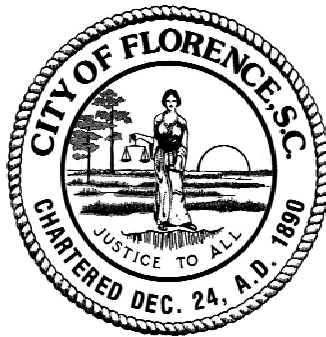


City of Florence

South Carolina



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

**CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2003

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**CITY OF
FLORENCE**

• S C •



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180 N. IRBY STREET
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*A CITY OF
CHARACTER*

September 16, 2003

Honorable Mayor, Members of City Council, City Manager,
and Citizens of the City of Florence, South Carolina:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (City) for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Florence was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the federal awards section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Florence MD&A can be found immediately following the report of the independent auditors.

This year's report has been reformatted to comply with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The new reporting format significantly changes the format of the City's financial statements. The new format is intended to improve financial reporting by adding significant additional information not previously available in local government financial statements.

In addition to the fund-by-fund financial information currently presented in the City's financial statements, we are now including government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the new reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These new statements combined with other information are further analyzed in a new narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data." In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of the seven counties known as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of 19.5 square miles and serves a population of 30,248. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

The City of Florence operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager, municipal judge and city attorney. The government's manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Council is elected through a partisan election process. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. The mayor and three members of council are elected at large. The remaining three members of the council members are elected by district.

The City provides a full range of services, including: police and fire protection; the maintenance and construction of highways, streets, and other infrastructure; parks and leisure/cultural activities and events; sanitation services; water and sewer services; and storm water services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Florence are required to submit requests for appropriations to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 42 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Conditions

The formation presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City of Florence is located at the economic and cultural heart of the Pee Dee region located between the Piedmont and Coastal sections of South Carolina. The City is the economic center of the Pee Dee region and serves the northeastern portion of the state as a major thoroughfare and service community. Florence's location makes it especially desirable for development and expansion. As a significant transportation connector, with Interstate 95 and Interstate 20 intersecting at the city limits, Florence is among the top commercial, industrial, medical, and service centers in the state. In addition to the two major interstate highways, Florence is accessible to an expanding regional airport, twenty trucking terminals, and both Amtrak and CSX Transportation railway services.

Florence County is home to many domestic and international businesses and ranks as one of the strongest internationally diverse economies in the state. The international investments of companies such as Roche Carolina, Honda, and Nan Ya Plastics have contributed significantly to overall capital investments and job creation in the area.

The healthcare industry in Florence has over the years grown to become one of the very best in the nation, and the growth in healthcare continues. The Carolinas Hospital System boasts 250,000 square-foot, \$100 million medical complex on the south side of Florence. McLeod Regional Medical Center also continues to expand its physical facilities with new professional buildings and specialized medical facilities, including the McLeod Fitness Forum. Both hospital systems have plans for major additions to their facilities in the near future.

The City of Florence is home to an assortment of shopping malls and retail stores. Magnolia Mall, Magnolia Commons, Florence Mall, and a variety of miscellaneous shops and stores throughout the city bring shoppers from all over Florence County as well as surrounding counties in the Pee Dee Region. More than half of the total retail sales in the seven Pee Dee counties come from Florence County.

The Florence City County Civic Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Civic Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse entertainment events as concerts, circuses, rodeos, ice skating and assorted shows. In the fall of 1997 a professional ice hockey team, the Pee Dee Pride, began regular season play in the facility as part of the East Coast Hockey League. The hockey program provided an exciting and enjoyable outing for an average of 2,105 fans per game during its regular 2002-2003 season. Total attendance for the hockey season was 84,186 with 1 preseason game, 37 regular season games, and 3 playoff games.

Proximity to the grand strand and the intersection of two major interstate highways in the area have contributed to the growing attraction of accommodation and hospitality industries to Florence. Numerous hotels and restaurants, many of which are national chains, have located near the Florence Civic Center and Magnolia Mall as well as along the intersection of Interstate 95 and U.S. Highway 52.

Economic expansion continues to be prevalent in the City and County of Florence. The economic outlook and prospect for growth and development in the area are strong and appear very promising for the future. Florence has been recognized nationally as a prime destination for business and industry because of its accessibility and the availability of land suitable for industrial and commercial development.

Long-term financial planning. *Local Hospitality Fee* – In May 2003, the Florence City Council adopted a two percent hospitality fee to diversify its revenue sources in an effort to improve the quality of life for Florence residents and its visitors. The Hospitality Fee is a two percent fee imposed by the City of Florence on the purchase of prepared or modified foods and/or beverages prepared for immediate consumption. Applicable businesses will begin collecting and remitting the fee effective January 1, 2004. The money generated from the hospitality fee, estimated to generate approximately \$1.8 million annually, will be used for projects such as City beautification efforts, support for the arts and cultural community, downtown redevelopment, civic center support, and other tourism-related projects in the city. The City of Florence general fund currently funds tourism-related projects in addition to traditional operations. With the adoption of the two percent hospitality fee, an additional source of revenue will be available for the City to fund the tourism-related projects. More general fund revenues will be available to fund critical public safety and homeland security projects, as well as other General Fund related projects.

EPA Required Capacity, Management, Operations and Maintenance (CMOM) Program – The US Environmental Protection Agency is in the process of developing the Capacity, Management, Operation and Maintenance (CMOM) program to control overflows of sanitary sewage. CMOM regulations will require that City of Florence and other cities develop management and financial plans to ensure that their wastewater collection systems are designed and operated to convey wastewater without spills or discharges to the environment. It is anticipated that the regulations may become effective late in 2004. Costs associated with the program will likely be significant for the City.

Florence Pee Dee Regional Water and Sewer Master Plan – For the past several years a committee known as the Florence Pee Dee Regional Water and Sewer Steering Committee has met to discuss issues regarding regional water and sewer needs and to develop a framework for regional partnerships in the delivery of water and sewer services. To facilitate the continued development of this regional development plan, the City of Florence, in partnership with the Steering Committee, received proposals from regional engineering firms to prepare a water and sewer master plan for the Pee Dee region. This study will

serve as the vehicle by which a formal consensus is reached among the various utilities currently providing water and sewer services. This consensus will lead to agreements for the production, delivery, and sale of water and sewer treatment between Pee Dee water and sewer utilities. It is intended that these agreements will enable water and sewer service to areas not currently served by water and sewer infrastructure. The development of regional partnerships will promote economic development and will ensure least cost opportunities for all Pee Dee communities.

Stormwater Management – In February 2002 City Council authorized staff to proceed with the design and construction of several proposed stormwater projects identified as the most critical problem areas to be addressed over the next three years. The projects, estimated at a cost of \$1.3 million, were selected based upon available funding and the following prioritization criteria: Health and Safety; Environmental Impact; Infrastructure Damage; Damage to Private Property; Public or Private Nuisance; Public Health; Area Impact; Unique Cases; System Wide Impact. The initial project list includes projects which meet or exceed the stated criteria. The projects will be completed on an annual basis over the next three fiscal years.

Stormwater Phase II Program – During March 2003 the City of Florence applied for its National Pollutant Discharge Elimination System (NPDES) permit for the Stormwater Phase II program from the South Carolina Department of Health and Environmental Control (DHEC). This EPA and SCDHEC requirement is designed to preserve, protect, and improve the nation's water resources from polluted stormwater. Through the program, the City of Florence is working to minimize stormwater pollution in the city. The goal of the Stormwater Phase II program for cities is to establish long-term stormwater management activities and projects that meet the six NPDES permit requirements to include 1) Public Education and Outreach; 2) Public Involvement and Participation; 3) Illicit Discharge Detection and Elimination; 4) Construction Site Runoff Control; 5) Post-Construction Runoff Control; and 6) Pollution Prevention/Good Housekeeping. The City of Florence recently formed the Stormwater Advisory Board, composed of engineers, business owners, developers, contractors and city personnel, to help plan the Phase II program for the City. The board will help manage and determine the best activities and projects that meet the six requirements set forth by the EPA. In the coming year, the City of Florence will also be developing new land development regulations and city ordinances relating to stormwater. These regulations and ordinances will help control the pollution associated with stormwater. The City anticipates significant personnel cost increases in the administration of the regulatory requirements mandated the Stormwater Phase II program.

East Florence Stormwater Outfall Improvements – The City will in the near future develop this stormwater facility to assist in the reduction of stormwater pollutants as prescribed in Phase II of the NPDES permitting program. The scope of this project includes land acquisition and the construction of at least one retention basin to settle out sediments and pollutants. The development of a combination of riparian vegetative buffers will be used to filter stormwater as it passes through the retention system. Plant material and grasses have proven to be one the best natural filters of pollutants in stormwater and they will be used to the maximum extent possible. Additionally, other innovative structural stormwater treatment processes will be used in the final treatment to eliminate the majority of petroleum products and floatable items carried by stormwater. These processes will also be used to further reduce sedimentation before the stormwater is returned to a free flowing state. This stormwater outfall facility will also serve as a unit process to reduce contaminants that now flow untreated into an impaired water body. The new facility will serve one of the City's oldest and largest urban drainage basins that currently has no retention or other treatment process to improve water quality. The City expects to finance the project, estimated at a cost of \$1,000,000, through a South Carolina Office of Local Government State Revolving Fund low interest loan.

Downtown Revitalization – In August 2001 a Downtown Master Redevelopment plan was presented to the public as a strategic process for transforming downtown Florence back into the cultural and economic heart of the Pee Dee. The focus of the master plan is the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. A Downtown Revitalization Coordinator was hired in November 2001 as part of the master plan implementation process. A 501(c)(3) tax-exempt charitable corporation, the Florence Downtown Development Corporation was also formed as an initial implementation step. As part of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrance of downtown Florence, the Revitalization Coordinator, will work closely with the Downtown Development Corporation, the Florence Downtown Merchants Association, City staff and others involved with the revitalization effort. For FY 2003-04 City Council has appropriated a total of \$100,000 to the Downtown Development Corporation. A significant portion of these funds will be used for consultant fees to fund the development of design guidelines and an overlay zoning district with proposed ordinances. A portion of this funding will also be used for a feasibility study for the location of a Performing Arts Center in the downtown area of Florence.

Cash management policies and practices. Cash available for investing during the year was invested in repurchase agreements, certificates of deposit, obligations of the U.S. government and its agencies, and the State of South Carolina Local Government Investment Pool. The South Carolina Local Government Investment Pool is a pool of funds belonging to

participating local governments which is managed by the State Treasurer. These funds are invested by the State Treasurer in obligations of the United States and its agencies and repurchase agreements collateralized by securities of the U.S. Government or its agencies.

The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The City earned interest revenue of \$376,067 on all investments for the year ended June 30, 2003.

Risk Management. Risk management activities are coordinated and managed by the City's Human Resources and Risk Management Department. Risk management efforts of the department are designed to minimize the loss of the City's human, physical, and financial resources through appropriate planning, training, case management, and the provision of adequate insurance coverage.

The City maintains its insurance for tort liability, property, automobile fleet, boiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The City carries a \$1,000 deductible under the SCMIRF plan and a \$500 deductible under the SCMIT plan. Claims below these thresholds are managed by the City.

To protect employees against the escalating cost of medical care and to promote healthy and sustaining lifestyles, all full-time regular employees receive group health, dental, and life insurance paid by the City. The City has contracted with Blue Cross Blue Shield of South Carolina for group coverage under the Comprehensive Preferred Personal Care Plan. In an effort to control costs, Blue Cross has negotiated reduced rates with physicians, hospitals, as well as other health care facilities through its Preferred Personal Care Providers program. Additionally, this insurance plan has incorporated case management; pre-admission review; emergency admission review; continued stay review; and procedural pre-authorization review as a means of monitoring claims activity.

Pension and other post employment benefits. All employees of the City participate in one of two defined benefit pension plans, administered by the State of South Carolina. The South Carolina Retirement System (SCRS) and the Police Officer's Retirement System (PORS), both of which are cost sharing multiple-employer public employee retirement plans. The SCRS and PORS 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. Both employees and the City are required to contribute to the SCRS and PORS at rates established under the authority of Title 9 of the Code of Laws. The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employee's annual earnings.

The City also provides postretirement health and dental care benefits for retirees and their dependents that meet certain service requirements. As of the end of the current fiscal year, there were 38 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post employment benefits can be found in Note J in the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement award, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report, with contents which conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Certificate awarded for fiscal year ended 2002 marks the fifth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

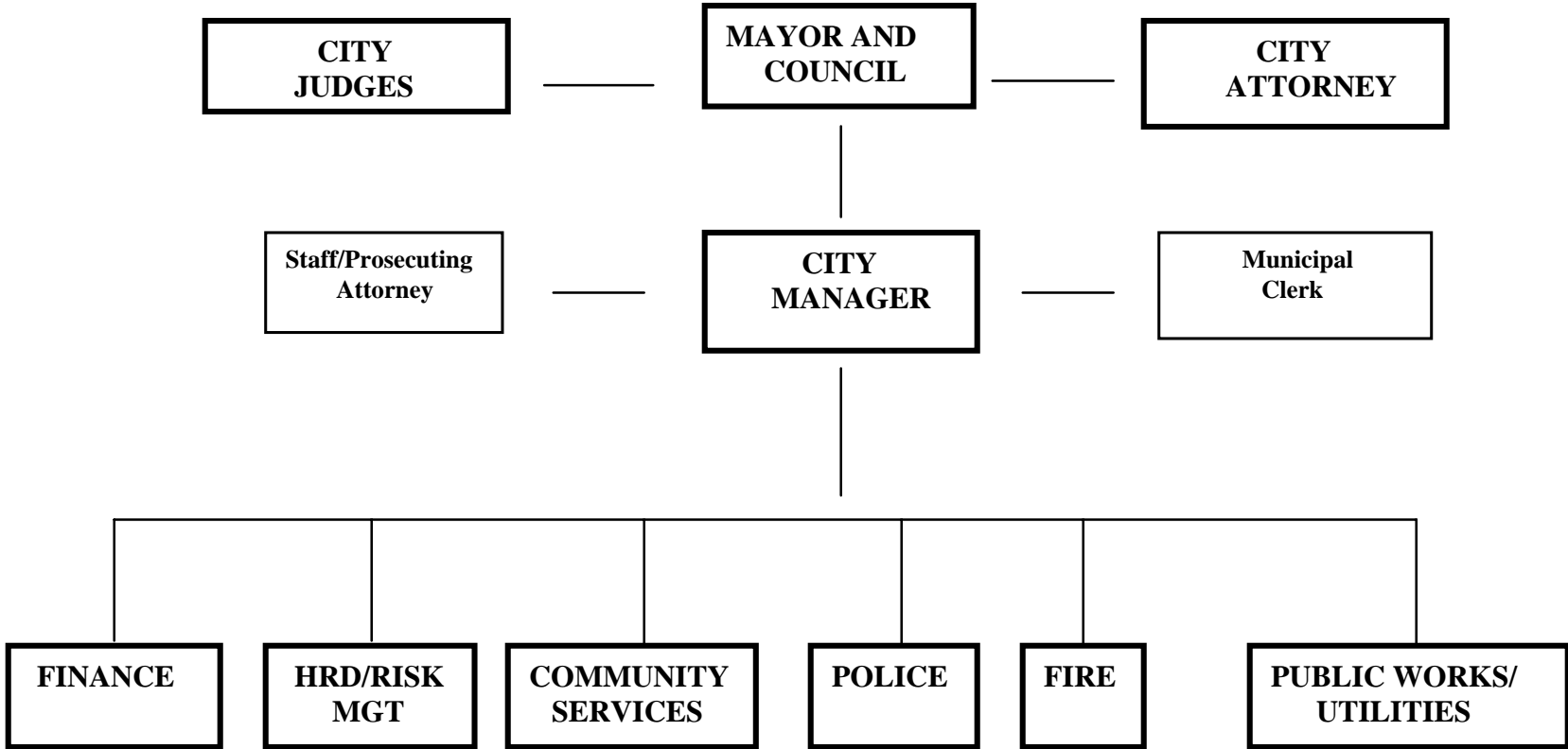
The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department as well as the City's independent auditors, Burch, Oxner, Seale Company. Their assistance provided in the preparation of this report is sincerely appreciated.

In closing, without the guidance, leadership, and support of the City Manager, Mayor, and City Council, preparation of this report would not have been possible.

Respectfully submitted,

Thomas W. Chandler
Finance Director

**CITY OF FLORENCE, SC
ORGANIZATIONAL CHART**



CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2003

GOVERNING BODY

Frank E. Willis, Mayor

Rick Woodard, Mayor Pro Tempore

Edward Robinson

Billy D. Williams

Robert C. Holland

William C Bradham, Jr.

Maitland S. Chase, III

ADMINISTRATION

David N. Williams, City Manager

Thomas W. Chandler, Finance Director

Darene S. Stankus, Human Resources/Risk Management Director

Scotty B. Davis, Community Services Director

Anson E. Shells, Police Chief

Joseph H. Robertson, Fire Chief

Andrew H. Griffin, Public Works Director

FINANCIAL SECTION

BURCH, OXNER, SEALE CO.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

-MEMBERS OF-
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
S.C. ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF CPAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the City Council
City of Florence, 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 Florence, South Carolina, as of and for the year ended June 30, 2003, 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 Florence, South Carolina, management. Our responsibility is to express an opinion 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 opinion.

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 Florence, South Carolina, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 as of June 30, 2003.

The management's discussion and analysis is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2003, on our consideration of the City of Florence, South Carolina, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, South Carolina basic financial statements. The introductory section, combining and individual fund statements and schedules, 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 fund statements and schedule 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.

September 11, 2003

CITY OF FLORENCE, SOUTH CAROLINA Management's Discussion and Analysis

As management of the City of Florence, 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, 2003. 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 7-12 of this report.

