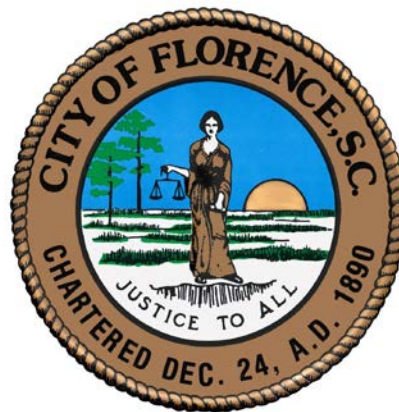


CITY OF FLORENCE, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



PREPARED BY

CITY OF FLORENCE, SOUTH CAROLINA

FINANCE DEPARTMENT

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**CITY OF FLORENCE, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2013
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INTRODUCTORY SECTION

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Finance Department

Tel: (843) 665-3162

Fax: (843) 665-3111

November 30, 2013

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 annually publish 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 (the City) for the fiscal year ended June 30, 2013.

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 City'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 WebsterRogers LLP, 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, 2013, 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, 2013, are fairly presented in conformity with GAAP. The independent auditor's 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 require 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 the MD&A and should be read in conjunction with it. The City of Florence MD&A can be found immediately following the report of the independent auditors.

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 Position 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 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 37,000. 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 City Manager, Municipal Judge, and City Attorney. The City Manager is responsible for carrying out policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the directors 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 construction and maintenance of streets and other infrastructure; sanitation services; parks, recreational, and athletic activities and events; planning and zoning services; water production and distribution services; wastewater collection and treatment services; and storm water collection 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 to begin 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. Budget appropriations may be amended by council 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 28 as part of the basic financial statements for the governmental funds.

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 a regional airport, numerous 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 investments in the Florence area of companies such as Roche Carolina, Honda, Nan Ya Plastics, Johnson Controls, QVC, Monster.com, H.J. Heinz Co. and Otis Elevator have contributed significantly to overall capital investments and job creation in the area.

The healthcare industry in Florence continues to be one of the 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. Florence leads the region as a center for health care excellence with numerous healthcare specialists, medical, eye care, and dental practices also located in the City.

The City of Florence is home to numerous shopping and dining venues offering an assortment of shopping malls, superstores, regional and national retail and restaurant establishments, and locally owned retail stores. Magnolia Mall, Magnolia Commons, The Plaza at Magnolia, Florence Mall, and a variety of other shops and stores throughout the city attract shoppers from all of Florence County as well as surrounding counties in the Pee Dee Region. Of the total retail sales in the seven Pee Dee counties, more than half comes from Florence County.

The Florence City County Civic Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Civic Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse entertainment events as indoor football games, concerts, circuses, rodeos, and a variety of other 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 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. To further encourage downtown redevelopment City Council adopted an ordinance in October 2011 that provided for the establishment of a Downtown Economic Development Incentive Program. The incentives were specifically identified and approved when City Council adopted a resolution in February 2012 authorizing a number of incentives designed to encourage the revitalization of the downtown area.

Proximity to the grand strand and the intersection of two major interstate highways in the area contribute 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 a diverse economy, and economic development continues in both the City and County of Florence. 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

As part of the City's planning and needs evaluation process, essential projects and initiatives to be implemented over the course of several years have been identified. Through such planning and evaluation, the City has created a structured approach to meeting challenges, effecting change, and achieving goals on a multi-year basis with funding incorporated into the operating budgets. Initiatives include downtown redevelopment, neighborhood redevelopment, quality of life opportunities, and continued investment in public infrastructure. Funding for these endeavors, which have long term fiscal implications, will come from a variety of sources including grants, Hospitality Fee revenues, Community Development Block Grant funds, and General Fund revenues.

The City's combined water and wastewater system continues to face fiscal challenges related to increasing operational costs and capital improvement needs including the construction of a wastewater treatment facility. In response to these challenges the City performed a comprehensive study of the operating, capital, and long-term debt service requirements to determine revenue sufficiency for these needs. The analysis revealed that rates for the combined water and wastewater system should be revised to meet current and future financial requirements

of the system. Based on the recommendations of a comprehensive ten-year rate study City Council approved in 2010 an ordinance incorporating the recommended rates. This ordinance revised and updated the City's water and wastewater rate schedules through fiscal year 2020.

Relevant Financial Policies

The Finance Department is responsible for providing comprehensive financial management, management analysis and support services to City management and departments in an effort to promote fiscal accountability, to enhance public services, to maximize revenue collections, to contain costs, and to ensure accurate performance reporting consistent with governmental standards and regulations. Policies and procedures are developed and maintained by the Finance Department to facilitate the accomplishment of these goals and to ensure adherence to best practices in financial management and accounting.

Major Initiatives

Wastewater Management Facility Construction (Contracts 1 & 2) – In 2006, based on alternatives presented in a regional Water and Sewer System Master Plan (Master Plan), City Council determined that the City's wastewater treatment functions should be completely redesigned and rebuilt at the existing site located off National Cemetery Road to become the Florence Regional Wastewater Management Facility (WWMF). The preliminary engineering report (PER) for the new facility was presented to City Council in January 2008. The report included an implementation schedule and cost estimates for redevelopment of the plant at the current site. A contract was negotiated with CDM for design engineering and has since been completed. Construction for the project was separated into two contracts. Bids for Contract 1, a project that included influent pumps, head works, secondary clarifiers, and effluent disinfection facilities, were received in May 2009. Seaside Utilities of Moncks Corner, SC was selected as the contractor for this project. Contract 1 construction, at an approximate cost of \$18 million, was begun in August 2009 and was completed in 2012. Bids for Contract 2, a project that included aeration basins, additional secondary clarifiers, sludge handling facilities, an odor control system, effluent pumping works, and a laboratory and administration building, were received in February 2010. Encore Construction Company of Winter Garden, Florida, was selected as the contractor for this project. Contract 2 construction, at an approximate cost of \$69 million, was begun in July 2010 and is scheduled for completion in 2013. Together, the facilities to be constructed in Contract 1 and 2, will replace the current wastewater treatment plant and will increase the treatment capacity from 15 million gallons per day to 18 million gallons per day.

Wastewater Management Facility Funding (Contracts 1 & 2) – Financing for Contract 1 was provided by a loan from the South Carolina Water Quality Revolving Fund Authority which closed on June 25, 2009. This loan, to be repaid over a period of 20 years from utility system revenues, includes \$4 million at 0% interest and the balance of the loan at 3.5% interest for a total blended interest rate of 2.81%. The \$4 million at 0% interest was provided through the American Recovery and Reinvestment Act of 2009 stimulus funds. On May 4, 2010, the City of Florence issued a total of \$99,000,000 revenue bonds for its water and sewer system. The bonds included \$31 million of refunding bonds and \$68 million of new-money bonds. The refunding of bonds originally issued in 1993 and 2000 save the City's utility system more than \$5.5 million. The proceeds from the new-money borrowing are being used to complete the construction of the wastewater treatment facility as well as expand treatment capacity. The new money issue was sold as a taxable Build America Bonds (BABs) which were a creation of the American Recovery and Reinvestment Act of 2009. The "Direct Payment" BABs will pay the City of Florence a federal subsidy by the U.S. Treasury Department in an amount equal to 35% of the total interest payable on the bonds.

Wastewater Management Facility Construction and Funding (Contract 3) – The 18 million gallons per day permit capacity achieved with Contract 1 and 2 construction of the WWMF provides for only limited additional system growth in accordance with the South Carolina Department of Health and Environmental Control (SC DHEC) guidelines. The continued phased expansion of the WWMF was recommended by the Master Plan and the PER. The continued phased expansion will cost-effectively expand the permit capacity of the wastewater facility from 18 mgd to 22 mgd through the design and construction of additional liquid train treatment. Design and construction of a wastewater treatment capacity expansion to 22 mgd will provide additional marketable sewer service by 2014. Bids were opened in December 2012 for Contract 3 construction. Garney Companies of Winter Garden, Florida, was selected as the contractor for this project. Contract 3 construction, at an approximate cost of \$10.6 million, was begun in May 2013 and is scheduled for completion by the third quarter 2014. Financing for Contract 3 was provided by a 20-year loan from the South Carolina Water Quality Revolving Fund Authority which closed on April 18, 2013 at an interest rate of 1.9%.

