

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2007

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INTRODUCTORY SECTION

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CITY OF FLORENCE

• SC •



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September 24, 2007

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, 2007.

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, 2007, 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, 2007, 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's MD&A can be found immediately following the report of the independent auditors.

The City's financial statements include government-wide financial statements as well as fund-by-fund financial information. 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, this report includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. This report provides in the MD&A financial highlights and an interpretation of the financial reports

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through trend analysis 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 approximately 20 square miles and serves a population in excess of 30,000. 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 Council 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 recreational 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 40 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Conditions

The information 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 situated 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 grown over the years to become one of the very best in the nation, and the growth in area healthcare continues. Florence boasts two major hospital systems—McLeod Regional Medical System and Carolinas Hospital System. Additionally, Florence has two rehabilitation hospitals, a variety of vision and dental clinics, and a wealth of other medical support services. Florence leads the region as a center for health care excellence with numerous medical, eye care, and dental practices also located in the City.

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. A much anticipated retail development, Plaza at Magnolia, boasted the opening of a Home Depot in July 2006. An Olive Garden Restaurant opened in August 2006 along with a Longhorn Steakhouse which opened a month later. Kohl's department store, a national retail merchandise chain, with more than 800 stores throughout the country in 41 states, opened in the Plaza at Magnolia in early 2007 along with Chili's, a national restaurant chain. Dick's Sporting Goods, a national retail sports equipment and accessory merchandiser opened its doors at Magnolia Mall in 2007. Also at Magnolia Mall, the book retailer Barnes and Noble Booksellers will open for business in September of 2007 complementing the currently established national retail bookseller, Books-A-Million at the Florence Mall. It is anticipated that other national and regional retail stores and restaurants will be attracted to Florence in the future.

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 hockey games, concerts, circuses, rodeos, ice skating and a variety of assorted shows.

Downtown revitalization serves as a key element in the local economy and growth of Florence. A Downtown Master Redevelopment plan was presented to the public in 2001 as a strategic process for transforming downtown Florence into the cultural and economic heart of the Pee Dee it once was. The focus of the master plan was the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. As part of the master plan implementation process a 501(c) (3) tax-exempt charitable corporation, the Florence Downtown Development Corporation, was formed. City staff works closely with the Downtown Development Corporation, the Florence Downtown Merchants Association, and others involved with the revitalization effort in support of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence. In 2005, City Council adopted an ordinance that created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. On December 18, 2006 City Council adopted an ordinance creating a Tax Increment Financing (TIF) district incorporating the overlay district for downtown redevelopment as adopted by Council in 2005. Anticipated proceeds resulting from the development of a tax increment financing district will be used for public improvements in support of such projects as: a business incubator, improved traffic circulation and pedestrian access, parks and greenspace, and increased access to public transportation. These improvements will complement private investment, provide access to businesses, and facilitate employment opportunities.

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.

Florence is fortunate to have one of the most diversified economies in the southeast, and economic expansion continues in both the City and County of Florence. The economic outlook and prospect for growth and development in the area are strong and appear 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. *Florence Pee Dee Regional Water and Sewer Master Plan* – For the past several years the Florence Pee Dee Regional Water and Sewer Steering Committee has discussed issues regarding regional water and sewer needs and has created a framework for regional partnerships in the delivery of water and sewer services. To facilitate the development of this regional concept, the City of Florence, in partnership with the Steering Committee, contracted with the engineering firm Camp Dresser and McKee (CDM) to prepare a Water and Sewer System Master Plan for the Pee Dee region. In January 2006 the regional master plan was completed and presented to City Council for review. Based on the alternatives outlined in the Master Plan, Council decided that the City's wastewater treatment functions should be redeveloped at the existing site located off National Cemetery Road. City Council authorized staff to enter a contract for the preparation of a preliminary engineering report (PER) for the new facility. The PER is being performed by CDM, BP Barber & Associates, and Davis & Brown, Inc. As part of the PER, an implementation schedule will be developed and detailed cost estimates will be prepared for the project necessary to implement the redevelopment of the plant at the current site. A financing plan has been developed to include the implementation of a three-year phased increase in water and sewer rates and a one-time increase in related fees, including water and sewer rate increase. In June 2007, City Council adopted an ordinance implementing the three-year water and sewer rate increase. Other fees including service fees, late charges, and reconnection fees were also increased. The water and sewer tap fees increase was delayed until January 2008 to provide an opportunity for staff to further review the tap fee structure and related rates. Costs related to the facility will be financed through revenue

bonds, bank notes, and/or a low-interest rate state infrastructure loan funded by these rate and fee increase. Additional revenues to support the project may be provided from agency grants. The completed PER must be submitted to, and approved by, SCDHEC before final design of the new facilities can be initiated.

Stormwater Phase II Program – In 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 (SCDHEC). 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 NPDES permit requirements. The City of Florence 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 helps manage and determine the best activities and projects that meet requirements set forth by the EPA. The City of Florence has completed new land development regulations to include an illicit discharge and enforcement ordinance as well as a riparian buffer ordinance. The City has also developed best management practices (BMPs) relating pre-construction and post-construction activities for the municipal limits of the City. In August 2007, City Council adopted an ordinance implementing permitting, management and enforcement responsibilities delegated to the City under the Phase II Stormwater regulations. City Council also adopted a Land Development and Subdivision ordinance and an ordinance to provide for open space development districts, riparian buffers, and environmental protection overlay districts. These regulations and ordinances will help control the pollution associated with stormwater and will significantly change the way development occurs in urban areas throughout Florence and other Phase II communities. With the adoption of these ordinances, the City will be responsible for implementing stormwater regulations beginning September 1, 2007. The City will be responsible for plans review for new subdivision stormwater projects to include both water quality and quantity issues. The City will also be responsible for enforcement of these standards at construction sites.

East Florence Stormwater Improvement and Mitigation Project – The City has begun development of 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 the acquisition of 4 parcels of land totaling 35 acres adjacent to Pie Branch between Walnut Street and National Cemetery Road, and the construction of at least one retention basin to settle out sediments and pollutants. The stormwater project will be developed on this property which, at present, consists of filled wetlands areas covered with kudzu and low lying areas overtaken by non-native plant species. By providing wetlands re-creation, stream restoration, and re-establishment of native vegetation, the project will improve the quality of stormwater entering Jeffries Creek from this urban watershed. In addition to the water quality improvements, the project features educational nature trails and quality passive recreational opportunities. 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 firm of Hayes, Seay, Mattern & Mattern prepared a preliminary engineering report required for DHEC permitting, including items such as wetlands delineation, surveying, and water quality assessment. This past year, the City retained ROW Clearing, LLC to clear five acres of undergrowth in this area to gain access to interior portions of the site and facilitate improvements utilizing equipment that mulches-in-place the cleared debris, resulting in minimal impact to wetlands in the area. An assessment of the effectiveness in this area will determine whether this clearing approach will be used in other portions of the 35 acre site. Funding for this project, estimated at a cost of \$1,000,000, has been included in the Stormwater Utility Construction Fund Budget for the current fiscal year.

Capital Stormwater Projects – Since the implementation of the City's Stormwater Utility and supporting rate structure, the City has completed numerous projects that were funded through readily available revenues generated by the Stormwater Enterprise Fund. In FY 2005-06 City Council was presented with over 20 significant stormwater projects, the total size and scope of which required that the City pursue long-term capital financing through a revenue bond issue. In June 2006 City Council adopted a General Bond Ordinance authorizing and providing for the issuance of the Stormwater System Revenue Bonds and a supplemental bond ordinance authorizing financing from BB&T in the amount of \$4,000,000 for fifteen years at an interest rate of 4.18% to fund the projects identified as the most critical major problem areas to be addressed. During the past fiscal year, staff continues to pursue the design and construction of these stormwater projects utilizing the revenue bond proceeds. It is anticipated that these projects will be completed within the next two years.

Downtown Revitalization – A recent multi-partnership endeavor will result in the further establishment of downtown Florence as the cultural and economic center of the Pee Dee region. In January 2006 the Drs. Bruce and Lee Foundation announced the award of a \$10 million grant for assistance in the construction of a performing arts center and another \$10 million grant for the construction of a new facility for the Florence Little Theatre. Funding for the performing arts center, estimated to cost approximately \$27 million, was further enhanced in June 2006 with the announcement by Senator Hugh Leatherman of an additional \$7 million in state appropriations. Both facilities will be built along the Dargan Street corridor of downtown Florence. Several land donations from the City of Florence, Florence County, and McLeod Health provide the necessary site

locations for the construction of both projects. Francis Marion University, partnering with the City of Florence for facility operations and maintenance, will build the Francis Marion University Center for the Performing Arts that will be located on a 3.93 acre lot located on property bounded by Dargan, Cheves and Palmetto Streets. The projected completion date for the performing arts center is scheduled for late summer 2008. The Florence Little Theatre has outgrown its current facility presently located on South Cashua. A new 35,000 square foot building to be located on Dargan Street between Pine and Elm Streets, north of the Drs. Bruce and Lee Foundation Library, will accommodate a 400 seat auditorium as well as other needed operational space. A ground-breaking ceremony was conducted on October 19, 2006 at the new theater site. Construction, which is well under way, is expected to take 18 months to complete with the theater planning to open its 2008-09 season in the new facility. These two projects serve to support and strengthen the City's pursuit of a fully revitalized downtown. As part of the City's downtown revitalization goal, the new performing arts center and Little Theatre will reflect key elements of identity, architecture and public improvement, all of which are outlined in the City's newly adopted design guidelines.

Brownfields Project – In October 2003, the City of Florence received a \$200,000 Brownfield Assessment grant, the first of three US Environmental Protection Agency (EPA) Brownfield Grants. This grant was used to conduct community outreach, environmental site assessments and cleanup planning from October 2003 – December 2006. The targeted brownfield site for this grant was the Bush Recycling Center located on Irby Street. In March 2004, the Bush Recycling Center property was acquired by the City with a \$500,000 grant from the Drs. Bruce and Lee Foundation. Prior to acquisition, the City completed a Phase I Environmental Site Assessment of the Bush Recycling Center and signed a Non-Responsible Voluntary Cleanup Contract with the South Carolina Department of Health and Environmental Control (SCDHEC) for liability protection. From April 2004 through December 2006, the City held public meetings and press events to disseminate project information and engage the community in a collective decision-making process to identify preferred reuse options for the former recycling property. In addition, the City completed an initial environmental site assessment in June 2005 of the former recycling property with funds from the EPA Assessment grant. This assessment identified various levels of soil and groundwater contamination on the property from prior onsite activities and offsite sources. Following a review of the assessment results, a recommendation was made in September 2005 by SCDHEC for supplemental environmental site assessment activities to be completed on the property through a Targeted Brownfields Assessment utilizing approximately \$50,000 in leveraged funding by SCDHEC personnel. In November 2006 the environmental assessment results were completed. The results provided the City with information needed to identify cleanup alternatives, activities and associated costs at the Bush Recycling Center. This information was also beneficial in developing the successful \$200,000 EPA Brownfield Cleanup Grant Application for the Bush Recycling Center and another \$200,000 EPA Brownfield Assessment Grant to target brownfield sites surrounding the Bush Recycling Center, both of which were awarded to the City in October 2006. The City has been working with EPA and SCDHEC personnel over the past several months to finalize plans for cleanup activities at the Bush Recycling Center, which are expected to cost approximately \$1 million. To address the funding gap needed to complete the cleanup activities, the City is in the process of securing a 10-year, 1% interest loan through the SCDHEC Brownfields Cleanup Revolving Loan Fund in the amount of \$625,000. The remaining funds will come from the \$200,000 Brownfield Cleanup Grant, general fund revenues, and potential in-kind services. Cleanup activities at the Bush Recycling Center will include removal and disposal of surface soils over a large portion of the property to remove contaminants and scrap debris from the site. Activities will also include replacing the removed soil with clean fill dirt to restore the site to its previous grade. Cleanup activities are expected to begin within the next few months and be complete on a large portion of the site by March 2008. The City is in the process of conducting assessments on properties surrounding the Bush Recycling Center under the City's most recent EPA Brownfield Assessment Grant. The City has developed three conceptual redevelopment plans for the area which include the Bush Recycling Center and surrounding properties. The plans were developed from ideas gathered at the public meetings conducted in the early stages of the project. Over the next year, the City will continue its community outreach activities as cleanup and assessment activities continue. The City will also work toward finalizing the reuse plans for the site/area.

Veterans Memorial Park – In June 2005 plans were formally announced that the City would design and construct a Veterans Memorial Park featuring monuments and memorials to the wars of the 20th century, as well as an amphitheatre surrounded by commemorative flags. The future park is to be constructed on approximately four acres of land donated to the City that is located adjacent to the Florence City County Civic Center on Woody Jones Boulevard. In June 2006 City Council adopted a lease-purchase ordinance authorizing financing from BB&T in the amount of \$3,000,000 for fifteen years at an interest rate of 4.18% to fund capital projects to include the construction of the Veterans Memorial Park, at an estimated cost of \$2 million, and \$1 million in road widening improvements to West Radio Drive, a street that serves not only as an access to myriad retail, restaurant and hotel options, but also provides an access to the future memorial park. Working with the architectural firm of SGA Architecture, City staff and members of the Veterans Park Committee completed the development of park design details and guidelines for the placement of the monuments. Bids for construction were opened in August and construction is scheduled to begin in early fall of 2007.

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 \$1,209,939 on all investments for the year ended June 30, 2007.

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 \$10,000 deductible under both the SCMIT and SCMIRF plans. Claims below this threshold 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 51 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles do not yet 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, 2006. 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 2006 marks the ninth 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,

A handwritten signature in black ink, appearing to read 'Thomas W. Chandler', with a long horizontal flourish extending to the left.

Thomas W. Chandler
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Florence
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

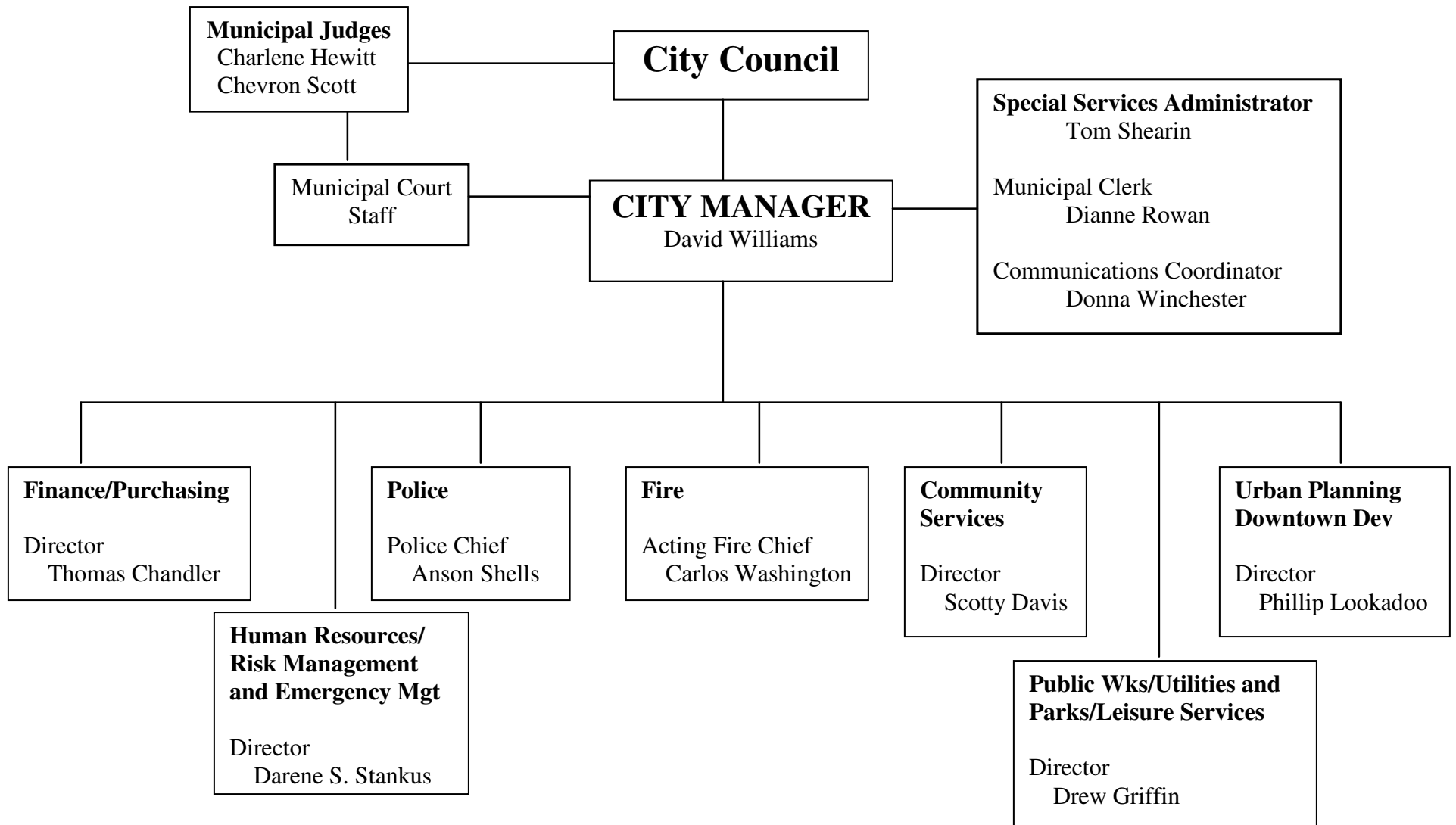
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**CITY OF FLORENCE, SC
ORGANIZATIONAL CHART
2006-2007**



CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2007

GOVERNING BODY

Frank E. Willis, Mayor

Billy D. Williams, Mayor Pro Tempore

Edward Robinson

Robert C. Holland

Rick Woodard

William C Bradham, Jr.

Frank J. Brand, 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

Phillip M. Lookadoo, Urban Planning and Development Director

Thomas B. J. Shearin, Special Services Administrator

FINANCIAL SECTION

BURCH, OXNER, SEALE CO.
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2007, 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's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the hospitality fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2007, on our consideration of the City of Florence, South Carolina's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis on pages 21 through 30 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

Burch, Grier, Seale Co., CPAs, PA

September 21, 2007

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

As management of the City of Florence (the "City"), 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, 2007. 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 7-13 of this report.

Financial Highlights

The following information highlights the most significant changes to the City's financial position over the last year. Though not intended to be all-inclusive, this information provides a snapshot of the most important changes in the City's financial position over the last year.

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$101,863,216 (*net assets*). Of this amount, \$26,219,249 (*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 \$2,765,057.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$12,867,152, an increase of \$2,839,149 in comparison with the prior year. Approximately 76.78 percent of this total amount, \$9,879,068 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 \$8,187,370, or 34.31 percent of the total fund expenditures.
- The City of Florence had \$64.1 million in bonds and notes outstanding versus \$68.8 million last year, a decrease of 6.8 percent.

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 33-35 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. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and hospitality fee fund, which are considered to be major funds. 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 and hospitality fee fund. A budgetary comparison statement has been provided for the general fund and hospitality fee fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 36 and 38 of this report. The statements of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual for the General Fund and Hospitality Fee Fund can be found on Pages 40 and 41 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 stormwater 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 activities and for the stormwater operations. The water and sewer fund is considered to be major fund and the stormwater fund is considered to be a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 42-45 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 46 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 47-62 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the report also presents certain *required supplementary information*.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66-113 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 \$101,863,216 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (73.82 percent) reflects its investment in capital assets (e.g. land, building, 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.

The balance of unrestricted net assets (\$26,219,249) 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.

City of Florence's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 16,664,706	\$ 16,351,174	\$ 21,974,378	\$ 19,194,109	\$ 38,639,084	\$ 35,545,283
Capital assets	21,642,944	23,165,382	114,929,257	117,784,042	136,572,201	140,949,424
Total assets	38,307,650	39,516,556	136,903,635	136,978,151	175,211,285	176,494,707
Long-term liabilities outstanding	5,637,948	6,152,849	64,714,905	69,198,070	70,352,853	75,350,919
Other liabilities	1,945,216	979,870	1,050,000	1,065,759	2,995,216	2,045,629
Total liabilities	7,583,164	7,132,719	65,764,905	70,263,829	73,348,069	77,396,548
Net assets:						
Invested in capital assets, net of related debt	20,703,751	22,624,824	54,491,789	53,017,659	75,195,540	75,642,483
Restricted	167,439	-	280,988	-	448,427	-
Unrestricted	9,853,296	9,759,013	16,365,953	13,696,663	26,219,249	23,455,676
Total net assets	\$ 30,724,486	\$ 32,383,837	\$ 71,138,730	\$ 66,714,322	\$ 101,863,216	\$ 99,098,159

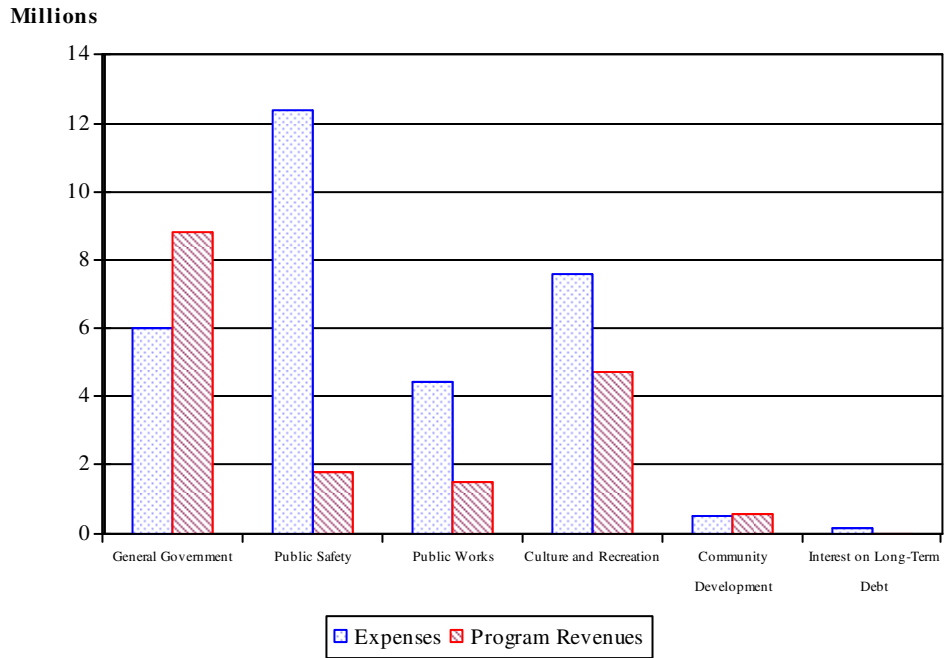
Governmental activities. Governmental activities decreased the City of Florence's net assets by \$1,659,351. Key elements of this decrease are as follows:

- the donation of land at a cost of \$2,018,489 to Francis Marion University for a performing arts center.
- IT upgrade incurred in fiscal year 2006-07 for the general fund in the amount of \$13,271.
- the donation of property to the City of Florence valued at \$147,000.
- the purchase of property in the downtown area for \$500,511 to be used in the City's downtown revitalization program.
- the purchase of several pieces of property in the total amount of \$206,034 for the East Florence Stormwater Improvement and Mitigation Project (SWIM) project.
- the purchase of 2 new fire trucks for a total cost of \$761,010.
- the conversion of a van purchased in FY 2006 to a crime scene unit at a total cost of \$44,166.
- the purchase of 26 mobile data notebook computers for use in the police department totaling \$234,166.
- the purchase of 7 rugged and durable notebook computers for use in the police department totaling \$52,972.
- the donation to the fire department of a 32 foot trailer valued at \$40,000.
- the purchase of an asphalt pothole repair vehicle totaling \$64,628.
- the purchase of a mobile stage at a cost of \$86,074.