Financial Highlights

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$84,398,772 (*net assets*). Of this amount, \$23,048,357 (*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 \$3,841,810.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$10,530,955, a decrease of \$1,316,689 in comparison with the prior year. 100 percent of this total amount, \$10,530,955 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,080,026, or 46.57 percent of the total fund expenditures.
- The City of Florence had \$73.3 million in bonds and notes outstanding versus \$63.1 million last year, an increase of 16.16 percent. New debt resulted from a revenue bond and two notes. The revenue bond was used as partial payment for the purchase of Florence County's water and sewer system. A ten-year interest free note to Florence County, was issued to fund the remaining cost associated with the county's water and sewer system. A second note was issued for the construction of a raw water storage reservoir at the Pee Dee Regional Water Plant.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 of Florence's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Florence's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in the 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 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 of Florence include general government, public safety, community services, and parks and leisure services. The business-type activities of the City of Florence include water and sewer services and storm water services.

The government-wide financial statements can be found on pages 35-37 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. The City of Florence, 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 Florence can be divided into these 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 a variety of individual governmental funds. For the general fund, which is considered a major fund, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds is 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 the budget.

The basic governmental fund financial statements can be found on pages 38 and 40 of this report.

Proprietary funds. The City of Florence maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City of Florence uses enterprise funds to account for its water and sewer activities and for its storm water operations.

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund. Data from the other proprietary funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 43-46 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 page 47 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 48-64 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 66-99 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. In the case of the City of Florence, assets exceeded liabilities by \$84,398,772 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (72.69 percent) reflects its investment in capital assets (e.g. land, building and systems, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence'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.

City of Florence's Net Assets

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 13,074,944	\$ 14,535,267	\$ 16,112,882	\$ 21,864,455	\$ 29,187,826	\$ 36,399,722
Capital assets	19,787,637	19,515,320	114,159,609	93,362,872	133,947,246	112,878,192
Total assets	32,862,581	34,050,587	130,272,491	115,227,327	163,135,072	149,277,914
Long-term liabilities outstanding	1,416,825	1,320,099	69,439,967	62,546,299	70,856,792	63,866,398
Other liabilities	1,192,988	1,227,619	6,686,520	3,626,935	7,879,508	4,854,554
Total liabilities	2,609,813	2,547,718	76,126,487	66,173,234	78,736,300	68,720,952
Net assets:						
Invested in capital assets, net of related debt	19,774,538	19,454,325	41,575,877	31,971,063	61,350,415	51,425,388
Unrestricted	10,478,230	12,048,544	12,570,127	17,083,030	23,048,357	29,131,574
Total net assets	\$ 30,252,768	\$ 31,502,869	\$ 54,146,004	\$ 49,054,093	\$ 84,398,772	\$ 80,556,962

The balance of unrestricted net assets (\$23,048,357) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Florence is able to report positive balances in two categories of net assets, both for the government as a whole, as well as for its separate business-type activities. The same situation held true for the prior fiscal year.

The government's net assets changed during the current fiscal year primarily because this is the first year the City is required to accrue for unused employee vacation and sick days in accordance with GAAP.

Governmental activities. Governmental activities decreased the City of Florence's net assets by \$1,250,101. Key elements of this decrease are as follows:

- the purchase of 2 new fire trucks for a combined cost of \$1,210,206
- the purchase of 4 new sanitation trucks for a combined cost of \$560,412.

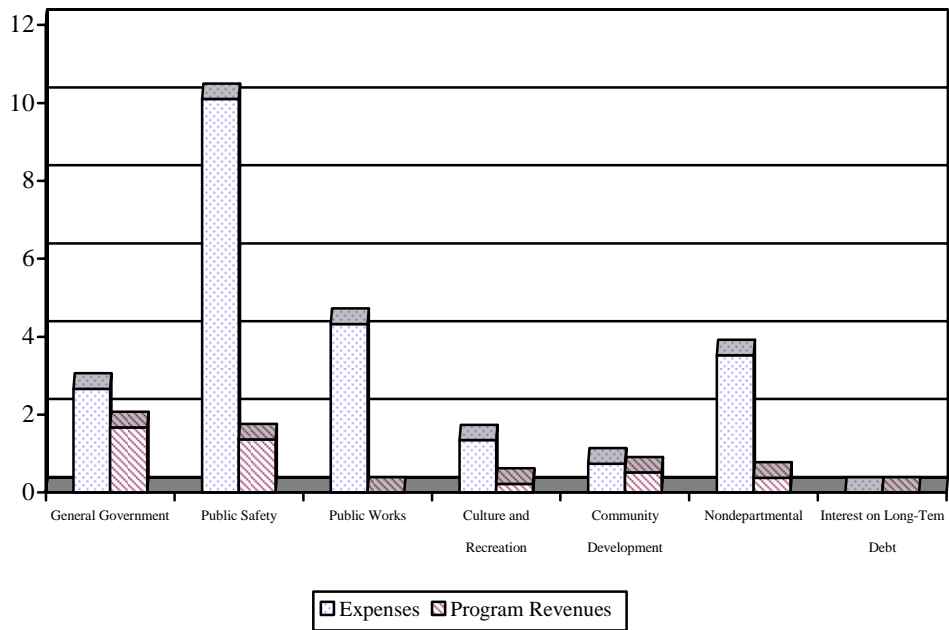
Business-type activities. Business-type activities increased the City of Florence's net assets by \$5,091,911, accounting for 100 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Surface Water Plant – Construction of a regional surface water facility designed to meet the City's long-term water supply needs began in the summer of 2000 and was completed this year. The Pee Dee River was identified by the City's engineering firm as a viable surface water supply alternative for the City, noting that the Pee Dee River offers abundant water supply capacity which can be readily treated to produce reliable, high quality drinking water. The regional surface water plant project offers a state-of-the-art facility that provides needed intake, pumping, treatment, storage, and distribution of water from the Pee Dee River.

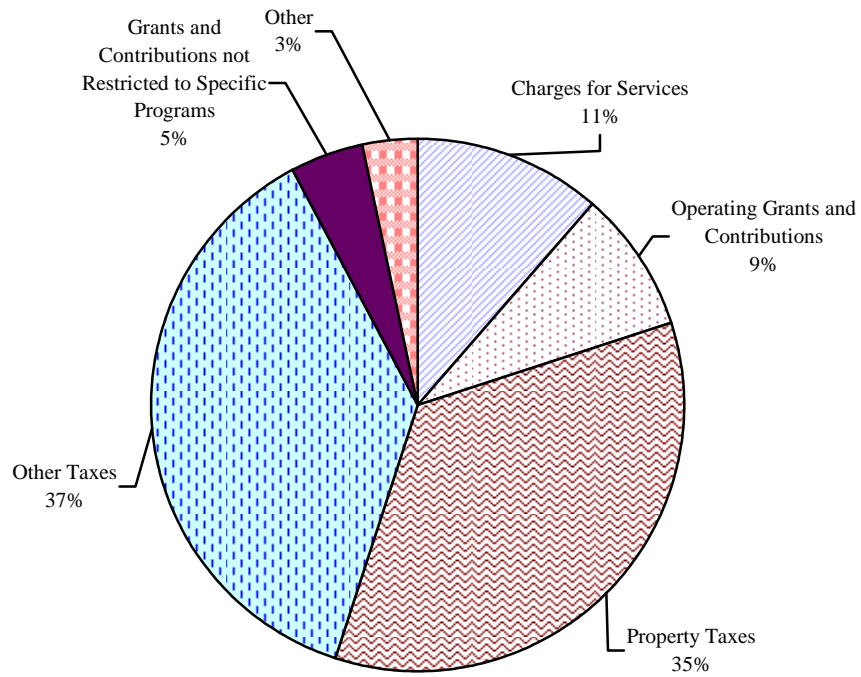
City of Florence's Changes in Net Assets

	Governmental activities	Business-type activities	Total
	2003	2003	2003
Revenues:			
Program revenues:			
Charges for services	\$ 2,335,281	\$ 20,205,330	\$ 22,540,611
Operating grants and contributions	1,827,960	-	1,827,960
Capital grants and contributions	-	1,910,569	1,910,569
General revenues:			
Property taxes	7,211,204	-	7,211,204
Other taxes	7,671,638	-	7,671,638
Grants and contributions not restricted to specific programs	974,076	-	974,076
Other	250,755	240,390	491,145
Total revenues	20,270,914	22,356,289	42,627,203
Expenses:			
General government	2,667,737	-	2,667,737
Public safety	10,100,303	-	10,100,303
Public works	4,328,155	-	4,328,155
Culture and recreation	1,343,332	-	1,343,332
Community development	741,417	-	741,417
Nondepartmental	3,524,203	-	3,524,203
Interest on long-term debt	1,264	-	1,264
Water and sewer	-	15,435,783	15,435,783
Storm water	-	643,199	643,199
Total expenses	22,706,411	16,078,982	38,785,393
Increase (decrease) net assets before transfers	(2,435,497)	6,277,307	3,841,810
Transfers	1,185,396	(1,185,396)	-
Increase (decrease) in net assets	(1,250,101)	5,091,911	3,841,810
Net assets - 7/1/2002	31,502,869	49,054,093	80,556,962
Net assets - 6/30/2003	\$ 30,252,768	\$ 54,146,004	\$ 84,398,772

Expenses and Program Revenues - Governmental Activities



Revenue by Source – Governmental Activities



Construction of the water plant project was bid in two components. The first component, construction of sixteen miles of 36 and 30 inch diameter finished water transmission mains, was fully completed in fiscal year 2002. Construction of the transmission mains project, at a cost of approximately \$6 million, was completed by Hobby Construction Company of Newberry, SC. The second component of the project included construction of the water treatment plant building; raw water mains, valves and releases; raw water intake screens; piping; and a pump station. This component was completed this fiscal year. Construction of the water plant and related projects, at a cost of approximately \$32 million, was awarded to Crowder Construction Company of Charlotte, NC. Completion of the water plant facility was accomplished in November 2002 at a total cost of \$38,145,059.

Consolidation of Recreation Activities and Water and Sewer Utilities – After more than two years of discussions, negotiations, and public input, the City of Florence and Florence County entered a Consolidation Agreement on May 23, 2002 to consolidate certain recreation activity services and water and sewer utilities services provided. The agreement stipulated that the County of Florence would be responsible for operating certain athletic recreational activities and maintaining certain recreational facilities and the City of Florence would obtain from the County their water and sewer utility system and operations. The agreement provided that, effective July 1, 2002, recreational based programs and facilities, including Freedom Florence and McLeod Park, would be managed and operated by Florence County. The agreement further stipulated that, over a ten-year period, beginning in fiscal year 2002-2003, the City will provide to the County on an annually declining basis, financial assistance in the operation of the County's recreation program.

As part of the consolidation process, the City obtained from the County its water and sewer system at a cost equivalent to the depreciated fixed asset value of the system at June 30, 2002. The City assumed all responsibility for operating the County's water and sewer system. This system provides services for over 4,000 customers, the majority of whom are provided with water service only. Actual ownership of the assets of the County's water and sewer system was transferred to the City upon a closing of the financial transactions which occurred on October 3, 2002. The total cost of the system, in the amount of \$12,248,586, will be funded by the City through a combination of revenue bonds and a ten-year interest free note to the County.

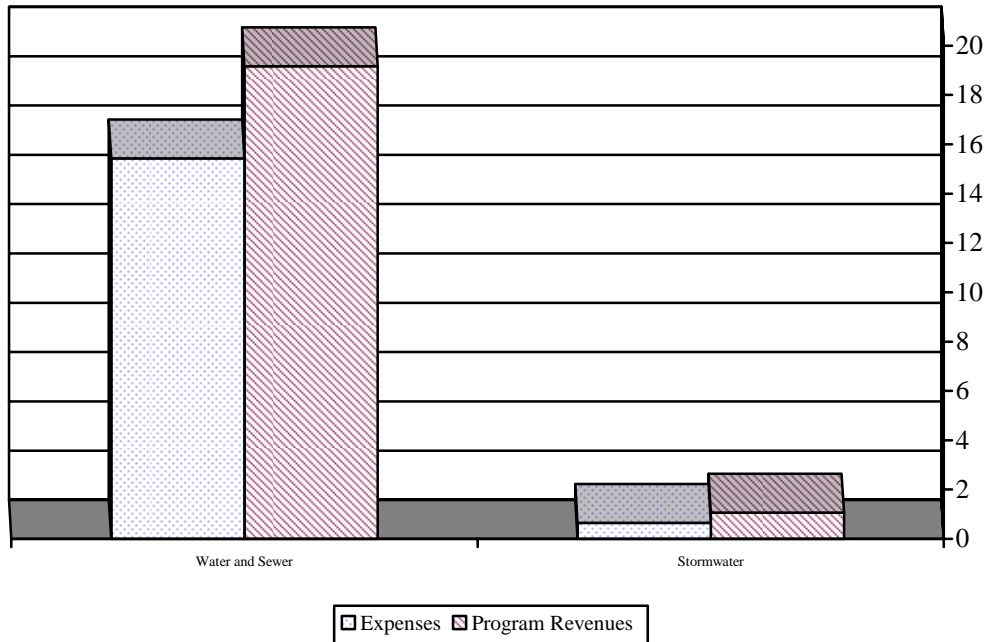
Highway 327 Corridor Sewer Improvements – The Highway 327 corridor located in the northeastern part of Florence County is one of the last undeveloped gateways into the City of Florence. This corridor provides the principle access to the Pee Dee Regional Commerce Center and eleven other potential industrial sites as well as access to the City's new Pee Dee Regional Surface Water Treatment Plant. This route promises to attract significant private investment thereby creating many job opportunities for the entire Pee Dee Region. In fiscal year 2001-2002 the City of Florence was successful in securing a \$3,200,000 South Carolina Department of Commerce grant to extend a sewer interceptor line along Highway 327. With a scheduled construction completion date of March 2004, the City will soon remove the last infrastructure hindrance to significant economic development along this important highway corridor. The City has spent approximately \$550,000 on this project through June 30, 2003.

High Hill Creek Interceptor – In an effort to provide regional sewer service to the Interstate 95 and US Highway 52 commercial area near the Florence and Darlington county line, the City is committed to increase the capacity in the High Hill Creek and Two Mile Creek Interceptors. This construction project, at a cost of approximately \$4,350,000, is approximately 35 percent complete as of June 30, 2003. The project, which is being partially funded by a \$1.5 million US Department of Commerce Economic Development Administration grant, includes approximately 4.26 miles of 24" gravity sewer line, one mile of 8" gravity sewer collection line, and the upgrade of several pump stations. The 24" gravity sewer lines will parallel the existing 12" interceptors, adding approximately 2.5 MGD of sewer capacity to the North Florence system. As of June 30, 2003 the construction costs have totaled approximately \$2.3 million.

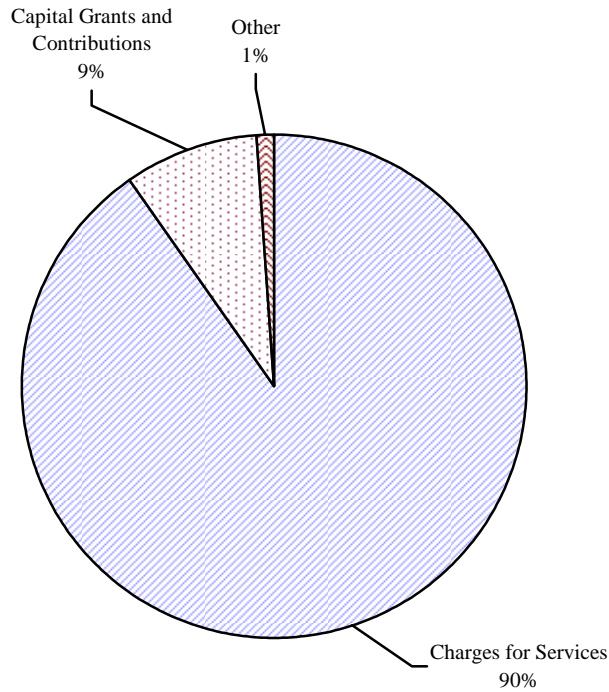
Surface Water Plant Raw Water Storage – The City is adding a 15 million gallon capacity raw water storage reservoir and associated pumping equipment to the Pee Dee Regional Water Plant. This storage facility, which was not included as part of the original surface water plant construction and funding project, will increase the reliability of the treatment processes and the quality of the finished water delivered to customers. Specifically, the reservoir will provide settling for improved water quality entering the water treatment plant. The settling process will assist in meeting turbidity and disinfection standards at the water plant. The reservoir will also allow the plant to operate for up to a day and a half using stored water if needed. Financing for the project, estimated in the amount of \$4 million, comes from a combination of sources including funding from the State Drinking Water Revolving Loan Fund, as well as two US Environmental Protection Agency grants. Construction of this facility is scheduled for completion in 2004. The City has expended approximately \$2 million toward the completion of this project.

Quinby Sewer System – As provided by a Water and Sewer Agreement between the City of Florence and The Town of Quinby dated December 1998, the City of Florence will provide the Town of Quinby, located just northeast of Florence, with approximately 7.2 miles of 8" gravity sewer, 1.3 miles of 10" gravity sewer, 1.2 miles of 8" force main, and a duplex pump station. Contractor bids for the project were received and opened in June 2002. The contract was awarded to the low bidder, Maxcy Hicks and Sons, Inc. of New Zion, SC in the amount of \$1,873,514. Construction which began in September 2002 is substantially complete. The Town of Quinby water system is currently tied to the City of Florence water system, and this current project will serve the sewer needs of approximately 350 customers in the Quinby area.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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 of Florence'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 the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$10,530,955, a decrease of \$1,316,689 in comparison with the prior year. All of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, the entire fund balance of the general fund of \$10,080,026, was unreserved. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 46.57 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$1,038,360 during the current fiscal year. Key factors for the decline are as follows:

The purchase of the following capital assets:

- 2 new fire trucks for a combined cost of approximately \$1,210,206
- 4 new sanitation trucks for a combined cost of \$560,412.

