	239,523	579,590	195,980	10,244	435,503	589,834
Capital grants	2,639	-	-	310,062	2,639	310,062
General revenues:						
Property taxes	2,463,781	2,644,466	-	-	2,463,781	2,644,466
Local accommodations and hospitality taxes	676,138	701,346	-	-	676,138	701,346
Unrestricted state government shared revenues	544,416	556,390	-	-	544,416	556,390
Investment earnings	43,755	75,756	226,634	538,299	270,389	614,055
Gain on sale of assets	-	448,153	-	4,246	-	452,399
Miscellaneous	49,102	19,271	13,351	11,182	62,453	30,453
Total revenues	6,476,884	7,732,683	17,701,388	19,388,619	24,178,272	27,121,302
<b>Expenses:</b>						
General government	2,209,732	1,320,557	-	-	2,209,732	1,320,557
Public safety	4,809,497	5,479,890	-	-	4,809,497	5,479,890
Public works	920,279	857,296	-	-	920,279	857,296
Community development	126,897	189,676	-	-	126,897	189,676
Interest on debt	49,572	45,492	-	-	49,572	45,492
Electric utility	-	-	9,349,691	10,505,144	9,349,691	10,505,144
Water utility	-	-	1,741,854	1,859,131	1,741,854	1,859,131
Wastewater utility	-	-	2,707,361	2,728,629	2,707,361	2,728,629
Stormwater utility	-	-	494,384	523,362	494,384	523,362
Waste management	-	-	1,411,961	1,496,843	1,411,961	1,496,843
Kaminski House museum	-	-	293,625	285,705	293,625	285,705
Total expenses	8,115,977	7,892,911	15,998,876	17,398,814	24,114,853	25,291,725
Increase (decrease) in Net assets before transfers	(1,639,093)	(160,228)	1,702,512	1,989,805	63,419	1,829,577
Transfers (net)	1,182,600	1,587,469	(1,182,600)	(1,587,469)	-	-
Net increase (decrease)	(456,493)	1,427,241	519,912	402,336	63,419	1,829,577
Net assets - 07/01	15,154,486	14,404,006	39,589,515	40,109,427	54,744,001	54,513,433
Adjustment to net assets	(293,987)	-	-	-	(293,987)	-
Net assets - 06/30	\$14,404,006	\$15,831,247	\$40,109,427	\$40,511,763	\$54,513,433	\$56,343,010

The City's total revenues exceeded expenses for the year by \$1,829,577. This addition to net assets is generated entirely by the business-type activities, which produced increases to net assets of \$1,989,805. Governmental activities had a negative impact, decreasing net assets by \$160,228.

**Governmental activities.** The cost of all governmental activities this year was \$7,892,911. However, as shown in the Statement of Activities on page 25 of this report, the amount that our taxpayers ultimately financed through City taxes was only \$3,345,812 because some of the costs were paid for by those who directly benefited from the programs (\$2,707,111) or by other governments and organizations that subsidized certain programs with grants and contributions (\$579,590). In addition, the City's business-type activities provide funding for programs by making cash transfers to the governmental activities each year. After deducting outgoing transfers to certain business-type activities, the net "subsidy" for the current year totaled \$1,587,469.