Town of Timmonsville Water and Sewer Utilities System Acquisition – After years of federal and state violations stemming from a lack of operational maintenance and an inability to meet increasing federal requirements, the Town of Timmonsville (the Town) water and sewer utility systems (the Utilities System) needed assistance. In response to this need, the United States Environmental Protection Agency (US EPA), South Carolina Department of Health and Environmental Control (SC DHEC) and the Town looked to the City of Florence (the City) for leadership and direction in upgrading the failing Utilities System. In April 2013, both the City and the Town adopted ordinances approving the execution of an agreement to convey the Town's Utilities System to the City. Responsibilities and commitments of the City set forth in the agreement were contingent upon several prerequisites including the City's ability to ensure both sufficient financing to fund needed improvements and the successful negotiation with US EPA, SC DHEC, the Town, and the City resulting in a Consent Decree satisfactory to the City. The Consent Decree incorporates required improvements and time schedules, and it resolves litigation in Federal Court regarding the Town's Utilities System and related environmental violations. The conveyance agreement was also contingent upon the passage of a successful referendum by the Town to convey the Utilities System.

On June 25, 2013, citizens of the Town voted to approve by referendum transfer of the Utilities System to the City. The City, the Town, and the governmental agencies have also agreed to the Consent Decree. Since adoption of the above referenced ordinance and agreement, the City has developed a financing plan utilizing numerous grants and State Revolving Fund loans to fund the required improvements to the Utilities System.

Capital improvements in excess of \$12 million were identified and were approved by US EPA, SC DHEC, City staff, and a team of consulting engineers. These projects will be undertaken in the next few years to repair the currently failing Utilities System and provide quality water and sewer service to the Town's customers. Projected revenues of the Town's Utilities System combined with two State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined State Revolving Fund (SRF) financed funds will total approximately \$10 million with approximately \$2 million of the principal forgiven by SRF. The SRF financing will be for 30 years at an interest rate of 1%. Grant funds include approximately \$790,000 from Community Development Block Grant funding, approximately \$1 million from an Economic Development Agency grant, and grants from the United States Department of Agriculture Rural Development in the approximate amount of \$300,000.

In addition to the improvement projects noted above, the agreement provides that the City will assume all liabilities and payments of outstanding bonded indebtedness on the system. The total outstanding principal indebtedness of the System is \$6,330,013 consisting of \$6,004,585 held by USDA, Rural Development, and \$325,428 held by BB&T bank. It is the City's intent to pay in full the obligation held by BB&T in the approximate principal and interest amount of \$340,180 upon conveyance, and to assume the Rural Development outstanding indebtedness in the principal amount of \$6,004,585 through the issuance of a Waterworks and Sewerage System Junior Lien Revenue Bond in an amount not to exceed \$6.1 million to refund all of the Town's revenue bonds held by Rural Development. The outstanding Rural Development debt to be acquired by the City is a 40 year obligation with an interest rate of 1.875%. Revenues generated by the Timmonsville system are projected to be sufficient to fund the outstanding Rural Development debt and the debt payment in full to BB&T.

The City is now awaiting approval of the Consent Decree by the Federal District Court - a process that is required before the Town's Utilities System can be conveyed to the City. It is anticipated that this approval and conveyance will occur sometime in November or December 2013.

Downtown Redevelopment – As part of the City's long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of Downtown Florence, the following initiatives have been implemented or undertaken by the City:

- Adoption of Maintenance and Appearance Codes in the Downtown Historic District;
- Adoption of business related incentives to include façade grants, a low interest loan pool, sign grants, design assistance, water and sewer infrastructure improvements, business license grants, and a business incubator;
- A change in the perception that the Downtown is unsafe through increased police presence, a Merchants Association Community Watch program, and the installation of a video surveillance system in public spaces;
- Downtown water, sewer, and stormwater utility improvements and related streetscape repairs and improvements.

- Downtown water, sewer, and stormwater utility improvements and related streetscape repairs and improvements.

Neighborhood Redevelopment – In recognition that housing and neighborhood conditions are central to the City's current and future well-being, the following strategies, designed to foster and encourage neighborhood redevelopment, have been identified as critical needs and will be undertaken for accomplishment by the City:

- Adoption of the Unified Development Code;
- Promotion and funding of infill redevelopment with financial assistance and policy;
- Funding of housing infrastructure and street beautification in targeted areas;
- Adoption and funding of a rental housing conversion program;
- Increased code enforcement activities in residential neighborhoods;
- Establishment of a Livability Court System;
- Continued investment in neighborhood parks and trail systems.

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, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

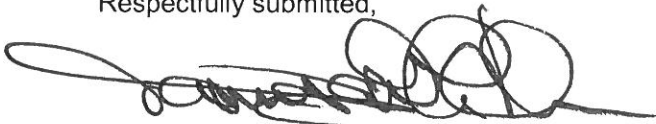
To be awarded a Certificate of Achievement award, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report, with contents which conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable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

A Certificate of Achievement is valid for a period of one year only. The Certificate awarded for fiscal year ended 2012 marks the fifteenth 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, WebsterRogers LLP. Their assistance provided in the preparation of this report is sincerely appreciated.

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

Respectfully submitted,



Thomas W. Chandler
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

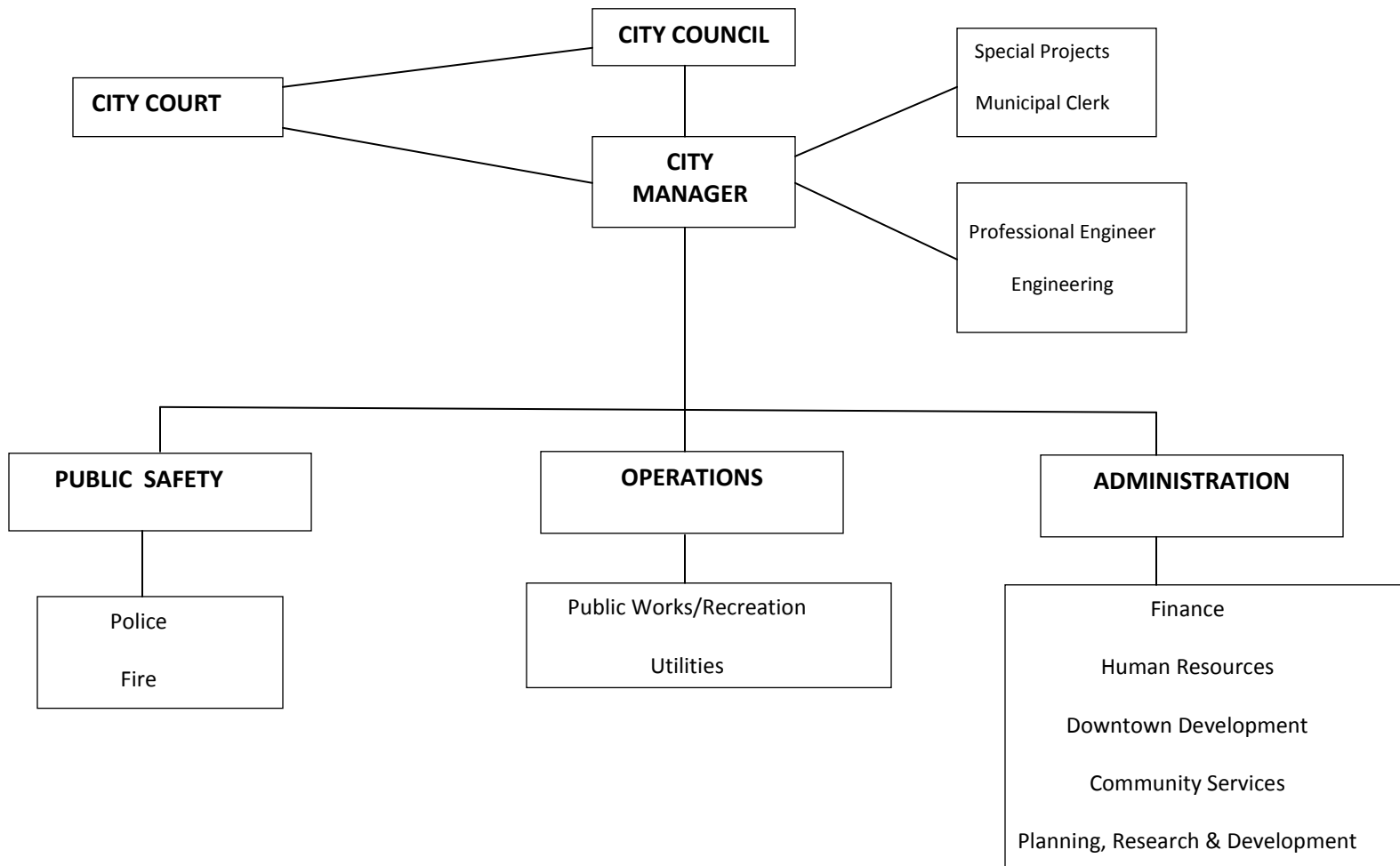
**City of Florence
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF FLORENCE
ORGANIZATIONAL CHART
FISCAL YEAR 2012- 2013**



**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2013**

GOVERNING BODY

Stephen J. Wukela, Mayor

Frank J. Brand, II, Mayor Pro Tempore

Edward Robinson

Octavia Williams-Blake

Teresa Myers Ervin

Glynn F. Willis

Robby Hill

ADMINISTRATION

Andrew H. Griffin, City Manager

Thomas W. Chandler, Finance Director

Scotty B. Davis, General Services Director

Anson E. Shells, Police Chief

Randall S. Osterman, Fire Chief

Charles E. Pope, Jr., Public Works Director

Phillip M. Lookadoo, Planning, Research and Development Director

Raymond F. Reich, Downtown Development Director

Michael D. Hemingway, Utilities Director

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hospitality fee fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

Member

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Florence, South Carolina
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McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits on pages 12 - 21 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, South Carolina's 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 Schedule of Fines, Assessments, and Surcharges - Special Revenue Fund - Victims Services Fund on page 92, listed in the table of contents under Other Financial Information, is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 123, listed in the table of contents under the Single Audit Section, is presented for the purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the City of Florence, South Carolina.