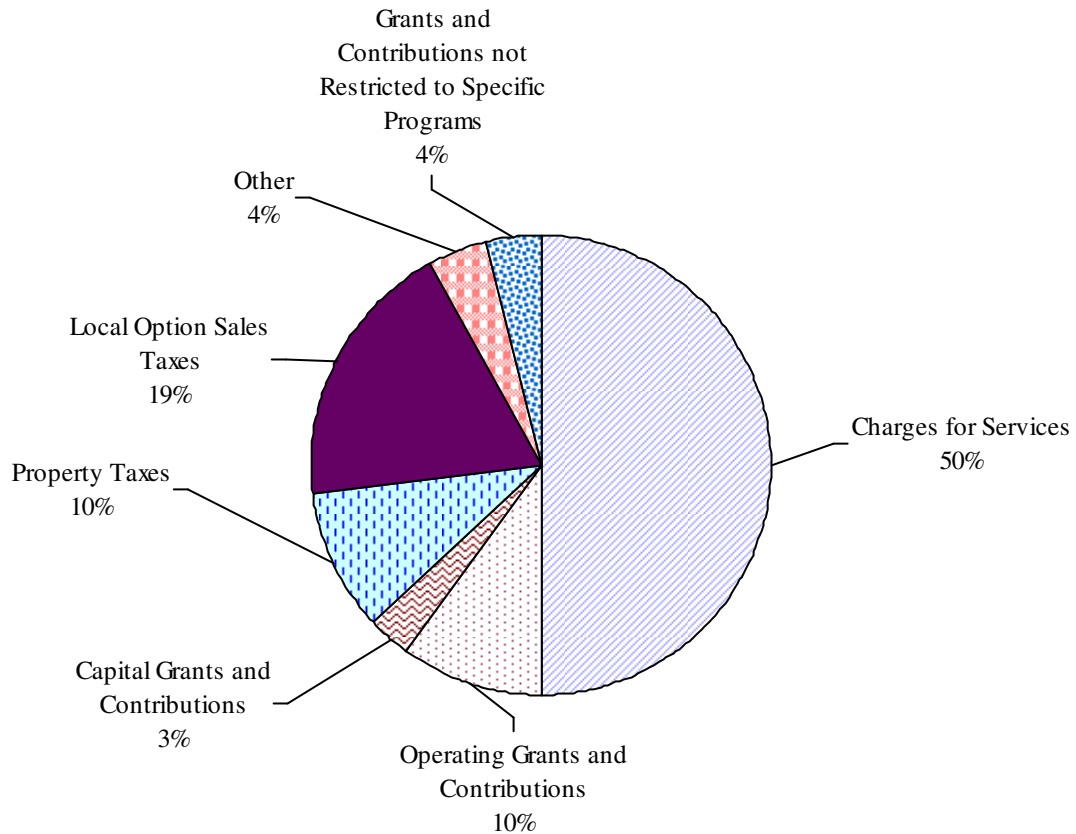
City of Florence's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
	Revenues:					
Program revenues:						
Charges for services	\$13,966,132	\$12,948,872	\$23,803,604	\$22,507,408	\$37,769,736	\$35,456,280
Operating grants and contributions	2,655,129	1,182,273	-	-	2,655,129	1,182,273
Capital grants and contributions	723,680	564,662	228,060	21,000	951,740	585,662
General revenues:						
Property taxes	8,193,634	7,956,478	-	-	8,193,634	7,956,478
Grants and contributions not restricted to specific programs	1,143,389	1,006,529	-	-	1,143,389	1,006,529
Other	1,083,151	599,304	730,095	457,067	1,813,246	1,056,371
Total revenues	27,765,115	24,258,118	24,761,759	22,985,475	52,526,874	47,243,593
Expenses:						
General government	5,988,907	6,008,887	-	-	5,988,907	6,008,887
Public safety	12,365,574	11,683,483	-	-	12,365,574	11,683,483
Public works	4,451,755	4,449,471	-	-	4,451,755	4,449,471
Culture and recreation	7,588,055	3,282,275	-	-	7,588,055	3,282,275
Community development	477,068	363,629	-	-	477,068	363,629
Interest on long-term debt	165,107	21,608	-	-	165,107	21,608
Water and Sewer	-	-	17,674,784	17,786,812	17,674,784	17,786,812
Storm water	-	-	1,050,567	877,543	1,050,567	877,543
Total expenses	31,036,466	25,809,353	18,725,351	18,664,355	49,761,817	44,473,708
Increase (decrease) in net assets before transfers	(3,271,351)	(1,551,235)	6,036,408	4,321,120	2,765,057	2,769,885
Transfers	1,612,000	1,455,058	(1,612,000)	(1,455,058)	-	-
Increase (decrease) in net assets	(1,659,351)	(96,177)	4,424,408	2,866,062	2,765,057	2,769,885
Net assets - 7/1/2006	32,383,837	32,480,014	66,714,322	63,848,260	99,098,159	96,328,274
Net assets - 6/30/2007	\$30,724,486	\$32,383,837	\$71,138,730	\$66,714,322	\$101,863,216	\$99,098,159

Expenses and Program Revenues - Governmental Activities



Revenue by Source – Governmental Activities



Business-type activities. Business-type activities increased the City of Florence's net assets by \$4,424,408, accounting for 100 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Capital Water and Sewer Projects – The City has continued to expand its water and sewer infrastructure over the past year. These projects provide new services or upgrade existing services to City residents and customers. The combined cost of these newly completed projects was \$2,532,806.

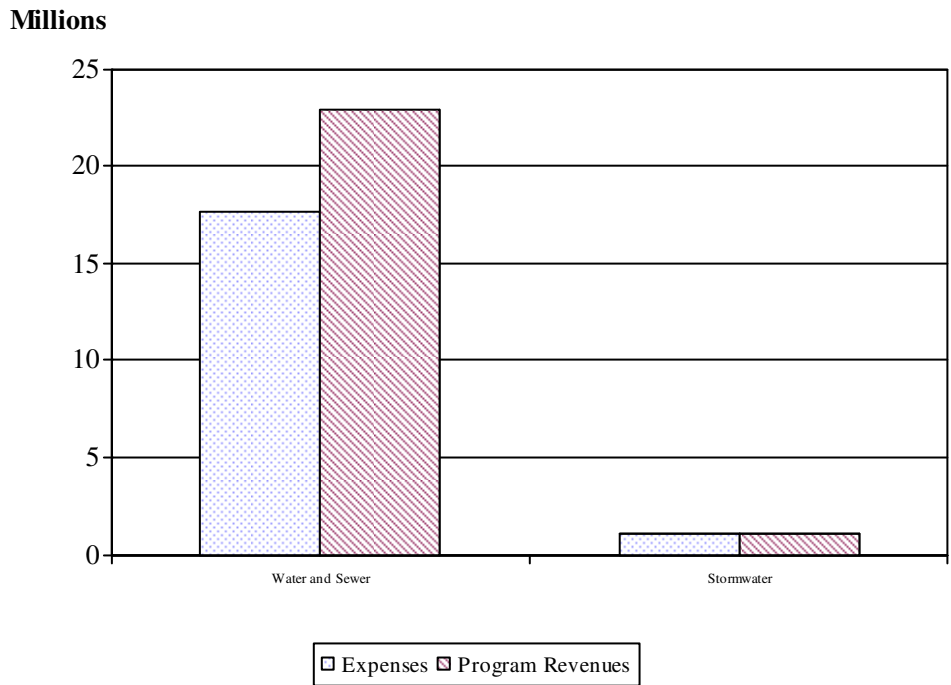
Storm Water Improvement Projects – The City continues to improve its storm drainage system. As a part of the construction of North Point Subdivision, the City capitalized \$150,000 in Stormwater construction. The City has also purchased land in the amount of \$5,512 as part of the SWIM project, which will be completed in the near future. The City also purchased a track mulcher to be used for various stormwater projects at a cost of \$174,915.

Financial Analysis of the Government's Funds

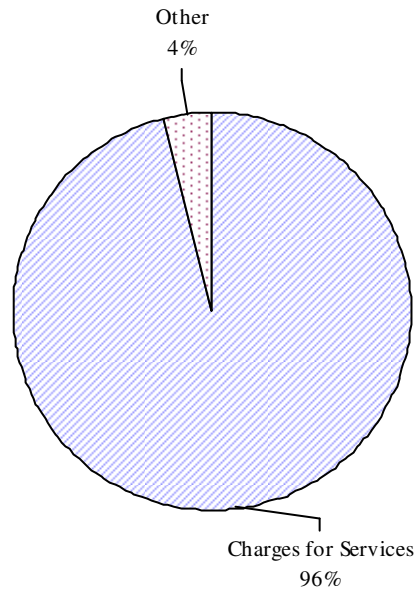
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,867,152, an increase of \$2,839,149 in comparison with the prior year. \$9,879,068 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 \$8,187,370 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance to total fund expenditures. Fund balance represents 34.31 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$182,720 during the current fiscal year. While the increase was modest, the purchase of property in the downtown area from unappropriated surplus funds at a cost of \$500,511 had a significant impact on the final fund balance position for the year.

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 stormwater operations at the end of the year amounted to \$16,365,953. The total growth in the net assets was \$4,424,408. 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 four separate occasions during the fiscal year 2006 – 2007. As a result of these amendments the General Fund's final amended budget was \$2,220,400 greater than the original adopted budget. The following changes were made to the original budget:

- In November 2006, the funding and operation of the City's athletic activities and programs, previously funded and operated by Florence County under a joint consolidation agreement between the City of Florence and Florence County, was transferred back to the City of Florence. Because of this transfer, the following budgetary line item changes were adopted by ordinance on December 18, 2006:
 - Governmental Reimbursements increased by \$30,000
 - Marketing & Promotions Revenues was funded in the amount of \$64,700
 - Skate Park User Fees was funded in the amount of \$2,500

General Fund Budgetary Highlights - - Continued

- Batting Cage User Fees was funded in the amount of \$20,000
- Gymnastics Program Fees was funded in the amount of \$40,000
- Recreation Complex Fees was funded in the amount of \$40,000
- Concessions Revenue was funded in the amount of \$70,000
- From Hospitality Fund was funded in the amount of \$371,700
- From Unappropriated Surplus was funded by an ordinance adopted on December 18, 2006, in the amount of \$510,300, from undesignated fund balance. These funds were appropriated as follows:
 - \$14,000 for the construction of a storage building and lead paint abatement for the Fire Department
 - \$65,000 for the purchase of a replacement asphalt truck body
 - \$86,000 for the purchase of automobiles and other equipment
 - \$16,000 for the construction of a baseball field fence
 - \$25,000 for a SC Land Acquisition Grant match
 - \$51,300 to acquire land for affordable housing development
 - \$87,000 for IT upgrades
 - \$95,000 for gateways & beautification projects
 - \$50,000 for the funding of specialized equipment and projects for Community Services, Police, Fire, Public Works, and Parks Departments.
- From Unappropriated Surplus was increased in the amount of \$801,000 for land acquisition, lot clearing, and demolition by an ordinance adopted on February 19, 2007.
- Governmental Reimbursements was increased by \$25,000 from Florence County for Northside Park renovations by an ordinance adopted on May 14, 2007.
- Miscellaneous Grants was increased by \$113,500 by an ordinance adopted on May 14, 2007 to fund the following expenditure line items:
 - \$9,200 for Bush Recycling Brownfields Assessment
 - \$5,600 for EPA Brownfields Cleanup
 - \$45,700 for SCDPT Airport Gateway
 - \$9,000 for SCDOT Signage
 - \$44,000 for Tennis Center Site Study
- From Unappropriated Surplus was increased by \$6,700 by an ordinance adopted on May 14, 2007 to fund grant match requirements for the following expenditure line items:
 - \$2,300 for Bush Recycling Brownfield Assessment Grant
 - \$2,200 for SCDOT Airport Gateway
 - \$2,200 for SCDOT Signage
- From Hospitality Fund was increased in the amount of \$125,000 by an ordinance adopted on July 16, 2007 to fund capital improvements at Freedom Florence.

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, 2007, amounts to \$136,572,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and equipment. The total decreases in the City's investment in capital assets for the current fiscal year was 3.11 percent (a 6.57 percent decrease for governmental activities and a 2.42 percent decrease for business-type activities).

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

- property donated to the City of Florence in the amount of \$147,000
- the purchase of property in the downtown area for \$500,511 to be used in the City's downtown revitalization program
- the purchase of several pieces of property in the total amount of \$206,034 for the SWIM project
- the purchase of 2 new fire trucks for a total cost of \$761,010
- the conversion of a van purchased in FY 2006 to a crime scene unit at a total cost of \$44,166
- the purchase of 26 mobile data notebook computers for use in the police department totaling \$234,166
- the purchase of 7 rugged and durable notebook computers for use in the police department totaling \$52,972
- the donation to the fire department of a 32 foot trailer valued at \$40,000
- the purchase of an asphalt pothole repair vehicle totaling \$64,628

Capital Assets and Debt Administration - - Continued

- the purchase of a mobile stage at a cost of \$86,074
- the completion of several water and sewer projects for a combined cost of \$2,532,806
- the completion a stormwater project at a total cost of \$150,000

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 7,022,559	\$ 8,187,503	\$ 1,432,319	\$ 1,426,808	\$ 8,454,878	\$ 9,614,311
Buildings and system	3,271,266	3,409,547	111,568,320	112,889,114	114,839,586	116,298,661
Infrastructure	6,805,820	7,397,947	-	-	6,805,820	7,397,947
Machinery and Equipment	4,222,539	4,170,385	1,321,576	1,538,612	5,544,115	5,708,997
Construction in process	320,760	-	607,042	1,929,508	927,802	1,929,508
Totals	\$ 21,642,944	\$ 23,165,382	\$ 114,929,257	\$ 117,784,042	\$ 136,572,201	\$ 140,949,424

Additional information on the City's capital assets can be found in note F beginning on page 56 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 \$64,118,107. 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	
	2007	2006	2007	2006	2007	2006
Revenue Bonds	\$ -	\$ -	\$ 37,090,000	\$ 39,670,000	\$ 37,090,000	\$ 39,670,000
Notes Payable	-	-	27,028,107	29,111,139	27,028,107	29,111,139
Totals	\$ -	\$ -	\$ 64,118,107	\$ 68,781,139	\$ 64,118,107	\$ 68,781,139

The City's total debt decreased by \$4,663,032 (6.78 percent) during the current fiscal year. The key factor in this decrease was payments on revenue bond and notes payable.

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 \$11,088,098. The City of Florence has no outstanding general obligation debt.

Additional information on the City of Florence's long-term debt can be found in Note I beginning on page 59 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 2008 fiscal year.

- Amounts available for appropriation in the general fund are \$24.4 million, with a \$1.9 million increase from the amount of the original 2007 fiscal year budget of \$22.5 million. The final 2007 budget after amendments was \$24.7 million. The City's budget amendments were reviewed earlier in this report.
- The City did not increase its tax rate in the fiscal year 2007 budget year.
- The Florence area experienced a 1.4% decrease in the unemployment rate from fiscal year 2006.

Economic Factors and Next Year's Budgets and Rates - - Continued

- On December 18, 2006 City Council adopted an ordinance creating a Tax Increment Financing (TIF) district. The TIF district incorporates the overlay district for downtown redevelopment as adopted by Council in FY 2005. Proceeds resulting from the development of a tax increment financing district will be used for public improvements in support of such projects as: a business incubator, improved traffic circulation and pedestrian access, parks and greenspace, and increased access to public transportation. These improvements will complement private investment, provide access to businesses, and facilitate employment opportunities.

As for the City's business-type activities, we expect that the 2008 results will also improve based on the following:

- In January 2006 a regional water and sewer master plan was completed and presented to City Council for review. Based on the alternatives outlined in the Master Plan, Council decided that the City's wastewater treatment functions should be redeveloped at the existing site located off National Cemetery Road. City Council authorized staff to enter a contract for the preparation of a preliminary engineering report (PER) for the new facility. A financing plan has been developed to include the implementation of a three-year phased increase in water and sewer rates and a one-time increase in related fees, including service fees, late charges, and reconnection fees. In June 2007, City Council adopted an ordinance implementing the three-year water and sewer rate increase. Other fees including service fees, late charges, and reconnection fees were also increased. Costs related to the facility will be financed through revenue bonds, banks notes and/or a low-interest rate state infrastructure loan funded by these rate and fee increases. Additional revenues to support the project may be provided from agency grants.
- 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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents--Note D	\$ 6,795,555	\$ 5,159,941	\$ 11,955,496
Receivables--Note E	2,115,355	3,597,056	5,712,411
Inventories	253,541	378,340	631,881
Investments--Note D	4,478,695	8,193,852	12,672,547
Restricted cash and cash equivalents--Note D	2,988,084	4,079,601	7,067,685
Unamortized loan expense	33,476	565,588	599,064
Capital assets (net of accumulated depreciation)--Note F			
Land	7,022,559	1,432,319	8,454,878
Buildings and system	3,271,266	111,568,320	114,839,586
Machinery and equipment	4,222,539	1,321,576	5,544,115
Infrastructure	6,805,820	-	6,805,820
Construction in progress	<u>320,760</u>	<u>607,042</u>	<u>927,802</u>
TOTAL ASSETS	<u>\$ 38,307,650</u>	<u>\$ 136,903,635</u>	<u>\$ 175,211,285</u>
LIABILITIES			
Accounts payable	\$ 1,113,034	\$ 256,723	\$ 1,369,757
Accrued interest	24,239	683,562	707,801
Other liabilities	755,256	79,441	834,697
Unearned revenue	52,687	-	52,687
Customer deposits	-	30,274	30,274
Noncurrent liabilities--Note I			
Due within one year	605,000	2,957,221	3,562,221
Due in more than one year	<u>5,032,948</u>	<u>61,757,684</u>	<u>66,790,632</u>
TOTAL LIABILITIES	<u>7,583,164</u>	<u>65,764,905</u>	<u>73,348,069</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,703,751	54,491,789	75,195,540
Restricted for capital projects	167,439	280,988	448,427
Unrestricted	<u>9,853,296</u>	<u>16,365,953</u>	<u>26,219,249</u>
TOTAL NET ASSETS	<u>\$ 30,724,486</u>	<u>\$ 71,138,730</u>	<u>\$ 101,863,216</u>

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 2,797,828	\$ -	\$ 2,797,828
(10,602,209)	-	(10,602,209)
(2,964,877)	-	(2,964,877)
(2,843,561)	-	(2,843,561)
86,401	-	86,401
<u>(165,107)</u>	<u>-</u>	<u>(165,107)</u>
<u>(13,691,525)</u>	<u>-</u>	<u>(13,691,525)</u>
-	5,232,817	5,232,817
<u>-</u>	<u>73,496</u>	<u>73,496</u>
<u>-</u>	<u>5,306,313</u>	<u>5,306,313</u>
<u>(13,691,525)</u>	<u>5,306,313</u>	<u>(8,385,212)</u>
8,193,634	-	8,193,634
1,143,389	-	1,143,389
479,844	730,095	1,209,939
603,307	-	603,307
<u>1,612,000</u>	<u>(1,612,000)</u>	<u>-</u>
<u>12,032,174</u>	<u>(881,905)</u>	<u>11,150,269</u>
(1,659,351)	4,424,408	2,765,057
<u>32,383,837</u>	<u>66,714,322</u>	<u>99,098,159</u>
<u>\$ 30,724,486</u>	<u>\$ 71,138,730</u>	<u>\$ 101,863,216</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, 2007

ASSETS	<u>General</u>	<u>Hospitality Fee</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents--Note D	\$ 4,834,432	\$ 1,314,388	\$ 646,735	\$ 6,795,555
Receivables				
Property taxes, less allowance for doubtful accounts of \$31,393	104,420	-	-	104,420
Due from other funds--Note G	129,604	-	-	129,604
Due from other governments	1,401,522	-	284,741	1,686,263
Other	83,555	241,117	-	324,672
Investments--Note D	4,339,580	-	139,115	4,478,695
Inventories	253,541	-	-	253,541
Restricted cash and cash equivalent--Note D	<u>-</u>	<u>2,988,084</u>	<u>-</u>	<u>2,988,084</u>
TOTAL ASSETS	<u>\$ 11,146,654</u>	<u>\$ 4,543,589</u>	<u>\$ 1,070,591</u>	<u>\$ 16,760,834</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 360,927	\$ 552,338	\$ 199,769	\$ 1,113,034
Due to other funds--Note G	-	-	129,604	129,604
Other liabilities	755,256	-	-	755,256
Deferred revenue--Note E	1,843,101	-	-	1,843,101
Unearned revenue--Note E	<u>-</u>	<u>-</u>	<u>52,687</u>	<u>52,687</u>
TOTAL LIABILITIES	<u>2,959,284</u>	<u>552,338</u>	<u>382,060</u>	<u>3,893,682</u>
Fund balance				
Reserved for capital projects	<u>-</u>	<u>2,988,084</u>	<u>-</u>	<u>2,988,084</u>
Unreserved,				
Designated for subsequent year's expenditures	983,900	426,500	-	1,410,400
Undesignated	<u>7,203,470</u>	<u>576,667</u>	<u>-</u>	<u>7,780,137</u>
	<u>8,187,370</u>	<u>1,003,167</u>	<u>-</u>	<u>9,190,537</u>
Nonmajor special revenue funds	<u>-</u>	<u>-</u>	<u>688,531</u>	<u>688,531</u>
	<u>8,187,370</u>	<u>3,991,251</u>	<u>688,531</u>	<u>12,867,152</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,146,654</u>	<u>\$ 4,543,589</u>	<u>\$ 1,070,591</u>	<u>\$ 16,760,834</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, 2007

Total fund balances for governmental funds	\$ 12,867,152
Total net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,642,944
Unamortized loan expense used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,476
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.	1,843,101
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds - - Note B	<u>(5,662,187)</u>
Net assets of governmental activities	<u>\$ 30,724,486</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, 2007