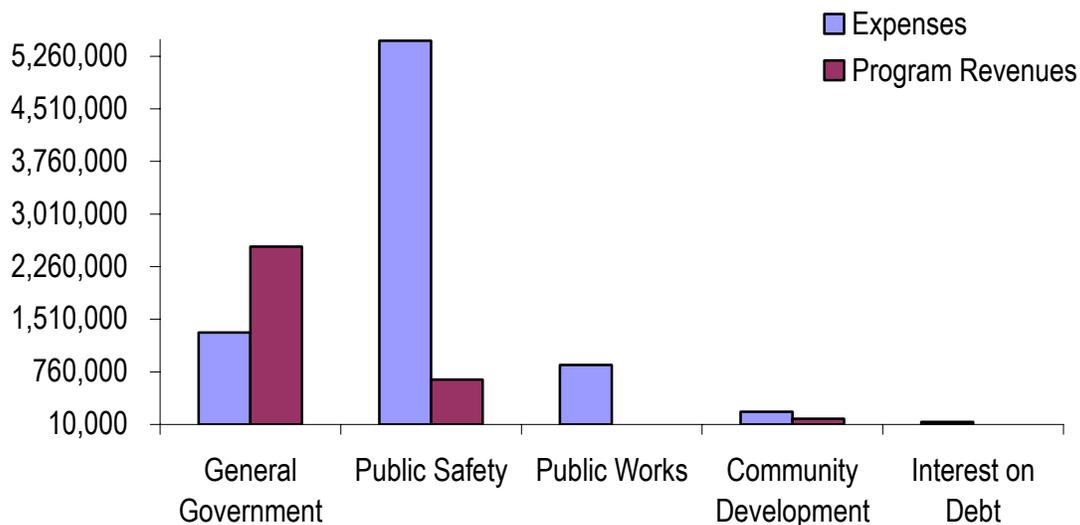
The City paid for the remaining costs of governmental activities with other general revenues, such as shared revenues from state government, investment earnings, and other miscellaneous sources.

Property tax revenues increased approximately \$180,685 from 2005. This increase is primarily the result of revaluation of assets related to the reopening of the City's largest taxpayer, Mittal Steel formerly Georgetown Steel.

Expenses decreased approximately \$223,066. Most of this decrease can be attributed to forgoing planned pay as you go capital projects.