The combining and individual fund statements and schedules, the Schedule of Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the Schedule of Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Florence, South Carolina's internal control over financial reporting and compliance.



Florence, South Carolina
December 2, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follows this section, and our letter of transmittal in the preceding Introductory Section.

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 \$154,233,070 (*net position*). Of this amount, \$36,523,016 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$11,845,173 during the fiscal year ended June 30, 2013, with a \$2,432,751 increase resulting from governmental activities and a \$9,412,422 increase resulting from business-type activities.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balances of \$14,062,746, an increase of \$1,334,351 in comparison with the prior year. Approximately 60.0 percent of this total amount, \$8,415,209 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,415,209, or 24 percent of the total general fund expenditures.
- The City of Florence had \$136.7 million in bonds and notes outstanding versus \$140.6 million last year, a decrease of 2.8 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 statements of a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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, public works, community development, and culture and recreation services. The business-type activities of the City of Florence include water and sewer services and stormwater services.

The government-wide financial statements can be found on pages 22 and 23 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 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 utilize the modified accrual basis of accounting, which focuses 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 financial 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 the Hospitality 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 24 - 27 of this report. The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Hospitality Fund can be found on pages 28 - 29 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 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 a major fund of the City and the stormwater fund is a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 30 - 33 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 34 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 35 - 62 of this report.

Other supplemental 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 64 - 91 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$154,233,070 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (71%) 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 position, \$36,523,016, 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 all categories of net position, 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 Position

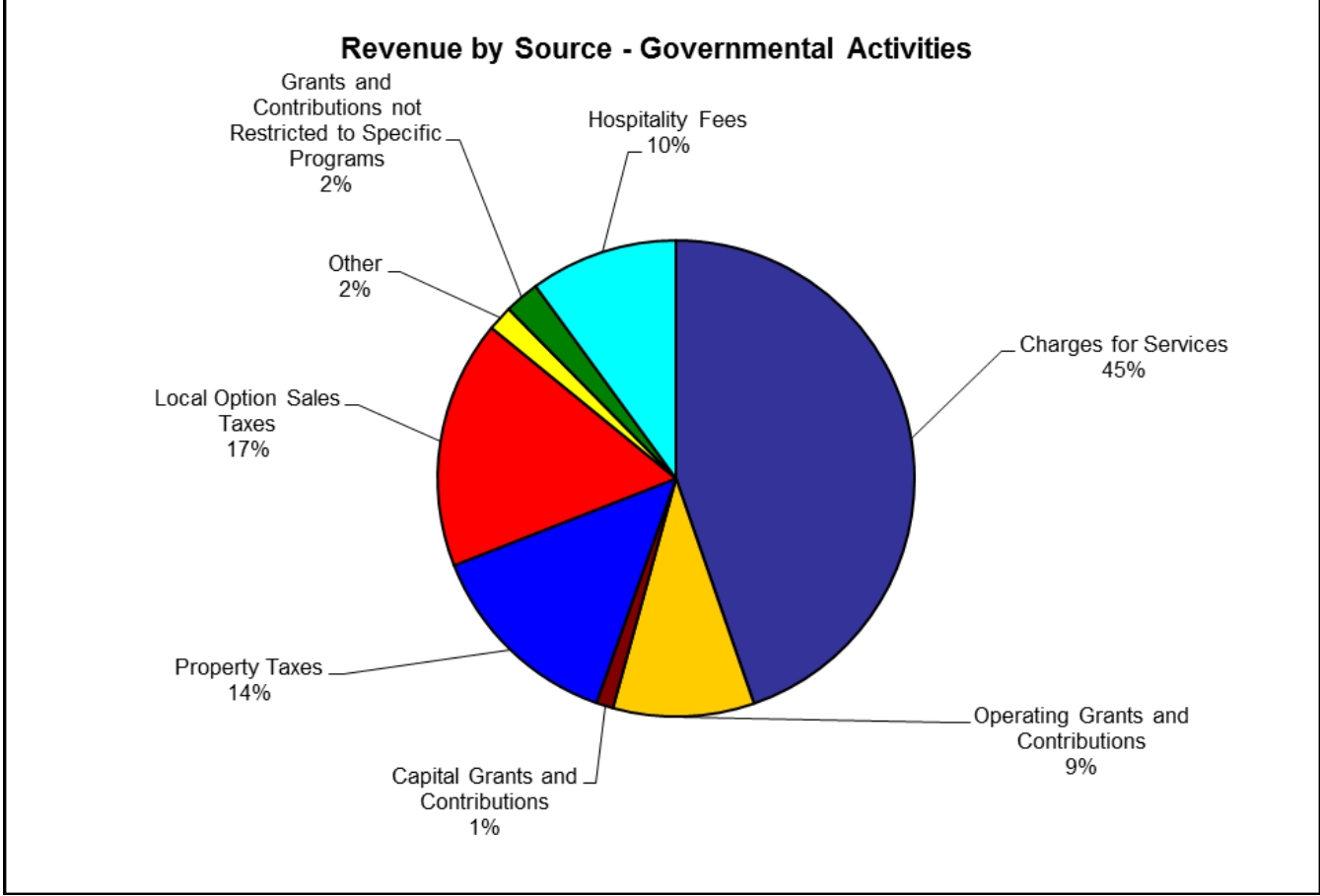
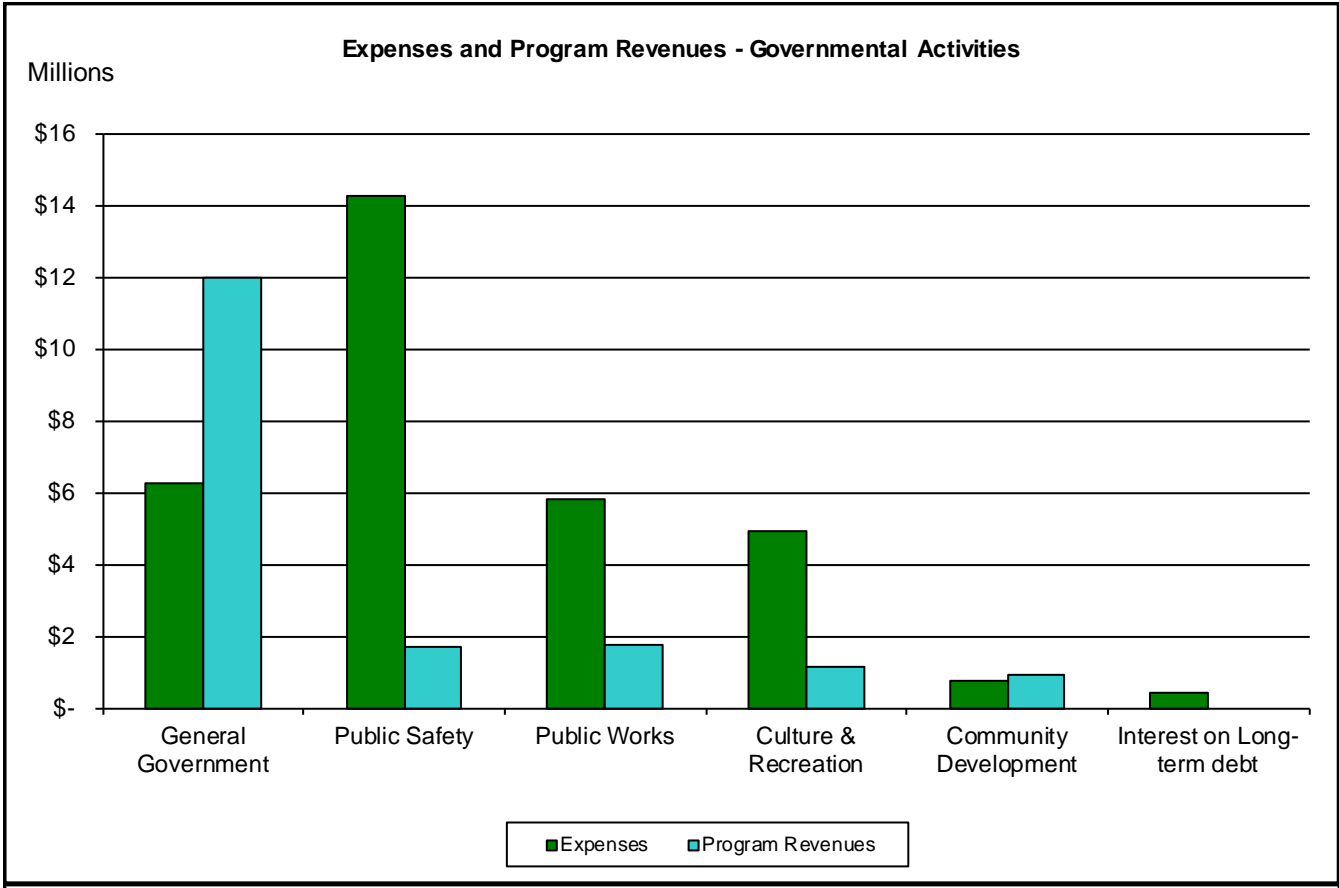
	Governmental activities		Business-type activities		Total	
	2013	2012 (as restated)	2013	2012	2013	2012 (as restated)
Current and other assets	\$ 17,468,983	\$ 17,198,281	\$ 47,208,795	\$ 57,708,671	\$ 64,677,778	\$ 74,906,952
Capital assets	39,982,066	34,140,598	211,995,647	196,190,830	251,977,713	230,331,428
Total assets	<u>57,451,049</u>	<u>51,338,879</u>	<u>259,204,442</u>	<u>253,899,501</u>	<u>316,655,491</u>	<u>305,238,380</u>
Long-term liabilities	21,796,069	17,047,829	131,347,105	134,785,310	153,143,174	151,833,139
Other liabilities	3,342,094	4,410,915	5,937,153	6,606,429	9,279,247	11,017,344
Total liabilities	<u>25,138,163</u>	<u>21,458,744</u>	<u>137,284,258</u>	<u>141,391,739</u>	<u>162,422,421</u>	<u>162,850,483</u>
Net position:						
Net investment in capital assets	20,692,434	19,429,425	89,407,316	82,021,447	110,099,750	101,450,872
Restricted	2,815,762	1,279,834	4,794,542	4,899,688	7,610,304	6,179,522
Unrestricted	8,804,690	9,170,876	27,718,326	25,586,627	36,523,016	34,757,503
Total net position	<u>\$ 32,312,886</u>	<u>\$ 29,880,135</u>	<u>\$ 121,920,184</u>	<u>\$ 112,507,762</u>	<u>\$ 154,233,070</u>	<u>\$ 142,387,897</u>