Proprietary funds. The City of Florence'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 water and sewer operations and the storm water operations at the end of the year amounted to \$12,570,127. The total growth in the net assets was \$5,091,911. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

City Council amended the General Fund budget on 3 separate occasions during the fiscal year 2002 – 2003. As a result of these amendments the General Fund's final amended budget was \$2,653,550 greater than the original adopted budget. The following changes occurred to the original budget:

- As a result of an agreement with Florence County, most recreational programs were transferred to the county. In conjunction with this agreement \$140,000 originally budgeted for these programs were removed from the budget. Additionally, the budget was increased by \$1,271,000 in unappropriated surplus from the prior year's fund balance to purchase two new fire trucks and to fund several special programs. The net increase to the original budget was \$1,131,000, adopted on July 8, 2002.
- Unappropriated surplus was budgeted from the prior year's fund balance to provide for the purchase, in the current year, of equipment budgeted in the prior fiscal year and the purchase of 4 sanitation trucks. The amount of the increase was \$1,261,900, adopted November 11, 2002.
- Miscellaneous grants was increased by \$246,350 for the rail trail project and police grants was increased by \$14,300 for a Law Enforcement Block grant, adopted on May 19, 2003.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$133,947,246 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, infrastructure, and equipment. The total increases in the City's investment in capital assets for the current fiscal year was 19 percent (a 4 percent increase for governmental activities and a 22 percent increase for business-type activities). These numbers do reflect the addition of infrastructure for the year ended June 30, 2003, in accordance with GASB 34.

Major capital asset events during the current year include the following:

- The purchase of two new fire trucks for a combined cost of approximately \$1,210,206.
- The purchase of four new sanitation trucks for a combined cost of \$560,412.
- The addition of the Pee Dee Regional Water Plant at a total cost of \$38,145,059.
- The purchase of Florence County's water and sewer system at a total cost of \$12,248,586.
- The addition of water and sewer construction projects that added additional capacity or customers at a cost of approximately \$1.5 million.
- GASB 34 implementation added infrastructure assets and increased land and buildings in the general fund.
- A recent addition to the City's park system is a two mile rail trail system extending from a Florence County Park located on Ebenezer Road to the McLeod Fitness Center located on Dozier Blvd. This trail, which was originally coordinated through a committee of interested residents, has proven to be a significant part of the future and direction of the City's parks department. The trail's success is helping to pave the way for future additions to the trail system. To date, the City has received two grants for this project and other related rail trail projects. The first grant was a South Carolina Department of Parks, Recreation, and Tourism State Trails Grant, approved in the amount of \$100,000 as an 80% match of a \$125,000 total grant. The second grant was a South Carolina Department of Transportation Enhancement Grant awarded in the amount of \$324,000 which was an 80% match of a \$405,000 total grant. During the fiscal year ended June 30, 2003, the City expended \$88,990 toward this project.

**City of Florence's Capital Assets
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 3,791,319	\$ 3,791,319	\$ 1,319,440	\$ 1,304,090	\$ 5,110,759	\$ 5,095,409
Buildings and system	3,400,336	3,520,052	102,697,941	53,189,447	106,098,277	56,709,499
Infrastructure	8,099,391	9,055,947	-	-	8,099,391	9,055,947
Machinery and Equipment	4,470,591	3,148,002	1,495,722	1,686,929	5,966,313	4,834,931
Construction in process	26,000	-	8,646,506	37,182,406	8,672,506	37,182,406
Totals	\$ 19,787,637	\$ 19,515,320	\$ 114,159,609	\$ 93,362,872	\$ 133,947,246	\$ 112,878,192

Additional information on the City's capital assets can be found in note Note F beginning on page 57 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt and notes payable outstanding of \$73,284,134. All of the City's debt represents bonds and notes payable secured solely by specified revenue sources.

**City of Florence's Long-term Debt
Bonds and Notes Payable**

	Governmental Activities		Business-type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Revenue Bonds	\$ -	\$ -	\$ 39,940,000	\$ 33,445,000	\$ 39,940,000	\$ 33,445,000
Notes Payable	-	-	33,344,134	29,610,931	33,344,134	29,610,931
Totals	\$ -	\$ -	\$ 73,284,134	\$ 63,055,931	\$ 73,284,134	\$ 63,055,931

The City's total debt increased by \$10,228,203 (16 percent) during the current fiscal year. The key factor in this increase was \$13,916,476 of revenue bond and notes payable issued for the purchase of Florence County's water and sewer system and construction of a raw water storage reservoir.

The City of Florence maintains an "A" rating from Standards & Poor's and an "A1" rating from Moody's for revenue obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$9,157,402. The City of Florence's has no outstanding general obligation debt.

Additional information on the City of Florence's long-term debt can be found in note Note I beginning on page 60 of this report.

Economic Factors and Next Year's Budgets and Rates

A number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2004 fiscal year.

Amounts available for appropriation in the general fund are \$20.1 million, an increase of 1.9 percent over the original fiscal year 2003 budget of \$19.8 million. The final 2003 budget was \$22.4 million. The City's budget amendments were discussed earlier in this report.

As for the City's business-type activities, we expect that the 2004 results will also improve based on the following:

- the City's ordinances provide a schedule of rate increases for water and sewer services effective each July 1st through 2010
- the City continues to expand its water and sewer system adding new customers.

Requests for Information

This financial report is designed to provide a general overview of the City of Florence's finances for 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 Finance Director, City of Florence, City-County Complex BB, Florence South Carolina, 29501.

BASIC FINANCIAL STATEMENTS

City of Florence, South Carolina
Statement of Net Assets
June 30, 2003

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents--Note D	\$ 5,816,234	\$ 4,803,866	\$ 10,620,100
Receivables--Note E	1,903,943	4,287,572	6,191,515
Inventories	222,344	323,172	545,516
Investments--Note D	5,132,423	5,852,544	10,984,967
Unamortized loan expense	-	845,728	845,728
Capital assets (net of accumulated depreciation)--Note F			
Land	3,791,319	1,319,440	5,110,759
Buildings and system	3,400,336	102,697,941	106,098,277
Machinery and equipment	4,470,591	1,495,722	5,966,313
Infrastructure	8,099,391	-	8,099,391
Construction in progress	<u>26,000</u>	<u>8,646,506</u>	<u>8,672,506</u>
TOTAL ASSETS	<u>\$ 32,862,581</u>	<u>\$ 130,272,491</u>	<u>\$ 163,135,072</u>
 LIABILITIES			
Accounts payable	\$ 432,848	\$ 2,138,157	\$ 2,571,005
Accrued interest	768	802,858	803,626
Other liabilities	592,226	140,900	733,126
Unearned revenue	167,146	-	167,146
Customer deposits	-	35,141	35,141
Noncurrent liabilities--Notes H and I			
Due within one year	12,331	3,596,630	3,608,961
Due in more than one year	<u>1,404,494</u>	<u>69,412,801</u>	<u>70,817,295</u>
TOTAL LIABILITIES	<u>2,609,813</u>	<u>76,126,487</u>	<u>78,736,300</u>
 NET ASSETS			
Invested in capital assets, net of related debt	19,774,538	41,575,877	61,350,415
Unrestricted	<u>10,478,230</u>	<u>12,570,127</u>	<u>23,048,357</u>
TOTAL NET ASSETS	<u>\$ 30,252,768</u>	<u>\$ 54,146,004</u>	<u>\$ 84,398,772</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Activities
Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental Activities				
General government	\$ 2,667,737	\$ 1,304,920	\$ 368,492	\$ -
Public safety	10,100,303	949,326	413,301	-
Public works	4,328,155	-	-	-
Culture and recreation	1,343,332	12,895	215,189	-
Community development	741,417	68,140	449,391	-
Nondepartmental	3,524,203	-	381,587	-
Interest on long-term debt	<u>1,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>22,706,411</u>	<u>2,335,281</u>	<u>1,827,960</u>	<u>-</u>
Business-type Activities				
Water and sewer	15,435,783	19,146,982	-	1,910,569
Storm water	<u>643,199</u>	<u>1,058,348</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>16,078,982</u>	<u>20,205,330</u>	<u>-</u>	<u>1,910,569</u>
TOTAL	<u>\$ 38,785,393</u>	<u>\$ 22,540,611</u>	<u>\$ 1,827,960</u>	<u>\$ 1,910,569</u>
General Revenues				
Property taxes				
Licenses				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (994,325)	\$ -	\$ (994,325)
(8,737,676)	-	(8,737,676)
(4,328,155)	-	(4,328,155)
(1,115,248)	-	(1,115,248)
(223,886)	-	(223,886)
(3,142,616)	-	(3,142,616)
<u>(1,264)</u>	<u>-</u>	<u>(1,264)</u>
<u>(18,543,170)</u>	<u>-</u>	<u>(18,543,170)</u>
-	5,621,768	5,621,768
<u>-</u>	<u>415,149</u>	<u>415,149</u>
<u>-</u>	<u>6,036,917</u>	<u>6,036,917</u>
<u>(18,543,170)</u>	<u>6,036,917</u>	<u>(12,506,253)</u>
7,211,204	-	7,211,204
7,671,638	-	7,671,638
974,076	-	974,076
135,677	240,390	376,067
115,078	-	115,078
<u>1,185,396</u>	<u>(1,185,396)</u>	<u>-</u>
<u>17,293,069</u>	<u>(945,006)</u>	<u>16,348,063</u>
(1,250,101)	5,091,911	3,841,810
<u>31,502,869</u>	<u>49,054,093</u>	<u>80,556,962</u>
<u>\$ 30,252,768</u>	<u>\$ 54,146,004</u>	<u>\$ 84,398,772</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents--Note D	\$ 5,226,995	\$ 589,239	\$ 5,816,234
Receivables			
Property taxes, less allowance for doubtful accounts of \$93,861	168,579	-	168,579
Due from other funds-Note G	5,057	-	5,057
Due from other governments	1,414,039	64,917	1,478,956
Other	256,408	-	256,408
Investments--Note D	5,107,004	25,419	5,132,423
Inventories	<u>222,344</u>	<u>-</u>	<u>222,344</u>
TOTAL ASSETS	<u>\$ 12,400,426</u>	<u>\$ 679,575</u>	<u>\$ 13,080,001</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 376,405	\$ 56,443	\$ 432,848
Due to other funds-Note G	-	5,057	5,057
Other liabilities	592,226	-	592,226
Deferred revenue	1,351,769	-	1,351,769
Unearned revenue	<u>-</u>	<u>167,146</u>	<u>167,146</u>
TOTAL LIABILITIES	<u>2,320,400</u>	<u>228,646</u>	<u>2,549,046</u>
Fund balance			
Unreserved, reported in			
General fund			
Designated for subsequent year's expenditures	947,128	-	947,128
Undesignated	<u>9,132,898</u>	<u>-</u>	<u>9,132,898</u>
	<u>10,080,026</u>	<u>-</u>	<u>10,080,026</u>
Special revenue funds	<u>-</u>	<u>450,929</u>	<u>450,929</u>
	<u>10,080,026</u>	<u>450,929</u>	<u>10,530,955</u>
TOTAL LIABILITIES, AND FUND BALANCES	<u>\$ 12,400,426</u>	<u>\$ 679,575</u>	<u>\$ 13,080,001</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2003

Total fund balances for governmental funds	\$ 10,530,955
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,787,637
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of year end and local option sales tax collected in the current year, but deferred in the governmental funds and used to reduce property taxes in the subsequent year.	1,351,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,417,593)</u>
Net assets of governmental activities	<u>\$ 30,252,768</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 7,320,927	\$ -	\$ 7,320,927
Licenses and fees	7,671,638	-	7,671,638
Intergovernmental	1,820,201	981,835	2,802,036
Charges for services	1,126,651	191,164	1,317,815
Fines and forfeitures	785,772	-	785,772
Investment earnings	124,795	10,882	135,677
Miscellaneous	<u>127,211</u>	<u>315,537</u>	<u>442,748</u>
TOTAL REVENUES	<u>18,977,195</u>	<u>1,499,418</u>	<u>20,476,613</u>
Expenditures			
Current			
General government	2,133,897	472,046	2,605,943
Public safety	9,136,979	313,522	9,450,501
Public works	3,470,619	-	3,470,619
Culture and recreation	904,470	171,509	1,075,979
Community development	-	741,417	741,417
Nondepartmental	3,510,103	-	3,510,103
Debt Service			
Principal	11,546	37,118	48,664
Interest	1,623	361	1,984
Capital Outlay	<u>2,474,976</u>	<u>-</u>	<u>2,474,976</u>
TOTAL EXPENDITURES	<u>21,644,213</u>	<u>1,735,973</u>	<u>23,380,186</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(2,667,018)</u>	<u>(236,555)</u>	<u>(2,903,573)</u>
Other Financing Sources (Uses)			
Transfers in	1,778,658	43,557	1,822,215
Transfers out	<u>(150,000)</u>	<u>(85,331)</u>	<u>(235,331)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,628,658</u>	<u>(41,774)</u>	<u>1,586,884</u>
NET CHANGE IN FUND BALANCE	(1,038,360)	(278,329)	(1,316,689)
Fund balance at beginning of year	<u>11,118,386</u>	<u>729,258</u>	<u>11,847,644</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,080,026</u>	<u>\$ 450,929</u>	<u>\$ 10,530,955</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2003

Net change in fund balances-total governmental funds	\$ (1,316,689)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	783,881
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(511,564)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(109,723)
Payment of capital lease principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net assets.	48,664
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 governmental funds.	<u>(144,670)</u>
Change in net assets of governmental activities	<u>\$ (1,250,101)</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
General Fund
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 7,137,500	\$ 7,221,500	\$ 7,320,927	\$ 99,427
Licenses and fees	6,710,000	7,060,000	7,671,638	611,638
Intergovernmental	1,655,700	1,820,350	1,820,201	(149)
Charges for services	1,197,000	1,120,000	1,126,651	6,651
Fines and forfeitures	988,100	782,600	785,772	3,172
Investment earnings	250,000	100,000	124,795	24,795
Miscellaneous	<u>115,700</u>	<u>70,700</u>	<u>127,211</u>	<u>56,511</u>
TOTAL REVENUES	<u>18,054,000</u>	<u>18,175,150</u>	<u>18,977,195</u>	<u>802,045</u>
Expenditures				
Current				
General government	2,086,160	2,147,290	2,133,897	13,393
Public safety	9,432,820	9,184,080	9,136,979	47,101
Public works	3,451,430	3,489,310	3,470,619	18,691
Culture and recreation	1,644,550	887,050	904,470	(17,420)
Non-departmental	2,677,780	3,855,830	3,510,103	345,727
Debt Service				
Principal	11,546	11,546	11,546	-
Interest	1,623	1,623	1,623	-
Capital Outlay	<u>444,091</u>	<u>2,676,821</u>	<u>2,474,976</u>	<u>201,845</u>
TOTAL EXPENDITURES	<u>19,750,000</u>	<u>22,253,550</u>	<u>21,644,213</u>	<u>609,337</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,696,000)</u>	<u>(4,078,400)</u>	<u>(2,667,018)</u>	<u>1,411,382</u>
Other Financing Sources (Uses)				
Transfers in	1,696,000	1,695,500	1,778,658	83,158
Transfers out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,696,000</u>	<u>1,545,500</u>	<u>1,628,658</u>	<u>83,158</u>
NET CHANGE IN FUND BALANCE	-	(2,532,900)	(1,038,360)	1,494,540
Fund balance at beginning of year	<u>11,118,386</u>	<u>11,118,386</u>	<u>11,118,386</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 11,118,386</u>	<u>\$ 8,585,486</u>	<u>\$ 10,080,026</u>	<u>\$ 1,494,540</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-type Activities - - Enterprise Funds		
	Water & Sewer Fund	Non-Major Enterprise Funds	Total
ASSETS			
Current assets			
Cash and cash equivalents--Note D	\$ 4,012,383	\$ 791,483	\$ 4,803,866
Accounts receivable--Note E	2,791,200	77,528	2,868,728
Receivable—other--Note E	1,418,844	-	1,418,844
Investments--Note D	5,852,544	-	5,852,544
Inventories	<u>323,172</u>	<u>-</u>	<u>323,172</u>
Total current assets	<u>14,398,143</u>	<u>869,011</u>	<u>15,267,154</u>
Noncurrent assets			
Unamortized loan expense	<u>845,728</u>	<u>-</u>	<u>845,728</u>
Capital assets--Note F			
Land	1,319,440	-	1,319,440
Buildings and system	125,233,414	1,965,725	127,199,139
Construction in process	8,646,506	-	8,646,506
Machinery and equipment	5,049,566	131,410	5,180,976
Less accumulated depreciation	<u>(26,481,631)</u>	<u>(1,704,821)</u>	<u>(28,186,452)</u>
Total Capital Assets (Net Of Accumulated Depreciation)	<u>113,767,295</u>	<u>392,314</u>	<u>114,159,609</u>
Total noncurrent assets	<u>114,613,023</u>	<u>392,314</u>	<u>115,005,337</u>
TOTAL ASSETS	<u>\$ 129,011,166</u>	<u>\$ 1,261,325</u>	<u>\$ 130,272,491</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,125,925	\$ 12,232	\$ 2,138,157
Accrued interest	802,858	-	802,858
Other liabilities	128,243	12,657	140,900
Customer deposits	35,141	-	35,141
Notes payable—current--Note I	1,825,957	-	1,825,957
Revenue bonds payable—current--Note I	<u>1,770,673</u>	<u>-</u>	<u>1,770,673</u>
Total current liabilities	<u>6,688,797</u>	<u>24,889</u>	<u>6,713,686</u>
Noncurrent liabilities--Note I			
Compensated absences	347,711	35,118	382,829
Notes payable	31,518,177	-	31,518,177
Revenue bonds payable	<u>37,511,795</u>	<u>-</u>	<u>37,511,795</u>
Total noncurrent liabilities	<u>69,377,683</u>	<u>35,118</u>	<u>69,412,801</u>
TOTAL LIABILITIES	<u>76,066,480</u>	<u>60,007</u>	<u>76,126,487</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,183,563	392,314	41,575,877
Unrestricted	<u>11,761,123</u>	<u>809,004</u>	<u>12,570,127</u>
TOTAL NET ASSETS	<u>\$ 52,944,686</u>	<u>\$ 1,201,318</u>	<u>\$ 54,146,004</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Revenues, Expenses and Changes in Funds Net Assets
Proprietary Funds
Year Ended June 30, 2003