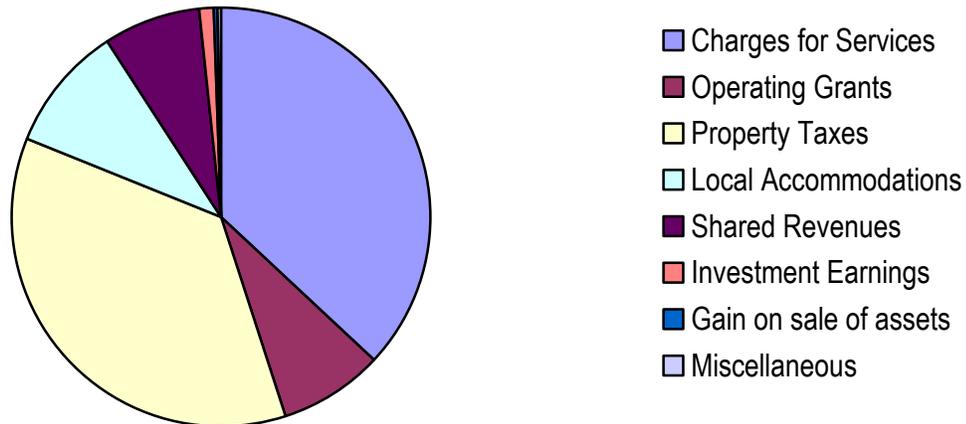
---

### Expenses and Program Revenues – Governmental Activities



---

### Revenues by Source – Governmental Activities



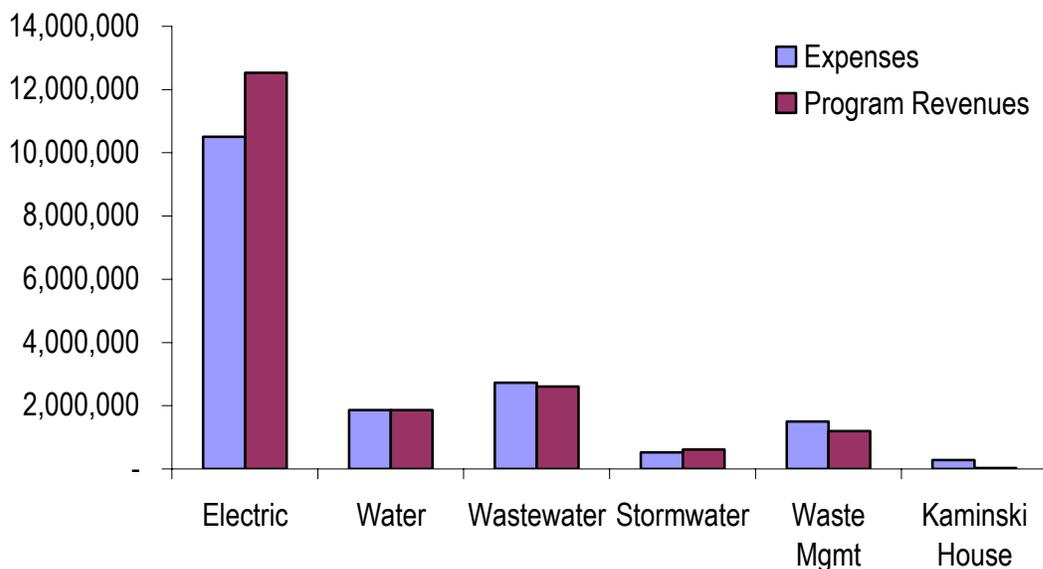
**Business-type activities.** Revenues of the City's business-type activities increased by approximately \$1,687,231 or about 9.5% compared to the prior year, and expenses increased by approximately \$1,399,938, about 8.8%. The increase in revenues is attributable to minor rate increases.

The moderate increase in expenses of the business-type activities results in part from increased operating and maintenance costs in the electric utility and the water utility.

Revenues generated through service charges by the City's electric utility represent approximately 67.7% of total revenue recognized from service charges of all business-type activities of the City. Electric utility expenses account for about 60.4% of total expenses of all business-type activities. In addition, the electric utility transferred \$1,697,795 to the general fund to help fund governmental activities of the City.

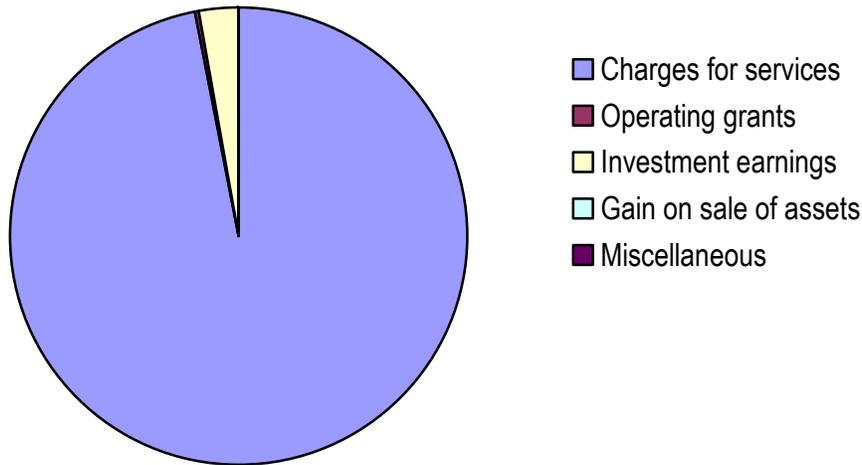
---

### Expenses and Program Revenues – Business-type Activities



---

## Revenues by Source – Business-type Activities



---

## Financial Analysis of the Government's Funds

**Governmental Funds.** The focus of the City's governmental funds 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.

At the completion of the City's fiscal year, its governmental funds (as presented in the balance sheet on page 26 of this report) reported a combined fund balance of \$4,117,173, an increase of \$1,309,626 from the prior year. This increase is expected due to the postponement of several pay as you go capital projects.

The fund balances of other governmental funds, none of which are reported as major funds, increased in total by \$702,422 or about 111%, from the prior year. This increase is due primarily to delays in starting or completing the Winyah Auditorium capital project in the Local Accommodations & Hospitality Tax Fund. These or other expenditures will need to be budgeted from fund balance in future years rather than current revenues.