City of Florence's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012 (as restated)	2013	2012	2013	2012 (as restated)
	Revenues:					
Program Revenues:						
Charges for services	\$ 15,030,057	\$ 13,786,297	\$ 31,260,408	\$ 30,810,314	\$ 46,290,465	\$ 44,596,611
Operating grants and contributions	2,362,524	2,971,633	119,553	-	2,482,077	2,971,633
Capital grants and contributions	111,430	356,500	82,545	-	193,975	356,500
General Revenues:						
Property taxes	9,340,283	9,401,312	-	-	9,340,283	9,401,312
Hospitality taxes	3,214,470	3,092,529	-	-	3,214,470	3,092,529
Grants and contributions not restricted to specific programs	851,358	728,643	-	-	851,358	728,643
Other	938,737	525,631	1,029,346	1,021,711	1,968,083	1,547,342
Total revenue	31,848,859	30,862,545	32,491,852	31,832,025	64,340,711	62,694,570
Expenses:						
General Government	6,224,892	6,854,133	-	-	6,224,892	6,854,133
Public Safety	14,258,623	15,173,694	-	-	14,258,623	15,173,694
Public Works	5,789,957	5,487,725	-	-	5,789,957	5,487,725
Culture and Recreation	4,939,601	5,201,517	-	-	4,939,601	5,201,517
Community Development	730,670	1,097,686	-	-	730,670	1,097,686
Interest on long-term debt	428,682	672,883	-	-	428,682	672,883
Water and Sewer	-	-	18,926,059	18,382,310	18,926,059	18,382,310
Stormwater	-	-	1,197,054	1,295,628	1,197,054	1,295,628
Total expenses	32,372,425	34,487,638	20,123,113	19,677,938	52,495,538	54,165,576
Increase (decrease) in net assets before transfers	(523,566)	(3,625,093)	12,368,739	12,154,087	11,845,173	8,528,994
Transfers	2,956,317	2,520,001	(2,956,317)	(2,520,001)	-	-
Increase (decrease) in net assets	2,432,751	(1,105,092)	9,412,422	9,634,086	11,845,173	8,528,994
Net position - beginning	29,880,135	30,985,227	112,507,762	102,873,676	142,387,897	133,858,903
Net position - ending	\$ 32,312,886	\$ 29,880,135	\$ 121,920,184	\$ 112,507,762	\$ 154,233,070	\$ 142,387,897

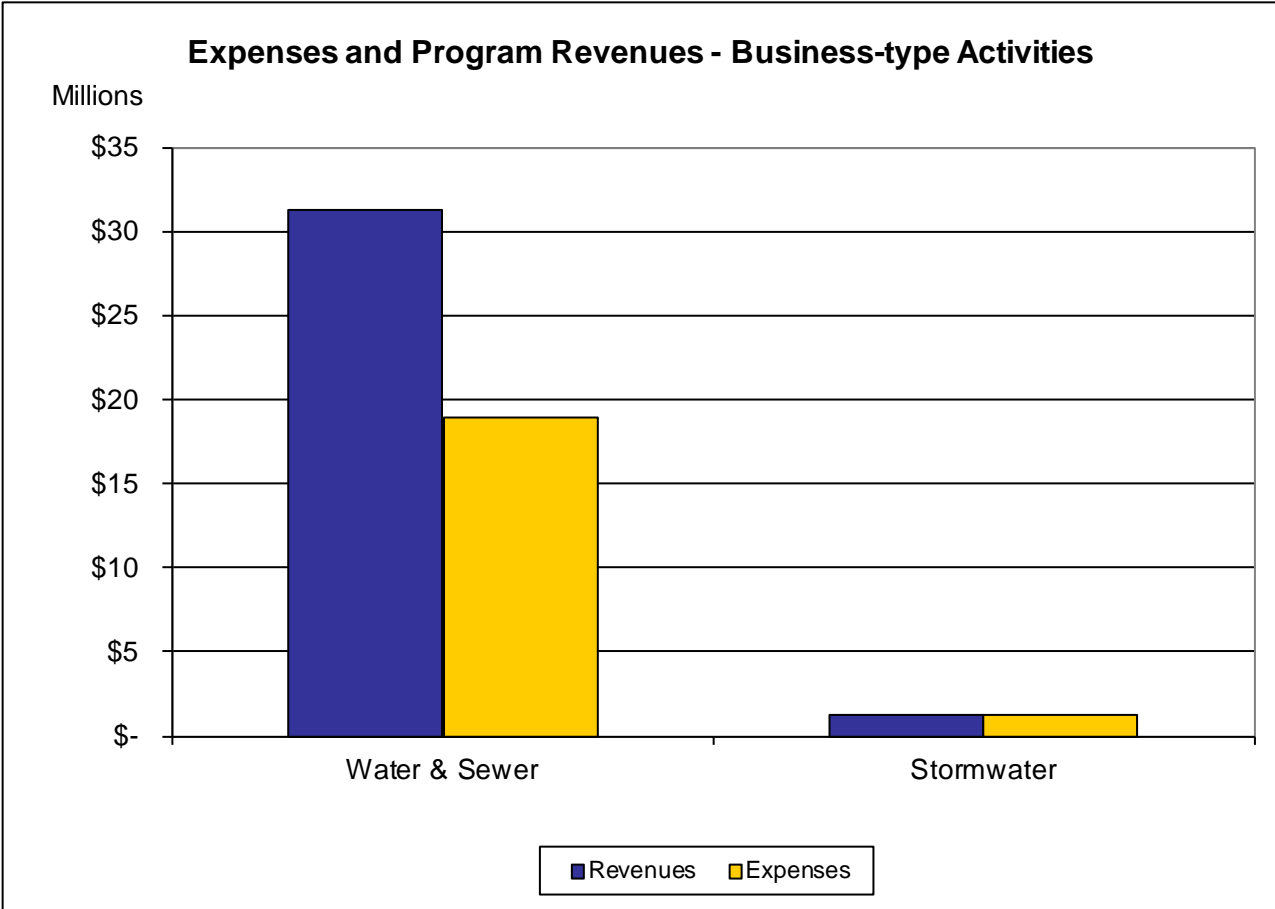
Governmental activities. Governmental activities increased the City of Florence's net position by \$2,432,751. Key elements of this increase are as follows:

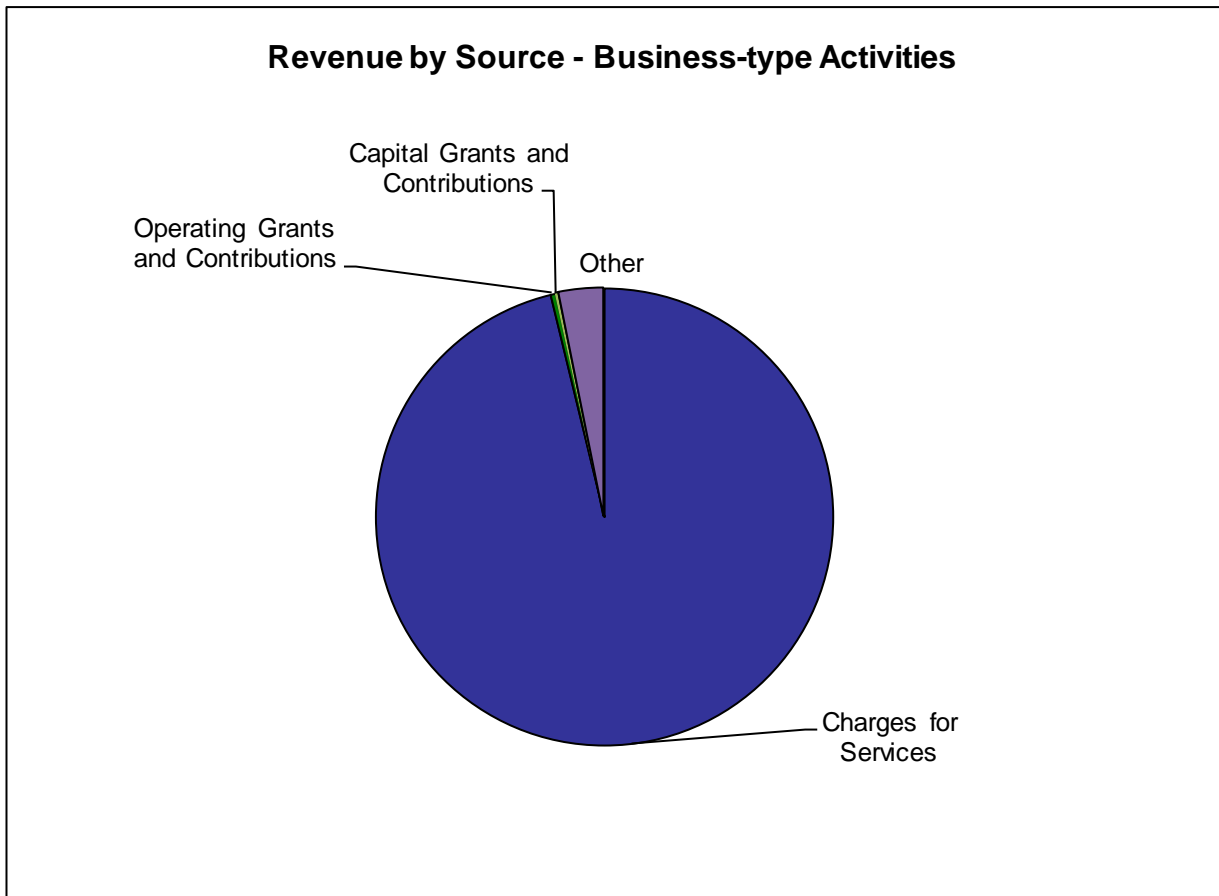
The City received a \$1,200,000 grant from the Doctors Bruce and Lee Foundation to facilitate the relocation of the City's administrative and operational departments to a new city hall and an additional \$85,000 for the purchase of property adjacent to the City's reclaimed brownfield property. Also, there was a \$986,314 decrease in expenditures in FY 2012-13 from the previous fiscal year. The largest decreases occurred in the police and fire department's capital outlay accounts.



Business-type activities. Business-type activities increased the City of Florence's net position by \$9,412,422, accounting for 79 percent of the total growth in the government's net position. Key elements of this increase are as follows:

Capital Water and Sewer Projects – In FY 2012-13, the City signed the third contract for the construction of the Florence Regional Wastewater Management Facility. To date, the City has expended \$13,985,472 in engineering costs with \$2,093,293 being spent in FY 2012-13. The City has expended an additional \$94,492,600 on the construction of the facility of which \$15,810,212 was expended in FY 2012-13. Additional details regarding the Wastewater Management Facility construction project are provided in the Transmittal Letter.





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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$14,062,746, an increase of \$1,334,351 in comparison with the prior year. Approximately 60 percent of this total amount (\$8,415,209) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned, to indicate that it is 1) not in spendable form (\$300,554), 2) restricted for particular purposes (\$2,815,762), 3) committed for particular purposes (\$596,533), or 4) assigned for particular purposes (\$1,934,688). Additional information on the City's fund balances can be found at Note IV.G.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,415,209, while total fund balance was \$10,934,389. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total general fund expenditures, while total fund balance represents 31 percent of that same amount.

The fund balance of the City's general fund increased by \$1,596,285 during the current fiscal year. This is a 17 percent increase. The increase in fund balance is due to greater than anticipated revenues particularly in business license revenues and intergovernmental revenues. Additionally, the City was refunded \$625,586 from Florence County. These funds, which had been held by the County as a debt service reserve on the original debt issued for the Florence Civic Center, were originally expensed by the City for its joint portion of the debt service reserve in the 1990s. Because the debt issuance for the Florence Civic Center was refinanced by the County, the debt service reserve fund was no longer required, and when the City's portion was refunded by the County, the refunded amount was recognized as revenue by the City.

The Hospitality Fund has a total fund balance of \$1,008,640, a decrease of \$475,786 from the prior year. The decrease in the Hospitality Fund is largely due to the reinvestment in the City's downtown area. Continuing its efforts to revitalize downtown Florence, the City expended approximately \$236,000 to complete an outdoor dining courtyard and breezeway, \$118,635 to begin work on a business incubator in downtown, and \$30,000 for lighting in the historic district.

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 \$27,718,326. The total growth in the net position was \$9,412,422. 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

The City's final amended General Fund budget was \$1,930,700 greater than the original budget of \$29,200,000. City Council amended the General Fund budgeted expenditures twice during the fiscal year. The first amendment increased the General Fund budget in the amount of \$560,700 which re-appropriated funds to complete projects and purchases not finalized at the end of FY 2012-13. The second amendment recognized a \$1,285,000 grant received from the Drs. Bruce and Lee Foundation and an additional \$85,000 appropriated from fund balance. These funds were designated to facilitate the relocation of the City's administrative and operational departments to a new city hall in the amount of \$1,200,000 and to purchase property adjacent to the City's reclaimed brownfield property in the amount of \$170,000.

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, 2013, amounts to \$251,977,713 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and infrastructure. The total increases in the City's investment in capital assets for the current fiscal year was \$21,646,285 (a 17.11 percent increase for governmental activities and an 8.06 percent increase for business-type activities).

The City routinely replaces aging vehicles to maintain a fleet of reliable, cost efficient vehicles in service. In keeping with this practice, the City purchased a number of vehicles for the General Fund, Water and Sewer Utility Fund, and Stormwater Fund. The City also purchased a street sweeper, a sewer truck CCTV, a snow plow, and a sewer rod truck totaling \$305,829. The City expended \$199,659 on 4 commercial grade lawn mowers and two backhoes. In preparation for relocating to the new city hall, the City purchased \$93,128 in IT capital equipment for necessary upgrades needed to facilitate the City's computer network and telephone systems. The City completed construction of several projects which include a breezeway located on Dargan Street, enhancements near Lucas Street (a gateway to the downtown historic district), upgrades at three city parks, and various water, sewer, and stormwater projects for a combined cost of \$2,793,305. Finally, the City acquired \$707,567 in additional land in the downtown area to be held for redevelopment and downtown enhancements.

The City's Water and Sewer Utility fund construction in progress account increased by \$17,725,358, a majority of which is accounted for by the continued construction of the Florence Regional Wastewater Management Facility. Additional information on the Region Wastewater Management Facility is available in the Transmittal Letter.