	Business-type Activities - - Enterprise Funds		
	Water & Sewer Fund	Non-Major Enterprise Funds	Total
Operating Revenues			
Current use charges	\$ 18,227,643	\$ -	\$ 18,227,643
Miscellaneous	429,997	53,564	483,561
Water and sewer tap fees	489,342	-	489,342
Stormwater service fees	<u>-</u>	<u>1,004,784</u>	<u>1,004,784</u>
TOTAL OPERATING REVENUES	<u>19,146,982</u>	<u>1,058,348</u>	<u>20,205,330</u>
Operating Expenses			
Personnel	2,871,784	300,506	3,172,290
Employee benefits	868,957	97,132	966,089
Purchased services	3,521,066	88,833	3,609,899
Supplies and materials	643,313	29,370	672,683
Other expenses	591,791	968	592,759
Depreciation and amortization	<u>3,424,499</u>	<u>126,390</u>	<u>3,550,889</u>
TOTAL OPERATING EXPENSES	<u>11,921,410</u>	<u>643,199</u>	<u>12,564,609</u>
OPERATING INCOME	<u>7,225,572</u>	<u>415,149</u>	<u>7,640,721</u>
Non-operating revenues (expenses)			
Investment earnings	235,587	4,803	240,390
Interest expense	<u>(3,514,373)</u>	<u>-</u>	<u>(3,514,373)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,278,786)</u>	<u>4,803</u>	<u>(3,273,983)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	3,946,786	419,952	4,366,738
Capital contributions	1,928,209	407,330	2,335,539
Transfers in	-	150,000	150,000
Transfers out	<u>(1,535,482)</u>	<u>(224,884)</u>	<u>(1,760,366)</u>
Change in net assets	4,339,513	752,398	5,091,911
Net assets at beginning of year	<u>48,605,173</u>	<u>448,920</u>	<u>49,054,093</u>
NET ASSETS AT END OF YEAR	<u>\$ 52,944,686</u>	<u>\$ 1,201,318</u>	<u>\$ 54,146,004</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003

	Business-type Activities - -Enterprise Funds		
	Water & Sewer Fund	Non-Major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 18,566,794	\$ 1,011,478	\$ 19,578,272
Payments to suppliers	(6,711,915)	(108,119)	(6,820,034)
Payments to employees	(3,662,837)	(388,291)	(4,051,128)
Other receipts	593,246	63,210	656,456
Other payments	<u>(591,791)</u>	<u>(3,451)</u>	<u>(595,242)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,193,497</u>	<u>574,827</u>	<u>8,768,324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	150,000	150,000
Transfers out	<u>(1,512,000)</u>	<u>(224,884)</u>	<u>(1,736,884)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,512,000)</u>	<u>(74,884)</u>	<u>(1,586,884)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	498,170	-	498,170
Additions to property, plant and equipment	(21,898,790)	(66,081)	(21,964,871)
Disposals of property, plant and equipment	13,237	13,057	26,294
Principal paid on bonds and notes	(3,688,273)	-	(3,688,273)
Interest paid on bonds and notes	(3,326,816)	-	(3,326,816)
Proceeds of notes payable	13,916,476	-	13,916,476
Payments of debt issue costs	<u>(96,909)</u>	<u>-</u>	<u>(96,909)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,582,905)</u>	<u>(53,024)</u>	<u>(14,635,929)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	12,748,403	-	12,748,403
Purchase of investments	(7,764,898)	-	(7,764,898)
Investment income	<u>227,243</u>	<u>4,803</u>	<u>232,046</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,210,748</u>	<u>4,803</u>	<u>5,215,551</u>
NET INCREASE (DECREASE) IN CASH	(2,690,660)	451,722	(2,238,938)
Cash at beginning of year	<u>6,703,043</u>	<u>339,761</u>	<u>7,042,804</u>
CASH AT END OF YEAR	<u>\$ 4,012,383</u>	<u>\$ 791,483</u>	<u>\$ 4,803,866</u>

(Continued)

City of Florence, South Carolina
Statement of Cash Flows - - Continued
Proprietary Funds
Year Ended June 30, 2003

	Business-type Activities - - Enterprise Fund		
	Water & Sewer Fund	Non-Major Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	<u>\$ 7,225,572</u>	<u>\$ 415,149</u>	<u>\$ 7,640,721</u>
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	3,346,056	126,390	3,472,446
Amortization	78,443	-	78,443
Changes in assets and liabilities			
Increase (decrease) in receivables	(148,933)	6,694	(142,239)
(Increase) decrease in inventories	(62,318)	9,646	(52,672)
Decrease in due from other funds	163,249	-	163,249
Increase (decrease) in accounts payable	(2,485,218)	10,084	(2,475,134)
Decrease in customer deposits	(1,258)	-	(1,258)
Increase in compensated absences	48,025	7,577	55,602
Increase (decrease) in other liabilities	<u>29,879</u>	<u>(713)</u>	<u>29,166</u>
TOTAL ADJUSTMENT	<u>967,925</u>	<u>159,678</u>	<u>1,127,603</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,193,497</u>	<u>\$ 574,827</u>	<u>\$ 8,768,324</u>
NON-CASH CAPITAL, FINANCING AND INVESTING ACTIVITIES			
Property, plant and equipment contributed by general fund	\$ 17,640	\$ 407,330	\$ 424,970
Property, plant and equipment transferred to general fund	23,482	-	23,482
Net increase in the fair value of investments	8,344	-	8,344

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2003

ASSETS

Cash and cash equivalents--Note D	\$ 196,206
Investments--Note D	<u>49,376</u>

TOTAL ASSETS \$ 245,582

LIABILITIES

Due to others	<u>\$ 245,582</u>
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The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina

Notes To Financial Statements

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Chartered in 1890, the City of Florence operates under a council-manager form of government and provides the following services: public safety, streets, sanitation, culture and recreation, public improvements, water and sewer, and general administrative services. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The City, for financial purposes, includes all of the funds relevant to the operations of the City of Florence. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Florence.

Related Organizations

The City is responsible for appointing the members of the board of the Housing Authority of Florence, but the City's accountability for this organization does not extend beyond making appointments.

Joint Ventures

The City is a participant with Florence County in a joint venture to operate the Florence City-County Civic Center. Both the City and County contribute \$625,000 annually as its share of the cost of the Civic Center. Any additional funding shortfall is to be paid equally by the City and County. The Civic Center Commission is comprised of nine members, four appointed by the City, four appointed by the County, and one by the members of the Commission. Neither of the participating governments have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements. Complete financial statements for the Florence City-County Civic Center can be obtained from the Director at 1 Civic Center Plaza, Florence, South Carolina.

2. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 takes effect for entities the size of the City during the fiscal year ending June 30, 2003. One of the changes required by GASB 34 is the presentation of current and accumulated depreciation by activity. Another important change is the requirement to present original adopted budget as well as the final amended budget in the budgetary comparison statements.

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

2. Government-wide and Fund Financial Statements - - Continued

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than, major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Owner Occupied Rehab, Home Program, Community Development Block Grant, Park Commission, All American City, Fire, Leisure Service Program, Athletic Leagues, F.F. Athletic Leagues, Drug Free Florence, Downtown as a Classroom, E-911, Victim's Rights, Drug Control, Federal Equitable Sharing, LLEBG, Safety Committee, Street Paving/Resurfacing, Summer Youth Program, Accommodation Tax, Leisure Service Registration, Employee Assistance, Economic Promotion, and Police Chaplain Funds.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These funds consist of Water and Sewer, Stormwater Utility and Concessions Funds.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the City as an agent for individuals and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds consist of Keep America Beautiful, Human Relations Council, Florence Co. Municipal Assoc., Police Cabin, Court Escrow, and Narcotics Holding Funds.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions 3) capital grants and contributions. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. 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.

The City has elected to apply Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements are inconsistent with GASB pronouncements: FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB).

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Taxpayer-assessed property taxes and other sources of funds are considered "measurable" when in the hands of intermediary collecting governments, and are recognized as revenue at that time or if they are

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Governmental Fund Financial Statements - - Continued

collected within 60 days of year end. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major government fund: General Fund. This 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 City reports the following major enterprise fund: Water and Sewer. This fund is used to account for transactions relating to the operations of the City water and sewer system.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes checking accounts, money market accounts and certificates of deposits. The City is authorized to invest in obligations of the U. S. Treasury and U. S. Agencies and instrumentalities, repurchase agreements, certificates of deposit and the state treasurer's investment pool.

All investments are reported at fair value. The fair value of U. S. Government securities is based on sales prices or bid-and-asked quotations on national securities exchanges or in the over-the counter market. The City owns no identifiable securities, but is a shareholder of a percentage of the South Carolina Local Government Investment Pool. Fair value was provided by the South Carolina Local Government Investment Pool and is the same as the value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax and accounts receivables are shown net of an allowance for uncollectibles.

Property taxes on real property and personal property, other than licensed motor vehicles, attach as an enforceable lien on property as of January 1. Taxes are levied on September 30 and are due and payable at that time. All unpaid taxes levied September 30 are due on January 15, and become delinquent on March 16. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Florence County bills and collects property taxes for the City.

Inventory

Inventory is valued at cost, which approximates market, using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the General Fund consists of supplies held for consumption and in the Enterprise Fund, supplies held for consumption or items held for resale.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Capital Assets

Governmental Funds

Capital outlays are recorded as expenditures on the governmental fund financial statements and as assets on the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 for equipment and site improvements, \$15,000 for buildings and building improvements and \$50,000 for infrastructure is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Management estimates historical cost when necessary. Donated assets are valued at their fair market value on the date donated.

Proprietary Fund Types

Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on management estimates, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized.

Property, plant and equipment is depreciated using the straight line method over the estimated useful lives:

Buildings and system	3-60 years
Machinery and equipment	3-20 years
Infrastructure	10-30 years

Deferred and Unearned Revenues

Deferred revenues in the General Fund represent delinquent property taxes receivable expected to be collected later than sixty days after the end of the fiscal year and local option sales taxes collected in the current year, but used to reduce property taxes in the subsequent year. Unearned revenues in the Special Revenue Fund represents money received in advance for a project or grant in which the expenditure will be made in a subsequent year.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned, but unused vacation and sick leave, which will be paid to employees upon separation from City's service. Accumulated unpaid vacation and sick leave pay is accrued when incurred in the government-wide and proprietary financial statements.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Long-term Obligations - - Continued

Revenue bonds payable in proprietary funds are reported net of the deferred amounts on refunding. The deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. This amount is amortized as a component of interest expense, using the straight-line basis, over the life of the old debt or new debt, whichever is shorter.

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 the 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.

Net Assets/Fund Equity

Net Assets in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulation of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance in the General Fund at June 30, 2003 is designated as follows.

Civic Center	\$ 684,928
General government	<u>262,200</u>
	<u>\$ 947,128</u>

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$1,417,593 difference are as follows:

Accrued interest payable	\$ 768
Capital leases payable	12,331
Compensated absences	<u>1,404,494</u>

Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,417,593</u>
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City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT - - Continued

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense." The details of this \$783,881 difference are as follows:

Capital outlay	\$ 2,474,976
Depreciation expense	<u>(1,691,095)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 783,881</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The details of this \$511,564 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (86,594)
The statement of activities reports transfers of capital assets between funds. Conversely, governmental funds do not report transfers of capital assets between funds.	<u>(424,970)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (511,564)</u>

Another element of that reconciliation states that "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 governmental funds." The details of this \$144,670 difference are as follows:

Compensated absences	\$ (145,390)
Accrued interest	<u>720</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (144,670)</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Formal budgetary integration is employed as a management control device during the year for General Fund and Enterprise Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Legal budgets are adopted only for the General Fund and Enterprise Fund. Thus, the budgetary financial statements included in this report do not include Special Revenue Funds or Agency Funds.
2. The City Council approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (general government, capital outlay, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the original amounts and the final authorized amounts as revised during the year. The City made a mid-year supplemental budgetary appropriation.

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

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

NOTE D - DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's deposits with financial institutions at June 30, 2003 was \$10,810,261 and the bank balance was \$10,852,304. At June 30, 2003, the City had cash on hand of \$6,045. The bank balance is categorized as follows:

Insured or collateralized with securities held by the City or by the City's agent in the City's name	\$ 323,348
Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	10,528,956
Uncollateralized	<u>-</u>
	<u>\$ 10,852,304</u>

During February, 2002, the City awarded its cash management contract to Carolina First Bank for the next five years. Funds in excess of the compensating balance, which was \$24,760 at June 30, 2003 are invested.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE D - DEPOSITS AND INVESTMENTS - - Continued

Investments

The City is authorized to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, certificates of deposit and the state treasurer's investment pool.

Investments made by the City are summarized below. The government's investments are classified as to credit risk by these three categories: (1) insured or registered or for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the governments' name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its safekeeping department or agent but not in the government's name.

	<u>1</u>	<u>Categories</u>		<u>Fair</u>
		<u>2</u>	<u>3</u>	<u>Value</u>
U. S. Government securities	<u>\$ 10,478,478</u>	-	-	\$ 10,478,478
South Carolina Local Government Investment Pool				<u>555,865</u>
				<u>\$ 11,034,343</u>

All investments are reported at fair value. The fair value of U. S. Government securities is based on sales prices or bid-and-asked quotations on national securities exchanges or in the over-the-counter market. Investments of the South Carolina Local Government Investment Pool are exempt from risk categorization because third party custodians take delivery of the investment securities. South Carolina Local Government Investment Pool is exempt from registration with the SEC under the Investment Company Act of 1940 because of the provisions of Section 2B and is not subject to any regulatory oversight. The City owns no identifiable securities, but is a shareholder of a percentage of the South Carolina Local Government Investment Pool. Fair value was provided by the South Carolina Local Government Investment Pool and is the same as the value of the pool shares.

NOTE E - RECEIVABLES

Receivables as of June 30, 2003, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Non-Major</u>	<u>Total</u>
Accounts	\$ -	\$ 2,819,394	\$ 86,142	\$ 2,905,536
Taxes	262,440	-	-	262,440
Intergovernmental	1,414,039	-	64,917	1,478,956
Other	<u>256,408</u>	<u>1,418,844</u>	<u>-</u>	<u>1,675,252</u>
Gross receivables	1,932,887	4,238,238	151,059	6,322,184
Less: Allowance for uncollectibles	<u>(93,861)</u>	<u>(28,194)</u>	<u>(8,614)</u>	<u>(130,669)</u>
	<u>\$ 1,839,026</u>	<u>\$ 4,210,044</u>	<u>\$ 142,445</u>	<u>\$ 6,191,515</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE E - RECEIVABLES - - Continued

Governmental funds report deferred revenue 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 June 30, 2003, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 99,509	\$ -
Local option sales tax receivable	1,252,260	-
Grant draw downs prior to meeting all eligibility requirements	-	167,146
	<u>\$ 1,351,769</u>	<u>\$ 167,146</u>

NOTE F - CAPITAL ASSETS

A summary of the changes in the City's capital assets for governmental activities is as follows:

	Restated Balances June 30, 2002	Increases	Decreases	Balances June 30, 2003
Capital assets, cost				
Land	\$ 3,791,319	\$ -	\$ -	\$ 3,791,319
Buildings	5,330,902	-	-	5,330,902
Infrastructure	15,661,985	27,064	1,965,725	13,723,324
Machinery and equipment	8,495,184	2,449,514	670,592	10,274,106
Construction in progress	-	26,000	-	26,000
	<u>33,279,390</u>	<u>2,502,578</u>	<u>2,636,317</u>	<u>33,145,651</u>
Less-accumulated depreciation for:				
Buildings	1,810,850	119,716	-	1,930,566
Infrastructure	6,606,038	576,290	1,558,395	5,623,933
Machinery and equipment	<u>5,347,182</u>	<u>995,089</u>	<u>538,756</u>	<u>5,803,515</u>
	<u>13,764,070</u>	<u>1,691,095</u>	<u>2,097,151</u>	<u>13,358,014</u>
Capital assets-net	<u>\$ 19,515,320</u>	<u>\$ 811,483</u>	<u>\$ 539,166</u>	<u>\$ 19,787,637</u>

The gross cost and accumulated depreciation balances at June 30, 2002 were restated to capitalize infrastructure assets, adjust cost of assets, delete assets based on capitalization threshold and to record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. The costs of assets as of June 30, 2002 were restated as follows:

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE F - CAPITAL ASSETS - - Continued

	Balances	Restatement		Restated
	June 30, 2002	Additions	Deletions	Balances
				June 30, 2002
Land	\$ 968,624	\$ 2,822,695	\$ -	\$ 3,791,319
Buildings	4,090,210	1,240,692	-	5,330,902
Infrastructure	3,644,137	12,017,848	-	15,661,985
Machinery and equipment	<u>10,571,742</u>	<u>305,530</u>	<u>2,382,088</u>	<u>8,495,184</u>
	<u>\$ 19,274,713</u>	<u>\$ 16,386,765</u>	<u>\$ 2,382,088</u>	<u>\$ 33,279,390</u>

A summary of the City's capital assets for business type activities is as follows:

	Balances			Balances
	June 30, 2002	Increases	Decreases	June 30, 2003
Capital assets, cost				
Land	\$ 1,304,090	\$ 15,350	\$ -	\$ 1,319,440
Buildings and system	73,175,664	54,072,461	48,986	127,199,139
Machinery and equipment	4,979,094	406,918	205,036	5,180,976
Construction in progress	<u>37,182,406</u>	<u>7,810,350</u>	<u>36,346,250</u>	<u>8,646,506</u>
	<u>116,641,254</u>	<u>62,305,079</u>	<u>36,600,272</u>	<u>142,346,061</u>
Less-accumulated depreciation for:				
Buildings and system	19,986,217	4,523,372	8,391	24,501,198
Machinery and equipment	<u>3,292,165</u>	<u>522,814</u>	<u>129,725</u>	<u>3,685,254</u>
	<u>23,278,382</u>	<u>5,046,186</u>	<u>138,116</u>	<u>28,186,452</u>
Capital assets-net	<u>\$ 93,362,872</u>	<u>\$ 57,258,893</u>	<u>\$ 36,462,156</u>	<u>\$ 114,159,609</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 47,578
Public safety	522,738
Public works	819,483
Culture and recreation	<u>301,296</u>
Total depreciation-governmental activities	<u>\$ 1,691,095</u>
Business-Type Activities	
Water and sewer	\$ 3,346,056
Stormwater	<u>126,390</u>
Total depreciation-business-type activities	<u>\$ 3,472,446</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2003 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,057	\$ -
Nonmajor governmental	<u>-</u>	<u>5,057</u>
Total	<u>\$ 5,057</u>	<u>\$ 5,057</u>

The balances are for reimbursable expenditures and will be paid within 30 days.