**Proprietary funds.** The City'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. At year-end, net assets of the Electric Utility Fund, the Water and Wastewater Utility Fund, and the Stormwater Drainage Utility Fund (the City's major enterprise funds) account for over 97% of net assets of all of the City's proprietary enterprise funds combined. Significant changes in net assets for each of these funds during the year ended June 30, 2006, were as follows:

- The Electric Utility Fund recognized an increase in net assets of \$2,252,249 before deducting transfers of \$3,474,691. Total net assets at the end of the year were \$9,900,272 of which approximately \$3,365,821 (34%) was invested in capital assets.

- The Water and Wastewater Utility Fund had an increase in net assets of \$66,327 before deducting net transfers made to other funds of \$342,000. Total net assets at the end of the year were \$21,085,757 of which approximately \$15,864,636 (75%) was invested in capital assets, net of related debt.
- The Stormwater Drainage Utility Fund had an increase in net assets of \$195,154 before adding transfers in from other funds of \$1,662,000. Total net assets at the end of the year were \$8,357,036 of which approximately \$5,123,905 (61%) was invested in capital assets.

### **General Fund Budgetary Highlights**

The original general fund budget, as presented in this report, includes the original appropriations authorized by City Council just prior to the start of the fiscal year as well as budget appropriations that remained encumbered at the end of the prior fiscal year.

During the year there was a \$1,045,515 increase in appropriations between the original and the final amended budget. Following are the main components of the increase:

- \$816,284 supplemental appropriation to the Fire department for the repair and refurbishment of equipment and assets related to a significant fire event.
- \$72,140 supplemental appropriation allocated to all General Fund departments to cover the expenses of a citywide technology refreshment program.

At the close of the fiscal year there was a final budget variation of \$261,046 for revenues. Following are some of the more noteworthy variances from revenue estimates:

- Property taxes were over budget by \$107,488, due in part to revaluation of assets related to the reopening of the City's largest taxpayer, Mittal Steel formerly Georgetown Steel.

Actual expenditures incurred were \$838,137 less than appropriated. The more significant variances from budget are noted below:

- Police expenditures were \$97,168 less than budgeted due to positions that were budgeted but not filled.
- Municipal Court expenditures were \$42,278 less than budgeted due mostly to positions that were budgeted but not filled.
- Nondepartmental expenditures were \$391,094 less than budgeted due mostly to capital outlay that was appropriated and not spent.

Budgetary comparisons for all general fund revenue sources and functional expenditures can be found on pages 64-68 of this report.

## Capital Assets and Debt Administration

**Capital assets.** At the end of fiscal year 2006, the City had \$46 million (net of accumulated depreciation) invested in a broad range of capital assets. (see Table 3 below). This amount represents a net decrease (including additions and deductions) of about \$695,000, or 1.5%.

Table 3

**City of Georgetown's Capital Assets  
(net of depreciation)  
June 30, 2005 and 2006**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 2,362,635	\$ 2,362,635	\$ 212,075	\$ 220,225	\$ 2,574,710	\$ 2,582,860
Land improvements	-	-	203,978	203,978	203,978	203,978
Infrastructure	2,528,192	2,528,192	-	-	2,528,192	2,528,192
Buildings and Improvements	6,994,545	6,984,483	1,150,525	1,157,333	8,145,070	8,141,816
Vehicles, equipment, and furnishings	4,747,682	4,965,517	3,921,465	4,003,273	8,669,147	8,968,790
Electric system	-	-	5,838,541	6,179,625	5,838,541	6,179,625
Fiber optics system	-	-	899,454	899,454	899,454	899,454
Water system	-	-	13,772,287	13,992,253	13,772,287	13,992,253
Wastewater system	-	-	22,566,926	22,709,274	22,566,926	22,709,274
Stormwater system	-	-	4,037,723	4,270,600	4,037,723	4,270,600
Other improvements	1,407,570	1,407,570	-	-	1,407,570	1,407,570
Sludge disposal rights	-	-	472,047	472,047	472,047	472,047
Construction in progress	20,642	70,578	1,662,469	1,680,021	1,683,111	1,750,599
Total capital assets	18,061,266	18,318,975	54,737,490	55,788,083	72,798,756	74,107,058
Total accumulated depreciation	(5,748,026)	(5,747,954)	(20,038,891)	(22,042,792)	(25,786,917)	(27,790,746)
Net capital assets	\$12,313,240	\$12,571,021	\$34,698,599	\$33,745,291	\$47,011,839	\$46,316,312