	<u>General</u>	<u>Hospitality Fee</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 7,954,442	\$ -	\$ -	\$ 7,954,442
Licenses and fees	8,566,956	2,661,073	-	11,228,029
Intergovernmental	1,619,310	13,292	2,466,625	4,099,227
Charges for services	1,601,724	-	186,114	1,787,838
Fines and forfeitures	825,692	-	-	825,692
Investment earnings	265,635	179,941	34,268	479,844
Miscellaneous	<u>182,727</u>	<u>2,000</u>	<u>771,800</u>	<u>956,527</u>
TOTAL REVENUES	<u>21,016,486</u>	<u>2,856,306</u>	<u>3,458,807</u>	<u>27,331,599</u>
Expenditures				
Current				
General government	4,820,801	320,467	304,888	5,446,156
Public safety	11,343,692	-	243,966	11,587,658
Public works	4,024,636	-	-	4,024,636
Culture and recreation	1,807,002	1,751,380	1,683,769	5,242,151
Community development	-	-	477,068	477,068
Debt Service				
Principal	349,265	155,786	-	505,051
Interest	47,837	114,639	-	162,476
Capital lease issuance cost	-	35,867	-	35,867
Capital Outlay	<u>1,472,234</u>	<u>384,142</u>	<u>528,011</u>	<u>2,384,387</u>
TOTAL EXPENDITURES	<u>23,865,467</u>	<u>2,762,281</u>	<u>3,237,702</u>	<u>29,865,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,848,981)</u>	<u>94,025</u>	<u>221,105</u>	<u>(2,533,851)</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	761,000	3,000,000	-	3,761,000
Transfers in	2,320,701	-	-	2,320,701
Transfers out	<u>(50,000)</u>	<u>(496,700)</u>	<u>(162,001)</u>	<u>(708,701)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,031,701</u>	<u>2,503,300</u>	<u>(162,001)</u>	<u>5,373,000</u>
NET CHANGE IN FUND BALANCE	182,720	2,597,325	59,104	2,839,149
Fund balance at beginning of year	<u>8,004,650</u>	<u>1,393,926</u>	<u>629,427</u>	<u>10,028,003</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,187,370</u>	<u>\$ 3,991,251</u>	<u>\$ 688,531</u>	<u>\$ 12,867,152</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, 2007

Net change in fund balances-total governmental funds \$ 2,839,149

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 outlay exceeded depreciation in the current period. - - Note B 298,701

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. - - Note B (1,821,139)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 239,192

Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. 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. This is the amount by which proceeds exceed repayments. - - Note B (3,255,949)

Governmental funds report capital lease issuance cost as expenditure. However, in the statement of activities this cost is allocated over the life of the lease and reported as amortization expense. This is the amount by which capital lease issuance cost exceeded amortization in the current period. - - Note B 33,476

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. - - Note B 7,219

Change in net assets of governmental activities \$ (1,659,351)

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 8,008,500	\$ 7,947,000	\$ 7,954,442	\$ 7,442
Licenses and fees	8,300,000	8,537,000	8,566,956	29,956
Intergovernmental	1,791,600	1,843,200	1,619,310	(223,890)
Charges for services	1,595,000	1,603,000	1,601,724	(1,276)
Fines and forfeitures	755,900	822,500	825,692	3,192
Investment earnings	135,000	220,000	265,635	45,635
Miscellaneous	100,000	113,000	182,727	69,727
TOTAL REVENUES	20,686,000	21,085,700	21,016,486	(69,214)
Expenditures				
Current				
General government	4,942,290	5,652,820	4,820,801	832,019
Public safety	11,169,380	11,389,630	11,343,692	45,938
Public works	4,237,300	4,054,060	4,024,636	29,424
Culture and recreation	1,212,930	1,882,080	1,807,002	75,078
Debt Service				
Principal	349,400	349,400	349,265	135
Interest	47,980	47,980	47,837	143
Capital Outlay	490,720	1,294,430	1,472,234	(177,804)
TOTAL EXPENDITURES	22,450,000	24,670,400	23,865,467	804,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,764,000)	(3,584,700)	(2,848,981)	735,719
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	761,000	761,000
Transfers in	1,814,000	2,316,700	2,320,701	4,001
Transfers out	(50,000)	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,764,000	2,266,700	3,031,701	765,001
NET CHANGE IN FUND BALANCE	-	(1,318,000)	182,720	1,500,720
Fund balance at beginning of year	8,004,650	8,004,650	8,004,650	-
FUND BALANCE AT END OF YEAR	\$ 8,004,650	\$ 6,686,650	\$ 8,187,370	\$ 1,500,720

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
Hospitality Fee Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and fees	\$ 2,300,000	\$ 2,401,700	\$ 2,661,073	\$ 259,373
Intergovernmental	-	-	13,292	13,292
Investment earnings	-	-	179,941	179,941
Miscellaneous	-	-	2,000	2,000
TOTAL REVENUES	<u>2,300,000</u>	<u>2,401,700</u>	<u>2,856,306</u>	<u>454,606</u>
Expenditures				
Current				
General government	290,000	290,000	320,467	(30,467)
Culture and recreation	1,555,000	1,326,500	1,751,380	(424,880)
Debt Service				
Principal	245,000	245,000	155,786	89,214
Interest	120,000	120,000	114,639	5,361
Capital lease issuance cost	-	-	35,867	(35,867)
Capital outlay	<u>90,000</u>	<u>611,100</u>	<u>384,142</u>	<u>226,958</u>
TOTAL EXPENDITURES	<u>2,300,000</u>	<u>2,592,600</u>	<u>2,762,281</u>	<u>(169,681)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(190,900)</u>	<u>94,025</u>	<u>284,925</u>
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	3,000,000	3,000,000
Transfers out	-	(496,700)	(496,700)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(496,700)</u>	<u>2,503,300</u>	<u>3,000,000</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(687,600)</u>	<u>2,597,325</u>	<u>3,284,925</u>
Fund balance at beginning of year	<u>1,393,926</u>	<u>1,393,926</u>	<u>1,393,926</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,393,926</u>	<u>\$ 706,326</u>	<u>\$ 3,991,251</u>	<u>\$ 3,284,925</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, 2007

	Business-type Activities - - Enterprise Funds		
	<u>Major Fund</u> Water & Sewer Fund	<u>Non-Major Fund</u> Stormwater Utility Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents--Note D	\$ 4,812,197	\$ 347,744	\$ 5,159,941
Accounts receivable--Note E	3,468,569	98,425	3,566,994
Receivable--other--Note E	30,062	-	30,062
Investments--Note D	7,809,798	384,054	8,193,852
Inventories	378,340	-	378,340
Total current assets	<u>16,498,966</u>	<u>830,223</u>	<u>17,329,189</u>
Noncurrent assets			
Restricted cash and cash equivalents--Note D	-	4,079,601	4,079,601
Unamortized loan expense	545,946	19,642	565,588
Capital assets--Note F			
Land	1,319,440	112,879	1,432,319
Buildings and system	148,617,841	2,772,962	151,390,803
Construction in process	475,577	131,465	607,042
Machinery and equipment	6,000,204	605,000	6,605,204
Less accumulated depreciation	(42,874,384)	(2,231,727)	(45,106,111)
Total Capital Assets (Net Of Accumulated Depreciation)	<u>113,538,678</u>	<u>1,390,579</u>	<u>114,929,257</u>
Total noncurrent assets	<u>114,084,624</u>	<u>5,489,822</u>	<u>119,574,446</u>
TOTAL ASSETS	<u>\$ 130,583,590</u>	<u>\$ 6,320,045</u>	<u>\$ 136,903,635</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 215,871	\$ 40,852	\$ 256,723
Accrued interest	670,307	13,255	683,562
Other liabilities	72,557	6,884	79,441
Customer deposits	30,274	-	30,274
Compensated absences-current--Note I	25,000	3,000	28,000
Notes payable-current--Note I	2,104,221	-	2,104,221
Revenue bonds payable-current--Note I	620,000	205,000	825,000
Total current liabilities	<u>3,738,230</u>	<u>268,991</u>	<u>4,007,221</u>
Noncurrent liabilities--Note I			
Compensated absences	509,867	58,931	568,798
Notes payable	24,923,886	-	24,923,886
Revenue bonds payable	32,665,000	3,600,000	36,265,000
Total noncurrent liabilities	<u>58,098,753</u>	<u>3,658,931</u>	<u>61,757,684</u>
TOTAL LIABILITIES	<u>61,836,983</u>	<u>3,927,922</u>	<u>65,764,905</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,101,210	1,390,579	54,491,789
Restricted for capital projects	-	280,988	280,988
Unrestricted	15,645,397	720,556	16,365,953
TOTAL NET ASSETS	<u>\$ 68,746,607</u>	<u>\$ 2,392,123</u>	<u>\$ 71,138,730</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, 2007

	<u>Business-type Activities - - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	Water & Sewer Fund	Stormwater Utility Fund	
Operating Revenues			
Current use charges	\$ 21,539,588	\$ -	\$ 21,539,588
Miscellaneous	304,130	2,147	306,277
Water and sewer tap fees	835,823	-	835,823
Stormwater service fees	<u>-</u>	<u>1,121,916</u>	<u>1,121,916</u>
TOTAL OPERATING REVENUES	<u>22,679,541</u>	<u>1,124,063</u>	<u>23,803,604</u>
Operating Expenses			
Personnel	3,513,030	358,268	3,871,298
Employee benefits	1,272,581	129,865	1,402,446
Purchased services	3,522,291	214,918	3,737,209
Supplies and materials	1,102,292	10,200	1,112,492
Other expenses	830,128	10,935	841,063
Depreciation and amortization	<u>4,377,470</u>	<u>159,395</u>	<u>4,536,865</u>
TOTAL OPERATING EXPENSES	<u>14,617,792</u>	<u>883,581</u>	<u>15,501,373</u>
OPERATING INCOME	<u>8,061,749</u>	<u>240,482</u>	<u>8,302,231</u>
Non-operating revenues (expenses)			
Investment earnings	534,316	195,779	730,095
Interest expense	<u>(3,056,992)</u>	<u>(166,986)</u>	<u>(3,223,978)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,522,676)</u>	<u>28,793</u>	<u>(2,493,883)</u>
INCOME BEFORE TRANSFERS	5,539,073	269,275	5,808,348
Capital contributions	228,060	-	228,060
Transfers in	-	50,000	50,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
Change in net assets	4,255,133	169,275	4,424,408
Net assets at beginning of year	<u>64,491,474</u>	<u>2,222,848</u>	<u>66,714,322</u>
NET ASSETS AT END OF YEAR	<u>\$ 68,746,607</u>	<u>\$ 2,392,123</u>	<u>\$ 71,138,730</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, 2007

	Business-type Activities - -Enterprise Funds		
	<u>Major Fund</u> Water & Sewer Fund	<u>Non-Major Fund</u> Stormwater Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 22,063,308	\$ 1,117,643	\$ 23,180,951
Payments to suppliers	(4,722,947)	(189,306)	(4,912,253)
Payments to employees	(4,721,634)	(482,182)	(5,203,816)
Other receipts	278,181	-	278,181
Other payments	<u>(831,114)</u>	<u>(11,353)</u>	<u>(842,467)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,065,794</u>	<u>434,802</u>	<u>12,500,596</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	50,000	50,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,512,000)</u>	<u>(100,000)</u>	<u>(1,612,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	228,060	-	228,060
Additions to property, plant and equipment	(1,213,620)	(431,726)	(1,645,346)
Disposals of property, plant and equipment	33,546	-	33,546
Principal paid on bonds and notes	(4,468,032)	(195,000)	(4,663,032)
Interest paid on bonds and notes	(2,987,178)	(153,731)	(3,140,909)
Additions to amortizable bond issue costs	<u>-</u>	<u>(21,045)</u>	<u>(21,045)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,407,224)</u>	<u>(801,502)</u>	<u>(9,208,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	11,193,682	-	11,193,682
Purchase of investments	(11,505,881)	(15,188)	(11,521,069)
Investment income	<u>512,409</u>	<u>194,663</u>	<u>707,072</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>200,210</u>	<u>179,475</u>	<u>379,685</u>
NET INCREASE (DECREASE) IN CASH	2,346,780	(287,225)	2,059,555
Cash at beginning of year	<u>2,465,417</u>	<u>4,714,570</u>	<u>7,179,987</u>
CASH AT END OF YEAR	<u>\$ 4,812,197</u>	<u>\$ 4,427,345</u>	<u>\$ 9,239,542</u>

	Business-type Activities - - Enterprise Fund		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total
	Water & Sewer Fund	Stormwater Utility Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 8,061,749	\$ 240,482	\$ 8,302,231
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	4,308,593	157,992	4,466,585
Amortization	68,877	1,403	70,280
Changes in assets and liabilities			
Increase in receivables	(338,052)	(6,420)	(344,472)
Increase in inventories	(75,067)	-	(75,067)
Increase (decrease) in accounts payable	(23,297)	35,812	12,515
Decrease in customer deposits	(986)	-	(986)
Increase in compensated absences	54,365	5,951	60,316
Increase (decrease) in other liabilities	9,612	(418)	9,194
TOTAL ADJUSTMENT	<u>4,004,045</u>	<u>194,320</u>	<u>4,198,365</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,065,794</u>	<u>\$ 434,802</u>	<u>\$ 12,500,596</u>
NON-CASH CAPITAL, FINANCING AND INVESTING ACTIVITIES			
Net increase in the fair value of investments	\$ 21,907	\$ 1,116	\$ 23,023
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and cash equivalents	\$ 4,812,197	\$ 347,744	\$ 5,159,941
Restricted cash and cash equivalents	-	4,079,601	4,079,601
Cash and Cash Equivalents	<u>\$ 4,812,197</u>	<u>\$ 4,427,345</u>	<u>\$ 9,239,542</u>

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, 2007

ASSETS

Cash and cash equivalents--Note D	\$ 167,323
Due from others	25
Investments--Note D	<u>54,940</u>

TOTAL ASSETS \$ 222,288

LIABILITIES

Due to others	<u>\$ 222,288</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, 2007

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 contributed \$660,000 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 3300 West Radio Drive, Florence, South Carolina 29501.

2. Government-wide and Fund Financial 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.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is 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:

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

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 Hospitality Fee, Juvenile Crime Prevention, Housing Partnership, Home Program, Community Development Block Grant, Park Commission, All American City, Fire, Leisure Service Program, Drug Free Florence, E-911, Victim's Rights, Drug Control, Federal Equitable Sharing, Tobacco/Alcohol Compliance, LLEBG, Safety Committee, COPS Grants, Byrne Grant, Summer Youth Program, Accommodation Tax, Leisure Service Registration, ROTC Drill Competition, Animal Shelter Development, Employee Assistance, Public Safety Grants, Boys & Girls Club, Police Chaplain and Performing Arts Center 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 and Stormwater Utility 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 Florence Beautiful, Human Relations Council, Florence Co. Municipal Assoc., Pee Dee Continuum of Care, Court Escrow, and Narcotics Holding Funds.

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

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. Interfund services provided and used are not eliminated. 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 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 funds: 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. Hospitality Fee Fund. This fund is used to account for funds received for tourism programs.

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.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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.

Restricted Assets

Certain proceeds of the City's Government Fund and Enterprise Fund capital lease debt are classified as restricted assets on the statement of net assets because they represent unspent proceeds of capital debt.

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.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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 are 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 represent 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.

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.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Net Assets/Fund Equity - - Continued

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 governmental funds at June 30, 2007 is designated as follows.

General Fund - General Government	<u>\$ 983,900</u>
Hospitality Fee Fund - General Government	\$ 299,000
Hospitality Fee Fund - Culture and Recreation	<u>127,500</u>
	<u>\$ 426,500</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 \$5,662,187 difference are as follows:

Accrued interest payable	\$ 24,239
Capital leases payable	3,769,075
Compensated absences	<u>1,868,873</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 5,662,187</u>

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 \$298,701 difference are as follows:

Capital outlay	\$ 2,384,387
Depreciation expense	<u>(2,085,686)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 298,701</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

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

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 \$1,821,139 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.	\$ (3,026)
In the statement of activities donation of capital assets to a state university decrease net assets, but do appear in the governmental funds because they are not financial resources.	(2,015,463)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>197,350</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,821,139)</u>

Another element of that reconciliation states that “Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. 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.” The details of this \$3,255,949 difference are as follows:

Proceeds of capital lease debt	\$ (3,761,000)
Payment of capital lease principal	<u>505,051</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,255,949)</u>

Another element of that reconciliation states that “Governmental funds report capital lease issuance cost as expenditures. However, in the statement of activities this cost is allocated over the life of the lease and reported as amortization expense.” The details of this \$33,476 difference are as follows:

Capital lease issuance cost	\$ 35,867
Amortization expense	<u>(2,391)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 33,476</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

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

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 \$7,219 difference are as follows:

Compensated absences	\$ 9,850
Accrued interest	<u>(2,631)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,219</u>

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, Hospitality Fee 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, Hospitality Fee Fund and Enterprise Fund. Thus, the budgetary financial statements included non-major 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

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City’s policy requires deposits to be secured by collateral, obligations of the U.S. Treasury and U.S. Agencies and instrumentalities, State of South Carolina or South Carolina local governments, valued at market or par, whichever is lower, less the amount of insurance (FDIC). Deposits of the City of \$19,436,836 at June 30, 2007, are insured or collateralized with securities held by the pledging financial institutions’ trust department in the name of the City. \$19,146,463 of the deposits at June 30, 2007 are

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE D - DEPOSITS AND INVESTMENTS - - Continued

Deposits - - Continued

collateralized with securities held by the pledging financial institutions' trust department in the name of the City.

Restricted cash of \$2,988,084 at June 30, 2007, in the Governmental Funds is the unspent proceeds of capital leases to be used for the purchase and construction of capital assets. Restricted cash of \$4,079,601 in the Enterprise Fund is the unspent proceeds of capital leases to be used for the purchase and construction of capital assets.

During February, 2007, the City awarded its cash management contract to Wachovia Bank for the next five years. Funds in excess of the compensating balance, which was \$314,889 at June 30, 2007 are invested.

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. The City's investment policy limits investments to a maximum maturity of three years and does not limit investments by type of instrument.

As of June 30, 2007, the city had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> (in years)		<u>Credit Ratings</u>
		<u>Less Than 1</u>	<u>1-5</u>	
U.S. Governments and Agencies				
Federal Home Loan Mortgage Corp	\$ 4,102,147	\$ 4,102,147	\$ -	AAA
Federal National Mortgage Assoc	999,060	-	999,060	AAA
Federal Home Loan Bank	6,993,782	6,993,782	-	AAA
South Carolina Local				
Government Investment Pool	<u>632,498</u>	<u>632,498</u>	<u>-</u>	N/A
	<u>\$ 12,727,487</u>	<u>\$ 11,728,427</u>	<u>\$ 999,060</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. Credit ratings are provided by Standards & Poor's. 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.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE E - RECEIVABLES

Receivables as of June 30, 2007, 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>Hospitality Fee</u>	<u>Water and Sewer</u>	<u>Non-Major</u>	<u>Total</u>
Accounts	\$ -	\$ 241,117	\$ 3,503,605	\$ 99,419	\$ 3,844,141
Taxes	135,813	-	-	-	135,813
Intergovernmental	1,401,522	-	28,060	284,741	1,714,323
Other	<u>83,555</u>	<u>-</u>	<u>2,002</u>	<u>-</u>	<u>85,557</u>
Gross receivables	1,620,890	241,117	3,533,667	384,160	5,779,834
Less: Allowance for uncollectibles	<u>(31,393)</u>	<u>-</u>	<u>(35,036)</u>	<u>(994)</u>	<u>(67,423)</u>
	<u>\$ 1,589,497</u>	<u>\$ 241,117</u>	<u>\$ 3,498,631</u>	<u>\$ 383,166</u>	<u>\$ 5,712,411</u>

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, 2007, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 64,527	\$ -
Local option sales tax receivable	1,778,574	-
Grant draw downs prior to meeting all eligibility requirements	-	<u>52,687</u>
	<u>\$ 1,843,101</u>	<u>\$ 52,687</u>

NOTE F - CAPITAL ASSETS

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

	<u>Balances June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 8,187,503	\$ 853,545	\$ 2,018,489	\$ 7,022,559
Construction in progress	<u>-</u>	<u>320,760</u>	<u>-</u>	<u>320,760</u>
Total capital assets, not being depreciated	<u>8,187,503</u>	<u>1,174,305</u>	<u>2,018,489</u>	<u>7,343,319</u>
Capital assets, being depreciated:				
Buildings	5,721,998	-	-	5,721,998
Infrastructure	14,825,145	15,101	-	14,840,246
Machinery and equipment	<u>12,805,374</u>	<u>1,392,331</u>	<u>100,240</u>	<u>14,097,465</u>
Total capital assets being depreciated	<u>33,352,517</u>	<u>1,407,432</u>	<u>100,240</u>	<u>34,659,709</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE F - CAPITAL ASSETS - - Continued

	Balances			Balances
	June 30, 2006	Increases	Decreases	June 30, 2007
Less-accumulated depreciation for:				
Buildings	2,312,451	138,281	-	2,450,732
Infrastructure	7,427,198	607,228	-	8,034,426
Machinery and equipment	<u>8,634,989</u>	<u>1,340,177</u>	<u>100,240</u>	<u>9,874,926</u>
Total accumulated depreciation	<u>18,374,638</u>	<u>2,085,686</u>	<u>100,240</u>	<u>20,360,084</u>
Total capital assets, being depreciated, net	<u>14,977,879</u>	<u>(678,254)</u>	<u>-</u>	<u>14,299,625</u>
Governmental activities capital assets, net	<u>\$ 23,165,382</u>	<u>\$ 496,051</u>	<u>\$ 2,018,489</u>	<u>\$ 21,642,944</u>

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

	Balances			Balances
	June 30, 2006	Increases	Decreases	June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 1,426,808	\$ 5,511	\$ -	\$ 1,432,319
Construction in progress	<u>1,929,508</u>	<u>454,137</u>	<u>1,776,603</u>	<u>607,042</u>
Total capital assets, not being depreciated	<u>3,356,316</u>	<u>459,648</u>	<u>1,776,603</u>	<u>2,039,361</u>
Capital assets, being depreciated:				
Buildings and system	148,707,997	2,682,806	-	151,390,803
Machinery and equipment	<u>6,453,838</u>	<u>245,949</u>	<u>94,583</u>	<u>6,605,204</u>
Total capital assets, being depreciated	<u>155,161,835</u>	<u>2,928,755</u>	<u>94,583</u>	<u>157,996,007</u>
Less-accumulated depreciation for:				
Buildings and system	35,818,883	4,003,600	-	39,822,483
Machinery and equipment	<u>4,915,226</u>	<u>462,985</u>	<u>94,583</u>	<u>5,283,628</u>
Total accumulated depreciation	<u>40,734,109</u>	<u>4,466,585</u>	<u>94,583</u>	<u>45,106,111</u>
Total capital assets, being depreciated, net	<u>114,427,726</u>	<u>(1,537,830)</u>	<u>-</u>	<u>112,889,896</u>
Business-type activities capital assets, net	<u>\$ 117,784,042</u>	<u>\$ (1,078,182)</u>	<u>\$ 1,776,603</u>	<u>\$ 114,929,257</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 505,387
Public safety	868,333
Public works	402,638
Culture and recreation	<u>309,328</u>
Total depreciation-governmental activities	<u>\$ 2,085,686</u>
Business-Type Activities	
Water and sewer	\$ 4,308,593
Stormwater	<u>157,992</u>
Total depreciation-business-type activities	<u>\$ 4,466,585</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2007 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 129,604	\$ -
Nonmajor governmental	-	129,604
Total	<u>\$ 129,604</u>	<u>\$ 129,604</u>

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

Interfund transfers for the year ended June 30, 2007, are as follows:

	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
<u>Transfer out</u>			
General fund	\$ -	\$ 50,000	\$ 50,000
Hospitality fee fund	496,700	-	496,700
Nonmajor governmental funds	162,001	-	162,001
Water and sewer enterprise fund	1,512,000	-	1,512,000
Nonmajor enterprise funds	150,000	-	150,000
Total transfers out	<u>\$ 2,320,701</u>	<u>\$ 50,000</u>	<u>\$ 2,370,701</u>

The transfers consist primarily of \$1,512,000 to General Fund from Water and Sewer Enterprise Fund and \$496,700 to General Fund from Hospitality Fee 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 police and fire departments, construction of Veteran's Memorial Park and improvements to Radio Drive.