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,030,569	\$ 6,323,002	\$ 1,787,205	\$ 1,787,205	\$ 8,817,774	\$ 8,110,207
Buildings and systems	7,547,595	7,699,092	98,268,728	100,481,893	105,816,323	108,180,985
Infrastructure	14,224,746	14,887,919	-	-	14,224,746	14,887,919
Machinery and equipment	4,418,426	5,077,033	1,839,790	1,547,166	6,258,216	6,624,199
Construction in process	6,760,730	153,552	110,099,924	92,374,566	116,860,654	92,528,118
Totals	\$ 39,982,066	\$ 34,140,598	\$ 211,995,647	\$ 196,190,830	\$ 251,977,713	\$ 230,331,428

Additional information on the City's capital assets can be found in note IV.C. beginning on page 47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt outstanding of \$107,037,887. This debt is backed by the full faith and credit of the government or specified revenue sources; the remainder of the Long-term Obligations comprises capital leases and notes payable.

**City of Florence's Long-Term Debt
Bonds, Notes and Leases Payable**

	Governmental activities		Business-type activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ -	\$ -	\$ 102,209,789	\$ 105,252,219	\$ 102,209,789	\$ 105,252,219
General Obligation Bonds	4,828,098	5,092,905	-	-	4,828,098	5,092,905
Notes Payable	1,272,204	1,416,062	28,420,215	28,815,589	29,692,419	30,231,651
Capital Leases	13,520,649	8,265,421	-	-	13,520,649	8,265,421
Totals	\$ 19,620,951	\$ 14,774,388	\$ 130,630,004	\$ 134,067,808	\$ 150,250,955	\$ 148,842,196

The City's total debt increased by \$1,408,759 (0.95 percent) during the current fiscal year.

The City of Florence maintains an "A+" rating from Standards & Poor's and an "Aa2" 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 of \$12,702,532, exceeds the City of Florence's outstanding general obligation debt (net of amount available in debt service fund) of \$4,347,599 by \$8,354,933.

Additional information on the City of Florence's long-term debt can be found in note IV. E and F. beginning on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

In addition to the information provided below, 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 2013 fiscal year:

- Amounts available in FY 2013-14 for appropriation in the general fund are for \$29.470 million, a decrease of 5.3% from the FY 2012-13 final revised budget of \$31.131 million. The City's budget amendments were reviewed earlier in this report.
- In FY 2012-13 the City's total millage rate remained the same at 56.7 mills. The total millage includes 53.7 operating mills and 3.0 debt service mills.
- The Florence area experienced a 2.9% decrease in the unemployment rate from fiscal year 2012.

As for the City's business-type activities, we expect that the 2013 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 was 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. Water and sewer tap fees were increased by an ordinance adopted by City Council in January 2008. Costs related to the facility are being financed through a low-interest rate state revolving fund loan and revenue bonds repaid through these rate and fee increases. The first construction contract for the Florence Regional Wastewater Management Facility project was signed and construction began in FY 2009-10. The financing for this contract was provided by a loan from the South Carolina Water Quality Revolving Loan Fund Authority that was closed on June 25, 2009. The second contract was signed and construction began in FY 2010-11. In May 2010 the City issued approximately \$68 million in new revenue bonds for the second contract for construction of the new facility. The third contract was signed and construction began in FY 2012-13. In April 2013, the City was approved to borrow \$10,626,372 from the South Carolina Revolving Fund Authority for construction of work designated in the third contract. The City will begin to draw down these funds in FY 2013-14.

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, 324 West Evans Street, Florence South Carolina, 29501.

BASIC FINANCIAL STATEMENTS

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CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,270,068	\$ 6,551,840	\$ 14,821,908
Receivables	3,455,147	4,494,246	7,949,393
Internal balances	11,039	(11,039)	-
Inventories	300,554	396,576	697,130
Investments	4,876,094	21,770,888	26,646,982
Restricted cash and cash equivalents	455,179	12,863,687	13,318,866
Unamortized bond issuance costs	89,902	1,142,597	1,232,499
Deposit on equipment	11,000	-	11,000
Capital assets not being depreciated:			
Land	7,030,569	1,787,205	8,817,774
Construction in progress	6,760,730	110,099,924	116,860,654
Capital assets net of accumulated depreciation:			
Buildings and system	7,547,595	98,268,728	105,816,323
Machinery and equipment	4,418,426	1,839,790	6,258,216
Infrastructure	14,224,746	-	14,224,746
Total assets	57,451,049	259,204,442	316,655,491
LIABILITIES			
Accounts payable	865,909	1,962,261	2,828,170
Retainage payable	105,827	2,055,401	2,161,228
Accrued interest payable	128,967	1,731,244	1,860,211
Other liabilities	737,407	188,247	925,654
Unearned revenue	1,503,984	-	1,503,984
Noncurrent liabilities:			
Due within one year	1,762,006	4,582,702	6,344,708
Due in more than one year	20,034,063	126,764,403	146,798,466
Total liabilities	25,138,163	137,284,258	162,422,421
NET POSITION			
Net investment in capital assets	20,692,434	89,407,316	110,099,750
Restricted			
Debt service	720,499	4,794,542	5,515,041
Community development	444,879	-	444,879
Public safety	525,406	-	525,406
Capital projects	331,319	-	331,319
Tourism	793,659	-	793,659
Unrestricted	8,804,690	27,718,326	36,523,016
Total net position	\$ 32,312,886	\$ 121,920,184	\$ 154,233,070

The Notes to Financial Statements are an integral part of these financial statements.

**CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 6,224,892	\$ 11,185,024	\$ 703,205	\$ 111,430
Public safety	14,258,623	1,556,380	120,695	-
Public works	5,789,957	1,776,474	-	-
Culture and recreation	4,939,601	505,034	626,803	-
Community development	730,670	7,145	911,821	-
Interest on long-term debt	428,682	-	-	-
Total governmental activities	<u>32,372,425</u>	<u>15,030,057</u>	<u>2,362,524</u>	<u>111,430</u>
Business-type activities				
Water and sewer	18,926,059	29,988,906	119,553	82,545
Stormwater	1,197,054	1,271,502	-	-
Total business-type activities	<u>20,123,113</u>	<u>31,260,408</u>	<u>119,553</u>	<u>82,545</u>
Total primary government	<u>\$52,495,538</u>	<u>\$ 46,290,465</u>	<u>\$ 2,482,077</u>	<u>\$ 193,975</u>

General revenues:

- Property taxes
- Hospitality taxes
- Unrestricted intergovernmental
- Investment earnings
- Miscellaneous

Transfers

- Total general revenues and transfers
- Change in net position
- Net position - beginning, as restated
- Net position - ending

The Notes to Financial Statements are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 5,774,767 (12,581,548) (4,013,483) (3,807,764) 188,296 (428,682) <u>(14,868,414)</u>	\$ - - - - - - <u>-</u>	\$ 5,774,767 (12,581,548) (4,013,483) (3,807,764) 188,296 (428,682) <u>(14,868,414)</u>
-	11,264,945	11,264,945
-	74,448	74,448
<u>-</u>	<u>11,339,393</u>	<u>11,339,393</u>
(14,868,414)	11,339,393	(3,529,021)
9,340,283	-	9,340,283
3,214,470	-	3,214,470
851,358	-	851,358
42,800	52,185	94,985
895,937	977,161	1,873,098
2,956,317	(2,956,317)	-
<u>17,301,165</u>	<u>(1,926,971)</u>	<u>15,374,194</u>
2,432,751	9,412,422	11,845,173
<u>29,880,135</u>	<u>112,507,762</u>	<u>142,387,897</u>
<u>\$ 32,312,886</u>	<u>\$ 121,920,184</u>	<u>\$ 154,233,070</u>

**CITY OF FLORENCE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,876,927	\$ 616,163	\$ 1,776,978	\$ 8,270,068
Receivables:				
Property taxes, less allowance for doubtful accounts	147,774	-	5,087	152,861
Due from other governmental agencies	2,697,382	-	316,002	3,013,384
Other	7,372	281,530	-	288,902
Due from other funds	219,396	-	-	219,396
Investments	4,328,851	273,653	273,590	4,876,094
Inventories	253,173	-	47,381	300,554
Restricted cash and cash equivalents	331,319	-	123,860	455,179
Total assets	<u>\$ 13,862,194</u>	<u>\$ 1,171,346</u>	<u>\$ 2,542,898</u>	<u>\$ 17,576,438</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 489,998	\$ 161,943	\$ 213,968	\$ 865,909
Retainage payable	105,827	-	-	105,827
Due to other funds	-	-	208,357	208,357
Other liabilities	735,788	763	856	737,407
Deferred revenue	92,208	-	-	92,208
Unearned revenue	1,503,984	-	-	1,503,984
Total liabilities	<u>2,927,805</u>	<u>162,706</u>	<u>423,181</u>	<u>3,513,692</u>
Fund balances:				
Nonspendable	253,173	-	47,381	300,554
Restricted	331,319	1,008,640	1,475,803	2,815,762
Committed	-	-	596,533	596,533
Assigned	1,934,688	-	-	1,934,688
Unassigned	8,415,209	-	-	8,415,209
Total fund balances	<u>10,934,389</u>	<u>1,008,640</u>	<u>2,119,717</u>	<u>14,062,746</u>
Total liabilities and fund balances	<u>\$ 13,862,194</u>	<u>\$ 1,171,346</u>	<u>\$ 2,542,898</u>	<u>\$ 17,576,438</u>

The Notes to Financial Statements are an integral part of these financial statements.