This year's major capital expenditures included:

- Purchase of eight new police vehicles (\$156,754).
- Refurbishment of a fire and a ladder truck that were damaged in 2005 (\$811,476).
- Installation of conduit, poles, and street lights for Siau Bridge (\$270,568).
- Completion of trenchless rehabilitation of gravity sewer lines in Willowbank (\$125,530).
- Purchase of Doc Maestro Solution Software for records management (\$79,478).
- Purchase of a front end loader for debris removal (\$68,952).

- Purchase of a chip/dump truck for the Electric Department (\$66,084).

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

**Long-term debt.** As shown in Table 4 below, the City had \$9,907,942 in bonds, notes and lease obligations outstanding at year-end versus \$10,294,157 last year, a decrease of 3.8%. More detailed information about the City's debt obligations and future debt service requirements can be found in Note 6 to the financial statements.

**Table 4**  
**City of Georgetown's Outstanding Debt**  
June 30, 2005 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
General obligation bonds	\$ 145,000	\$ -	\$ -	\$ -	\$ 145,000	\$ -
Capital lease obligations	895,177	1,019,331	-	17,898	895,177	1,037,229
Revenue bonds	-	-	9,253,980	8,870,713	9,253,980	8,870,713
Total	\$ 1,040,177	\$ 1,019,331	\$ 9,253,980	\$ 8,888,611	\$ 10,294,157	\$ 9,907,942

Under current state statutes, the City 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 city limits. As of June 30, 2006, the amount of new general obligation debt that could be issued without referendum was \$2,427,626. General obligation debt issued pursuant to referendum is not subject to the statute limitation.

The City has finalized plans for a major drainage project for which construction is scheduled to begin in the upcoming fiscal year. Funding for the project will come from a variety of sources, including issuance of debt in an amount estimated to be approximately \$3 million. It is not yet known whether the debt will be general obligation debt or revenue debt.

### **Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for business-type activities. Some of the factors considered were the national and local economy, tourism trends, population growth rates both in the City and in the County, and trend data regarding growth in property tax base and permits and licenses issued. Analysis of these factors resulted in projections for the new year that reflect some revenue growth.

At year-end, amounts available in the General Fund for future appropriation are \$2,472,242; however, of this amount the City maintains, by policy, a cushion of \$1,100,000 for emergencies and contingencies. This leaves only \$1,372,242 in undesignated, unreserved fund balance at year-end. Because of the relatively small fund balance and with limited potential for revenue growth in the near-term, a budget for fiscal year 2007 was prepared cautiously and with the recognition that realization of revenue estimates and

containment of expenditures will be particularly important. Some of the measures taken to balance the general fund budget for the new year include:

- Funding for acquisition of capital assets was held to a minimum.
- Budget requests for operations and maintenance needs were thoroughly reviewed to find areas where savings could be realized.
- A small millage rate increase of 3.08 mills or 3.4% (based upon the CPI increase) was adopted to avoid increased charges for services in the general fund.
- A 10% increase in business license rates was adopted to coincide with the transition from SIC codes to NAICS codes.

As for the City's business-type activities, there were several rate increases for fiscal year 2007. These increases were necessary in part to fund ongoing operational needs. They are as follows:

- Water 10% increase in per thousand gallons usage charge
- Wastewater 20% increase in per thousand gallons usage charge
- Stormwater 33% increase for residential and commercial rates
- Waste Management 8.6% increase for residential sanitation

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Georgetown'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 financial information should be addressed to the Office of the Finance Director, 120 North Fraser Street, City of Georgetown, SC, 29442.