The future minimum lease obligations and the net present value of these lease payments at June 30, 2007, were as follows:

<u>Year Ending June 30,</u>	
2008	\$ 667,526
2009	395,274
2010	395,274
2011	395,274

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE H - CAPITAL LEASES - - Continued

2012	395,274
2013-2017	1,476,970
2018-2021	<u>1,081,696</u>
	4,807,288
Less, amount representing interest	<u>1,038,213</u>
	<u>\$ 3,769,075</u>

NOTE I - LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Capital leases	\$ 4,274,126	\$ -	\$ 505,051	\$ 3,769,075	\$ 515,000
Compensated absences	<u>1,878,723</u>	<u>1,079,375</u>	<u>1,089,225</u>	<u>1,868,873</u>	<u>90,000</u>
	<u>\$ 6,152,849</u>	<u>\$ 1,079,375</u>	<u>\$ 1,594,276</u>	<u>\$ 5,637,948</u>	<u>\$ 605,000</u>
<u>Business-type Activities</u>					
Revenue Bonds					
Water and Sewer	\$ 35,670,000	\$ -	\$ 2,385,000	\$ 33,285,000	\$ 620,000
Stormwater	4,000,000	-	195,000	3,805,000	205,000
Less unamortized amount deferred for refunding	<u>(119,551)</u>	<u>-</u>	<u>(119,551)</u>	<u>-</u>	<u>-</u>
Total bonds payable	39,550,449	-	2,460,449	37,090,000	825,000
Notes Payable					
Water and Sewer	29,111,139	-	2,083,032	27,028,107	2,104,221
Compensated absences					
Water and Sewer	480,502	320,643	266,278	534,867	25,000
Stormwater	<u>55,980</u>	<u>35,217</u>	<u>29,266</u>	<u>61,931</u>	<u>3,000</u>
	<u>\$ 69,198,070</u>	<u>\$ 355,860</u>	<u>\$ 4,839,025</u>	<u>\$ 64,714,905</u>	<u>\$ 2,957,221</u>

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

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

	<u>Date of</u> <u>Issuance</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Revenue Bonds</u>					
Series 2000		\$ 25,690,000	5.50 to 7.50	3/1/2030	\$ 23,150,000
Series 2002		8,360,000	3.80	9/1/2017	8,360,000
Series 2003B		2,000,000	3.90	9/1/2018	1,775,000
Series 2006		4,000,000	4.18	6/2/2021	3,805,000

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2007

NOTE I - LONG-TERM DEBT - - Continued

Notes Payable

August 1991	1,100,000	4.25	7/1/2012	286,796
June 1993	23,828,128	4.25	12/1/2014	11,345,653
May 1999	2,767,997	3.50	3/1/2020	1,978,423
May 2000	6,210,343	3.50	1/1/2032	5,499,084
May 2000	4,062,403	4.25	6/1/2032	3,688,110
October 2002	3,821,332	0.00	1/1/2012	1,910,666
January 2003	2,517,834	3.75	2/1/2034	2,319,375

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

Business-type Activities

<u>Year Ended</u>	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30						
2008	\$ 825,000	\$ 1,968,839	\$ 2,104,222	\$ 922,859	\$ 2,929,222	\$ 2,891,698
2009	1,710,000	1,902,033	2,226,507	900,366	3,936,507	2,802,399
2010	1,750,000	1,816,313	2,303,727	823,145	4,053,727	2,639,458
2011	1,790,000	1,728,381	2,384,197	742,676	4,174,197	2,471,057
2012	1,835,000	1,637,424	2,468,049	658,822	4,303,049	2,296,246
2013-2017	10,010,000	6,709,689	6,826,735	2,156,613	16,836,735	8,866,302
2018-2022	7,445,000	4,271,806	2,703,178	1,393,389	10,148,178	5,665,195
2023-2027	6,650,000	2,536,600	2,655,567	910,185	9,305,567	3,446,785
2028-2032	5,075,000	569,524	3,123,705	358,247	8,198,705	927,771
2033-2034	-	-	232,220	8,788	232,220	8,788
	<u>\$ 37,090,000</u>	<u>\$ 23,140,609</u>	<u>\$ 27,028,107</u>	<u>\$ 8,875,090</u>	<u>\$ 64,118,107</u>	<u>\$ 32,015,699</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 6.50% of wages earned for the year. The employer's contribution rate is 8.05%. 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, 2007

NOTE J - EMPLOYEE BENEFITS - - Continued

During the year the City contributed \$676,478 to the SCRS and \$712,829 to the SCPORS. Contributions by employees during the year were \$527,443 to the SCRS and \$448,399 to the SCPORS. The City's covered payroll for the SCRS and SCPORS was \$8,114,503 and \$6,898,446, respectively. Total current year payroll for all employees was \$15,225,033.

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, 2005	\$ 510,981	100	\$ 621,665	100
June 30, 2006	630,423	100	676,072	100
June 30, 2007	676,478	100	712,829	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, 2007, fifty-one retirees meet those eligibility requirements. The city pays the following percentage of health and dental insurance premiums for pre-Medicare retirees.

<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, 2007, these costs totaled \$184,467.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2007

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 \$10,000 deductible under the SCMIRF plan and a \$10,000 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 Hospitality, Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2007, the outstanding commitments total \$304,223.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriates \$660,000 annually as its share of the cost of the Civic Center.

On October 14, 2002, Florence City Council approved an ordinance to provide \$500,000 over a period of approximately five years to Florence County for the construction of a communications tower to serve northern Florence County, including a significant portion of the City of Florence. A payment of \$100,000 was made from the E-911 fund during the fiscal year ending June 30, 2007. As of June 30, 2007, the outstanding commitment was \$200,000.

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, 2007 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.

Juvenile Crime Prevention - This fund is used to account for funds received to expand after school programs and establishing summer programs to combat gang activities, improve drop out statistics and prevent juvenile crime.

Housing Partnership - This fund is used to account for the expenditure of Housing Action Partnership Program grant.

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.

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

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.

Tobacco/Alcohol Compliance - This fund is used to account for grant funds for educational programs for tobacco and alcohol compliance.

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.

COPS Grant - This fund is used to account for the expenditures of Law Enforcement Technology grants.

Byrne Grant - This fund is used to account for the expenditures of the Edward Byrne Memorial Justice Assistance Grant Program.

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.

ROTC Drill Competition - This fund is used to account for funds received for the ROTC drill competition.

NONMAJOR GOVERNMENTAL FUNDS

-Continued-

Animal Shelter Development - This fund is used to account for funds received for new animal shelter building.

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

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

Boys & Girls Club - This fund is used to account for grant funds used to renovate the Boys and Girls Club facilities.

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

Performing Arts Center - This fund is used to account for grant funds for the Francis Marion University Performing Arts Center.

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Juvenile Crime Prevention	Housing Partnership	Home Program	Community Development Block Grant	Park Commission	All American City
ASSETS						
Cash and cash equivalents	\$ -	\$ 4,548	\$ 47,680	\$ -	\$ 5,839	\$ 4,332
Due from other governments	50,348	-	-	30,327	-	-
Investments	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 50,348</u>	<u>\$ 4,548</u>	<u>\$ 47,680</u>	<u>\$ 30,327</u>	<u>\$ 5,839</u>	<u>\$ 4,332</u>
LIABILITIES						
Accounts payable	\$ 5,847	\$ -	\$ 55	\$ -	\$ -	\$ -
Due to other funds	44,501	-	-	30,327	-	-
Unearned revenue	-	-	-	-	-	-
TOTAL LIABILITIES	<u>50,348</u>	<u>-</u>	<u>55</u>	<u>30,327</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Fund balances	-	4,548	47,625	-	5,839	4,332
TOTAL FUND BALANCES	<u>-</u>	<u>4,548</u>	<u>47,625</u>	<u>-</u>	<u>5,839</u>	<u>4,332</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 50,348</u>	<u>\$ 4,548</u>	<u>\$ 47,680</u>	<u>\$ 30,327</u>	<u>\$ 5,839</u>	<u>\$ 4,332</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	E-911	Victim's Rights	Drug Control	Federal Equitable Sharing	Tobacco/ Alcohol Compliance
\$ 83,048	\$ 34,010	\$ 7,141	\$ 161,045	\$ 84,087	\$ 76,116	\$ 34,462	\$ 10,437
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,831</u>	<u>28,284</u>	<u>-</u>	<u>-</u>
<u>\$ 83,048</u>	<u>\$ 34,010</u>	<u>\$ 7,141</u>	<u>\$ 161,045</u>	<u>\$ 194,918</u>	<u>\$ 104,400</u>	<u>\$ 34,462</u>	<u>\$ 10,437</u>
\$ 77,000	\$ 2,381	\$ -	\$ -	\$ -	\$ 360	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>-</u>	<u>25,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>77,000</u>	<u>27,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>-</u>
<u>6,048</u>	<u>6,416</u>	<u>7,141</u>	<u>161,045</u>	<u>194,918</u>	<u>104,040</u>	<u>34,462</u>	<u>10,437</u>
<u>6,048</u>	<u>6,416</u>	<u>7,141</u>	<u>161,045</u>	<u>194,918</u>	<u>104,040</u>	<u>34,462</u>	<u>10,437</u>
<u>\$ 83,048</u>	<u>\$ 34,010</u>	<u>\$ 7,141</u>	<u>\$ 161,045</u>	<u>\$ 194,918</u>	<u>\$ 104,400</u>	<u>\$ 34,462</u>	<u>\$ 10,437</u>

(Continued)

City of Florence, South Carolina
Combining Balance Sheet - - Continued
Nonmajor Governmental Funds
June 30, 2007

	LLEBG	Safety Committee	COPS Grant	Byrne Grant	Summer Youth Program	Accommodation Tax
ASSETS						
Cash and cash equivalents	\$ 106	\$ 218	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	54,067	30,076	2,963	100,936
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 106</u>	<u>\$ 218</u>	<u>\$ 54,067</u>	<u>\$ 30,076</u>	<u>\$ 2,963</u>	<u>\$ 100,936</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 52,972	\$ -	\$ -	\$ 56,209
Due to other funds	-	-	1,095	30,076	2,963	4,618
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>54,067</u>	<u>30,076</u>	<u>2,963</u>	<u>60,827</u>
FUND BALANCES						
Fund balances	<u>106</u>	<u>218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,109</u>
TOTAL FUND BALANCES	<u>106</u>	<u>218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,109</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 106</u>	<u>\$ 218</u>	<u>\$ 54,067</u>	<u>\$ 30,076</u>	<u>\$ 2,963</u>	<u>\$ 100,936</u>

SPECIAL REVENUE

Leisure Service Registration	Animal Shelter Development	Employee Assistance	Public Safety Grants	Boys & Girls Club	Police Chaplain	Total Nonmajor Governmental Funds
\$ 33,362	\$ 5,359	\$ 3,379	\$ -	\$ 51,563	\$ 3	\$ 646,735
-	-	-	16,024	-	-	284,741
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,115</u>
<u>\$ 33,362</u>	<u>\$ 5,359</u>	<u>\$ 3,379</u>	<u>\$ 16,024</u>	<u>\$ 51,563</u>	<u>\$ 3</u>	<u>\$ 1,070,591</u>
\$ 4,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,769
-	-	-	16,024	-	-	129,604
<u>27,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,687</u>
<u>32,419</u>	<u>-</u>	<u>-</u>	<u>16,024</u>	<u>-</u>	<u>-</u>	<u>382,060</u>
<u>943</u>	<u>5,359</u>	<u>3,379</u>	<u>-</u>	<u>51,563</u>	<u>3</u>	<u>688,531</u>
<u>943</u>	<u>5,359</u>	<u>3,379</u>	<u>-</u>	<u>51,563</u>	<u>3</u>	<u>688,531</u>
<u>\$ 33,362</u>	<u>\$ 5,359</u>	<u>\$ 3,379</u>	<u>\$ 16,024</u>	<u>\$ 51,563</u>	<u>\$ 3</u>	<u>\$ 1,070,591</u>

City of Florence, South Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Juvenile Crime Prevention	Housing Partnership	Home Program	Community Development Block Grant	Park Commission	All American City
Revenues						
Intergovernmental	\$ 50,348	\$ 20,000	\$ 221,066	\$ 347,830	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Investment earnings	-	688	537	-	210	155
Miscellaneous	-	-	122,753	1,820	935	-
TOTAL REVENUES	<u>50,348</u>	<u>20,688</u>	<u>344,356</u>	<u>349,650</u>	<u>1,145</u>	<u>155</u>
Expenditures						
General government	50,348	-	-	69,400	439	-
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	49,762	297,056	130,250	-	-
Capital outlay	-	-	-	150,000	-	-
TOTAL EXPENDITURES	<u>50,348</u>	<u>49,762</u>	<u>297,056</u>	<u>349,650</u>	<u>439</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(29,074)</u>	<u>47,300</u>	<u>-</u>	<u>706</u>	<u>155</u>
Other Financing Uses						
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(29,074)</u>	<u>47,300</u>	<u>-</u>	<u>706</u>	<u>155</u>
Fund balance at beginning of year	-	33,622	325	-	5,133	4,177
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ 4,548</u>	<u>\$ 47,625</u>	<u>\$ -</u>	<u>\$ 5,839</u>	<u>\$ 4,332</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	E-911	Victim's Rights	Drug Control	Federal Equitable Sharing	Tobacco/ Alcohol Compliance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	27,605	-	158,509	-	-	-	-
2,873	955	256	5,891	7,824	10,015	980	383
<u>88,893</u>	<u>-</u>	<u>3,200</u>	<u>-</u>	<u>113,584</u>	<u>7,557</u>	<u>16,202</u>	<u>1,500</u>
<u>91,766</u>	<u>28,560</u>	<u>3,456</u>	<u>164,400</u>	<u>121,408</u>	<u>17,572</u>	<u>17,182</u>	<u>1,883</u>
-	-	-	156,957	-	-	-	1,230
88,289	-	6,964	-	-	24,565	14,487	-
-	57,641	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>-</u>
<u>88,289</u>	<u>57,641</u>	<u>6,964</u>	<u>156,957</u>	<u>-</u>	<u>31,565</u>	<u>14,487</u>	<u>1,230</u>
<u>3,477</u>	<u>(29,081)</u>	<u>(3,508)</u>	<u>7,443</u>	<u>121,408</u>	<u>(13,993)</u>	<u>2,695</u>	<u>653</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,477	(29,081)	(3,508)	7,443	1,646	(13,993)	2,695	653
<u>2,571</u>	<u>35,497</u>	<u>10,649</u>	<u>153,602</u>	<u>193,272</u>	<u>118,033</u>	<u>31,767</u>	<u>9,784</u>
<u>\$ 6,048</u>	<u>\$ 6,416</u>	<u>\$ 7,141</u>	<u>\$ 161,045</u>	<u>\$ 194,918</u>	<u>\$ 104,040</u>	<u>\$ 34,462</u>	<u>\$ 10,437</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, 2007

	LLEBG	Safety Committee	COPS Grant	Byrne Grant	Summer Youth Program	Accommodation Tax
Revenues						
Intergovernmental	\$ -	\$ -	\$ 395,445	\$ 50,942	\$ 13,658	\$ 333,051
Charges for services	-	-	-	-	-	-
Investment earnings	-	87	-	-	-	852
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>87</u>	<u>395,445</u>	<u>50,942</u>	<u>13,658</u>	<u>333,903</u>
Expenditures						
General government	-	4,849	-	-	13,658	-
Public safety	-	-	24,434	50,942	-	-
Culture and recreation	-	-	-	-	-	272,165
Community development	-	-	-	-	-	-
Capital outlay	-	-	371,011	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>4,849</u>	<u>395,445</u>	<u>50,942</u>	<u>13,658</u>	<u>272,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(4,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,738</u>
Other Financing Uses						
Transfers out	-	-	-	-	-	(40,028)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,028)</u>
NET CHANGE IN FUND BALANCE	-	(4,762)	-	-	-	21,710
Fund balance at beginning of year	<u>106</u>	<u>4,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,399</u>
FUND BALANCE AT END OF YEAR	<u>\$ 106</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,109</u>

SPECIAL REVENUE

Leisure Service Registration	ROTC Drill Competition	Animal Shelter Development	Employee Assistance	Public Safety Grants	Boys & Girls Club	Police Chaplain	Performing Arts Center	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 34,285	\$ -	\$ -	\$ 1,000,000	\$ 2,466,625
-	-	-	-	-	-	-	-	186,114
768	38	40	128	-	1,563	25	-	34,268
<u>53,963</u>	<u>-</u>	<u>5,319</u>	<u>6,074</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>771,800</u>
<u>54,731</u>	<u>38</u>	<u>5,359</u>	<u>6,202</u>	<u>34,285</u>	<u>351,563</u>	<u>25</u>	<u>1,000,000</u>	<u>3,458,807</u>
-	-	-	6,325	-	-	1,682	-	304,888
-	-	-	-	34,285	-	-	-	243,966
53,963	-	-	-	-	300,000	-	1,000,000	1,683,769
-	-	-	-	-	-	-	-	477,068
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,011</u>
<u>53,963</u>	<u>-</u>	<u>-</u>	<u>6,325</u>	<u>34,285</u>	<u>300,000</u>	<u>1,682</u>	<u>1,000,000</u>	<u>3,237,702</u>
<u>768</u>	<u>38</u>	<u>5,359</u>	<u>(123)</u>	<u>-</u>	<u>51,563</u>	<u>(1,657)</u>	<u>-</u>	<u>221,105</u>
<u>-</u>	<u>(2,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,001)</u>
<u>-</u>	<u>(2,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,001)</u>
768	(2,173)	5,359	(123)	-	51,563	(1,657)	-	59,104
<u>175</u>	<u>2,173</u>	<u>-</u>	<u>3,502</u>	<u>-</u>	<u>-</u>	<u>1,660</u>	<u>-</u>	<u>629,427</u>
<u>\$ 943</u>	<u>\$ -</u>	<u>\$ 5,359</u>	<u>\$ 3,379</u>	<u>\$ -</u>	<u>\$ 51,563</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 688,531</u>

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.

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, 2007

	<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	\$ 20,687,000	\$ 20,727,000	\$ 21,539,588	\$ 812,588
Miscellaneous	325,000	292,000	304,130	12,130
Water and sewer tap fees	<u>595,000</u>	<u>588,000</u>	<u>835,823</u>	<u>247,823</u>
TOTAL OPERATING REVENUES	<u>21,607,000</u>	<u>21,607,000</u>	<u>22,679,541</u>	<u>1,072,541</u>
Operating Expenses				
Personnel	3,774,590	3,537,540	3,513,030	24,510
Employee benefits	1,336,550	1,267,240	1,272,581	(5,341)
Purchased services	3,659,000	3,744,880	3,522,291	222,589
Supplies and materials	1,331,250	1,389,620	1,102,292	287,328
Other expenses	809,010	1,222,420	830,128	392,292
Depreciation and amortization	<u>2,484,400</u>	<u>2,584,400</u>	<u>4,377,470</u>	<u>(1,793,070)</u>
TOTAL OPERATING EXPENSES	<u>13,394,800</u>	<u>13,746,100</u>	<u>14,617,792</u>	<u>(871,692)</u>
OPERATING INCOME	<u>8,212,200</u>	<u>7,860,900</u>	<u>8,061,749</u>	<u>200,849</u>
Non-operating Revenues (Expenses)				
Investment earnings	125,000	125,000	534,316	409,316
Interest expense	<u>(6,825,200)</u>	<u>(6,736,200)</u>	<u>(3,056,992)</u>	<u>3,679,208</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,700,200)</u>	<u>(6,611,200)</u>	<u>(2,522,676)</u>	<u>4,088,524</u>
INCOME BEFORE TRANSFERS	1,512,000	1,249,700	5,539,073	4,289,373
Capital contributions	-	-	228,060	228,060
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	-	(262,300)	4,255,133	4,517,433
Net assets at beginning of year	<u>64,491,474</u>	<u>64,491,474</u>	<u>64,491,474</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 64,491,474</u>	<u>\$ 64,229,174</u>	<u>\$ 68,746,607</u>	<u>\$ 4,517,433</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Stormwater service fees	\$ 1,127,000	\$ 1,127,000	\$ 1,121,916	\$ (5,084)
Miscellaneous income	-	500	2,147	1,647
TOTAL OPERATING REVENUES	<u>1,127,000</u>	<u>1,127,500</u>	<u>1,124,063</u>	<u>(3,437)</u>
Operating Expenses				
Personnel	355,890	358,600	358,268	332
Employee benefits	127,670	128,600	129,865	(1,265)
Purchased services	109,700	121,950	214,918	(92,968)
Supplies and materials	14,500	10,750	10,200	550
Other expenses	21,740	10,800	10,935	(135)
Depreciation and amortization	<u>246,500</u>	<u>258,800</u>	<u>159,395</u>	<u>99,405</u>
TOTAL OPERATING EXPENSES	<u>876,000</u>	<u>889,500</u>	<u>883,581</u>	<u>5,919</u>
OPERATING INCOME	<u>251,000</u>	<u>238,000</u>	<u>240,482</u>	<u>2,482</u>
Non-operating Revenues (Expenses)				
Investment earnings	3,000	2,500	195,779	193,279
Interest expense	<u>(154,000)</u>	<u>(154,000)</u>	<u>(166,986)</u>	<u>(12,986)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(151,000)</u>	<u>(151,500)</u>	<u>28,793</u>	<u>180,293</u>
INCOME BEFORE TRANSFERS	100,000	86,500	269,275	182,775
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Change in net assets	-	(13,500)	169,275	182,775
Net assets at beginning of year	<u>2,222,848</u>	<u>2,222,848</u>	<u>2,222,848</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,222,848</u>	<u>\$ 2,209,348</u>	<u>\$ 2,392,123</u>	<u>\$ 182,775</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 - This 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.