Interfund transfers for the year ended June 30, 2003, are as follows:

	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	
<u>Transfer out</u>				
General fund	\$ 150,000	\$ -	\$ -	\$ 150,000
Nonmajor governmental funds	41,774	43,557	-	85,331
Water and sewer enterprise fund	1,535,482	-	-	1,535,482
Nonmajor enterprise funds	<u>74,884</u>	<u>-</u>	<u>150,000</u>	<u>224,884</u>
Total transfers out	<u>\$1,802,140</u>	<u>\$ 43,557</u>	<u>\$ 150,000</u>	<u>1,995,697</u>

Transfer in of capital assets:

To general fund from water and sewer enterprise fund	<u>(23,482)</u>
Total transfers in	<u>\$ 1,972,215</u>

In the fund financial statements, total transfers in of \$1,972,215 are less than total transfers out of \$1,995,697 because of the treatment of transfers of capital assets from enterprise fund. During the year existing capital assets related to enterprise funds, with a book value of \$23,482, were transferred to the general fund. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the enterprise fund did report a transfer out of the capital resources transferred.

The transfers consist primarily of \$1,512,000 to General Fund from Water and Sewer Enterprise Fund based on budgetary authorization.

NOTE H - CAPITAL LEASES

The City has entered into lease purchase agreements to fund the purchase of vehicles for the fire department.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE H - CAPITAL LEASES - - Continued

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2003, were as follows:

Year Ending June 30	
2004	\$ 13,169
Less, amount representing interest	<u>838</u>
Present value of minimum lease payments	<u>\$ 12,331</u>

NOTE I - LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
<u>Governmental Activities</u>					
Capital leases	\$ 60,995	\$ -	\$ 48,664	\$ 12,331	\$ 12,331
Compensated absences	<u>1,259,104</u>	<u>145,390</u>	<u>-</u>	<u>1,404,494</u>	<u>-</u>
	<u>\$ 1,320,099</u>	<u>\$ 145,390</u>	<u>\$ 48,664</u>	<u>\$ 1,416,825</u>	<u>\$ 12,331</u>
<u>Business-type Activities</u>					
Revenue Bonds					
Water and Sewer	\$ 33,445,000	\$ 8,360,000	\$ 1,865,000	\$ 39,940,000	\$ 1,950,000
Less unamortized amount deferred for refunding	<u>(836,859)</u>	<u>-</u>	<u>(179,327)</u>	<u>(657,532)</u>	<u>(179,327)</u>
Total bonds payable	32,608,141	8,360,000	1,685,673	39,282,468	1,770,673
Notes Payable					
Water and Sewer	29,610,931	5,556,476	1,823,273	33,344,134	1,825,957
Compensated absences					
Water and Sewer	299,686	48,025	-	347,711	-
Stormwater	<u>27,541</u>	<u>7,577</u>	<u>-</u>	<u>35,118</u>	<u>-</u>
	<u>\$ 62,546,299</u>	<u>\$ 13,972,078</u>	<u>\$ 3,508,946</u>	<u>\$ 73,009,431</u>	<u>\$ 3,596,630</u>

For governmental activities, compensated absences are liquidated by the General Fund and capital leases are liquidated by the General Fund and Special Revenue Funds.

The following table summarizes the City's revenue bonds and notes payable:

	Date of Issuance	Original Issue	Interest Rate	Final Maturity	Balance June 30, 2003
<u>Revenue Bonds</u>					
Series 1993		\$ 14,815,000	4.90 to 5.20	3/1/2007	\$ 6,660,000
Series 2000		25,690,000	5.50 to 7.50	3/1/2030	24,920,000
Series 2002		8,360,000	3.80	9/1/2017	8,360,000

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE I - LONG-TERM DEBT - - Continued

Notes Payable

August 1991	1,100,000	4.25	7/1/2012	476,358
June 1993	23,828,128	4.25	12/1/2014	16,076,698
May 1999	2,767,997	3.50	3/1/2020	2,438,579
May 2000	6,210,343	3.50	1/1/2032	6,029,679
May 2000	4,062,403	4.25	6/1/2032	3,983,736
October 2002	3,821,332	0.00	1/1/2012	3,439,199
January 2003	2,517,834	3.75	2/1/2034	899,886

Revenue bond and notes payable debt service requirements to maturity are as follows:

Business-type Activities

Year Ended	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>							
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>					
2004	\$	1,950,000	\$	2,216,423	\$	1,825,957	\$	1,154,650	\$	3,775,957	\$	3,371,073
2005		2,050,000		2,108,673		2,014,684		1,114,632		4,064,684		3,223,305
2006		2,160,000		1,993,803		2,082,446		1,046,869		4,242,446		3,040,672
2007		2,270,000		1,871,870		2,153,037		976,277		4,423,037		2,848,147
2008		500,000		1,742,905		2,226,575		902,739		2,726,575		2,645,644
2009-2013		7,135,000		7,710,005		11,619,946		3,307,699		18,754,946		11,017,704
2014-2018		8,085,000		5,676,250		4,951,620		1,552,553		13,036,620		7,228,803
2019-2023		5,240,000		3,807,463		2,206,330		1,009,103		7,446,330		4,816,566
2024-2028		7,065,000		2,170,850		2,270,727		606,427		9,335,727		2,777,277
2029-2032		<u>3,485,000</u>		<u>290,400</u>		<u>1,992,812</u>		<u>149,516</u>		<u>5,477,812</u>		<u>439,916</u>
		<u>\$ 39,940,000</u>		<u>\$ 29,588,642</u>		<u>\$ 33,344,134</u>		<u>\$ 11,820,465</u>		<u>\$ 73,284,134</u>		<u>\$ 41,409,107</u>

NOTE J - EMPLOYEE BENEFITS

The City is a member of the South Carolina Governmental Retirement System (SCRS) and the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost-sharing multiple-employer public employee retirement systems and are administered by the South Carolina Retirement Systems. Benefit provisions, contribution rates and amendment authority are established under the authority of Title 9 of the South Carolina Code of Laws.

Generally, all employees are required to participate and contribute to the SCRS as a condition of employment. The normal cost is funded by contributions from the members at a rate of 6% of wages earned for the year. The employer's contribution rate is 6.70%. Employees who retire at or after age 65 or with 28 years of credited service are entitled to full retirement benefits, payable for life, with an annual rate equal to 1.82% of average final compensation, for each year of credited service. Vested employees are entitled to deferred annuity commencing at age 60.

Generally, all full-time employees whose principal duties are the preservation of public order, protection or prevention and control of property destruction by fire are eligible to participate in the SCPORS. The basic pension program is funded by contributions from the members at a 6.5% rate. The employer's contribution rate is 10.3%. There are no early retirement provisions under SCPORS. A member must have 25 years service for full retirement or must be age 55 with 5 years service, both criteria provide for full formula benefit, payable for life with an annual rate equal to 2.14% of average final compensation, for each year of credited service.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE J - EMPLOYEE BENEFITS - - Continued

During the year the City contributed \$465,923 to the SCRS and \$597,193 to the SCPORS. Contributions by employees during the year were \$382,567 to the SCRS and \$339,591 to the SCPORS. The City's covered payroll for the SCRS and SCPORS was \$6,376,093 and \$5,224,462, respectively. Total current year payroll for all employees was \$12,578,367.

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 by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Three-Year Trend Information

Year Ended	<u>SCRS</u>		<u>SCPORS</u>	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
June 30, 2001	\$ 388,752	100	\$ 541,442	100
June 30, 2002	421,594	100	551,941	100
June 30, 2003	465,923	100	597,193	100

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is administered by the State of South Carolina Deferred Compensation Commission as agent for the City. The plan is available to all employees and allows them to defer a portion of their salary to future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies.

Prior to July 24, 1998, IRC Section 457 plan balances were displayed in an agency fund of the government that had access to the resources regardless of whether the assets are held by the government or an outside third party. However, on July 24, 1998, the State of South Carolina Deferred Compensation Commission established a trust for IRC Section 457 plan assets and income for the exclusive benefit of participants and their beneficiaries. This establishment was required by the Small Business Job Protection Act of 1996.

In addition to providing retirement benefits, City Council passed resolution 98-05 on May 11, 1998, providing retired employees certain health care benefits. City employees who meet all criteria for retirement under the South Carolina Retirement and Police Retirement Systems and had worked for the City for a minimum of 15 years of continuous service are eligible for these benefits. At June 30, 2003, thirty eight retirees meet those eligibility requirements. The city pays the following percentage of health and dental insurance premiums for pre-medicare retirees.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2003

NOTE J - EMPLOYEE BENEFITS - - Continued

<u>Years of Service</u>	<u>Percentage Paid By City</u>
30+ years	100%
25-29 years	90%
20-24 years	80%
15-19 years	70%

The City also is a secondary provider for each retiree eligible for Medicare. The cost of retiree health care benefits is recognized as expense as the premiums are paid. For the year ended June 30, 2003, these costs totaled \$103,064.

NOTE K - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains its insurance for tort liability, property, automobile fleet, boiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The City pays an annual premium to SCMIRF and SCMIT. The City carries a \$1,000 deductible under the SCMIRF plan and a \$500 deductible under the SCMIT plan. Claims below these thresholds are managed by the City. The SCMIRF will reinsure through commercial companies for claims in excess of \$1 million for each insured event. If the City's losses under SCMIT exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

NOTE L - COMMITMENTS

The City has committed itself on a number of construction and architectural contracts for General Fund and Water and Sewer Enterprise Fund capital improvements. As of June 30, 2003, the outstanding commitments total \$7,774,083. During January 2003, the City closed loans for \$2.5 million from the S.C. Water Pollution Revolving Fund to be used for Water and Sewer Enterprise Fund capital improvements. As of June 30, 2003, \$1,617,948 of the loan proceeds had not been received by the City.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriates \$625,000 annually as its share of the cost of the Civic Center.

On July 1, 2002, the City of Florence and Florence County consolidated recreational facilities and recreational activity within Florence County with Florence County assuming the responsibility for the facilities and the recreational activities. Florence County leases from the City of Florence certain athletic parks and recreational facilities. The lease was effective on July 1, 2002, and will continue for an initial term of twenty years with an annual lease payment of one dollar per year. The lease will automatically extend for successive

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2003

NOTE L - COMMITMENTS - - Continued

five year periods unless either party delivers written notice to the other party that the party does not consent to any further extension of the term. The City agreed to make declining annual payments to the County on a quarterly basis by fiscal year. The annual payment was \$675,000 for the fiscal year ending June 30, 2003. The annual payment will decline by \$67,500 for each fiscal year after June 30, 2003. The final annual payment is to be \$67,500 for the fiscal year ended June 30, 2012.

NOTE M - CONTINGENCIES

The City is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2003 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

To account for revenue from grants and other sources that is legally restricted to expenditures for specific purposes.

Owner Occupied Rehab - This fund is used to account for funds received for rehab of owner occupied residences.

Home Program - This fund is used to account for the expenditure of HOME investment partnerships program grant.

Community Development Block Grant - This fund is used to account for the expenditures of community development block grants.

Park Commission - This fund is used to account for funds received for various tree planting and beautification projects.

All American City - This fund is used to account for funds received for the All American City Competition.

Fire - This fund is used to account for collection of shared insurance premium rebates from the State of South Carolina and expenditures on behalf of City fireman.

Leisure Service Program - This fund is used to account for funds received for recreation programs.

Athletic Leagues - This fund is used to account for funds received for athletic leagues.

F. F. Athletic Leagues - This fund is used to account for funds received for athletic leagues at Freedom Florence.

Drug Free Florence - This fund is used to account for funds received to enhance drug enforcement efforts.

Downtown as a Classroom - This fund is used to account for funds received to provide education opportunities in the downtown area.

E-911 - This fund is used to account for funds received for communication cost for 911 emergency services.

Victim's Rights - This fund is used to account for funds received to provide services to victims of crime.

Drug Control - This fund is used to account for funds seized in drug related cases.

Federal Equitable Sharing - This fund is used to account for revenues derived from forfeitures of federally seized assets which are expended to enhance law enforcement.

LLEBG - This fund is used to account for grant funds to reduce crime and improve public safety.

Safety Committee - This fund is used to account for revenues received to provide educational programs related to safety issues.

Street Paving/Resurfacing - This fund is used to account for grant funds to pave and resurface city streets.

Summer Youth Program - This fund is used to account for funds received for a summer youth employment program.

Accommodation Tax - This fund is used to account for funds received from the State to promote tourism in the city.

Leisure Service Registration - This fund is used to account for funds received for athletic programs.

Employee Assistance - The fund is used to account for funds received to provide financial assistance to employees of the City with a financial emergency.

Economic Promotion - This fund is used to account for funds received to promote economic development.

Police Chaplain - This fund is used to account for funds received to assist visitors with emergency needs.

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Home Program	Community Development Block Grant	Park Commission	All American City
ASSETS				
Cash and cash equivalents	\$ 59,816	\$ -	\$ 3,343	\$ 3,983
Due from other governments	-	3,513	-	-
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 59,816</u>	<u>\$ 3,513</u>	<u>\$ 3,343</u>	<u>\$ 3,983</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,513	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>3,513</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Fund balances	<u>59,816</u>	<u>-</u>	<u>3,343</u>	<u>3,983</u>
TOTAL FUND BALANCES	<u>59,816</u>	<u>-</u>	<u>3,343</u>	<u>3,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,816</u>	<u>\$ 3,513</u>	<u>\$ 3,343</u>	<u>\$ 3,983</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	Downtown As a Classroom	E-911	Victim's Rights	Drug Control
\$ 3,429	\$ 13,473	\$ 17,045	\$ 841	\$ 12,261	\$ 230,568	\$ 12,036
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,419</u>
<u>\$ 3,429</u>	<u>\$ 13,473</u>	<u>\$ 17,045</u>	<u>\$ 841</u>	<u>\$ 12,261</u>	<u>\$ 230,568</u>	<u>\$ 37,455</u>
\$ 700	\$ 1,041	\$ -	\$ -	\$ -	\$ -	\$ 6,242
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>700</u>	<u>1,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,242</u>
<u>2,729</u>	<u>12,432</u>	<u>17,045</u>	<u>841</u>	<u>12,261</u>	<u>230,568</u>	<u>31,213</u>
<u>2,729</u>	<u>12,432</u>	<u>17,045</u>	<u>841</u>	<u>12,261</u>	<u>230,568</u>	<u>31,213</u>
<u>\$ 3,429</u>	<u>\$ 13,473</u>	<u>\$ 17,045</u>	<u>\$ 841</u>	<u>\$ 12,261</u>	<u>\$ 230,568</u>	<u>\$ 37,455</u>

(Continued)

City of Florence, South Carolina
Combining Balance Sheet - - Continued
Nonmajor Governmental Funds
June 30, 2003

	Federal Equitable Sharing	LLEBG	Safety Committee	Street Paving/ Resurfacing
ASSETS				
Cash and cash equivalents	\$ 14,208	\$ 169,022	\$ 8,165	\$ -
Due from other governments	-	-	-	7,821
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 14,208</u></u>	<u><u>\$ 169,022</u></u>	<u><u>\$ 8,165</u></u>	<u><u>\$ 7,821</u></u>
LIABILITIES				
Accounts payable	\$ 241	\$ -	\$ -	\$ 7,821
Due to other funds	-	-	-	-
Unearned revenue	<u>-</u>	<u>166,204</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>241</u>	<u>166,204</u>	<u>-</u>	<u>7,821</u>
FUND BALANCES				
Fund balances	<u>13,967</u>	<u>2,818</u>	<u>8,165</u>	<u>-</u>
TOTAL FUND BALANCES	<u>13,967</u>	<u>2,818</u>	<u>8,165</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 14,208</u></u>	<u><u>\$ 169,022</u></u>	<u><u>\$ 8,165</u></u>	<u><u>\$ 7,821</u></u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Leisure Service Registration	Employee Assistance	Economic Promotions	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ 27,632	\$ 942	\$ 3,602	\$ 7,058	\$ 1,815	\$ 589,239
1,544	52,039	-	-	-	-	64,917
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,419</u>
<u>\$ 1,544</u>	<u>\$ 79,671</u>	<u>\$ 942</u>	<u>\$ 3,602</u>	<u>\$ 7,058</u>	<u>\$ 1,815</u>	<u>\$ 679,575</u>
\$ -	\$ 40,278	\$ -	\$ 120	\$ -	\$ -	\$ 56,443
1,544	-	-	-	-	-	5,057
<u>-</u>	<u>-</u>	<u>942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,146</u>
<u>1,544</u>	<u>40,278</u>	<u>942</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>228,646</u>
<u>-</u>	<u>39,393</u>	<u>-</u>	<u>3,482</u>	<u>7,058</u>	<u>1,815</u>	<u>450,929</u>
<u>-</u>	<u>39,393</u>	<u>-</u>	<u>3,482</u>	<u>7,058</u>	<u>1,815</u>	<u>450,929</u>
<u>\$ 1,544</u>	<u>\$ 79,671</u>	<u>\$ 942</u>	<u>\$ 3,602</u>	<u>\$ 7,058</u>	<u>\$ 1,815</u>	<u>\$ 679,575</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2003