Pee Dee Continuum of Care - This fund is used to account for funds received by the Pee Dee Continuum of Care.

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, 2007

	Keep Florence Beautiful	Human Relations Council
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,889
Due from others	25	-
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 25</u>	<u>\$ 1,889</u>
LIABILITIES		
Due to others	<u>\$ 25</u>	<u>\$ 1,889</u>
TOTAL LIABILITIES	<u>\$ 25</u>	<u>\$ 1,889</u>

Florence Co. Munci. Assoc.	Pee Dee Continuum of Care	Court Escrow	Narcotics Holding Fund	Totals
\$ 2,903	\$ 578	\$ 66,218	\$ 95,735	\$ 167,323
-	-	-	-	25
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,940</u>	<u>54,940</u>
<u>\$ 2,903</u>	<u>\$ 578</u>	<u>\$ 66,218</u>	<u>\$ 150,675</u>	<u>\$ 222,288</u>
<u>\$ 2,903</u>	<u>\$ 578</u>	<u>\$ 66,218</u>	<u>\$ 150,675</u>	<u>\$ 222,288</u>
<u>\$ 2,903</u>	<u>\$ 578</u>	<u>\$ 66,218</u>	<u>\$ 150,675</u>	<u>\$ 222,288</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>Keep Florence Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 1,332	\$ 7,713	\$ 9,045	\$ -
Due from others	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
	<u>\$ 1,332</u>	<u>\$ 7,738</u>	<u>\$ 9,045</u>	<u>\$ 25</u>
Liabilities				
Due to others	<u>\$ 1,332</u>	<u>\$ 7,738</u>	<u>\$ 9,045</u>	<u>\$ 25</u>
<u>Human Relations Council</u>				
Assets				
Cash and cash equivalents	<u>\$ 1,822</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 1,889</u>
Liabilities				
Due to others	<u>\$ 1,822</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 1,889</u>
<u>Florence Co. Munic. Assoc.</u>				
Assets				
Cash and cash equivalents	<u>\$ 2,800</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 2,903</u>
Liabilities				
Due to others	<u>\$ 2,800</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 2,903</u>
<u>Pee Dee Continuum of Care</u>				
Assets				
Cash and cash equivalents	<u>\$ 477</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 578</u>
Liabilities				
Due to others	<u>\$ 477</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 578</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	<u>\$ 45,849</u>	<u>\$ 20,369</u>	<u>\$ -</u>	<u>\$ 66,218</u>
Liabilities				
Due to others	<u>\$ 45,849</u>	<u>\$ 20,369</u>	<u>\$ -</u>	<u>\$ 66,218</u>
<u>Narcotics Holding Fund</u>				
Assets				
Cash and cash equivalents	\$ 73,178	\$ 31,047	\$ 8,490	\$ 95,735
Investments	<u>52,608</u>	<u>2,332</u>	<u>-</u>	<u>54,940</u>
	<u>\$ 125,786</u>	<u>\$ 33,379</u>	<u>\$ 8,490</u>	<u>\$ 150,675</u>
TOTAL ASSETS				
Liabilities				
Due to others	<u>\$ 125,786</u>	<u>\$ 33,379</u>	<u>\$ 8,490</u>	<u>\$ 150,675</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities--Continued
Agency Fund
Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 125,458	\$ 59,400	\$ 17,535	\$ 167,323
Due from others	-	25	-	25
Investments	<u>52,608</u>	<u>2,332</u>	<u>-</u>	<u>54,940</u>
TOTAL ASSETS	<u>\$ 178,066</u>	<u>\$ 61,757</u>	<u>\$ 17,535</u>	<u>\$ 222,288</u>
Liabilities				
Due to others	<u>\$ 178,066</u>	<u>\$ 61,757</u>	<u>\$ 17,535</u>	<u>\$ 222,288</u>
TOTAL LIABILITIES	<u>\$ 178,066</u>	<u>\$ 61,757</u>	<u>\$ 17,535</u>	<u>\$ 222,288</u>

**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, 2007 and 2006

	<u>2007</u>	June 30, <u>2006</u>
Governmental funds capital assets		
Land	\$ 7,022,559	\$ 8,187,503
Buildings	5,721,998	5,721,998
Infrastructure	14,840,246	14,825,145
Machinery and equipment	14,097,465	12,805,374
Construction in process	<u>320,760</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 42,003,028</u>	<u>\$ 41,540,020</u>
Investment in governmental funds capital assets by source		
General fund	<u>\$ 42,003,028</u>	<u>\$ 41,540,020</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 42,003,028</u>	<u>\$ 41,540,020</u>

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule--By Function and Activity
June 30, 2007

FUNCTION AND ACTIVITY	Land	Buildings	Infrastructure	Machinery And Equipment	Construction In Process	Total
General government						
Council	\$ 4,173,856	\$ 1,702,136	\$ 10,490,600	\$ 59,777	\$ 139,700	\$ 16,566,069
Justice and law	-	-	-	23,600	-	23,600
Manager	-	-	-	39,679	-	39,679
Finance	-	-	-	128,755	-	128,755
Personnel	-	-	-	21,857	-	21,857
Community services	-	-	-	145,768	-	145,768
Urban Plan & Dev	-	-	-	43,982	-	43,982
TOTAL GENERAL GOVERNMENT	<u>4,173,856</u>	<u>1,702,136</u>	<u>10,490,600</u>	<u>463,418</u>	<u>139,700</u>	<u>16,969,710</u>
Public safety						
Police	105,007	484,680	86,117	4,204,961	-	4,880,765
Fire	<u>158,390</u>	<u>888,845</u>	-	<u>3,616,133</u>	-	<u>4,663,368</u>
TOTAL PUBLIC SAFETY	<u>263,397</u>	<u>1,373,525</u>	<u>86,117</u>	<u>7,821,094</u>	-	<u>9,544,133</u>
Streets and beautification	16,125	-	-	1,526,110	-	1,542,235
Sanitation	-	-	-	3,288,740	-	3,288,740
Equipment maintenance	-	-	-	145,039	-	145,039
Parks & leisure services	<u>2,569,181</u>	<u>2,646,337</u>	<u>4,263,529</u>	<u>853,064</u>	<u>181,060</u>	<u>10,513,171</u>
TOTAL GOVERNMENTAL FUNDS						
CAPITAL ASSETS	<u>\$ 7,022,559</u>	<u>\$ 5,721,998</u>	<u>\$ 14,840,246</u>	<u>\$ 14,097,465</u>	<u>\$ 320,760</u>	<u>\$ 42,003,028</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, 2007

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	July 1, 2006			June 30, 2007
General government				
Council	\$ 17,595,313	\$ 989,245	\$ 2,018,489	\$ 16,566,069
Justice and law	23,600	-	-	23,600
Manager	39,679	-	-	39,679
Finance	115,484	13,271	-	128,755
Personnel	21,857	-	-	21,857
Community services	145,768	-	-	145,768
Urban Plan & Dev	<u>35,264</u>	<u>8,718</u>	<u>-</u>	<u>43,982</u>
TOTAL GENERAL GOVERNMENT	<u>17,976,965</u>	<u>1,011,234</u>	<u>2,018,489</u>	<u>16,969,710</u>
Public safety				
Police	4,492,404	388,361	-	4,880,765
Fire	<u>3,955,224</u>	<u>808,384</u>	<u>100,240</u>	<u>4,663,368</u>
TOTAL PUBLIC SAFETY	<u>8,447,628</u>	<u>1,196,745</u>	<u>100,240</u>	<u>9,544,133</u>
Streets and beautification	1,454,712	87,523	-	1,542,235
Sanitation	3,288,740	-	-	3,288,740
Equipment maintenance	145,039	-	-	145,039
Parks & leisure services	<u>10,226,936</u>	<u>286,235</u>	<u>-</u>	<u>10,513,171</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 41,540,020</u>	<u>\$ 2,581,737</u>	<u>\$ 2,118,729</u>	<u>\$ 42,003,028</u>

SUPPLEMENTAL SCHEDULES

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes				
Current	\$ 2,902,000	\$ 2,690,000	\$ 2,694,877	\$ 4,877
Local option sales tax	4,980,000	5,130,000	5,131,520	1,520
Penalties	3,500	4,000	4,187	187
Payment in lieu of taxes	63,000	53,000	53,084	84
Delinquent taxes	<u>60,000</u>	<u>70,000</u>	<u>70,774</u>	<u>774</u>
TOTAL PROPERTY TAXES	<u>8,008,500</u>	<u>7,947,000</u>	<u>7,954,442</u>	<u>7,442</u>
Licenses and fees				
Business and professional license	6,325,000	6,460,000	6,465,501	5,501
Franchise fees	1,750,000	1,845,000	1,852,498	7,498
Prior year business license	<u>225,000</u>	<u>232,000</u>	<u>248,957</u>	<u>16,957</u>
TOTAL LICENSES AND FEES	<u>8,300,000</u>	<u>8,537,000</u>	<u>8,566,956</u>	<u>29,956</u>
Intergovernmental				
State shared revenue	885,000	865,000	893,660	28,660
Governmental reimbursements	170,000	245,000	249,729	4,729
Community development	69,400	69,400	69,400	-
Grants	667,200	599,100	341,788	(257,312)
Marketing and promotion	<u>-</u>	<u>64,700</u>	<u>64,733</u>	<u>33</u>
TOTAL INTERGOVERNMENTAL	<u>1,791,600</u>	<u>1,843,200</u>	<u>1,619,310</u>	<u>(223,890)</u>
Charges for services				
Refuse--landfill fee	1,300,000	1,190,000	1,186,803	(3,197)
Refuse--collection fee	295,000	300,000	300,075	75
Recreation fees	<u>-</u>	<u>113,000</u>	<u>114,846</u>	<u>1,846</u>
TOTAL CHARGES FOR SERVICES	<u>1,595,000</u>	<u>1,603,000</u>	<u>1,601,724</u>	<u>(1,276)</u>
Fines and forfeitures				
Criminal fines	160,000	152,000	152,323	323
Traffic fines	575,000	660,000	662,315	2,315
Parking violations fines	19,000	8,000	8,279	279
Animal control fines	<u>1,900</u>	<u>2,500</u>	<u>2,775</u>	<u>275</u>
TOTAL FINES AND FORFEITURES	<u>755,900</u>	<u>822,500</u>	<u>825,692</u>	<u>3,192</u>

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues--Continued				
Miscellaneous				
Investment income	135,000	220,000	265,635	45,635
Miscellaneous	<u>100,000</u>	<u>113,000</u>	<u>182,727</u>	<u>69,727</u>
TOTAL MISCELLANEOUS	<u>235,000</u>	<u>333,000</u>	<u>448,362</u>	<u>115,362</u>
TOTAL REVENUES	<u>20,686,000</u>	<u>21,085,700</u>	<u>21,016,486</u>	<u>(69,214)</u>
Expenditures				
General Government				
City Council				
Salary and wages	83,260	83,460	83,265	195
Retirement	6,840	6,880	6,828	52
Health insurance	31,290	30,940	30,840	100
Workers' compensation	15,280	16,680	16,580	100
Social security	6,370	6,200	5,896	304
Printing and supplies	6,500	4,500	4,021	479
Postage	400	400	12	388
Membership and dues	19,800	19,200	18,759	441
Travel and conference	25,000	34,900	34,690	210
Telephone and telegraph	200	300	228	72
Telephone related services	300	450	409	41
Professional services	26,600	21,150	19,150	2,000
Special departmental supplies	<u>2,260</u>	<u>3,000</u>	<u>3,596</u>	<u>(596)</u>
TOTAL CITY COUNCIL	<u>224,100</u>	<u>228,060</u>	<u>224,274</u>	<u>3,786</u>
Legal Services				
Salary and wages	49,840	18,570	17,187	1,383
Retirement	4,090	2,140	1,442	698
Health insurance	4,530	2,280	1,395	885
Workers' compensation	180	290	195	95
Social security	3,810	1,690	1,272	418
Printing and supplies	400	200	-	200
Postage	130	100	43	57
Membership and dues	400	400	400	-
Travel and conference	800	200	-	200
Telephone and telegraph	250	400	217	183
Telephone related services	-	100	99	1

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General Government--Continued				
Legal Services--Continued				
Employee training	400	200	-	200
Professional services	89,520	100,400	99,846	554
Special departmental supplies	<u>300</u>	<u>300</u>	<u>265</u>	<u>35</u>
TOTAL LEGAL SERVICES	<u>154,650</u>	<u>127,270</u>	<u>122,361</u>	<u>4,909</u>
Justice and Law				
Salary and wages	275,050	272,140	271,554	586
Retirement	22,550	21,990	21,935	55
Health insurance	26,900	26,920	26,400	520
Workers' compensation	14,110	15,410	15,312	98
Social security	21,040	20,210	20,183	27
Printing and supplies	5,000	4,500	4,251	249
Postage	2,500	2,500	2,095	405
Membership and dues	300	300	310	(10)
Travel and conference	2,500	2,150	2,045	105
Auto operating expenses	3,750	5,600	5,280	320
Telephone and telegraph	1,500	1,400	1,236	164
Telephone related services	1,000	1,000	968	32
Maintenance and service contracts	5,000	4,000	3,594	406
Machine and equipment repairs	200	1,450	1,347	103
Employee training	1,740	1,300	1,015	285
Professional services	19,500	10,000	8,483	1,517
Special department supplies	<u>2,750</u>	<u>4,300</u>	<u>4,218</u>	<u>82</u>
TOTAL JUSTICE AND LAW	<u>405,390</u>	<u>395,170</u>	<u>390,226</u>	<u>4,944</u>
City Manager				
Salary and wages	317,870	311,350	310,034	1,316
Retirement	26,070	25,590	25,423	167
Health insurance	22,430	30,340	30,325	15
Workers' compensation	20,220	22,120	21,945	175
Social security	24,320	20,960	20,260	700
Printing and supplies	8,750	5,400	3,064	2,336
Postage	1,600	1,700	1,289	411
Membership and dues	3,200	2,500	2,356	144
Travel and conference	5,000	6,000	5,821	179
Car allowance	7,200	7,200	7,200	-
Auto operating expenses	1,500	700	280	420
Telephone and telegraph	4,200	4,000	3,683	317
Telephone related services	3,500	4,500	4,488	12
Maintenance and service contracts	1,500	500	119	381

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
General Government--Continued				
City Manager--Continued				
Employee training	2,070	1,500	1,045	455
Professional services	1,500	1,850	1,809	41
Special departmental supplies	5,500	4,650	4,040	610
Gas and oil	1,500	1,000	534	466
Capital outlay	-	19,300	-	19,300
TOTAL CITY MANAGER	457,930	471,160	443,715	27,445
Finance				
Salary and wages	442,280	430,040	429,040	1,000
Retirement	36,270	35,140	34,815	325
Health insurance	44,970	43,210	42,953	257
Workers' compensation	20,220	22,220	21,945	275
Social security	33,830	31,560	31,447	113
Printing and supplies	6,000	4,000	3,183	817
Postage	6,300	8,100	7,839	261
Membership and dues	1,550	1,650	1,580	70
Travel and conference	3,000	3,000	2,613	387
Auto operating expenses	250	400	284	116
Telephone and telegraph	5,700	4,900	4,643	257
Telephone related services	3,100	4,700	4,666	34
Maintenance and service contracts	5,700	6,200	6,155	45
Machine and equipment repairs	200	200	80	120
Public notes	1,500	1,500	929	571
Employee training	2,500	1,000	847	153
Professional services	4,650	4,800	4,477	323
Special department supplies	55,000	66,300	65,672	628
Gas and oil	400	400	285	115
TOTAL FINANCE	673,420	669,320	663,453	5,867
Personnel				
Salary and wages	239,840	234,880	233,820	1,060
Retirement	18,910	18,670	18,412	258
Health insurance	22,450	22,430	22,088	342
Workers' compensation	12,320	13,520	13,362	158
Social security	18,350	17,820	17,157	663
Printing and supplies	9,000	10,000	10,387	(387)
Postage	1,400	1,500	1,427	73
Membership and dues	1,400	1,400	1,275	125
Travel and conference	2,000	1,950	1,907	43

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
General Government--Continued				
Personnel--Continued				
Auto operating expenses	500	300	214	86
Telephone and telegraph	2,000	2,000	1,540	460
Telephone related services	1,800	2,300	2,147	153
Maintenance and service contracts	2,000	3,150	2,938	212
Machine and equipment repairs	200	200	-	200
Public notices	6,500	7,500	6,942	558
Employee training	1,300	800	28	772
Professional services	40,000	27,500	12,614	14,886
Medical expenses	33,700	38,200	37,697	503
Special department supplies	3,500	3,600	3,282	318
Gas and oil	<u>600</u>	<u>600</u>	<u>158</u>	<u>442</u>
TOTAL PERSONNEL	<u>417,770</u>	<u>408,320</u>	<u>387,395</u>	<u>20,925</u>
Community Services				
Salary and wages	294,810	257,830	256,736	1,094
Retirement	24,170	20,780	20,480	300
Health insurance	35,910	31,440	30,686	754
Workers' compensation	12,140	13,240	13,167	73
Social security	22,550	19,780	19,152	628
Printing and supplies	8,000	6,500	5,510	990
Postage	2,200	1,500	1,125	375
Membership and dues	1,000	500	295	205
Travel and conference	1,600	2,500	2,372	128
Auto operating expenses	2,000	1,500	1,209	291
Telephone and telegraph	1,900	1,500	1,272	228
Telephone related services	3,700	5,100	4,950	150
Radio maintenance	500	500	55	445
Maintenance and service contracts	3,800	1,800	1,484	316
Uniforms & clothing	1,000	800	684	116
Employee training	1,900	1,900	1,589	311
Professional services	7,500	9,100	8,397	703
Special department supplies	5,500	3,600	3,372	228
Gas and oil	<u>9,130</u>	<u>7,130</u>	<u>6,649</u>	<u>481</u>
TOTAL COMMUNITY SERVICES	<u>439,310</u>	<u>387,000</u>	<u>379,184</u>	<u>7,816</u>

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
General Government				
Urban Planning & Development				
Salary and wages	193,170	176,180	175,428	752
Retirement	15,840	14,260	14,065	195
Health insurance	18,050	15,960	15,793	167
Workers' compensation	12,140	13,540	13,167	373
Social security	14,780	12,960	12,855	105
Printing and supplies	4,500	3,410	3,343	67
Postage	770	1,100	910	190
Membership and dues	650	970	960	10
Travel and conference	6,000	6,100	5,955	145
Auto operating expenses	160	160	41	119
Telephone and telegraph	900	900	818	82
Telephone related services	1,210	2,410	2,255	155
Maintenance and service contracts	450	240	36	204
Machine and equipment repairs	1,000	700	458	242
Public notices	2,800	2,280	2,270	10
Employee training	600	1,130	1,104	26
Professional services	9,150	2,270	2,216	54
Special department supplies	2,050	8,250	8,063	187
Gas and oil	800	1,000	878	122
Capital outlay	-	8,720	8,719	1
TOTAL URBAN PLANNING				
& DEVELOPMENT	<u>285,020</u>	<u>272,540</u>	<u>269,334</u>	<u>3,206</u>
TOTAL GENERAL GOVERNMENT	<u>3,057,590</u>	<u>2,958,840</u>	<u>2,879,942</u>	<u>78,898</u>
Public Safety				
Police				
Salary and wages	4,827,390	4,906,370	4,903,996	2,374
Retirement	501,380	501,390	501,350	40
Health insurance	565,540	542,530	560,534	(18,004)
Workers' compensation	247,720	269,220	268,797	423
Social security	369,300	363,670	364,292	(622)
Printing and supplies	12,000	10,500	9,723	777
Postage	3,500	3,200	3,148	52
Membership and dues	8,500	6,500	5,372	1,128
Travel and conference	10,000	11,000	10,951	49
Auto operating expenses	81,500	90,400	90,639	(239)
Electricity	11,000	11,300	11,176	124
Telephone and telegraph	14,000	12,000	11,664	336
Telephone related services	22,670	28,170	28,000	170
Radio maintenance	6,500	6,900	6,834	66
Maintenance and service contracts	21,000	23,700	23,537	163

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Public Safety--Continued				
Police--Continued				
Machine and equipment repairs	6,000	3,000	2,493	507
Building maintenance	1,500	1,000	490	510
Uniform and clothing	69,000	51,000	50,481	519
Prisoner housing	225,000	191,650	179,080	12,570
Rent payments	12,000	12,000	12,000	-
Employee training	26,000	21,000	19,734	1,266
Professional services	20,000	16,500	17,045	(545)
Pal expenses	10,000	10,850	10,814	36
Medical expenses	1,000	1,000	-	1,000
Rewards	1,000	500	-	500
Special department supplies	42,000	108,500	104,014	4,486
Gas and oil	200,000	245,500	245,289	211
Water usage	1,000	1,000	764	236
Grant expenditures	<u>22,500</u>	<u>15,500</u>	<u>14,663</u>	<u>837</u>
TOTAL POLICE	<u>7,339,000</u>	<u>7,465,850</u>	<u>7,456,880</u>	<u>8,970</u>
Fire				
Salary and wages	2,598,160	2,614,900	2,613,806	1,094
Retirement	276,170	272,800	268,894	3,906
Health insurance	309,440	307,610	317,983	(10,373)
Workers' compensation	146,960	159,760	159,464	296
Social security	198,760	194,120	193,821	299
Printing and supplies	13,200	13,050	13,124	(74)
Postage	650	350	344	6
Membership and dues	500	590	590	-
Travel and conference	1,500	1,670	1,661	9
Auto operating expenses	43,000	30,270	30,093	177
Electricity	33,390	27,980	27,934	46
Telephone and telegraph	8,000	9,510	9,288	222
Telephone related services	11,200	16,280	15,911	369
Heating fuel	16,500	30,410	30,527	(117)
Fire prevention	14,350	11,640	11,614	26
Radio maintenance	4,550	3,640	4,030	(390)
Maintenance and service contracts	19,350	6,270	6,632	(362)
Machine and equipment repairs	10,500	8,780	8,751	29
Building maintenance	13,250	11,920	11,917	3
Uniform and clothing	26,000	66,500	31,596	34,904
Employee training	16,000	14,740	14,720	20
Professional services	8,500	8,190	8,090	100
Special department supplies	27,050	48,790	42,282	6,508
Gas and oil	25,000	36,720	36,712	8