	Owner Occupied Rehab	Home Program	Community Development Block Grant	Park Commission	All American City
Revenues					
Intergovernmental	\$ -	\$ 30,560	\$ 438,831	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment earnings	228	2,170	-	28	37
Miscellaneous	<u>-</u>	<u>53,450</u>	<u>14,690</u>	<u>350</u>	<u>-</u>
TOTAL REVENUES	<u>228</u>	<u>86,180</u>	<u>453,521</u>	<u>378</u>	<u>37</u>
Expenditures					
General government	-	20,000	42,176	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	3,241	284,444	453,732	-	-
Debt service					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,241</u>	<u>304,444</u>	<u>495,908</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,013)</u>	<u>(218,264)</u>	<u>(42,387)</u>	<u>378</u>	<u>37</u>
Other Financing Sources (Uses)					
Transfers in	-	-	42,387	-	-
Transfers out	<u>(42,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(42,387)</u>	<u>-</u>	<u>42,387</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(45,400)	(218,264)	-	378	37
Fund balance at beginning of year	<u>45,400</u>	<u>278,080</u>	<u>-</u>	<u>2,965</u>	<u>3,946</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 59,816</u>	<u>\$ -</u>	<u>\$ 3,343</u>	<u>\$ 3,983</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Athletic Leagues	F.F. Athletic Leagues	Drug Free Florence	Downtown As a Classroom	E-911	Victim's Rights	Drug Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	12,895	-	-	-	-	178,269	-	-
335	120	-	-	166	7	173	2,395	2,877
<u>79,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,895</u>	<u>38,945</u>
<u>80,287</u>	<u>13,015</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>7</u>	<u>178,442</u>	<u>109,290</u>	<u>41,822</u>
78,575	-	-	-	1,082	-	142,660	-	-
-	-	-	-	-	-	-	128,981	42,235
-	7,813	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	37,118	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>-</u>
<u>78,575</u>	<u>7,813</u>	<u>-</u>	<u>-</u>	<u>1,082</u>	<u>-</u>	<u>180,139</u>	<u>128,981</u>	<u>42,235</u>
<u>1,712</u>	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>(916)</u>	<u>7</u>	<u>(1,697)</u>	<u>(19,691)</u>	<u>(413)</u>
-	1,170	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(681)</u>	<u>(489)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>1,170</u>	<u>(681)</u>	<u>(489)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,712	6,372	(681)	(489)	(916)	7	(1,697)	(19,691)	(413)
<u>1,017</u>	<u>6,060</u>	<u>681</u>	<u>489</u>	<u>17,961</u>	<u>834</u>	<u>13,958</u>	<u>250,259</u>	<u>31,626</u>
<u>\$ 2,729</u>	<u>\$ 12,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,045</u>	<u>\$ 841</u>	<u>\$ 12,261</u>	<u>\$ 230,568</u>	<u>\$ 31,213</u>

(Continued)

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - - Continued Nonmajor Governmental Funds Year Ended June 30, 2003

	Federal Equitable Sharing	LLEBG	Safety Committee	Street Paving/ Resurfacing
Revenues				
Intergovernmental	\$ -	\$ 120,478	\$ -	\$ 165,712
Charges for services	-	-	-	-
Investment earnings	117	2,034	77	-
Miscellaneous	<u>17,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>17,831</u>	<u>122,512</u>	<u>77</u>	<u>165,712</u>
Expenditures				
General government	-	-	-	165,712
Public safety	11,773	130,533	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>11,773</u>	<u>130,533</u>	<u>-</u>	<u>165,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,058</u>	<u>(8,021)</u>	<u>77</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,058	(8,021)	77	-
Fund balance at beginning of year	<u>7,909</u>	<u>10,839</u>	<u>8,088</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,967</u>	<u>\$ 2,818</u>	<u>\$ 8,165</u>	<u>\$ -</u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Leisure Service Registration	Employee Assistance	Economic Promotion	Police Chaplain	Total Nonmajor Governmental Funds
\$ 17,780	\$ 208,474	\$ -	\$ -	\$ -	\$ -	\$ 981,835
-	-	-	-	-	-	191,164
-	-	-	35	66	17	10,882
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,541</u>	<u>-</u>	<u>-</u>	<u>315,537</u>
<u>17,780</u>	<u>208,474</u>	<u>-</u>	<u>3,576</u>	<u>66</u>	<u>17</u>	<u>1,499,418</u>
17,780	-	-	4,061	-	-	472,046
-	-	-	-	-	-	313,522
-	163,696	-	-	-	-	171,509
-	-	-	-	-	-	741,417
-	-	-	-	-	-	37,118
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361</u>
<u>17,780</u>	<u>163,696</u>	<u>-</u>	<u>4,061</u>	<u>-</u>	<u>-</u>	<u>1,735,973</u>
<u>-</u>	<u>44,778</u>	<u>-</u>	<u>(485)</u>	<u>66</u>	<u>17</u>	<u>(236,555)</u>
-	-	-	-	-	-	43,557
<u>-</u>	<u>(34,174)</u>	<u>(7,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,331)</u>
<u>-</u>	<u>(34,174)</u>	<u>(7,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,774)</u>
-	10,604	(7,600)	(485)	66	17	(278,329)
<u>-</u>	<u>28,789</u>	<u>7,600</u>	<u>3,967</u>	<u>6,992</u>	<u>1,798</u>	<u>729,258</u>
<u>\$ -</u>	<u>\$ 39,393</u>	<u>\$ -</u>	<u>\$ 3,482</u>	<u>\$ 7,058</u>	<u>\$ 1,815</u>	<u>\$ 450,929</u>

The notes to the financial statements are an integral part of this statement.

ENTERPRISE FUND

To account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public.

Water and sewer fund - This fund is used to account for transactions relating to the operations of the City water and sewer system.

Stormwater utility fund – This fund is used to account for transactions relating to the operations of the stormwater system.

Concessions fund - This fund is used to account for transactions relating to the operations of the concessions at Freedom Florence.

City of Florence, South Carolina
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2003

	Stormwater Utility	Total Nonmajor Proprietary Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 791,483	\$ 791,483
Accounts receivable	<u>77,528</u>	<u>77,528</u>
Total current assets	<u>869,011</u>	<u>869,011</u>
Noncurrent assets		
Capital assets		
Buildings and system	1,965,725	1,965,725
Machinery and equipment	131,410	131,410
Less accumulated depreciation	<u>(1,704,821)</u>	<u>(1,704,821)</u>
Total Capital Assets (Net Of Accumulated Depreciation)	<u>392,314</u>	<u>392,314</u>
Total noncurrent assets	<u>392,314</u>	<u>392,314</u>
TOTAL ASSETS	<u>\$ 1,261,325</u>	<u>\$ 1,261,325</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 12,232	\$ 12,232
Other liabilities	<u>12,657</u>	<u>12,657</u>
Total current liabilities	<u>24,889</u>	<u>24,889</u>
Noncurrent liabilities		
Compensated absences	<u>35,118</u>	<u>35,118</u>
Total noncurrent liabilities	<u>35,118</u>	<u>35,118</u>
TOTAL LIABILITIES	<u>60,007</u>	<u>60,007</u>
NET ASSETS		
Invested in capital assets, net of related debt	392,314	392,314
Unrestricted	<u>809,004</u>	<u>809,004</u>
TOTAL NET ASSETS	<u>\$ 1,201,318</u>	<u>\$ 1,201,318</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Combining Statement of Revenues, Expenses and Changes in Funds Net Assets
Nonmajor Proprietary Funds
Year Ended June 30, 2003

	Stormwater Utility	Concessions	Total Nonmajor Proprietary Funds
Operating Revenues			
Miscellaneous	\$ 53,564	\$ -	\$ 53,564
Stormwater service fees	<u>1,004,784</u>	<u>-</u>	<u>1,004,784</u>
TOTAL OPERATING REVENUES	<u>1,058,348</u>	<u>-</u>	<u>1,058,348</u>
Operating Expenses			
Personnel	300,506	-	300,506
Employee benefits	97,132	-	97,132
Purchased services	88,833	-	88,833
Supplies and materials	29,370	-	29,370
Other expenses	968	-	968
Depreciation and amortization	<u>126,390</u>	<u>-</u>	<u>126,390</u>
TOTAL OPERATING EXPENSES	<u>643,199</u>	<u>-</u>	<u>643,199</u>
OPERATING INCOME	<u>415,149</u>	<u>-</u>	<u>415,149</u>
Non-operating revenues			
Investment earnings	<u>4,803</u>	<u>-</u>	<u>4,803</u>
TOTAL NON-OPERATING REVENUES	<u>4,803</u>	<u>-</u>	<u>4,803</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	419,952	-	419,952
Capital contributions	407,330	-	407,330
Transfers in	150,000	-	150,000
Transfers out	<u>(150,000)</u>	<u>(74,884)</u>	<u>(224,884)</u>
Change in net assets	827,282	(74,884)	752,398
Net assets at beginning of year	<u>374,036</u>	<u>74,884</u>	<u>448,920</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,201,318</u>	<u>\$ -</u>	<u>\$ 1,201,318</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended June 30, 2003

	Stormwater Utility	Concessions	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,011,478	\$ -	\$ 1,011,478
Payments to suppliers	(107,914)	(205)	(108,119)
Payments to employees	(386,880)	(1,411)	(388,291)
Other receipts	53,564	9,646	63,210
Other payments	<u>(968)</u>	<u>(2,483)</u>	<u>(3,451)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>569,280</u>	<u>5,547</u>	<u>574,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	150,000	-	150,000
Transfers out	<u>(150,000)</u>	<u>(74,884)</u>	<u>(224,884)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(74,884)</u>	<u>(74,884)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to property, plant and equipment	(66,081)	-	(66,081)
Disposals of property, plant and equipment	<u>-</u>	<u>13,057</u>	<u>13,057</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(66,081)</u>	<u>13,057</u>	<u>(53,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>4,803</u>	<u>-</u>	<u>4,803</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,803</u>	<u>-</u>	<u>4,803</u>
NET INCREASE (DECREASE) IN CASH	508,002	(56,280)	451,722
Cash at beginning of year	<u>283,481</u>	<u>56,280</u>	<u>339,761</u>
CASH AT END OF YEAR	<u>\$ 791,483</u>	<u>\$ -</u>	<u>\$ 791,483</u>

(Continued)

City of Florence, South Carolina
Combining Statement of Cash Flows - - Continued
Nonmajor Proprietary Funds
Year Ended June 30, 2003

	Stormwater Utility	Concessions	Total Nonmajor Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 415,149	\$ -	\$ 415,149
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	126,390	-	126,390
Changes in assets and liabilities			
Decrease in receivables	6,694	-	6,694
Decrease in inventories	-	9,646	9,646
Increase (decrease) in accounts payable	10,289	(205)	10,084
Increase in compensated absences	7,577	-	7,577
Increase (decrease) in other liabilities	<u>3,181</u>	<u>(3,894)</u>	<u>(713)</u>
TOTAL ADJUSTMENT	<u>154,131</u>	<u>5,547</u>	<u>159,678</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 569,280</u>	<u>\$ 5,547</u>	<u>\$ 574,827</u>
NON-CASH CAPITAL AND FINANCING ACTIVITIES			
Property, plant and equipment contributed by general fund	<u>\$ 407,330</u>	<u>\$ -</u>	<u>\$ 407,330</u>

The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Water and Sewer Fund
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Current use charges	\$ 17,416,000	\$ 18,813,000	\$ 18,227,643	\$ (585,357)
Miscellaneous	296,000	395,500	429,997	34,497
Water and sewer tap fees	<u>500,000</u>	<u>485,500</u>	<u>489,342</u>	<u>3,842</u>
TOTAL OPERATING REVENUES	<u>18,212,000</u>	<u>19,694,000</u>	<u>19,146,982</u>	<u>(547,018)</u>
Operating Expenses				
Personnel	2,849,200	2,914,650	2,871,784	42,866
Employee benefits	847,830	860,810	868,957	(8,147)
Purchased services	3,195,600	3,534,230	3,521,066	13,164
Supplies and materials	717,750	694,120	643,313	50,807
Other expenses	456,500	534,170	591,791	(57,621)
Depreciation and amortization	<u>4,138,120</u>	<u>4,143,220</u>	<u>3,424,499</u>	<u>718,721</u>
TOTAL OPERATING EXPENSES	<u>12,205,000</u>	<u>12,681,200</u>	<u>11,921,410</u>	<u>759,790</u>
OPERATING INCOME	<u>6,007,000</u>	<u>7,012,800</u>	<u>7,225,572</u>	<u>212,772</u>
Non-operating Revenues (Expenses)				
Investment earnings	250,000	135,000	235,587	100,587
Interest expense	<u>(2,795,000)</u>	<u>(3,548,400)</u>	<u>(3,514,373)</u>	<u>34,027</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,545,000)</u>	<u>(3,413,400)</u>	<u>(3,278,786)</u>	<u>134,614</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	3,462,000	3,599,400	3,946,786	347,386
Capital contributions	-	-	1,928,209	1,928,209
Transfers out	<u>(3,462,000)</u>	<u>(3,962,000)</u>	<u>(1,535,482)</u>	<u>2,426,518</u>
Change in net assets	-	(362,600)	4,339,513	4,702,113
Net assets at beginning of year	<u>48,605,173</u>	<u>48,605,173</u>	<u>48,605,173</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 48,605,173</u>	<u>\$ 48,242,573</u>	<u>\$ 52,944,686</u>	<u>\$ 4,702,113</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Stormwater Utility Fund
Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Miscellaneous	\$ -	\$ -	\$ 53,564	\$ 53,564
Stormwater service fees	<u>998,000</u>	<u>998,000</u>	<u>1,004,784</u>	<u>6,784</u>
TOTAL OPERATING REVENUES	<u>998,000</u>	<u>998,000</u>	<u>1,058,348</u>	<u>60,348</u>
Operating Expenses				
Personnel	280,900	301,000	300,506	494
Employee benefits	90,200	97,600	97,132	468
Purchased services	572,700	788,900	88,833	700,067
Supplies and materials	37,800	30,800	29,370	1,430
Other expenses	1,500	1,400	968	432
Depreciation and amortization	<u>16,900</u>	<u>156,300</u>	<u>126,390</u>	<u>29,910</u>
TOTAL OPERATING EXPENSES	<u>1,000,000</u>	<u>1,376,000</u>	<u>643,199</u>	<u>732,801</u>
OPERATING INCOME (LOSS)	<u>(2,000)</u>	<u>(378,000)</u>	<u>415,149</u>	<u>793,149</u>
Non-operating Revenues				
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>4,803</u>	<u>2,803</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	-	(376,000)	419,952	795,952
Capital contributions	-	-	407,330	407,330
Transfers in	150,000	150,000	150,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	-
Change in net assets	-	(376,000)	827,282	1,203,282
Net assets at beginning of year	<u>374,036</u>	<u>374,036</u>	<u>374,036</u>	-
NET ASSETS AT END OF YEAR	<u>\$ 374,036</u>	<u>\$ (1,964)</u>	<u>\$ 1,201,318</u>	<u>\$ 1,203,282</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Concessions Fund
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Food sales	\$ 68,000	\$ -	\$ -	\$ -
Pro shop sales	6,700	-	-	-
Miscellaneous	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>74,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses				
Personnel	14,000	-	-	-
Employee benefits	1,500	-	-	-
Purchased services	5,500	-	-	-
Supplies and materials	46,500	-	-	-
Other expenses	1,000	-	-	-
Depreciation	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-operating Revenues				
Investment income	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(74,884)</u>	<u>(74,884)</u>
Change in net assets	-	-	(74,884)	(74,884)
Net assets at beginning of year	<u>74,884</u>	<u>74,884</u>	<u>74,884</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 74,884</u>	<u>\$ 74,884</u>	<u>\$ -</u>	<u>\$ (74,884)</u>

AGENCY FUNDS

To account for assets held as an agent for individuals and other governments.

Keep Florence Beautiful - This fund is used to account for funds received by Keep Florence Beautiful.

Human Relations Council - The fund is used to account for funds received by the human relations council.

Florence Co. Municipal Assoc. - This fund is used to account for funds received by the Florence County Municipal Assoc.

Police Cabin - This fund is used to account for fund raising activities of the police department.

Court Escrow - This fund is used to account for criminal and traffic fines being held on open court cases.

Narcotics Holding Fund - This fund is used to account for drug related funds seized inside the city on open court cases.

City of Florence, South Carolina
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2003

	Keep Florence Beautiful	Human Relations Council
ASSETS		
Cash and cash equivalents	\$ 5,753	\$ 1,738
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,753</u>	<u>\$ 1,738</u>
LIABILITIES		
Due to others	<u>\$ 5,753</u>	<u>\$ 1,738</u>
TOTAL LIABILITIES	<u>\$ 5,753</u>	<u>\$ 1,738</u>

Florence Co. Munci. Assoc.	Police Cabin	Court Escrow	Narcotics Holding Fund	Totals
\$ 2,471	\$ 3,674	\$ 19,835	\$ 162,735	\$ 196,206
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,376</u>	<u>49,376</u>
<u>\$ 2,471</u>	<u>\$ 3,674</u>	<u>\$ 19,835</u>	<u>\$ 212,111</u>	<u>\$ 245,582</u>
<u>\$ 2,471</u>	<u>\$ 3,674</u>	<u>\$ 19,835</u>	<u>\$ 212,111</u>	<u>\$ 245,582</u>
<u>\$ 2,471</u>	<u>\$ 3,674</u>	<u>\$ 19,835</u>	<u>\$ 212,111</u>	<u>\$ 245,582</u>

The notes to the financial statements are an integral part of this statement.