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Public Safety--Continued				
Fire--Continued				
Water usage	8,400	10,190	10,036	154
Building renovations	-	17,100	16,992	108
Capital outlay	<u>3,420</u>	<u>7,380</u>	<u>768,384</u>	<u>(761,004)</u>
TOTAL FIRE	<u>3,833,800</u>	<u>3,931,160</u>	<u>4,655,196</u>	<u>(724,036)</u>
TOTAL PUBLIC SAFETY	<u>11,172,800</u>	<u>11,397,010</u>	<u>12,112,076</u>	<u>(715,066)</u>
Public Works				
Streets and Beautification				
Salary and wages	765,060	784,500	778,787	5,713
Retirement	62,730	63,520	63,347	173
Health insurance	129,320	126,850	131,001	(4,151)
Workers' compensation	46,200	50,700	50,131	569
Social security	58,530	58,000	57,886	114
Printing and supplies	600	300	270	30
Postage	100	100	15	85
Membership and dues	400	400	200	200
Travel and conference	500	900	887	13
Auto operating expenses	21,000	20,000	19,549	451
Electricity	12,500	12,500	11,603	897
Telephone related services	1,300	1,300	921	379
Radio maintenance	1,000	1,000	678	322
Machine and equipment repairs	43,000	39,870	34,881	4,989
Tree beautification	10,260	14,540	13,626	914
Sign shop supplies	10,000	8,970	8,960	10
Uniform and clothing	12,500	10,600	10,478	122
Chemicals	6,000	2,590	1,797	793
Paving materials and supplies	14,500	11,500	11,364	136
Employee training	500	500	442	58
Professional services	13,000	9,000	9,600	(600)
Special department supplies	22,000	23,130	23,389	(259)
Gas and oil	51,000	53,000	52,579	421
Water usage	12,000	10,330	9,673	657
Capital outlay	<u>55,000</u>	<u>190,530</u>	<u>87,523</u>	<u>103,007</u>
TOTAL STREETS AND BEAUTIFICATION	<u>1,349,000</u>	<u>1,494,630</u>	<u>1,379,587</u>	<u>115,043</u>
Sanitation				
Salary and wages	669,910	650,680	647,685	2,995
Retirement	54,930	53,050	52,756	294
Health insurance	107,270	105,260	108,897	(3,637)
Workers' compensation	46,290	50,090	49,868	222

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Public Works--Continued				
Sanitation--Continued				
Social security	51,250	47,730	47,499	231
Printing and supplies	200	200	159	41
Postage	100	100	19	81
Membership and dues	100	100	-	100
Travel and conference	100	100	-	100
Auto operating expenses	70,000	100,000	99,621	379
Telephone related services	200	210	206	4
Radio maintenance	2,500	2,310	2,194	116
Maintenance and service contracts	18,000	11,000	10,046	954
Machine and equipment repairs	45,000	85,000	80,212	4,788
Landfill services	1,300,000	1,037,300	1,033,541	3,759
Uniform and clothing	9,500	9,500	9,262	238
Compost supplies	1,500	1,600	1,088	512
Public notices	6,500	5,150	5,545	(395)
Employee training	200	290	285	5
Professional services	400	300	167	133
Special department supplies	6,000	35,450	34,607	843
Gas and oil	<u>150,000</u>	<u>160,990</u>	<u>159,751</u>	<u>1,239</u>
TOTAL SANITATION	<u>2,539,950</u>	<u>2,356,410</u>	<u>2,343,408</u>	<u>13,002</u>
Equipment Maintenance				
Salary and wages	276,460	269,090	268,050	1,040
Retirement	22,670	22,140	21,854	286
Health insurance	35,880	35,210	35,018	192
Workers' compensation	16,090	17,690	17,458	232
Social security	21,150	19,720	19,471	249
Printing and supplies	200	200	24	176
Auto operating expenses	1,600	3,700	3,688	12
Heating fuel	6,500	6,310	6,300	10
Radio maintenance	300	300	128	172
Maintenance and service contracts	3,500	1,500	1,431	69
Machine and equipment repairs	2,000	1,300	782	518
Uniform and clothing	3,500	4,310	4,304	6
Employee training	500	550	520	30
Special department supplies	5,500	4,530	4,045	485
Gas and oil	7,500	7,000	6,091	909
Capital outlay	<u>-</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>
TOTAL EQUIPMENT MAINTENANCE	<u>403,350</u>	<u>412,550</u>	<u>389,164</u>	<u>23,386</u>
TOTAL PUBLIC WORKS	<u>4,292,300</u>	<u>4,263,590</u>	<u>4,112,159</u>	<u>151,431</u>

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Culture and Recreation				
Parks and Leisure Services				
Salary and wages	682,200	641,350	637,801	3,549
Retirement	55,940	49,960	49,849	111
Health insurance	107,230	95,270	98,477	(3,207)
Workers' compensation	39,370	42,970	42,719	251
Social security	52,190	48,050	47,806	244
Printing and supplies	3,000	3,050	2,822	228
Postage	1,000	2,150	2,143	7
Membership and dues	1,000	1,100	1,075	25
Travel and conference	3,000	2,400	2,365	35
Auto operating expenses	8,000	7,400	6,990	410
Electricity	51,000	50,600	50,060	540
Telephone and telegraph	4,000	4,000	3,808	192
Telephone related services	6,800	2,000	1,839	161
Radio maintenance	500	1,500	1,026	474
Maintenance and service contracts	5,600	12,300	12,270	30
Machine and equipment repairs	9,000	13,100	13,005	95
Building maintenance	30,000	31,000	30,826	174
Tree beautification	3,000	850	440	410
Uniform and clothing	3,600	3,400	3,181	219
Employee training	2,000	1,250	752	498
Professional services	25,500	30,550	31,144	(594)
Special department supplies	52,000	46,950	43,769	3,181
Gas and oil	25,000	26,700	26,221	479
Water usage	8,000	9,600	9,418	182
Boys and girls club's	28,000	24,200	23,934	266
Tournaments	1,000	600	500	100
Grant expenditures	5,000	5,000	-	5,000
Capital outlay	<u>30,000</u>	<u>95,100</u>	<u>15,100</u>	<u>80,000</u>
TOTAL PARKS AND LEISURE SERVICES	<u>1,242,930</u>	<u>1,252,400</u>	<u>1,159,340</u>	<u>93,060</u>
Athletic Programs				
Salary and wages	-	214,440	212,672	1,768
Retirement	-	10,860	10,497	363
Health insurance	-	22,650	22,155	495
Workers' compensation	-	2,000	-	2,000
Social security	-	15,480	15,260	220
Printing and supplies	-	300	282	18
Postage	-	100	1	99
Membership and dues	-	200	160	40
Auto operating expenses	-	1,500	975	525
Electricity	-	72,300	72,280	20

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Culture and Recreation--Continued				
Athletic Programs--Continued				
Telephone and telegraph	-	1,500	1,425	75
Telephone related services	-	2,000	1,932	68
Maintenance and service contracts	-	6,100	5,720	380
Machine and equipment repairs	-	7,000	7,243	(243)
Building maintenance	-	5,200	5,083	117
Uniform and clothing	-	1,100	759	341
Food and supplies	-	50,500	50,365	135
Professional services	-	10,000	9,241	759
Special department supplies	-	46,300	46,447	(147)
Gas and oil	-	6,500	5,209	1,291
Water usage	-	9,600	9,115	485
Marketing and promotion	-	12,600	12,530	70
School use	-	200	-	200
Tournaments	-	1,000	903	97
Upgrade and painting	-	225,350	172,508	52,842
TOTAL ATHLETIC PROGRAMS	-	<u>724,780</u>	<u>662,762</u>	<u>62,018</u>
TOTAL CULTURE AND RECREATION	<u>1,242,930</u>	<u>1,977,180</u>	<u>1,822,102</u>	<u>155,078</u>
Non-Departmental				
Employee relations	23,000	29,700	29,541	159
Unemployment compensation	10,000	14,400	14,295	105
Property & liability insurance	315,000	288,500	288,001	499
Small claims	7,700	26,200	34,059	(7,859)
Employee W/C small claims	70,000	72,300	80,352	(8,052)
Boys' and Girls' club	20,000	20,000	20,000	-
Transit system	35,000	35,000	35,000	-
Florence Area Humane Society	50,000	52,100	52,042	58
Lot clearing & demolition	-	300,000	-	300,000
City-County Complex operations	201,900	195,200	188,280	6,920
Contingency	100,000	-	-	-
Street lights	590,000	580,400	580,355	45
Brownfields grant	-	11,600	11,586	14
EPA grants	-	16,800	18,591	(1,791)
Property acquisitions	-	501,000	500,672	328
Rail to trail project	389,000	389,000	22,692	366,308
Boards and commissions	300	300	200	100
Land grant match	-	25,000	-	25,000
Community services land acquisition	-	51,300	49,593	1,707
IT Upgrade	85,000	174,000	47,122	126,878
IT Support Services	86,600	86,600	86,562	38
Animal shelter improvements	-	10,000	-	10,000

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Non-Departmental--Continued				
Gateway and beautification	-	96,900	2,500	94,400
Airport Gateway SCDOT	-	47,900	32,827	15,073
Older Driver Signage SCDOT	-	11,200	10,853	347
Lucas St. beautification	155,000	155,000	-	155,000
Northside LL renovation	-	32,300	20,000	12,300
Special projects	43,500	304,600	274,345	30,255
Recreation transfer Florence County	105,000	105,000	105,000	-
Tennis court site study	-	44,100	37,618	6,482
TOTAL NON-DEPARTMENTAL	<u>2,287,000</u>	<u>3,676,400</u>	<u>2,542,086</u>	<u>1,134,314</u>
Debt Service				
Principal	349,400	349,400	349,265	135
Interest	47,980	47,980	47,837	143
TOTAL DEBT SERVICE	<u>397,380</u>	<u>397,380</u>	<u>397,102</u>	<u>278</u>
TOTAL EXPENDITURES	<u>22,450,000</u>	<u>24,670,400</u>	<u>23,865,467</u>	<u>804,933</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,764,000)</u>	<u>(3,584,700)</u>	<u>(2,848,981)</u>	<u>735,719</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	761,000	761,000
Transfers in	1,814,000	2,316,700	2,320,701	4,001
Transfers out	(50,000)	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,764,000</u>	<u>2,266,700</u>	<u>3,031,701</u>	<u>765,001</u>
NET CHANGE IN FUND BALANCE				
	-	(1,318,000)	182,720	1,500,720
Fund balance at beginning of year	<u>8,004,650</u>	<u>8,004,650</u>	<u>8,004,650</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,004,650</u>	<u>\$ 6,686,650</u>	<u>\$ 8,187,370</u>	<u>\$ 1,500,720</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Water service fees	\$ 10,965,000	\$ 10,865,000	\$ 11,170,539	\$ 305,539
Sewer service fees	9,565,000	9,705,000	10,197,646	492,646
Sewer surcharges	93,000	93,000	97,078	4,078
Cut on fees	64,000	64,000	74,325	10,325
Water tap fees	425,000	425,000	598,103	173,103
Sewer tap fees	170,000	163,000	237,720	74,720
Service charges	125,000	117,000	125,372	8,372
Late fees	80,000	80,000	87,053	7,053
Miscellaneous income	120,000	95,000	91,705	(3,295)
TOTAL OPERATING REVENUES	<u>21,607,000</u>	<u>21,607,000</u>	<u>22,679,541</u>	<u>1,072,541</u>
Operating Expenses				
Engineering				
Personnel services	510,770	520,350	520,148	202
Retirement	41,880	42,300	42,222	78
Health insurance	44,980	45,020	45,015	5
Workers' compensation	18,160	19,860	19,701	159
Social security	39,070	37,030	36,842	188
Printing and supplies	3,000	2,000	1,707	293
Postage	450	450	225	225
Membership and dues	300	300	108	192
Travel and conference	1,500	1,000	740	260
Auto operating expense	1,300	1,300	1,000	300
Electricity	20,500	18,600	18,523	77
Telephone and telegraph	4,500	5,700	5,626	74
Telephone related services	5,500	4,500	4,673	(173)
Heating fuel	6,500	6,400	6,300	100
Radio maintenance	300	300	-	300
Maintenance and service contracts	15,000	24,500	23,925	575
Building maintenance	8,000	7,000	6,364	636
Uniforms & clothing	2,500	2,750	2,727	23
Public notices	150	-	-	-
Employee training	1,000	1,500	1,009	491
Professional service	70,000	71,000	51,919	19,081
Special departmental supplies	6,000	5,900	5,821	79
Gas and oil	8,000	8,000	7,388	612
Water usage	10,000	8,300	7,883	417
TOTAL ENGINEERING	<u>819,360</u>	<u>834,060</u>	<u>809,866</u>	<u>24,194</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Expenses--Continued				
Utility Finance				
Personnel services	369,060	353,560	352,937	623
Retirement	30,260	28,920	28,828	92
Health insurance	58,260	52,820	54,261	(1,441)
Workers' compensation	26,250	28,650	28,479	171
Social security	28,230	26,660	26,596	64
Printing and supplies	3,000	700	504	196
Postage	105,000	108,700	107,558	1,142
Membership and dues	100	100	50	50
Travel and conference	750	1,150	910	240
Auto operating expense	200	300	228	72
Electricity	7,500	7,500	7,046	454
Telephone and telegraph	6,000	6,700	6,373	327
Telephone related services	3,000	2,000	1,621	379
Radio maintenance	500	500	-	500
Maintenance and service contracts	30,000	33,000	39,406	(6,406)
Building maintenance	2,000	1,000	593	407
Employee training	500	500	298	202
Professional service	500	23,500	23,039	461
Special departmental supplies	35,000	51,900	47,768	4,132
Gas and oil	300	150	108	42
Water usage	500	500	446	54
TOTAL UTILITY FINANCE	706,910	728,810	727,049	1,761
Wastewater Treatment				
Personnel services	766,750	706,010	705,069	941
Retirement	62,870	57,590	57,530	60
Health insurance	98,560	87,230	89,895	(2,665)
Workers' compensation	46,290	50,390	50,229	161
Social security	58,660	52,490	52,181	309
Printing and supplies	500	500	125	375
Postage	500	500	375	125
Membership and dues	7,800	6,100	5,250	850
Travel and conference	250	1,520	1,515	5
Auto operating expense	10,000	10,000	9,282	718
Electricity	805,000	807,680	807,493	187
Telephone and telegraph	2,500	4,040	3,698	342
Telephone related services	2,500	4,150	4,040	110
Heating fuel	100	100	-	100
Radio maintenance	1,000	1,000	406	594
Maintenance and service contracts	2,000	2,000	1,553	447
Machine and equipment repairs	320,000	332,910	292,799	40,111
Building maintenance	3,000	2,000	626	1,374
Landfill service	280,000	214,910	214,784	126

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Expenses--Continued				
Wastewater Treatment--Continued				
Uniforms and clothing	10,500	8,500	7,491	1,009
Compost supplies	30,000	26,400	26,327	73
Chemicals	65,000	60,000	57,578	2,422
Lab supplies	12,000	17,900	17,619	281
Public notices	500	500	106	394
Employee training	4,000	3,200	3,055	145
Professional services	70,000	40,440	40,286	154
Special departmental supplies	116,000	78,670	77,717	953
Gas and oil	38,000	46,500	43,748	2,752
Water usage	13,000	26,330	25,840	490
Upgrade and painting	<u>90,000</u>	<u>95,400</u>	<u>-</u>	<u>95,400</u>
TOTAL WASTEWATER TREATMENT	<u>2,917,280</u>	<u>2,744,960</u>	<u>2,596,617</u>	<u>148,343</u>
Water Production--Surface Water				
Personnel services	346,060	332,560	331,832	728
Retirement	28,380	27,410	27,282	128
Health insurance	40,390	41,000	40,768	232
Workers' compensation	22,200	24,200	24,090	110
Social security	26,470	24,920	24,851	69
Printing and supplies	1,700	1,700	1,420	280
Postage	250	260	253	7
Membership and dues	1,200	1,190	620	570
Travel and conference	800	800	225	575
Auto operating expense	2,200	2,200	1,620	580
Electricity	285,000	302,990	302,990	-
Telephone and telegraph	3,500	3,310	3,124	186
Telephone related services	200	490	408	82
Heating fuel	20,000	22,860	22,853	7
Radio maintenance	100	100	-	100
Maintenance and service contracts	4,200	1,500	593	907
Machine and equipment repairs	35,000	164,470	131,740	32,730
Building maintenance	15,000	20,180	19,132	1,048
Uniforms and clothing	4,500	4,500	4,481	19
Chemicals	225,000	236,160	235,840	320
Lab supplies	45,000	38,100	37,856	244
Public notices	500	500	72	428
Employee training	700	700	330	370
Professional services	46,000	37,600	37,650	(50)
Special departmental supplies	48,000	96,570	74,818	21,752
Gas and oil	7,800	7,860	7,311	549

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Expenses--Continued				
Water Production--Surface Water--Continued				
Water usage	850	950	870	80
Upgrade and painting	<u>60,000</u>	<u>4,500</u>	<u>4,372</u>	<u>128</u>
TOTAL WATER				
PRODUCTION--SURFACE WATER	<u>1,271,000</u>	<u>1,399,580</u>	<u>1,337,401</u>	<u>62,179</u>
Water Production--Ground Water				
Personnel services	318,270	267,460	266,804	656
Retirement	26,100	22,430	21,858	572
Health insurance	40,300	37,370	37,366	4
Workers' compensation	18,160	19,860	19,701	159
Social security	24,350	20,770	19,906	864
Printing and supplies	350	350	202	148
Postage	100	100	85	15
Membership and dues	850	850	415	435
Travel and conference	300	300	-	300
Auto operating expense	6,500	4,500	3,774	726
Electricity	660,000	695,000	694,625	375
Telephone and telegraph	2,100	2,700	2,458	242
Telephone related services	21,900	30,900	29,940	960
Heating fuel	150	200	177	23
Radio maintenance	350	350	130	220
Machine and equipment repairs	80,000	55,950	52,899	3,051
Building maintenance	7,000	3,000	1,391	1,609
Uniforms and clothing	3,400	3,400	3,184	216
Chemicals	87,000	104,000	101,034	2,966
Lab supplies	7,500	11,080	10,703	377
Employee training	600	600	495	105
Professional services	45,000	60,000	59,149	851
Well repairs	80,000	28,800	27,577	1,223
Special departmental supplies	12,000	10,000	26,028	(16,028)
Gas and oil	18,000	20,300	20,073	227
Water usage	5,200	5,200	5,195	5
Upgrade and painting	<u>25,000</u>	<u>420</u>	<u>410</u>	<u>10</u>
TOTAL WATER				
PRODUCTION--GROUND WATER	<u>1,490,480</u>	<u>1,405,890</u>	<u>1,405,579</u>	<u>311</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Operations				
Personnel services	1,358,340	1,261,370	1,260,462	908
Retirement	111,380	102,590	102,444	146
Health insurance	210,320	187,420	193,757	(6,337)
Workers' compensation	88,530	96,330	96,069	261
Social security	103,910	93,990	93,840	150
Printing and supplies	2,000	2,000	1,305	695
Postage	850	920	911	9
Membership and dues	450	650	648	2
Travel and conference	1,200	500	365	135
Auto operating expense	45,000	36,000	35,790	210
Electricity	10,500	10,000	9,432	568
Telephone and telegraph	600	600	574	26
Telephone related services	2,150	2,500	2,279	221
Radio maintenance	1,000	1,000	716	284
Maintenance and service contracts	1,000	1,000	963	37
Machine and equipment repairs	26,000	47,200	47,033	167
Building maintenance	2,000	2,000	1,530	470
Traffic lights	9,000	35,500	34,828	672
Uniforms and clothing	23,000	21,000	20,778	222
Meters, parts and supplies	130,000	167,000	136,125	30,875
Pipe fittings and hydrants	200,000	243,310	198,009	45,301
Paving materials and supplies	23,000	28,600	28,719	(119)
Employee training	1,500	500	390	110
Professional services	13,000	12,000	12,235	(235)
Special departmental supplies	218,200	198,280	22,933	175,347
Gas and oil	98,000	123,500	122,527	973
TOTAL UTILITY OPERATIONS	<u>2,680,930</u>	<u>2,675,760</u>	<u>2,424,662</u>	<u>251,098</u>
Utility Construction				
Personnel services	105,340	96,230	75,778	20,452
Retirement	8,640	8,130	7,748	382
Health insurance	17,890	15,810	15,490	320
Workers' compensation	8,000	8,800	8,680	120
Social security	8,060	7,250	6,952	298
Auto operating expense	1,000	1,000	350	650
Radio maintenance	200	200	-	200
Machine and equipment repairs	2,000	1,500	206	1,294
Uniforms and clothing	800	800	307	493
Pipe fittings and hydrants	55,000	7,500	(8,446)	15,946
Paving materials and supplies	5,000	-	-	-
Special departmental supplies	1,000	1,000	580	420