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule--By Source
June 30, 2003 and 2002

	<u>2003</u>	June 30, <u>2002</u>
Governmental funds capital assets		
Land	\$ 3,791,319	\$ 3,791,319
Buildings	5,330,902	5,330,902
Infrastructure	13,723,324	15,661,985
Machinery and equipment	10,274,106	8,495,184
Construction in process	<u>26,000</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 33,145,651</u>	<u>\$ 33,279,390</u>
Investment in governmental funds capital assets by source		
General fund revenues	<u>\$ 33,145,651</u>	<u>\$ 33,279,390</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 33,145,651</u>	<u>\$ 33,279,390</u>

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule--By Function and Activity
June 30, 2003

FUNCTION AND ACTIVITY	Land	Buildings	Infrastructure	Machinery And Equipment	Construction In Process	Total
General government						
Council	\$ 2,045,681	\$ 1,450,133	\$ 9,588,766	\$ 59,777	\$ -	\$ 13,144,357
Justice and law	-	-	-	23,600	-	23,600
Manager	-	-	-	40,425	-	40,425
Finance	-	-	-	42,146	-	42,146
Personnel	-	-	-	13,254	-	13,254
Community services	-	-	-	98,663	-	98,663
TOTAL GENERAL GOVERNMENT	<u>2,045,681</u>	<u>1,450,133</u>	<u>9,588,766</u>	<u>277,865</u>	<u>-</u>	<u>13,362,445</u>
Public safety						
Police	105,007	306,637	-	2,483,444	-	2,895,088
Fire	<u>158,390</u>	<u>888,845</u>	<u>-</u>	<u>2,645,456</u>	<u>-</u>	<u>3,692,691</u>
TOTAL PUBLIC SAFETY	<u>263,397</u>	<u>1,195,482</u>	<u>-</u>	<u>5,128,900</u>	<u>-</u>	<u>6,587,779</u>
Streets and beautification	16,125	-	-	1,351,678	-	1,367,803
Sanitation	-	-	-	2,719,562	-	2,719,562
Equipment maintenance	-	-	-	131,425	-	131,425
Parks & leisure services	<u>1,466,116</u>	<u>2,685,287</u>	<u>4,134,558</u>	<u>664,676</u>	<u>26,000</u>	<u>8,976,637</u>
TOTAL GOVERNMENTAL FUNDS						
CAPITAL ASSETS	<u>\$ 3,791,319</u>	<u>\$ 5,330,902</u>	<u>\$ 13,723,324</u>	<u>\$ 10,274,106</u>	<u>\$ 26,000</u>	<u>\$ 33,145,651</u>

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes--By Function and Activity
Year Ended June 30, 2003

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General government				
Council	\$ 15,102,982	\$ 14,100	\$ 1,972,725	\$ 13,144,357
Justice and law	13,214	23,600	13,214	23,600
Manager	94,538	705	54,818	40,425
Finance	42,146	-	-	42,146
Personnel	13,254	-	-	13,254
Community services	<u>92,529</u>	<u>16,348</u>	<u>10,214</u>	<u>98,663</u>
TOTAL GENERAL GOVERNMENT	<u>15,358,663</u>	<u>54,753</u>	<u>2,050,971</u>	<u>13,362,445</u>
Public safety				
Police	2,734,475	304,797	144,184	2,895,088
Fire	<u>2,423,148</u>	<u>1,338,153</u>	<u>68,610</u>	<u>3,692,691</u>
TOTAL PUBLIC SAFETY	<u>5,157,623</u>	<u>1,642,950</u>	<u>212,794</u>	<u>6,587,779</u>
Streets and beautification	1,244,352	124,651	1,200	1,367,803
Sanitation	2,136,920	582,642	-	2,719,562
Equipment maintenance	140,436	5,303	14,314	131,425
Parks & leisure services	<u>9,241,396</u>	<u>92,279</u>	<u>357,038</u>	<u>8,976,637</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 33,279,390</u>	<u>\$ 2,502,578</u>	<u>\$ 2,636,317</u>	<u>\$ 33,145,651</u>

SUPPLEMENTAL SCHEDULES

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund--Victim's Rights Fund
Year Ended June 30, 2003

Court Fines

Court fines collected	\$ 682,700
Court fines retained by City	<u>682,700</u>
 Court fines remitted to the State Treasurer	 <u>\$ _____</u>

Court Assessments

Court assessments collected	\$ 718,898
Court assessments retained by City	<u>(78,692)</u>
 Court assessments remitted to the State Treasurer	 <u>\$ 640,206</u>

Court Surcharges

Court surcharges collected	<u>\$ 28,203</u>
 Court surcharges retained by City	 <u>\$ 28,203</u>

Victims Services

Court assessments allocated to Victim Services	\$ 78,692
Court surcharges allocated to Victim Services	28,203
Investment income	<u>2,395</u>
 Funds allocated to Victim Services	 109,290
Victim Services expenditures	<u>(128,981)</u>
 Funds used in current year	 (19,691)
Funds available for carryforward from prior year	<u>250,259</u>
Funds available for carryforward at end of year	<u>\$ 230,568</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<u>Keep Florence Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 11,122	\$ 12,862	\$ 18,231	\$ 5,753
Liabilities				
Due to others	\$ 11,122	\$ 12,862	\$ 18,231	\$ 5,753
<u>Human Relations Council</u>				
Assets				
Cash and cash equivalents	\$ 1,722	\$ 16	\$ -	\$ 1,738
Liabilities				
Due to others	\$ 1,722	\$ 16	\$ -	\$ 1,738
<u>Florence Co. Munic. Assoc.</u>				
Assets				
Cash and cash equivalents	\$ 2,448	\$ 23	\$ -	\$ 2,471
Liabilities				
Due to others	\$ 2,448	\$ 23	\$ -	\$ 2,471
<u>Police Cabin</u>				
Assets				
Cash and cash equivalents	\$ 3,640	\$ 34	\$ -	\$ 3,674
Liabilities				
Due to others	\$ 3,640	\$ 34	\$ -	\$ 3,674
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 24,785	\$ -	\$ 4,950	\$ 19,835
Liabilities				
Due to others	\$ 24,785	\$ -	\$ 4,950	\$ 19,835
<u>Narcotics Holding Fund</u>				
Assets				
Cash and cash equivalents	\$ 151,117	\$ 38,984	\$ 27,366	\$ 162,735
Investments	48,517	859	-	49,376
Liabilities				
Due to others	\$ 199,634	\$ 39,843	\$ 27,366	\$ 212,111
TOTAL ASSETS				
	\$ 199,634	\$ 39,843	\$ 27,366	\$ 212,111

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities--Continued
Agency Fund
Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<u>International Children Games</u>				
Assets				
Cash and cash equivalents	\$ 1,842	\$ 2,000	\$ 3,842	\$ -
Liabilities				
Due to others	\$ 1,842	\$ 2,000	\$ 3,842	\$ -
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 196,676	\$ 53,919	\$ 54,389	\$ 196,206
Investments	48,517	859	-	49,376
TOTAL ASSETS	<u>\$ 245,193</u>	<u>\$ 54,778</u>	<u>\$ 54,389</u>	<u>\$ 245,582</u>
Liabilities				
Due to others	\$ 245,193	\$ 54,778	\$ 54,389	\$ 245,582
TOTAL LIABILITIES	<u>\$ 245,193</u>	<u>\$ 54,778</u>	<u>\$ 54,389</u>	<u>\$ 245,582</u>

STATISTICAL SECTION

Table 01

CITY OF FLORENCE, SOUTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Licenses and Fees</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1994	\$ 5,510,366	\$ 4,626,135	\$ 1,882,363	\$ 678,533	\$ 650,464	\$ 468,240	\$ 13,816,101
1995	5,813,827	4,849,174	2,088,517	1,203,772	744,722	1,270,827	15,970,839
1996	5,501,835	5,143,064	2,134,657	1,117,511	845,080	817,475	15,559,622
1997	5,663,559	5,425,571	2,264,928	1,255,892	762,893	883,652	16,256,495
1998	5,849,075	5,316,080	2,236,400	1,353,332	850,449	950,371	16,555,707
1999	5,916,270	5,723,003	2,227,148	1,331,466	757,677	829,179	16,784,743
2000	6,792,442	5,899,590	1,990,282	1,338,042	930,993	919,609	17,870,958
2001	6,976,218	6,828,618	2,710,397	1,395,519	950,840	1,338,881	20,200,473
2002	7,018,246	7,250,910	3,609,720	1,426,616	918,356	895,205	21,119,053
2003	7,320,927	7,671,638	2,802,036	1,317,815	785,772	578,425	20,476,613

(1) Includes General and Special Revenue Funds.

CITY OF FLORENCE, SOUTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Community Development</u>	<u>Totals</u>
1994	\$ 1,597,052	\$ 5,285,458	\$ 2,048,229	\$ 1,246,148	\$ 1,780,986	\$ 63,328	\$ 1,203,864	\$ 632,768	\$ 13,857,833
1995	1,587,590	5,903,068	2,585,588	1,364,888	1,606,386	1,853,375	2,211,822	585,698	17,698,415
1996	1,660,038	6,064,957	2,419,718	1,405,580	1,532,777	34,466	563,232	426,780	14,107,548
1997	1,677,853	6,301,933	2,575,492	1,576,983	1,636,364	17,810	931,680	743,126	15,461,241
1998	1,455,904	6,656,286	2,818,010	1,667,131	2,859,410	74,957	1,647,556	416,738	17,595,992
1999	1,494,809	6,903,127	2,750,540	1,721,535	2,040,653	112,435	1,205,227	710,668	16,938,994
2000	1,678,541	7,986,596	3,468,575	1,583,666	2,212,255	376,276	1,859,239	797,438	19,962,586
2001	2,573,469	8,627,319	3,514,149	1,714,786	2,623,327	403,116	976,865	455,409	20,888,440
2002	2,470,010	8,742,561	3,213,734	1,760,442	2,925,052	373,660	1,115,431	1,027,411	21,628,301
2003	2,605,943	9,450,501	3,470,619	1,075,979	3,524,203	50,648	2,460,876	741,417	23,380,186

(1) Includes General and Special Revenue Funds.

CITY OF FLORENCE, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Original Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Original Tax Levy</u>
1994	1993	\$5,276,061	\$4,964,238	94.1%	\$211,483	\$5,175,721	98.1%	\$370,982	7.0%
1995	1994	5,562,264	5,256,465	94.5	187,235	5,443,700	97.9	183,911	3.3
1996	1995	5,165,709	5,056,951	97.9	84,641	5,141,592	99.5	123,259	2.4
1997	1996	5,363,958	5,236,399	97.6	70,849	5,307,248	98.9	73,168	1.4
1998	1997	5,562,491	5,450,655	98.0	45,640	5,496,295	98.8	79,634	1.4
1999	1998	5,601,995	5,541,752	98.9	18,226	5,559,978	99.2	74,229	1.3
2000	1999	6,518,873 (1)	6,381,085	97.9	44,879	6,425,964	98.6	97,980	1.5
2001	2000	6,980,688	6,552,838	93.9	69,710	6,622,548	94.9	128,221	1.8
2002	2001	6,779,253	6,620,054	97.7	52,652	6,672,706	98.4	151,397	2.2
2003	2002	6,959,625	6,904,209	99.2	54,248	6,958,457	100.0	207,894	3.0

(1) Reassessment

CITY OF FLORENCE, SOUTH CAROLINA
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Florence</u>	<u>County of Florence</u>	<u>School District</u>	<u>Technical College</u>	<u>Total Combined Rate</u>
1994	1993	81.4	63.0	104.5	3.5	252.4
1995	1994	81.4	63.0	104.4	3.8	252.6
1996	1995	73.4	68.9	103.1	3.8	249.2
1997	1996	68.4	68.9	103.7	3.8	244.8
1998	1997	68.4	68.9	105.2	3.8	246.3
1999	1998	68.4	68.9	109.9	3.8	251.0
2000	1999	60.8	64.5	111.2	3.5	240.0
2001	2000	60.8	64.5	113.4	3.5	242.2
2002	2001	60.8	64.5	123.3	3.5	252.1
2003	2002	60.8	69.5	145.6	3.5	279.4

(1) Per \$1000 of assessed value. Data provided by the Florence County Auditor's Office.

CITY OF FLORENCE, SOUTH CAROLINA
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		Ratio of Total Assessed Value to Total Estimated Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1994	1993	\$41,515,574	\$826,128,000	\$23,300,895	\$222,084,017	\$64,816,469	\$1,048,212,017	6.18%
1995	1994	43,105,712	855,919,262	25,226,773	240,426,877	68,332,485	1,096,346,139	6.23
1996	1995	44,295,476	880,418,481	26,082,029	248,598,317	70,377,505	1,129,016,798	6.23
1997	1996	47,933,236	946,352,106	30,487,208	290,551,851	78,420,444	1,236,903,957	6.34
1998	1997	49,613,639	981,822,347	31,709,330	302,207,380	81,322,969	1,284,029,727	6.33
1999	1998	50,676,839	1,005,551,085	31,223,672	297,594,527	81,900,511	1,303,145,612	6.28
2000	1999	69,307,253	1,379,603,123	37,911,045	361,279,030	107,218,298	1,740,882,153	6.16
2001	2000	70,302,656	1,402,504,091	44,511,290	424,138,286	114,813,946	1,826,642,377	6.29
2002	2001	73,289,662	1,462,076,536	38,211,207	370,109,090	111,500,869	1,832,185,626	6.09
2003	2002	75,378,877	1,505,744,318	39,088,646	390,686,269	114,467,523	1,896,430,587	6.04

(1) Property taxes other than vehicles are levied and payable between October 1 and January 15. The basis for the value of taxable property are taken from records of the Florence County Auditor, and the assessment for City tax purposes is the same as that levied by the County. The estimated actual values for real and personal property are taken from records of the Florence County Auditor.

Table 06

**CITY OF FLORENCE, SOUTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003**

Total Assessed Value - 2002 Tax Levy		<u>\$ 114,467,523</u>
Debt Limit - 8 Percent of Total Assessed Value Without Referendum		\$ 9,157,402
Amount of Debt Applicable to Debt Limit Total Bonded Debt	\$0	
Less Deductions Allowed by Law	<u>0</u>	<u>0</u>
Legal Debt Margin		<u>\$ 9,157,402</u>

CITY OF FLORENCE, SOUTH CAROLINA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Fund</u>	<u>Debt Payable From Enterprise Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio to Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capital</u>
1994	30,371 (2)	\$64,816,469	\$0	\$0	\$0	\$0	0.00%	\$0
1995	30,285 (2)	68,332,485	0	0	0	0	0.00	0
1996	30,000 (2)	70,377,505	0	0	0	0	0.00	0
1997	29,822 (2)	78,420,444	0	0	0	0	0.00	0
1998	29,511 (2)	81,322,969	0	0	0	0	0.00	0
1999	29,511 (2)	81,900,511	0	0	0	0	0.00	0
2000	30,248 (3)	107,218,298	0	0	0	0	0.00	0
2001	30,248 (3)	114,813,946	0	0	0	0	0.00	0
2002	30,248 (3)	111,500,070	0	0	0	0	0.00	0
2003	30,611 (2)	114,467,523	0	0	0	0	0.00	0

(1) Includes all long term secured and unsecured general obligation bond debt.

(2) Source: Estimates developed by the SC Budget and Control Board Research and Statistical Division

(3) Source: U.S. Census Bureau Census 2000

CITY OF FLORENCE, SOUTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1994	\$ 0	\$ 0	\$ 0	\$ 13,857,833	0.00%
1995	0	0	0	17,698,415	0.00
1996	0	0	0	14,107,548	0.00
1997	0	0	0	15,461,241	0.00
1998	0	0	0	17,595,992	0.00
1999	0	0	0	16,938,994	0.00
2000	0	0	0	19,962,586	0.00
2001	0	0	0	20,888,440	0.00
2002	0	0	0	21,628,301	0.00
2003	0	0	0	23,380,186	0.00

(1) Includes General and Special Revenue Funds.

CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2003

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct: City of Florence	\$0.00	0.00%	\$0.00
Overlapping	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>\$0.00</u>	<u>0.00%</u>	<u>\$0.00</u>

Table 10

CITY OF FLORENCE, SOUTH CAROLINA
REVENUE BOND COVERAGE - COMBINED UTILITY SYSTEM BONDS
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$ 11,249,285	\$ 4,857,783	\$ 6,391,502	\$ 793,014	\$ 1,250,066	\$ 2,043,080	3.13
1995	11,407,250	5,341,103	6,066,147	1,552,269	1,540,390	3,092,659	1.96
1996	12,282,020	5,264,665	7,017,355	1,857,342	1,865,376	3,722,718	1.89
1997	12,689,878	5,768,110	6,921,768	1,947,852	1,776,518	3,724,370	1.86
1998	13,486,455	5,588,975	7,897,480	2,044,896	1,681,024	3,725,920	2.12
1999	13,991,220	6,172,865	7,818,355	1,964,212	1,757,291	3,721,503	2.10
2000	14,730,868	7,075,386	7,655,482	2,282,988	1,491,354	3,774,342	2.03
2001	17,769,424	7,607,785	10,161,639	2,459,581	2,807,459	5,267,040	1.93
2002	17,194,135	7,463,469	9,730,666	2,955,108	3,014,009	5,969,117	1.63
2003	18,893,227	8,496,911	10,396,316	3,688,273	3,326,816	7,015,089	1.48

(1) Total revenues (including interest) exclusive of tap fees, grants and sale of assets.

(2) Total operating expenses exclusive of depreciation and amortization.

Table 11

**CITY OF FLORENCE, SOUTH CAROLINA
ENTERPRISE FUND EXPENSES BY FUNCTION (1)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Engineering</u>	<u>Utility Finance</u>	<u>Wastewater Treatment</u>	<u>Water Production</u>	<u>Utility Operations</u>	<u>Utility Construction</u>	<u>Concessions</u>	<u>Stormwater</u>	<u>Non-Departmental</u>	<u>Net Inter-Departmental Transfer</u>	<u>Totals</u>
1994	\$ 307,816	\$ 569,278	\$ 1,117,425	\$ 1,309,241	\$ 1,145,979	\$ 0	\$ 54,086	\$ 0	\$ 2,560,980	\$ 777,000	\$ 7,841,805
1995	341,482	632,898	1,522,889	1,323,088	1,148,717	0	51,583	0	3,182,393	1,040,819	9,243,869
1996	344,548	623,609	1,649,694	1,186,856	1,182,886	0	55,834	0	4,162,426	925,000	10,130,853
1997	371,338	645,550	1,880,396	1,269,756	1,247,561	0	55,806	0	4,220,620	925,129	10,616,156
1998	411,839	330,363	1,740,411	1,380,139	1,436,120	0	58,158	0	4,050,463	1,074,996	10,482,489
1999	557,185	367,072	1,759,859	1,660,348	1,535,621	0	64,927	0	3,997,424	926,183	10,868,619
2000	447,343	441,493	2,041,221	2,103,870	1,499,526	81,240	65,134	0	4,477,539	1,177,925	12,335,291
2001	586,538	508,925	2,358,987	1,980,260	1,610,475	137,483	59,369	0	5,783,454	1,356,144	14,381,635
2002	708,699	483,717	2,293,916	1,595,177	1,726,644	210,092	74,756	469,412	5,911,485	1,407,827	14,881,725
2003	659,660	557,960	2,392,892	2,252,778	1,808,572	172,437	0	643,199	7,591,484	1,610,366	17,689,348

(1) Includes the Water and Sewer Fund, the Concessions Fund, and Stormwater Utility Fund.

Table 12

**CITY OF FLORENCE, SOUTH CAROLINA
ENTERPRISE FUND REVENUE BY SOURCE (1)
LAST TEN FISCAL YEARS**

Fiscal Year	Investment Income	Water and Sewer Service Fees	Sewer Surcharges	Cut on Fees	Water and Sewer Tap Fees	Service Charges	Late Fees	Miscellaneous Income (Loss)	Concessions Sales	Stormwater Fees	Totals
1994	\$ 224,467	\$ 10,755,098	\$ 27,932	\$ 25,515	\$ 652,369	\$ 78,491	\$ 52,103	\$ 85,679	\$ 60,120	\$ 0	\$ 11,961,774
1995	526,210	10,473,186	65,530	37,355	392,603	83,560	54,011	167,398	62,429	0	11,862,282
1996	589,927	11,368,487	73,825	37,555	391,418	81,092	49,661	81,473	61,397	0	12,734,835
1997	629,166	11,850,728	97,624	48,355	388,411	79,364	50,849	(66,208)	63,830	0	13,142,119
1998	765,426	12,398,089	122,296	51,935	430,784	85,555	53,113	10,041	57,745	0	13,974,984
1999	662,716	12,932,733	159,676	46,690	461,534	84,665	59,898	44,842	76,968	0	14,529,722
2000	1,032,765	13,404,850	65,539	49,400	532,128	88,935	57,070	32,610	70,095	0	15,333,392
2001	2,259,981	15,052,406	129,507	48,787	584,981	80,425	57,423	141,545	66,846	0	18,421,901
2002	687,827	15,823,076	175,638	51,475	414,443	81,475	59,911	315,926	90,379	815,978	18,516,128
2003	240,390	18,073,785	81,558	72,300	489,342	197,763	73,895	211,903	0	1,004,784	20,445,720

(1) Includes the Water and Sewer Fund, the Concessions Fund, and Stormwater Utility Fund.

**CITY OF FLORENCE, SOUTH CAROLINA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Public School Enrollment (1)</u>	<u>Unemployment Rate (2)</u>
1994	30,371 (3)	15,224	9.0
1995	30,285 (3)	14,960	7.4
1996	30,000 (3)	14,982	9.5
1997	29,822 (3)	14,784	6.5
1998	29,511 (3)	14,411	4.7
1999	29,511 (3)	14,124	5.7
2000	30,248 (4)	14,149	6.1
2001	30,248 (4)	13,634	5.2
2002	30,248 (4)	13,424	7.8
2003	30,611 (3)	14,309	9.2

Data Sources:

- (1) Florence School District One
- (2) South Carolina Employment Security Commission
- (3) Estimates developed by the SC Budget and Control Board
Research and Statistical Division
- (4) U.S. Census Bureau Census 2000

Table 14

CITY OF FLORENCE, SOUTH CAROLINA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	<u>New Construction (1)</u>				<u>Additions and Renovations (1)</u>				Bank Deposits (2) (In Millions)
	<u>Residential Permits</u>	<u>Number of Construction Cost</u>	<u>Number of Commercial Permits</u>	<u>Construction Costs</u>	<u>Number of Residential Permits</u>	<u>Construction Cost</u>	<u>Number of Commercial Permits</u>	<u>Construction Costs</u>	
1994	113	\$ 8,755,750	40	\$ 9,524,755	411	\$ 2,968,623	162	\$ 7,488,352	\$ 771
1995	94	7,489,090	30	12,938,344	412	2,585,760	180	9,586,641	749
1996	106	9,136,280	33	15,248,433	106	9,136,280	33	15,248,433	786
1997	128	12,659,518	35	31,063,963	296	2,123,850	121	23,454,364	869
1998 (3)	80	7,776,195	14	25,664,825	234	2,210,472	75	8,230,045	913
1999 (3)	173	22,663,692	24	34,270,896	382	10,795,702	135	15,123,780	963
2000 (3)	162	17,631,489	97	15,566,802	455	2,922,010	265	15,590,953	931
2001 (3)	118	15,218,178	9	4,683,336	250	9,134,397	185	26,886,513	979
2002 (3)	203	26,241,019	30	18,079,592	355	3,443,981	96	8,830,227	1,063
2003 (3)	185	24,128,142	26	34,501,395	234	2,017,542	134	7,137,608	1,120

(1) City of Florence Building Codes Department

(2) Federal Deposit Insurance Corporation – includes only FDIC-insured commercial and savings banks

(3) Florence County/Municipal Planning and Building Inspections Office

Table 15

CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL TAXPAYERS
JUNE 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Gross Tax Levy</u>	<u>Percentage of Total Assessed Valuation (1)</u>
QHG	Medical Services	\$7,696,560	\$467,951	6.72%
McLeod Regional Medical Center	Medical Services	4,342,360	263,694	3.79
BellSouth Telecommunications	Telephone & Related Services	3,339,910	203,067	2.92
Carolina Power and Light	Electrical Power	2,456,010	149,447	2.15
Byrd Properties Inc. Etal	Real Estate Management	2,361,740	143,586	2.06
Lowe's Home Improvement	Retail & Construction Contractor Svs.	1,301,150	79,110	1.14
Edens & Avant Fin Ltd. Partnership	Real Estate Management	1,230,370	74,806	1.07
Holcombe Land Development	Real Estate Management	1,034,850	62,919	0.90
Wal-Mart Stores Inc.	Retail	823,270	50,055	0.72
La Z Boy	Manufacturer	<u>762,190</u>	<u>46,341</u>	<u>0.67</u>
TOTALS		<u>\$ 25,348,410</u>	<u>\$ 1,540,976</u>	<u>22.14%</u>

(1) Total Assessed Valuation is \$114,467,523.

CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL EMPLOYERS IN WATER & SEWER SERVICE AREA
JUNE 30, 2003

<u>Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Years In Service Area</u>
McLeod Regional Medical Center	Medical Services	4,722	23
Carolina Hospital Systems	Medical Services	1,487	115
Florence County	Government	800	115
The ESAB Group	Manufacturer	500	43
Francis Marion University	University	475	33
Roche Carolina	Manufacturer	286	11
Pepsi Cola	Manufacturer	261	66
Maytag, Inc.	Manufacturer	260	15
PET Dairy	Manufacturer	181	53
Rental Uniforms	Manufacturer	173	57

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL WATER USERS IN SERVICE AREA
JUNE 30, 2003**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
McLeod Regional Hospital	Medical Services	\$ 200,919	2.11%
General Electric	Manufacturing	188,462	1.98
Florence County	Government	108,434	1.14
Francis Marion University	University	89,260	.94
Roche Carolina	Manufacturing	73,359	.77
PET Dairy	Manufacturing	71,352	.75
Rental Uniforms	Manufacturing	55,249	.58
Days Inn	Motel	47,150	.50
Pepsi Cola	Manufacturing	46,994	.49
ESAB	Manufacturing	<u>45,659</u>	<u>.48</u>
	TOTALS	<u>\$ 926,838</u>	<u>9.74%</u>

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL SEWER USERS IN SERVICE AREA
JUNE 30, 2003**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
Koppers	Manufacturing	\$ 214,218	2.40%
McLeod Regional Hospital	Medical Services	138,534	1.55
PET Dairy	Manufacturing	130,752	1.46
Francis Marion University	University	122,654	1.37
ESAB	Manufacturing	112,589	1.26
Roche Carolina	Manufacturing	108,173	1.21
Rental Uniforms	Manufacturing	91,069	1.02
Darlington County	Government	69,805	0.78
Amana	Manufacturing	48,230	0.54
Carolina Hospital Systems	Medical Services	<u>46,369</u>	<u>0.52</u>
	TOTALS	<u>\$ 1,082,393</u>	<u>12.11%</u>

**CITY OF FLORENCE, SOUTH CAROLINA
UTILITY CUSTOMER TRENDS - BY SERVICE AND CATEGORY
LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Water Customers:										
Residential	19,499	19,133	18,716	18,307	17,563	16,925	16,690	16,385	16,050	15,284
Commercial	<u>2,589</u>	<u>2,869</u>	<u>2,797</u>	<u>2,866</u>	<u>3,003</u>	<u>2,840</u>	<u>2,761</u>	<u>2,705</u>	<u>2,563</u>	<u>2,479</u>
Total	22,088	22,002	21,513	21,173	20,566	19,765	19,451	19,090	18,613	17,763
Sewer Customers:										
Residential	14,097	13,752	13,421	13,094	12,671	12,476	12,339	12,187	11,986	11,467
Commercial	<u>2,007</u>	<u>2,071</u>	<u>2,006</u>	<u>2,044</u>	<u>2,141</u>	<u>2,047</u>	<u>1,999</u>	<u>1,955</u>	<u>1,864</u>	<u>1,826</u>
Total	16,104	15,823	15,427	15,138	14,812	14,523	14,338	14,142	13,850	13,293
Total Utility Customers:	<u>38,192</u>	<u>37,825</u>	<u>36,940</u>	<u>36,311</u>	<u>35,378</u>	<u>34,288</u>	<u>33,789</u>	<u>33,232</u>	<u>32,463</u>	<u>31,056</u>

Table 20

**CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS**

June 30, 2003

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	
Exempt	40
Non-Exempt	396
Area in square miles	19.5
City of Florence facilities and services	
Miles of streets	235
Miles of storm sewers	91
Number of street lights	4,970
Culture and Recreation	
Community centers	4
Parks	13
Park acreage	300
Tennis courts	26
Fire Protection	
Number of stations	4
Number of fire personnel and officers	73
Number of calls answered	2,060
Number of inspections conducted	705
Police Protection	
Number of stations	1
Number of Substations	1
Number of Resource Centers	6
Number of police personnel and officers	127
Number of patrol units	113
Number of law violations	
Physical arrests	2,569
Traffic violations	4,765
Parking violations	838
Wastewater System	
Miles of sanitary sewers	352
Miles of storm sewers	91

**Table 20
(Cont.)**

**CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2003**

City of Florence facilities and services (Cont.)

Water System	
Miles of water mains	698
Number of service connections	26,813
Number of fire hydrants	1,000
Daily average consumption in gallons	11.7 mgd
Maximum daily capacity of plant in gallons	37.0 mgd

Facilities and services not included in the primary government

Cable Television System	
Miles of service (Florence County)	1,037
Number of satellite receiving stations	8

Education	
Number of elementary schools	13
Number of elementary school instructors	462
Number of secondary schools	6
Number of secondary school instructors	497

Facilities and services not included in the reporting entity:

Hospitals	
Number of hospitals	2
Number of patient beds	743

Other data

City of Florence gross retail sales for calendar year 2002	\$1,422,772,810
City of Florence Business Licenses Issued for calendar year 2002	3,458
City of Florence Per Capita spending for calendar year 2002	\$47,037
City of Florence New Business Licenses Issued for calendar year 2002	691
City of Florence Population (2000 Census)	30,248
City of Florence Per Capita spending for calendar year 2002	\$47,037
City of Florence Outstanding General Obligation Debt	\$0.00
City of Florence Outstanding Revenue Debt	\$73,284,134
City of Florence Bond Rating	
Moody's Investors Service	A1
Standard and Poor's	A
Business License Receipts	\$5,646,122
Percent Change In Business License Receipts over Prior Year	8.08%

(Continued)

Table 20
(Cont.)

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2003

Other data (Cont.)

FY 2002-03 General Fund Balance	\$10,080,026
FY 2002-03 Water and Sewer Enterprise Fund Change in Net Assets	\$4,339,513
Appraised Property Value	\$1,896,430,587
Change in Property Value from prior year	3.51%
Residential and Commercial New Construction Permits Issued	211
New Construction Value	\$58,629,537

SINGLE AUDIT SECTION

BURCH, OXNER, SEALE CO.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor
and Members of the City Council
City of Florence, South Carolina

Compliance

We have audited the compliance of City of Florence, South Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. City of Florence, South Carolina's, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Florence, South Carolina's, management. Our responsibility is to express an opinion on City of Florence, South Carolina's, compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Florence, South Carolina's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Florence, South Carolina's, compliance with those requirements.

In our opinion, City of Florence, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of City of Florence, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Florence, South Carolina's, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of City of Florence, South Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 11, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2003

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
Com. Dev. Block Grant				
Entitlement	14.218	N/A	\$ 4,254,000	<u>\$ 438,831</u>
Home Investment Partnerships Program	14.239	M99-SG450102	300,000	10,560
Home Investment Partnerships Program	14.239	-	5,000	5,000
Home Investment Partnerships Program	14.239	-	15,000	<u>15,000</u>
				<u>30,560</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>469,391</u>
<u>U. S. Department of Transportation</u>				
Passed through S.C. Dept. of Transportation				
Urban Youth Corps Program	20.511	-	23,000	16,236
Urban Youth Corps Program	20.511	-	20,000	<u>1,544</u>
				<u>17,780</u>
Scenic Beautification				
Project	20.205	STP-EH21(003)	272,000	12,870
Florence Rail/Trail Project	20.205	ENH 02-02-PIN21647	324,424	<u>128,539</u>
				<u>141,409</u>
2000 National Recreational Trail Program	20.219	-	100,000	<u>37,565</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>196,754</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Local Law Enforcement Block Grants Program	16.592	1999-LB-VX-7655	145,040	21,336
Local Law Enforcement Block Grants Program	16.592	2000-LB-1520	114,012	27,894
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1570	123,105	3,975
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1524	114,347	<u>67,273</u>
				<u>120,478</u>
Bulletproof Vest Partnership Program	16.607	-	-	<u>4,715</u>
Passed through S. C. Dept. of Public Safety				
Juvenile Accountability Incentive Block Grant	16.523	IJS0014	103,155	11,603
Juvenile Accountability Incentive Block Grant	16.523	IJS0015	74,436	21,768

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Justice - - Continued</u>				
Passed through S. C. Dept. of Public Safety--(Continued) Juvenile Accountability Incentive Block Grant	16.523	IJS0115	88,613	<u>59,135</u> <u>92,506</u>
Passed through S. C. Dept. of Juvenile Justice Public Safety Partnerships and Community Policing Grants	16.710	-	49,648	<u>25,943</u>
TOTAL DEPARTMENT OF JUSTICE				<u>243,642</u>
<u>Federal Emergency Management Agency</u>				
Direct Program Disaster Resistant Community	83.551	EMA-1999-GR-0084	431,215	<u>202,613</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY				<u>202,613</u>
<u>U. S. Department of Agriculture</u>				
Passed through S. C. Forestry Comm.	10.677	-	-	<u>7,379</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>7,379</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through S.C. State Revolving Fund Wastewater Treatment Plant Upgrade/Expansion	66.458	SRF022-93-378-10	23,828,128 *	-
Upper Middle Swamp Interceptor	66.458	SRF016-91-378-09	858,982 **	-
Water Supply Improvements	66.468	SRF3-003-21100001-02	2,767,997 ***	-
Pee Dee Regional Water System/ Finished Water Main	66.468	SRF3-008-00-210001-01	6,210,343 ****	25,079
Rain Water Storage	66.468	SRF3-014-02-2110001-04	1,011,725 *****	<u>450,831</u>
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY				<u>475,910</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Commerce</u>				
Direct program				
Economic Development Administration				
High Hill Creek Interceptor	11.300	EDA 04-01-04613	1,500,000	<u>747,318</u>
TOTAL U. S. DEPARTMENT OF COMMERCE				<u>747,318</u>
TOTAL FEDERAL AWARDS				<u>\$ 2,343,007</u>

- * - Loan balance \$16,076,698 at June 30, 2003.
- ** - Loan balance \$476,358 at June 30, 2003.
- *** - Loan balance \$2,438,579 at June 30, 2003.
- **** - Loan balance \$6,029,679 at June 30, 2003.
- ***** - Loan balance \$361,574 at June 30, 2003.

NOTE A - BASIS PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Florence, South Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

See independent auditors' report on A-133 compliance requirements.

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of City of Florence, South Carolina.
2. No reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of City of Florence, South Carolina were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for City of Florence, South Carolina expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for City of Florence are reported in this schedule.
7. The programs tested as major programs include: U. S. Department of Commerce Grants for Public Works and Economic Development Facilities- CFDA 11.300.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Florence, South Carolina was determined to be a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

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

To the Honorable Mayor
and Members of the City Council
City of Florence, South Carolina

We have audited the financial statements of City of Florence, South Carolina, as of and for the year ended June 30, 2003 and have issued our report thereon dated September 11, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Florence, South Carolina's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Florence, South Carolina's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Florence, South Carolina, in a separate letter dated September 11, 2003.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2003