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Expenses--Continued				
Utility Construction--Continued				
Gas and oil	<u>2,500</u>	<u>2,000</u>	<u>1,375</u>	<u>625</u>
TOTAL UTILITY CONSTRUCTION	<u>215,430</u>	<u>150,220</u>	<u>109,020</u>	<u>41,200</u>
Non-departmental				
Depreciation	2,484,400	2,584,400	4,308,593	(1,724,193)
Bank charges	23,810	20,810	27,964	(7,154)
Employee relations	20,000	21,700	21,295	405
Unemployment compensation	6,000	11,000	10,654	346
Property & liability insurance	202,000	182,000	180,932	1,068
Amortization of bond issue costs	-	-	68,877	(68,877)
Small claims	6,000	11,000	10,177	823
Employee W/C small claims	12,000	8,000	6,334	1,666
City-County complex operations	201,900	195,200	188,280	6,920
Contingency	100,000	385,000	-	385,000
IT support services	69,300	69,300	69,250	50
IT upgrade	68,000	145,000	15,390	129,610
Special projects	<u>100,000</u>	<u>173,410</u>	<u>299,852</u>	<u>(126,442)</u>
TOTAL NON-DEPARTMENTAL	<u>3,293,410</u>	<u>3,806,820</u>	<u>5,207,598</u>	<u>(1,400,778)</u>
TOTAL OPERATING EXPENSES	<u>13,394,800</u>	<u>13,746,100</u>	<u>14,617,792</u>	<u>(871,692)</u>
OPERATING INCOME	<u>8,212,200</u>	<u>7,860,900</u>	<u>8,061,749</u>	<u>200,849</u>
Non-Operating Revenues (Expenses)				
Investment earnings	125,000	125,000	534,316	409,316
Interest expense	<u>(6,825,200)</u>	<u>(6,736,200)</u>	<u>(3,056,992)</u>	<u>3,679,208</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,700,200)</u>	<u>(6,611,200)</u>	<u>(2,522,676)</u>	<u>4,088,524</u>
INCOME BEFORE TRANSFERS	1,512,000	1,249,700	5,539,073	4,289,373
Capital contributions	-	-	228,060	228,060
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	-	(262,300)	4,255,133	4,517,433
Net assets at beginning of year	<u>64,491,474</u>	<u>64,491,474</u>	<u>64,491,474</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 64,491,474</u>	<u>\$ 64,229,174</u>	<u>\$ 68,746,607</u>	<u>\$ 4,517,433</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Stormwater service fees	\$ 1,127,000	\$ 1,127,000	\$ 1,121,916	\$ (5,084)
Miscellaneous income	<u>-</u>	<u>500</u>	<u>2,147</u>	<u>1,647</u>
TOTAL OPERATING REVENUES	<u>1,127,000</u>	<u>1,127,500</u>	<u>1,124,063</u>	<u>(3,437)</u>
Operating Expenses				
Personnel services	355,890	358,600	358,268	332
Retirement	29,180	28,720	28,546	174
Health insurance	49,240	49,340	50,908	(1,568)
Workers' compensation	22,020	23,920	23,895	25
Social security	27,230	26,620	26,516	104
Printing and supplies	500	160	154	6
Membership and dues	1,000	20	20	-
Postage	200	10	3	7
Travel and conference	500	330	322	8
Auto operating expense	12,000	9,300	9,234	66
Electricity	4,000	3,000	2,998	2
Telephone related services	200	200	103	97
Radio maintenance	500	-	-	-
Machine and equipment repairs	16,000	16,100	16,078	22
Uniforms and clothing	5,000	3,350	3,336	14
Pipe fittings and hydrants	6,000	7,380	7,340	40
Employee training	1,000	1,000	925	75
Professional services	12,000	17,450	17,434	16
Special departmental supplies	8,000	3,210	2,706	504
Gas and oil	21,000	26,200	26,061	139
Depreciation	246,500	258,800	157,992	100,808
Bank charges	1,600	3,500	3,899	(399)
Employee relations	3,500	2,400	2,326	74
Unemployment compensation	100	100	18	82
Property & liability insurance	5,500	4,900	4,887	13
Amortization of bond issue costs	-	-	1,403	(1,403)
Small claims	40	(100)	(195)	95
Contingency fund	11,000	-	-	-
Special projects	2,000	1,290	116,861	(115,571)
IT support services	17,300	17,400	17,312	88
IT upgrade	<u>17,000</u>	<u>26,300</u>	<u>4,231</u>	<u>22,069</u>
TOTAL OPERATING EXPENSES	<u>876,000</u>	<u>889,500</u>	<u>883,581</u>	<u>5,919</u>
OPERATING INCOME	<u>251,000</u>	<u>238,000</u>	<u>240,482</u>	<u>2,482</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Non-Operating Revenues (Expenses)				
Investment earnings	3,000	2,500	195,779	193,279
Interest expense	<u>(154,000)</u>	<u>(154,000)</u>	<u>(166,986)</u>	<u>(12,986)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(151,000)</u>	<u>(151,500)</u>	<u>28,793</u>	<u>180,293</u>
INCOME BEFORE TRANSFERS	100,000	86,500	269,275	182,775
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Change in net assets	-	(13,500)	169,275	182,775
Net assets at beginning of year	<u>2,222,848</u>	<u>2,222,848</u>	<u>2,222,848</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,222,848</u>	<u>\$ 2,209,348</u>	<u>\$ 2,392,123</u>	<u>\$ 182,775</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund--Victim's Rights Fund
Year Ended June 30, 2007

Court Fines

Court fines collected	\$ 740,679
Court fines retained by City	<u>740,679</u>
 Court fines remitted to the State Treasurer	 <u>\$ _____</u>

Court Assessments

Court assessments collected	\$ 787,436
Court assessments retained by City	<u>(88,707)</u>
 Court assessments remitted to the State Treasurer	 <u>\$ 698,729</u>

Court Surcharges

Court surcharges collected	<u>\$ 24,877</u>
 Court surcharges retained by City	 <u>\$ 24,877</u>

Victims Services

Court assessments allocated to Victim Services	\$ 88,707
Court surcharges allocated to Victim Services	24,877
Investment income	<u>7,824</u>
 Funds allocated to Victim Services	 121,408
Victim Services expenditures	<u>(119,762)</u>
 Funds provided in current year	 1,646
Funds available for carryforward from prior year	<u>193,272</u>
Funds available for carryforward at end of year	<u>\$ 194,918</u>

STATISTICAL SECTION

Table 01

**CITY OF FLORENCE, SOUTH CAROLINA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental activities										
Invested in capital assets, net of related debt					\$ 19,454,325	\$ 19,774,538	\$ 21,299,373	\$ 23,053,142	\$ 22,624,824	\$ 20,703,751
Restricted					-	-	-	-	-	167,439
Unrestricted					12,048,544	10,478,230	9,618,837	9,426,872	9,759,013	9,853,296
Total governmental activities net assets					\$ 31,502,869	\$ 30,252,768	\$ 30,918,210	\$ 32,480,014	\$ 32,383,837	\$ 30,724,486
Business-type activities										
Invested in capital assets, net of related debt	\$ 18,935,599	\$ 22,551,787	\$ 24,577,936	\$ 32,242,757	\$ 31,971,063	\$ 41,575,877	\$ 47,714,364	\$ 49,295,162	\$ 53,017,659	\$ 54,491,789
Restricted	-	-	-	-	-	-	-	-	-	280,988
Unrestricted	15,655,322	15,829,537	16,801,489	13,176,933	17,083,030	12,570,127	13,654,173	14,553,098	13,696,663	16,365,953
Total business-type activities net assets	\$ 34,590,921	\$ 38,381,324	\$ 41,379,425	\$ 45,419,690	\$ 49,054,093	\$ 54,146,004	\$ 61,368,537	\$ 63,848,260	\$ 66,714,322	\$ 71,138,730
Primary government totals										
Invested in capital assets, net of related debt	\$ 18,935,599	\$ 22,551,787	\$ 24,577,936	\$ 32,242,757	\$ 51,425,388	\$ 61,350,415	\$ 69,013,737	\$ 72,348,304	\$ 75,642,483	\$ 75,195,540
Restricted	-	-	-	-	-	-	-	-	-	448,427
Unrestricted	15,655,322	15,829,537	16,801,489	13,176,933	29,131,574	23,048,357	23,273,010	23,979,970	23,455,676	26,219,249
Total primary government net assets	\$ 34,590,921	\$ 38,381,324	\$ 41,379,425	\$ 45,419,690	\$ 80,556,962	\$ 84,398,772	\$ 92,286,747	\$ 96,328,274	\$ 99,098,159	\$101,863,216

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

Table 02

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 6,191,940	\$ 5,882,028	\$ 5,502,778	\$ 6,008,887	\$ 5,988,907
Public safety	10,100,303	10,467,776	10,982,959	11,683,483	12,365,574
Public works	4,328,155	4,107,632	4,191,109	4,449,471	4,451,755
Culture and recreation	1,343,332	1,919,012	3,029,951	3,282,275	7,588,055
Community development	741,417	759,905	1,031,915	363,629	477,068
Interest on debt	1,264	27,823	2,083	21,608	165,107
Total governmental activities expenses	22,706,411	23,164,176	24,740,795	25,809,353	31,036,466
Business-type activities:					
Water & Sewer	15,435,783	16,141,725	17,277,622	17,786,812	17,674,784
Stormwater	643,199	634,494	655,871	877,543	1,050,567
Total business-type activities expenses	16,078,982	16,776,219	17,933,493	18,664,355	18,725,351
Total primary government expenses	38,785,393	39,940,395	42,674,288	44,473,708	49,761,817
Program Revenues					
Governmental activities:					
Charges for services	10,006,919	11,531,609	12,689,299	12,948,872	13,966,132
Operating grants and contributions	1,827,960	1,270,774	1,906,380	1,182,273	2,655,129
Capital grants and contributions	-	500,000	1,294,186	564,662	723,680
Total governmental activities program revenues	11,834,879	13,302,383	15,889,865	14,695,807	17,344,941
Business-type activities:					
Charges for services:					
Water & Sewer	19,146,982	19,614,845	20,530,495	21,416,515	22,679,541
Stormwater	1,058,348	1,046,266	1,066,694	1,090,893	1,124,063
Capital grants and contributions	1,910,569	4,772,555	-	21,000	228,060
Total business-type activities revenues	22,115,899	25,433,666	21,597,189	22,528,408	24,031,664
Total primary government revenues	33,950,778	38,736,049	37,487,054	37,224,215	41,376,605
Net (expense)/revenue					
Governmental activities	(10,871,532)	(9,861,793)	(8,850,930)	(11,113,546)	(13,691,525)
Business-type activities	6,036,917	8,657,447	3,663,696	3,864,053	5,306,313
Total primary government net expense	(4,834,615)	(1,204,346)	(5,187,234)	(7,249,493)	(8,385,212)

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

**Table 02
(Continued)**

**CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes and fees					
Property taxes	7,211,204	7,292,228	7,507,436	7,956,478	8,193,634
Unrestricted grants and contributions	974,076	1,422,854	941,113	1,006,529	1,143,389
Investment earnings	135,677	57,738	116,464	255,196	479,844
Miscellaneous	115,078	242,415	435,721	344,108	603,307
Transfers	1,185,396	1,512,000	1,412,000	1,455,058	1,612,000
Total governmental activities	9,621,431	10,527,235	10,412,734	11,017,369	12,032,174
Business-type activities					
Investment earnings	240,390	77,086	228,027	457,067	730,095
Transfers	(1,185,396)	(1,512,000)	(1,412,000)	(1,455,058)	(1,612,000)
Total business-type activities	(945,006)	(1,434,914)	(1,183,973)	(997,991)	(881,905)
Total Primary government	8,676,425	9,092,321	9,228,761	10,019,378	11,150,269
Changes in Net Assets					
Governmental activities	(1,250,101)	665,442	1,561,804	(96,177)	(1,659,351)
Business-type activities	5,091,911	7,222,533	2,479,723	2,866,062	4,424,408
Total primary government	\$ 3,841,810	\$ 7,887,975	\$ 4,041,527	\$ 2,769,885	\$ 2,765,057

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

Table 03

**CITY OF FLORENCE, SOUTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX AND FEE REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)**

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee (2)	Fines and Forfeitures	Total
2003	\$ 7,211,204	\$ 7,671,638	\$ -	\$ 785,772	\$ 15,668,614
2004	7,292,228	7,459,531	1,122,278	628,344	16,502,381
2005	7,507,436	7,939,460	2,283,203	591,924	18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389
2007	8,193,634	8,566,956	2,661,073	825,692	20,247,355

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34.

GASB 34 was implemented with the CAFR dated June 30, 2003.

(2) Effective 1/1/2004

Table 04

**CITY OF FLORENCE, SOUTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Unreserved	\$ 8,545,681	\$ 9,110,528	\$ 9,186,704	\$ 10,389,423	\$ 11,118,386	\$ 10,080,026	\$ 8,548,666	\$ 8,206,188	\$ 8,004,650	\$ 8,187,370
Total General Fund	\$ 8,545,681	\$ 9,110,528	\$ 9,186,704	\$ 10,389,423	\$ 11,118,386	\$ 10,080,026	\$ 8,548,666	\$ 8,206,188	\$ 8,004,650	\$ 8,187,370
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,988,084
Unreserved										
Special revenue funds	1,063,186	1,270,271	1,036,564	549,878	719,494	450,929	1,282,068	1,383,486	2,023,353	1,691,698
Total all other governmental funds	\$ 1,063,186	\$ 1,270,271	\$ 1,036,564	\$ 549,878	\$ 719,494	\$ 450,929	\$ 1,282,068	\$ 1,383,486	\$ 2,023,353	\$ 4,679,782

Table 05

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Property Taxes	\$5,849,075	\$5,916,270	\$6,792,442	\$6,976,218	\$7,018,246	\$ 7,320,927	\$ 7,280,753	\$7,409,461	\$7,813,788	\$7,954,442
Licenses and fees	5,316,080	5,723,003	5,899,590	6,828,618	7,250,910	7,671,638	8,581,809	10,222,663	10,499,074	11,228,029
Intergovernmental	2,236,400	2,227,148	1,990,282	2,710,397	3,609,720	2,802,036	2,169,463	2,621,052	2,448,800	4,099,227
Charges for services	1,353,332	1,331,466	1,338,042	1,395,519	1,426,616	1,317,815	1,448,821	1,487,413	1,615,327	1,787,838
Fines and forfeitures	850,449	757,677	930,993	950,840	918,356	785,772	628,344	591,924	688,837	825,692
Investment earnings	-	-	-	-	-	135,677	57,738	116,464	255,196	479,844
Miscellaneous	1,018,473	906,358	995,069	1,416,112	971,951	442,748	1,678,382	1,680,684	450,306	956,527
Total revenues	<u>16,623,809</u>	<u>16,861,922</u>	<u>17,946,418</u>	<u>20,277,704</u>	<u>21,195,799</u>	<u>20,476,613</u>	<u>21,845,310</u>	<u>24,129,661</u>	<u>23,771,328</u>	<u>27,331,599</u>
Expenditures										
Current										
General government	4,318,931	3,535,462	3,965,258	5,276,377	5,472,909	6,116,046	5,362,932	4,967,408	5,439,557	5,446,156
Public safety	6,719,585	6,981,256	7,986,596	8,627,319	8,742,561	9,450,501	9,669,395	10,335,380	10,774,687	11,587,658
Public works	2,818,010	2,750,540	3,468,575	3,514,149	3,213,734	3,470,619	3,564,636	3,747,404	3,970,308	4,024,636
Culture and recreation	1,667,131	1,721,535	1,583,666	1,714,786	1,760,442	1,075,979	1,611,730	2,715,224	2,940,458	5,242,151
Community development	416,738	710,668	797,438	455,409	1,027,411	741,417	759,905	1,031,915	363,629	477,068
Debt Service										
Principal	60,274	93,974	362,269	370,972	355,597	48,664	243,651	240,921	272,252	505,051
Interest	14,683	18,461	14,007	32,144	18,063	1,984	20,676	9,998	-	162,476
Capital lease issuance cost	-	-	-	-	-	-	-	-	-	35,867
Capital Outlay	<u>1,647,556</u>	<u>1,205,227</u>	<u>1,859,239</u>	<u>976,865</u>	<u>1,115,431</u>	<u>2,474,976</u>	<u>3,296,847</u>	<u>2,734,471</u>	<u>1,781,644</u>	<u>2,384,387</u>
Total expenditures	<u>17,662,908</u>	<u>17,017,123</u>	<u>20,037,048</u>	<u>20,968,021</u>	<u>21,706,148</u>	<u>23,380,186</u>	<u>24,529,772</u>	<u>25,782,721</u>	<u>25,542,535</u>	<u>29,865,450</u>
Excess of revenues over (under) expenditures	(1,039,099)	(155,201)	(2,090,630)	(690,317)	(510,349)	(2,903,573)	(2,684,462)	(1,653,060)	(1,771,207)	(2,533,851)
Other financing sources (uses)										
Operating transfers in	1,105,752	958,282	1,232,625	1,421,847	1,617,838	1,822,215	1,983,406	2,244,169	1,850,987	2,320,701
Operating transfers out	(30,756)	(32,099)	(54,700)	(65,703)	(210,011)	(235,331)	(471,406)	(832,169)	(426,829)	(708,701)
Proceeds of capital lease	500,869	-	756,172	47,856	-	-	472,241	-	785,378	3,761,000
Total other financing sources (uses)	<u>1,575,865</u>	<u>926,183</u>	<u>1,934,097</u>	<u>1,404,000</u>	<u>1,407,827</u>	<u>1,586,884</u>	<u>1,984,241</u>	<u>1,412,000</u>	<u>2,209,536</u>	<u>5,373,000</u>
Net change in governmental fund balance	<u>\$ 536,766</u>	<u>\$ 770,982</u>	<u>\$ (156,533)</u>	<u>\$ 713,683</u>	<u>\$ 897,478</u>	<u>\$ (1,316,689)</u>	<u>\$ (700,221)</u>	<u>\$ (241,060)</u>	<u>\$ 438,329</u>	<u>\$2,839,149</u>
Debt service as a percentage of non-capital expenditures	0.4%	0.7%	1.9%	2.0%	1.8%	0.2%	1.1%	1.0%	1.2%	2.6%

Table 06

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET ASSETS OF ENTERPRISE FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Water & Sewer Service Fees	\$ 12,398,089	\$ 12,932,733	\$ 13,404,850	\$ 15,052,406	\$ 15,823,076	\$ 18,073,785	\$ 18,633,285	\$ 19,247,289	\$ 20,289,696	\$ 21,368,185
Sewer Surcharges	122,296	159,676	65,539	129,507	175,638	81,558	100,107	144,525	78,501	97,078
Cut on Fees	51,935	46,690	49,400	48,787	51,475	72,300	57,405	63,075	65,245	74,325
Water & Sewer Tap Fees	430,784	461,534	532,128	584,981	414,443	489,342	554,213	610,873	671,204	835,823
Service Charges	85,555	84,665	88,935	80,425	81,475	197,763	116,150	127,780	129,788	125,372
Late Fees	53,113	59,898	57,070	57,423	59,911	73,895	76,308	77,990	81,019	87,053
Concessions Sales (1)	57,745	76,968	70,095	66,846	90,379	-	-	-	-	-
Stormwater Fees (2)	-	-	-	-	815,978	1,004,784	1,042,990	1,066,694	1,089,301	1,121,916
Investment earnings	765,426	662,716	1,032,765	2,259,981	687,827	240,390	77,086	228,027	457,067	730,095
Miscellaneous	10,041	44,842	32,610	141,545	315,926	211,903	80,653	258,963	123,654	321,912
Total revenues	13,974,984	14,529,722	15,333,392	18,421,901	18,516,128	20,445,720	20,738,197	21,825,216	22,985,475	24,761,759
Expenses										
Current										
Engineering	411,839	557,185	447,343	586,538	708,699	659,660	634,732	713,268	776,610	809,866
Utility Finance	330,363	367,072	441,493	508,925	483,717	557,960	580,154	583,610	678,718	727,049
Wastewater Treatment	1,740,411	1,759,859	2,041,221	2,358,987	2,293,916	2,392,892	2,472,668	2,554,603	2,668,538	2,596,617
Water Production	1,380,139	1,660,348	2,103,870	1,980,260	1,595,177	2,252,778	2,216,561	2,351,240	2,492,365	2,742,980
Utility Operations	1,436,120	1,535,621	1,499,526	1,610,475	1,726,644	1,808,572	1,949,015	2,103,824	2,299,328	2,424,662
Utility Construction	-	-	81,240	137,483	210,092	172,437	130,579	187,231	194,431	109,020
Concessions	58,158	64,927	65,134	59,369	74,756	-	-	-	-	-
Stormwater	-	-	-	-	469,412	643,199	634,494	655,871	877,543	883,581
Non-departmental	4,050,463	3,997,424	4,477,539	5,783,454	5,911,485	7,591,484	8,158,016	8,783,846	8,676,822	8,431,576
Net interdepartmental Transfer	1,074,996	926,183	1,177,925	1,356,144	1,407,827	1,610,366	1,512,000	1,412,000	1,455,058	1,612,000
Total expenses	10,482,489	10,868,619	12,335,291	14,381,635	14,881,725	17,689,348	18,288,219	19,345,493	20,119,413	20,337,351
Net change in net assets	\$ 3,492,495	\$ 3,661,103	\$ 2,998,101	\$ 4,040,266	\$ 3,634,403	\$ 2,756,372	\$ 2,449,978	\$ 2,479,723	\$ 2,866,062	\$ 4,424,408

(1) Concessions sales ended June 30, 2002 when Florence County took over operations of the City's recreations facilities.

(2) Stormwater fees were enacted in fiscal year 2001-2002.

Table 07

CITY OF FLORENCE, SOUTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX AND FEE REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee (1)	Fines and Forfeitures	Total
1998	\$ 5,849,075	\$ 5,316,080	\$ -	\$ 950,371	\$ 12,115,526
1999	5,916,270	5,723,003	-	829,179	12,468,452
2000	6,792,442	5,899,590	-	919,609	13,611,641
2001	6,979,218	6,828,618	-	950,840	14,758,676
2002	7,018,246	7,250,910	-	918,356	15,187,512
2003	7,211,204	7,671,638	-	785,772	15,668,614
2004	7,292,228	7,459,531	1,122,278	628,344	16,502,381
2005	7,507,436	7,939,460	2,283,203	591,924	18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389
2007	7,954,442	8,566,956	2,661,073	825,692	20,008,163

(1) Effective 1/1/2004

Table 08

**CITY OF FLORENCE, SOUTH CAROLINA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Tax Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
		Residential Property	Commercial Property (1)	Motor Vehicles	Other					
1998	1997	\$ 49,613,639	\$ -	\$ 13,797,374	\$ 17,911,956	\$ 1,532,840	\$ 79,790,129	68.4	\$ 1,284,029,727	6.21%
1999	1998	50,676,839	-	14,207,430	17,016,242	1,520,901	80,379,610	68.4	1,303,145,612	6.17
2000	1999	69,047,533	-	15,641,910	22,392,292	1,615,504	105,466,231	60.8	1,736,069,752	6.07
2001	2000	27,695,328	42,607,328	19,824,070	24,687,220	3,667,523	111,146,423	60.8	1,826,642,377	6.08
2002	2001	28,870,030	44,419,632	16,562,690	21,648,517	3,777,535	107,723,334	60.8	1,832,185,626	5.88
2003	2002	29,931,710	45,447,167	16,229,621	22,859,025	3,769,229	110,698,294	60.8	1,896,430,587	5.84
2004	2003	31,115,448	48,098,049	17,286,560	20,732,334	3,927,684	113,304,707	60.8	1,973,989,803	5.74
2005	2004	32,500,494	48,880,890	16,116,529	19,725,439	3,885,174	113,338,178	60.8	2,012,358,171	5.63
2006	2005	39,049,201	59,067,023	16,839,936	22,146,872	4,173,248	132,929,784	54.9	2,396,889,288	5.55
2007	2006	41,046,491	60,601,586	15,664,410	21,288,733	4,255,786	134,345,434	54.9	2,472,593,261	5.43

Source: Florence County

(1) Commercial Property amount is not available prior to tax year 2000. Total real property (residential and commercial) are accounted for under Residential Property for tax years prior to 2000.

Table 09

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Year	Overlapping Rates (1)										
		City of Florence			Florence County			School District One			Technical College Millage	Total Direct & Overlapping Rates
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
1998	1997	68.4	0.0	68.4	68.9	0.0	68.9	91.2	14.0	105.2	3.8	246.3
1999	1998	68.4	0.0	68.4	68.9	0.0	68.9	92.9	17.0	109.9	3.8	251.0
2000	1999	60.8	0.0	60.8	64.5	0.0	64.5	97.2	14.0	111.2	3.5	240.0
2001	2000	60.8	0.0	60.8	64.5	0.0	64.5	100.2	13.2	113.4	3.5	242.2
2002	2001	60.8	0.0	60.8	64.5	0.0	64.5	108.2	15.1	123.3	3.5	252.1
2003	2002	60.8	0.0	60.8	68.0	1.5	69.5	119.0	26.6	145.6	3.5	279.4
2004	2003	60.8	0.0	60.8	68.5	1.5	70.0	140.2	18.0	158.2	3.5	292.5
2005	2004	60.8	0.0	60.8	68.5	1.5	70.0	145.7	16.3	162.0	3.5	296.3
2006	2005	54.9	0.0	54.9	66.3	1.5	67.8	140.2	16.4	156.6	3.4	282.7
2007	2006	54.9	0.0	54.9	67.9	9.0	76.9	151.0	15.0	166.0	3.4	301.2

Source: Florence County Auditor's Office

(1) Overlapping rates are those of Florence County, School District One and Florence-Darlington Technical College that apply to property owners within the City of Florence.

Table 10

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
QHG of South Carolina, Inc.	\$ 13,234,550	1	9.55%	\$ 4,816,320	1	5.92%
McLeod Regional Medical Center	4,463,460	2	3.22%	1,448,930	5	1.78%
BellSouth Telecommunications	3,233,670	3	2.33%	3,276,700	2	4.03%
Carolina Power and Light	2,883,620	4	2.08%	2,056,510	3	2.53%
Magnolia, LLC	2,747,980	5	1.98%	-	-	0.00%
Holcombe Land Development	1,293,800	6	0.93%	529,030	9	0.65%
Edens & Avant Fin. Ltd. Partnership	976,770	7	0.70%	-	-	0.00%
Raldex, Inc.	926,880	8	0.67%	-	-	0.00%
Lowe's Home Improvement	780,590	9	0.56%	-	-	0.00%
South Carolina Electric & Gas	749,500	10	0.54%	638,720	8	0.79%
Byrd Properties, Inc.				1,670,460	4	2.05%
La-Z-Boy Chair Company				769,120	6	0.95%
Fleet Real Estate Fund Corp.				744,030	7	0.91%
Fairfield Associates LTD Partner				495,800	10	0.61%

Source: Florence County

(1) Total Assessed Value for 2007 was \$138,601,220

(2) Total Assessed Value for 1998 was \$81,322,969

Table 11

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

Fiscal Year	Tax Year	Original Tax Levy	Collections within the Fiscal Year of the Levy		Collections of Prior Tax Year's Levy in Subsequent Fiscal Years	Total Collections to Date	
			Amount	Percentage of Levy		Collected	Percentage of Levy
1998	1997	\$ 5,562,491	\$ 5,450,655	98.0%	\$ 45,266	\$ 5,495,921	98.8%
1999	1998	5,601,995	5,541,752	98.9	45,015	5,586,767	99.7
2000	1999	6,518,873	6,381,085	97.9	61,743	6,442,828	98.8
2001	2000	6,980,688	6,552,838	93.9	72,899	6,625,737	94.9
2002	2001	6,779,253	6,620,054	97.7	53,475	6,673,529	98.4
2003	2002	6,959,625	6,904,209	99.2	61,699	6,965,908	99.9
2004	2003	7,127,729	6,858,315	96.2	56,239	6,914,554	97.0
2005	2004	7,127,180	6,993,031	98.1	75,825	7,068,856	99.2
2006	2005	7,526,956	7,382,948	98.1	55,919	7,438,867	98.8
2007	2006	7,609,207	7,526,794	98.9	34,768	7,561,562	99.4

Source: Florence County

Table 12

**CITY OF FLORENCE, SOUTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Notes Payable		
1998	\$ -	\$ -	\$ 440,595	\$ 11,815,832	\$ 21,641,662	\$ 33,898,089	\$ 1,149
1999	-	-	346,621	10,785,159	20,708,123	31,839,903	1,048
2000	-	-	740,525	35,369,486	21,911,358	58,021,369	1,918
2001	-	-	416,592	34,203,813	26,233,748	60,854,153	2,003
2002	-	-	60,995	32,608,141	29,610,931	62,280,067	2,040
2003	-	-	12,331	39,282,468	33,344,134	72,638,933	2,364
2004	-	-	240,921	39,511,795	32,958,638	72,711,354	2,350
2005	-	-	-	37,641,122	31,125,861	68,766,983	2,199
2006	-	-	4,274,126	39,670,000	29,111,139	73,055,265	2,319
2007	-	-	3,769,075	37,090,000	27,028,107	67,887,182	2,134

(1) See Table 17 Demographic and Economic Statistics for population data.

Table 13

**CITY OF FLORENCE, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Assessed Value	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
1998	29,511	\$ 81,322,969	\$0	\$0	\$0	0.00%	\$0
1999	30,392	81,900,511	0	0	0	0.00	0
2000	30,248	107,218,298 (2)	0	0	0	0.00	0
2001	30,380	114,813,946	0	0	0	0.00	0
2002	30,523	111,500,869	0	0	0	0.00	0
2003	30,729	114,467,523	0	0	0	0.00	0
2004	30,944	117,232,391	0	0	0	0.00	0
2005	31,269	117,223,352	0	0	0	0.00	0
2006	31,504	137,103,032 (2)	0	0	0	0.00	0
2007	31,819	138,601,220	0	0	0	0.00	0

(1) Source: Fiscal Year 2000 is U.S. Census figure; all others estimated by S.C. Budget & Control Board, Office of Research and Statistics or City of Florence Finance Department.

(2) Reassessment

Table 14

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2007**

<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><u>\$0.00</u></u>	<u><u>0.00%</u></u>	<u><u>\$0.00</u></u>

Table 15

**CITY OF FLORENCE, SOUTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 6,505,838	\$ 6,552,041	\$ 8,577,464	\$ 9,185,116	\$ 8,920,070	\$ 9,157,402	\$ 9,378,591	\$ 9,377,868	\$ 10,968,243	\$ 11,088,098
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 6,505,838</u>	<u>\$ 6,552,041</u>	<u>\$ 8,577,464</u>	<u>\$ 9,185,116</u>	<u>\$ 8,920,070</u>	<u>\$ 9,157,402</u>	<u>\$ 9,378,591</u>	<u>\$ 9,377,868</u>	<u>\$ 10,968,243</u>	<u>\$ 11,088,098</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2007

Taxable Assessed Value - 2006 Levy	\$ 134,345,434
Add back: exempt real property	<u>4,255,786</u>
Total Assessed Value	<u>\$ 138,601,220</u>
Debt Limit (8% of Total Assessed Value Without Referendum)	\$ 11,088,098
Debt applicable to limit:	
Total Bonded Debt	\$ 0
Less Deductions Allowed by Law	<u>0</u>
Total Net Debt Applicable to Limit	<u>0</u>
Legal Debt Margin	<u>\$ 11,088,098</u>

Table 16

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

Fiscal Year	Gross Revenue (1)	Less: Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$ 13,917,239	\$ 5,588,975	\$ 8,328,264	\$ 2,044,896	\$ 1,681,024	\$ 3,725,920	2.24
1999	14,452,754	6,172,865	8,279,889	1,964,212	1,757,291	3,721,503	2.22
2000	15,262,996	7,075,386	8,187,610	2,282,988	1,491,354	3,774,342	2.17
2001	18,354,405	7,607,785	10,746,620	2,459,581	2,807,459	5,267,040	2.04
2002	17,608,578	7,463,469	10,145,109	2,955,108	3,014,009	5,969,117	1.70
2003	19,382,569	8,496,911	10,885,658	3,306,140	3,326,816	6,632,956	1.64
2004	19,687,358	8,522,953	11,164,405	3,421,442	3,412,801	6,834,243	1.63
2005	20,742,121	9,461,277	11,280,844	3,616,634	3,363,546	6,980,180	1.62
2006	21,837,986	10,087,728	11,750,258	3,902,590	3,181,807	7,084,397	1.66
2007	23,213,857	10,240,322	12,973,535	4,085,899	2,987,178	7,073,077	1.83

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

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

Table 17

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

Fiscal Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Unemployment Rate (4)
1998	29,511	\$3,825	\$20,062	14,411	4.7%
1999	30,392	4,054	21,150	14,124	5.7
2000	30,248	4,203	21,817	14,149	6.1
2001	30,380	4,486	23,209	13,634	5.2
2002	30,523	4,679	24,115	13,424	7.8
2003	30,729	4,799	24,600	14,309	9.2
2004	30,944	4,950	25,204	14,117	8.7
2005	31,269	5,208	26,399	13,905	8.4
2006	31,504	5,445	27,551	14,715	7.5
2007	31,819	*	*	15,510	6.1

* Information not yet available

(1) Fiscal Year 2000 is U.S. Census figure; all others estimated by S.C. Budget and Control Board, Office of Research & Statistics or City of Florence Finance Dept.

(2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.

Source for fiscal years 1997 - 2003 was State Budget & Control Board, Office of Research & Statistics.

(3) Florence School District One

(4) South Carolina Employment Security Commission. Represents unemployment for Florence County.

Table 18

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL EMPLOYERS IN THE CITY OF FLORENCE
CURRENT AND NINE YEARS AGO**

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (1)</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (1)</u>
McLeod Regional Medical Center	4,375	1	7.2%	3,416	1	NA
Florence School District One	1,718	2	2.8	-	-	-
Palmetto Gov't Benefits/TRICARE	1,600	3	2.6	-	-	-
Carolinas Hospital System	1,400	4	2.3	2,200	2	NA
Florence County	898	5	1.5	625	6	NA
Wal-Mart	620	6	1.0	-	-	-
SC DHEC	600	7	1.0	-	-	-
City of Florence	439	8	0.7	-	-	-
The Assurant Group	425	9	0.7	-	-	-
Florence Co. Disabilities & Spec. Needs	350	10	0.6			
The ESAB Group				950	5	NA
Francis Marion University				500	9	NA
Amana, Inc.				620	7	NA
Blue Cross Blue Shield of SC				1,500	3	NA
Fleet Real Estate Fund Corp.				960	4	NA
DuPont Film Enterprises				550	8	NA
La-Z-Boy East				478	10	NA

(1) Total employment information is only available by county. This information represents percentage of Florence County's employment.

NA - This information is not available

Table 19

CITY OF FLORENCE, SOUTH CAROLINA
 PRINCIPAL WATER USERS IN SERVICE AREA
 CURRENT AND NINE YEARS AGO

Customer	Type of Business	2007			1998		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$ 148,192	1.35%	3	\$ 100,392	1.73%
General Electric	Manufacturing	2	133,908	1.22	2	111,102	1.91
Francis Marion University	University	3	98,479	0.90	4	69,730	1.20
Roche Carolina	Manufacturing	4	82,818	0.76	-	-	-
Carolinas Hospital System	Medical Services	5	60,108	0.55	9	37,978	0.65
Rental Uniforms	Industrial	6	58,056	0.53	10	36,447	0.63
Florence County Detention Center	Government	7	56,891	0.52	-	-	-
PET Dairy	Manufacturing	8	55,291	0.51	-	-	-
ESAB	Manufacturing	9	47,148	0.43	-	-	-
Forest Lake	Real Estate Property	10	41,753	0.38	-	-	-
Florence County	Government				1	342,051	5.88
Flav O Rich	Manufacturing				5	58,144	1.00
Amana	Manufacturing				6	41,955	0.72
Sarah Lee Hosiery	Manufacturing				7	41,278	0.71
Pepsi Cola	Manufacturing				8	40,435	0.69
TOTALS			<u>\$ 782,644</u>	<u>7.15%</u>		<u>\$ 879,512</u>	<u>15.12%</u>

Table 20

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL SEWER USERS IN SERVICE AREA
CURRENT AND NINE YEARS AGO**

Customer	Type of Business	2007			1998		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$179,986	1.75%	3	\$ 127,672	1.90%
Koppers	Manufacturing	2	164,013	1.59	1	180,449	2.69
PET Dairy	Manufacturing	3	143,743	1.40	-	-	-
Francis Marion University	University	4	130,638	1.27	4	87,518	1.31
ESAB	Manufacturing	5	113,744	1.10	6	73,139	1.09
Rental Uniforms	Industrial	6	98,911	0.96	8	57,637	0.86
Roche Carolina	Manufacturing	7	98,240	0.95	10	35,488	0.53
Darlington County	Government	8	80,962	0.79	-	-	-
Carolinas Hospital System	Medical Services	9	79,133	0.77	9	49,847	0.74
Florence County Detention Center	Government	10	62,385	0.61	-	-	-
Flav O Rich	Manufacturing				2	147,575	2.20
Dupont	Manufacturing				5	83,848	1.25
Sarah Lee Hosiery	Manufacturing				7	65,728	0.98
TOTALS			<u>\$1,151,755</u>	<u>11.19%</u>		<u>\$ 908,901</u>	<u>13.55%</u>

Table 21

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006	2007
Water Customers:										
Residential	16,925	17,563	18,307	18,716	19,133	23,902	24,647	25,259	25,957	26,610
Commercial	2,840	3,003	2,866	2,797	2,869	2,694	2,739	2,763	2,802	2,849
Total	<u>19,765</u>	<u>20,566</u>	<u>21,173</u>	<u>21,513</u>	<u>22,002</u>	<u>26,596</u>	<u>27,386</u>	<u>28,022</u>	<u>28,759</u>	<u>29,459</u>
Sewer Customers:										
Residential	12,476	12,671	13,094	13,421	13,752	14,375	14,989	15,421	16,241	16,761
Commercial	2,047	2,141	2,044	2,006	2,071	2,031	2,068	2,086	2,119	2,157
Total	<u>14,523</u>	<u>14,812</u>	<u>15,138</u>	<u>15,427</u>	<u>15,823</u>	<u>16,406</u>	<u>17,057</u>	<u>17,507</u>	<u>18,360</u>	<u>18,918</u>
Total Utility Customers:	<u>34,288</u>	<u>35,378</u>	<u>36,311</u>	<u>36,940</u>	<u>37,825</u>	<u>43,002</u>	<u>44,443</u>	<u>45,529</u>	<u>47,119</u>	<u>48,377</u>

(1) Reflects the purchase of the Florence County water and sewer system in July 2002.

Table 22

**CITY OF FLORENCE, SOUTH CAROLINA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Full-time Equivalent City Government Positions									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government Admin.	8	10	10	10	11	18	19	19	13	15
Finance Department	10	10	9	9	9	9	9	10	10	10
Personnel Department	3	3	4	4	4	4	4	4	4	4
Community Services Department	3	3	3	3	5	5	5	5	5	7
Public Safety										
Police	99	100	110	112	114	123	127	138	140	138
Fire	67	68	71	71	71	71	71	71	71	70
Total Public Safety	166	168	181	183	185	194	198	209	211	208
Public Works Department										
Streets and Beautification	27	24	28	30	28	28	28	28	30	30
Sanitation	21	21	21	21	23	23	23	23	24	24
Equipment Maintenance	7	7	8	8	8	8	8	8	8	8
Total Public Works	55	52	57	59	59	59	59	59	62	62
Parks and Recreation	33	36	29	31	31	31	17	23	23	35
Water and Sewer	86	86	97	97	97	105	114	115	116	117
Stormwater	0	0	0	0	0	11	11	12	12	11
Total Employees	364	368	390	396	401	436	436	456	456	469

Source: City of Florence Budget

Table 23

**CITY OF FLORENCE, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006	2007
Police										
Physical Arrests	2,238	2,866	3,218	3,904	2,800	2,569	2,737	2,918	2,881	3,003
Traffic Violations	9,681	6,606	8,257	8,055	7,499	4,765	4,366	6,345	8,876	9,323
Parking Violations	1,925	573	1,189	1,178	1,228	838	966	1,020	1,153	757
Fire										
Calls Answered	1,386	2,540	3,416	3,300	3,855	2,060	2,603	2,162	2,324	2,413
Inspections	370	458	802	998	998	705	780	941	974	1,021
Water System										
Service Connections	19,100	20,500	21,365	21,365	22,100	26,813	27,475	28,166	28,759	29,459
Average daily consumptions (in millions of gallons)	11.00	11.70	12.10	12.10	11.70	11.70	12.06	12.06	12.50	13.00
Maximum daily capacity (in millions of gallons)	15.30	16.80	16.80	25.00	27.00	37.00	37.00	37.00	37.00	37.00
Wastewater System										
Service connections	14,450	15,006	15,267	15,541	15,900	NA	17,154	17,632	18,360	18,918
Average daily treatment (in millions of gallons)	9.40	9.40	9.10	7.40	7.70	10.10	10.10	10.10	8.90	10.00
Maximum daily capacity (in millions of gallons)	15.00	15.00	15.00	15.00	15.00	15.00	15.10	15.00	15.00	15.00

(1) Reflects the purchase of the Florence County water and sewer system in July 2002.

Table 24

**CITY OF FLORENCE, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Function</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	1	1	1	1	1	1	2	2	2	2
Resource Centers	5	5	3	6	6	6	3	3	3	0
Patrol units	47	47	106	106	108	113	113	115	125	157
Fire Stations	4	4	4	4	4	4	4	4	4	4
Highways and Streets										
Streets (in miles)	181	188	235	219	231	235	241	241	246	241
Streetlights	4,000	4,100	4,100	4,400	4,750	4,970	5,125	5,572	5,816	6,052
Culture and Recreation										
Community centers	4	4	4	4	4	4	3	3	4	3
Parks	13	13	13	13	13	13	13	14	15	16
Park acreage	300	300	300	300	300	300	300	530	500	530
Swimming pools	3	3	3	3	2	0	0	0	0	0
Tennis courts	25	25	25	25	26	26	24	24	24	22
Water System										
Water mains (in miles)	608	850	350	410	629	698	726	730	730	730
Fire hydrants	1,005	1,005	968	1,075	1,355	1,000	1,280	1,524	1,786	1,801
Wastewater System										
Sanitary sewers (in miles)	316	316	316	330	335	352	357	368	375	375
Treatment plants	1	1	1	1	1	1	2	1	1	1
Stormwater System										
Storm sewers (in miles)	124	124	85	90	91	91	95	100	105	109

Table 25

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30 2007

Date of Incorporation	1,890
Form of Government	Council/Manager
Total Number of Full-Time Employees	469
Area in square miles	20.90
Facilities and services not included in the primary government	
Cable Television System	
Miles of service (Florence County)	1,177
Number of satellite receiving stations	2
Education	
Number of elementary schools	13
Number of elementary school instructors	583
Number of secondary schools	7
Number of secondary school instructors	406
Facilities and services not included in the reporting entity	
Hospitals	
Number of hospitals	3
Number of patient beds	913
Other data	
Business Licenses issued for fiscal year 2006-2007	3,735
New Business Licenses issued for fiscal year 2006-2007	655
Business License Receipts	\$ 6,714,458
Percent change in Business License receipts from prior year	4.45%
Franchise Fee Receipts	\$ 1,852,498
Percent change in Franchise Fee receipts from prior year	10.38%
Population (estimated population)	31,819
City of Florence gross retail sales for calendar year 2006	\$ 2,150,713,676
Per Capita spending for calendar year 2006	\$ 67,592.12
Outstanding General Obligation Debt	\$ -
Outstanding Revenue Debt	\$ 64,118,107
City of Florence Bond Rating	
Moody's Investor's Service	A1
Standards and Poor's	A
Residential construction permits issued	335
Construction value	\$ 36,593,000
Commercial construction permits issued	56
Construction value	\$ 50,996,600

SINGLE AUDIT SECTION

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

-MEMBERS OF-
AMERICAN INSTITUTE OF
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S.C. ASSOCIATION OF
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON 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, 2007. 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, 2007.

Internal Control Over Compliance

The management of City of Florence, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of City of Florence, South Carolina's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such

that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, South Carolina, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City of Florence, South Carolina's, basic financial statements. 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.

Burch, Grier, Seale Co., CPAs, PA

September 21, 2007

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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	\$ 4,607,607	\$ 347,829
Home Program	14.239	M04-SG450102	233,947	<u>221,066</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>568,895</u>
<u>U. S. Department of Transportation</u>				
Passed through S.C. Dept. of Transportation				
Urban Youth Corps Program	20.511	-	13,700	10,695
Urban Youth Corps Program	20.511	-	20,600	<u>2,963</u>
				<u>13,658</u>
Airport Gateway	20.205	ENH-15-06	66,500	26,261
Florence Rail/Trail Project	20.205	ENH-17-06-PIN33460	453,028	<u>22,692</u>
				<u>48,953</u>
Older Driver Signage	20.200	TRA-02-06	40,000	8,682
LEN	20.600	2JC-07012	20,000	<u>10,046</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>81,339</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Community Oriented				
Policing Services	16.710	2005-CK-WX-0220	493,322	<u>395,445</u>
Edward Byrne Memorial				
Justice Assistance Grant	16.580	2005-DJ-BX-0740	61,090	18,857
Edward Byrne Memorial				
Justice Assistance Grant	16.580	2006-DJ-BX-0772		<u>32,085</u>
				<u>50,942</u>
Bulletproof Vest Partnership Program	16.607	-	-	<u>835</u>
				<u>447,222</u>
Passed through S. C. Dept. of Public Safety				
Alternatives to Incarcerations/ Alternatives to Expulsion	16.549	IJ04012	30,000	18,261
Anti-Gang Initiative	16.744	IPG06009	6,000	<u>5,978</u>
				<u>24,239</u>
TOTAL DEPARTMENT OF JUSTICE				<u>471,461</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2007

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 Agriculture</u>				
Passed through S. C. Forestry Comm.	10.675	2006U4	2,600	<u>1,572</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>1,572</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-97493303	200,000	9,286
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96462706	200,000	6,274
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96460506	200,000	<u>10,409</u>
				<u>25,969</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	SRF3-003-2110001-02	2,767,997 ***	-
Pee Dee Regional Water System/ Finished Water Main	66.468	SRF3-008-00-210001-01	6,210,343 ****	-
Rain Water Storage	66.468	SRF3-014-02-2110001-04	1,322,378 *****	-
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY				<u>25,969</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,149,236</u>

- * - Loan balance \$11,345,653 at June 30, 2007.
- ** - Loan balance \$286,796 at June 30, 2007.
- *** - Loan balance \$1,978,423 at June 30, 2007.
- **** - Loan balance \$5,499,084 at June 30, 2007.
- ***** - Loan balance \$2,319,375 at June 30, 2007.

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, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Florence, South Carolina.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of City of Florence, South Carolina were disclosed during the audit.
4. No significant deficiencies 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 on 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: Home Program - CFDA 14.239 and Community Oriented Policing Services - CFDA 16.710.
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 INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, South Carolina, as of and for the year ended June 30, 2007, which collectively comprise City of Florence, South Carolina's basic financial statements and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Florence, South Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Florence, South Carolina's financial statements that is more than inconsequential will not be prevented or detected by City of Florence, South Carolina's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Florence, South Carolina's internal control.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Florence, South Carolina in a separate letter dated September 21, 2007.

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.

Butch, Oxner, Seale Co., CPAs, PA