**CITY OF FLORENCE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances of governmental funds	\$ 14,062,746
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, reported at original cost (\$68,901,582) less accumulated depreciation (\$28,919,516).	39,982,066
Funds expended for deposit on capital assets are reported as capital outlay in the fund financial statements.	11,000
Unamortized loan costs used in governmental activities are not financial resources and, therefore, are not recognized in the funds.	89,902
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. However, the revenues are included on the accrual basis used in the government-wide statements.	92,208
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(21,925,036)</u>
Net position of governmental activities	<u><u>\$ 32,312,886</u></u>

The Notes to Financial Statements are an integral part of these financial statements.

CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 8,887,530	\$ -	\$ 469,271	\$ 9,356,801
Licenses, permits and fees	11,085,979	3,214,470	209,593	14,510,042
Intergovernmental	2,235,219	-	1,537,436	3,772,655
Charges for services	2,142,471	-	244,646	2,387,117
Fines and forfeitures	644,920	-	-	644,920
Investment earnings	23,396	6,069	10,833	40,298
Miscellaneous	952,281	-	89,838	1,042,119
Total revenues	25,971,796	3,220,539	2,561,617	31,753,952
EXPENDITURES				
Current:				
General government	5,501,289	561,271	9,853	6,072,413
Public safety	13,391,378	-	161,153	13,552,531
Public works	4,909,427	-	-	4,909,427
Culture and recreation	2,945,361	846,115	540,517	4,331,993
Community development	-	-	730,670	730,670
Debt service:				
Principal	643,466	790,526	329,807	1,763,799
Interest	26,012	275,505	157,952	459,469
Capital outlay	7,669,828	337,908	147,650	8,155,386
Total expenditures	35,086,761	2,811,325	2,077,602	39,975,688
Deficiency of revenues over expenditures	(9,114,965)	409,214	484,015	(8,221,736)
OTHER FINANCING SOURCES (USES)				
Capital leases	6,610,362	-	-	6,610,362
Transfers in	4,100,888	-	-	4,100,888
Transfers out	-	(885,000)	(270,163)	(1,155,163)
Total other financing sources and uses	10,711,250	(885,000)	(270,163)	9,556,087
Net change in fund balances	1,596,285	(475,786)	213,852	1,334,351
Fund balances - beginning	9,338,104	1,484,426	1,905,865	12,728,395
Fund balances - ending	\$ 10,934,389	\$ 1,008,640	\$ 2,119,717	\$ 14,062,746

The Notes to Financial Statements are an integral part of these financial statements.

**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, 2013**

Net change in fund balances of total governmental funds: \$ 1,334,351

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 the capital outlay (\$8,155,386) exceeded depreciation (\$2,378,429) in the current period. 5,776,957

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 64,510

Long-term debt issued provides current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net position. (4,846,563)

Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the statement of activities, amounts are recorded as revenue when earned. (16,518)

Governmental funds report debt issuance cost as an expenditure. However, in the statement of activities, this cost is allocated over the life of the debt and reported as amortization expense. This amount represents current debt issuance costs net of amortization of debt issuance costs. (9,096)

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. 129,110

Change in net position of governmental activities \$ 2,432,751

The Notes to Financial Statements are an integral part of these financial statements.

CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 9,137,900	\$ 8,933,400	\$ 8,887,530	\$ (45,870)
Licenses, permits and fees	10,855,000	11,087,000	11,085,979	(1,021)
Intergovernmental	1,854,000	3,350,500	2,235,219	(1,115,281)
Charges for services	1,899,000	1,930,000	2,142,471	212,471
Fines and forfeitures	710,000	646,500	644,920	(1,580)
Investment earnings	20,000	20,000	23,396	3,396
Miscellaneous	361,000	275,500	952,281	676,781
Total revenues	<u>24,836,900</u>	<u>26,242,900</u>	<u>25,971,796</u>	<u>(271,104)</u>
EXPENDITURES				
Current:				
General government	5,715,380	5,518,500	5,501,289	(17,211)
Public safety	13,954,190	13,880,990	13,391,378	(489,612)
Public works	5,027,250	5,040,210	4,909,427	(130,783)
Culture and recreation	2,892,380	2,875,700	2,945,361	69,661
Debt Service:				
Principal	571,600	516,600	643,466	126,866
Interest	-	-	26,012	26,012
Capital Outlay	1,039,200	3,298,700	7,669,828	4,371,128
Total expenditures	<u>29,200,000</u>	<u>31,130,700</u>	<u>35,086,761</u>	<u>3,956,061</u>
Excess (deficiency) of revenues over expenditures	<u>(4,363,100)</u>	<u>(4,887,800)</u>	<u>(9,114,965)</u>	<u>(4,227,165)</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	6,610,362	6,610,362
Transfers in	3,928,100	3,807,100	4,100,888	293,788
Appropriation of fund balance	435,000	1,080,700	-	(1,080,700)
Total other financing sources and uses	<u>4,363,100</u>	<u>4,887,800</u>	<u>10,711,250</u>	<u>5,823,450</u>
Net change in fund balances	-	-	1,596,285	1,596,285
Fund balances - beginning	<u>9,338,104</u>	<u>9,338,104</u>	<u>9,338,104</u>	<u>-</u>
Fund balances - ending	<u>\$ 9,338,104</u>	<u>\$ 9,338,104</u>	<u>\$10,934,389</u>	<u>\$ 1,596,285</u>

The Notes to Financial Statements are an integral part of these financial statements.

**CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
HOSPITALITY FUND
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses, permits and fees	\$ 3,120,000	\$ 3,120,000	\$ 3,214,470	\$ 94,470
Intergovernmental	260,000	260,000	-	(260,000)
Investment earnings	5,000	5,000	6,069	1,069
Total revenues	<u>3,385,000</u>	<u>3,385,000</u>	<u>3,220,539</u>	<u>(164,461)</u>
EXPENDITURES				
Current:				
General government	1,464,500	1,455,000	561,271	(893,729)
Culture and recreation	30,000	30,000	846,115	816,115
Debt Service:				
Principal	1,066,500	1,066,500	790,526	(275,974)
Interest	-	-	275,505	275,505
Capital Outlay	-	443,500	337,908	(105,592)
Total expenditures	<u>2,561,000</u>	<u>2,995,000</u>	<u>2,811,325</u>	<u>(183,675)</u>
Excess (deficiency) of revenues over expenditures	<u>824,000</u>	<u>390,000</u>	<u>409,214</u>	<u>19,214</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(824,000)	(775,000)	(885,000)	(110,000)
Appropriation of fund balance	-	385,000	-	(385,000)
Total other financing sources and uses	<u>(824,000)</u>	<u>(390,000)</u>	<u>(885,000)</u>	<u>(495,000)</u>
Net change in fund balances	-	-	(475,786)	(475,786)
Fund balance at beginning of year	<u>1,484,426</u>	<u>1,484,426</u>	<u>1,484,426</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 1,484,426</u></u>	<u><u>\$ 1,484,426</u></u>	<u><u>\$ 1,008,640</u></u>	<u><u>\$ (475,786)</u></u>

The Notes to Financial Statements are an integral part of these financial statements.

CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Major Fund Water and Sewer Fund	Non-Major Fund Stormwater Utility Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,897,610	\$ 654,230	\$ 6,551,840
Accounts receivable, net	4,241,520	104,811	4,346,331
Due from other governmental agency	119,553	-	119,553
Other receivables	13,474	14,888	28,362
Investments	21,127,614	643,274	21,770,888
Inventories	396,576	-	396,576
Restricted cash and cash equivalents	12,836,215	27,472	12,863,687
Total current assets	44,632,562	1,444,675	46,077,237
Noncurrent assets:			
Unamortized bond issue costs	1,125,123	17,474	1,142,597
Capital assets			
Land	1,381,697	405,508	1,787,205
Buildings and system	156,185,745	7,187,487	163,373,232
Construction in progress	110,060,374	39,550	110,099,924
Machinery and equipment	6,173,871	1,043,845	7,217,716
Less accumulated depreciation	(66,023,178)	(4,459,252)	(70,482,430)
Total capital assets (net of accumulated depreciation)	207,778,509	4,217,138	211,995,647
Total noncurrent assets	208,903,632	4,234,612	213,138,244
Total assets	253,536,194	5,679,287	259,215,481
LIABILITIES			
Current liabilities:			
Accounts payable	1,883,977	78,284	1,962,261
Retainage payable	2,045,490	9,911	2,055,401
Accrued interest	1,725,856	5,388	1,731,244
Other liabilities	176,571	11,676	188,247
Due to other funds	-	11,039	11,039
Compensated absences - current	30,000	3,000	33,000
Notes payable - current	1,447,702	-	1,447,702
Revenue bonds payable - current	2,837,000	265,000	3,102,000
Total current liabilities	10,146,596	384,298	10,530,894
Noncurrent liabilities:			
Accrued compensated absences	628,929	55,172	684,101
Notes payable	26,972,513	-	26,972,513
Revenue bonds payable	96,281,000	2,175,000	98,456,000
Unamortized bond premium	651,789	-	651,789
Total noncurrent liabilities	124,534,231	2,230,172	126,764,403
Total liabilities	134,680,827	2,614,470	137,295,297
NET POSITION			
Net investment in capital assets	87,630,178	1,777,138	89,407,316
Restricted for debt service	4,794,542	-	4,794,542
Unrestricted	26,430,647	1,287,679	27,718,326
Total net position	\$ 118,855,367	\$ 3,064,817	\$ 121,920,184

The Notes to Financial Statements are an integral part of these financial statements.

CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Major Fund Water and Sewer Fund	Non-Major Fund Stormwater Utility Fund	Total
OPERATING REVENUES			
Current use charges	\$ 29,471,890	\$ -	\$ 29,471,890
Miscellaneous	943,847	33,314	977,161
Water and sewer tap fees	517,016	-	517,016
Stormwater service fees	-	1,271,502	1,271,502
Total operating revenues	<u>30,932,753</u>	<u>1,304,816</u>	<u>32,237,569</u>
OPERATING EXPENSES			
Personnel	4,233,089	294,579	4,527,668
Employee benefits	1,631,278	114,027	1,745,305
Purchased services	5,166,330	118,397	5,284,727
Supplies and materials	1,158,773	17,266	1,176,039
Other operating expenses	969,518	15,742	985,260
Depreciation and amortization	4,499,624	566,310	5,065,934
Total operating expenses	<u>17,658,612</u>	<u>1,126,321</u>	<u>18,784,933</u>
OPERATING INCOME	<u>13,274,141</u>	<u>178,495</u>	<u>13,452,636</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	47,053	5,132	52,185
Intergovernmental revenues	119,553	-	119,553
Loss on disposal of assets	(50,215)	-	(50,215)
Interest expense	(1,227,824)	(70,733)	(1,298,557)
Total nonoperating revenues (expenses)	<u>(1,111,433)</u>	<u>(65,601)</u>	<u>(1,177,034)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>12,162,708</u>	<u>112,894</u>	<u>12,275,602</u>
CAPITAL CONTRIBUTIONS	<u>82,545</u>	<u>-</u>	<u>82,545</u>
INCOME BEFORE TRANSFERS	<u>12,245,253</u>	<u>112,894</u>	<u>12,358,147</u>
TRANSFERS			
Transfers in (out)	(2,843,578)	(102,147)	(2,945,725)
Total transfers	<u>(2,843,578)</u>	<u>(102,147)</u>	<u>(2,945,725)</u>
CHANGE IN NET POSITION	<u>9,401,675</u>	<u>10,747</u>	<u>9,412,422</u>
TOTAL NET POSITION - BEGINNING	<u>109,453,692</u>	<u>3,054,070</u>	<u>112,507,762</u>
TOTAL NET POSITION - ENDING	<u>\$ 118,855,367</u>	<u>\$ 3,064,817</u>	<u>\$ 121,920,184</u>

The Notes to Financial Statements are an integral part of these financial statements.

**CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

Page 1 of 2

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer Fund	Stormwater Utility Fund	
Cash flows from operating activities			
Receipts from customers and users	\$ 30,481,391	\$ 1,255,361	\$ 31,736,752
Payments to employees for services	(4,216,934)	(300,457)	(4,517,391)
Payments to suppliers for goods and services	(9,555,306)	(202,987)	(9,758,293)
Other receipts	943,847	33,314	977,161
Net cash provided by operating activities	<u>17,652,998</u>	<u>785,231</u>	<u>18,438,229</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(2,843,578)</u>	<u>(102,147)</u>	<u>(2,945,725)</u>
Net cash used in noncapital financing activities	<u>(2,843,578)</u>	<u>(102,147)</u>	<u>(2,945,725)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(20,355,665)	(406,888)	(20,762,553)
Bond issuance cost	(55,501)	-	(55,501)
Principal payments on revenue bonds and notes	(4,069,741)	(250,000)	(4,319,741)
Proceeds from issuance of bonds and notes	931,367	-	931,367
Interest on bonds and notes	<u>(1,397,309)</u>	<u>(71,285)</u>	<u>(1,468,594)</u>
Net cash used in capital and related financing activities	<u>(24,946,849)</u>	<u>(728,173)</u>	<u>(25,675,022)</u>
Cash flows from investing activities			
Investment purchases	(1,051,064)	(1,561)	(1,052,625)
Investment sales proceeds	330,163	-	330,163
Investment income	<u>47,053</u>	<u>5,132</u>	<u>52,185</u>
Net cash provided by (used in) investing activities	<u>(673,848)</u>	<u>3,571</u>	<u>(670,277)</u>
Net decrease in cash and cash equivalents	(10,811,277)	(41,518)	(10,852,795)
Cash and cash equivalents at beginning of year	<u>29,545,102</u>	<u>723,220</u>	<u>30,268,322</u>
Cash and cash equivalents at end of year	<u>\$ 18,733,825</u>	<u>\$ 681,702</u>	<u>\$ 19,415,527</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 5,897,610	\$ 654,230	\$ 6,551,840
Restricted cash and cash equivalents	<u>12,836,215</u>	<u>27,472</u>	<u>12,863,687</u>
Total cash and cash equivalents	<u>\$ 18,733,825</u>	<u>\$ 681,702</u>	<u>\$ 19,415,527</u>

(Continued)

**CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

Page 2 of 2

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer Fund	Stormwater Utility Fund	
Reconciliation of operating income to cash flow provided by operating activities:			
Operating income	\$ 13,274,141	\$ 178,495	\$ 13,452,636
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,425,949	564,118	4,990,067
Amortization	73,675	2,192	75,867
(Increase) decrease in:			
Receivables	492,485	(16,141)	476,344
Inventories	(18,653)	-	(18,653)
Increase (decrease) in:			
Accounts payable	512,271	51,406	563,677
Retainage payable	(1,123,025)	-	(1,123,025)
Accrued expenses	16,937	(6,259)	10,678
Due to other fund	-	11,039	11,039
Compensated absences	(782)	381	(401)
Net cash flow provided by operating activities	<u>\$ 17,652,998</u>	<u>\$ 785,231</u>	<u>\$ 18,438,229</u>
Non-cash capital and related financing activities:			
Contribution of capital assets	<u>\$ 82,545</u>	<u>\$ -</u>	<u>\$ 82,545</u>

The Notes to Financial Statements are an integral part of these financial statements.

**CITY OF FLORENCE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2013**

Assets

Cash and cash equivalents	\$ 389,522
Investments	<u>60,138</u>

Total assets	<u><u>\$ 449,660</u></u>
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Liabilities

Due to others	<u>\$ 449,660</u>
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Total liabilities	<u><u>\$ 449,660</u></u>
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The Notes to Financial Statements are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Florence, South Carolina conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standards setting body for governmental accounting and financial reporting. The following is a summary of the more significant accounting policies:

A. 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, planning and zoning, public improvements, water and sewer, stormwater, and general administrative services.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered, and there are no agencies or entities which should be presented with the City.

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.

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 \$388,525 as its share of the debt-service of the Civic Center for the fiscal year ended June 30, 2013. 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the City. 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 the 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. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. 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

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

the fund financial statements. Non-major funds are summarized into a single column. The various fund categories and fund types presented in the financial statements are described below:

Governmental fund types

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Hospitality, Housing Partnership, HOME Program, Community Development Block Grant, Rollcart and Equipment Replacement, E-911, Victims Services, Drug Control, Federal Equitable Sharing, NSP Grant, Accommodation Tax, Public Safety Grants, NSP-3 Grant, JAG Grant 2010, JAG Grant 2011, JAG Grant 2012, HUD EDI Grant, and Sunday Local Option Revenue Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of bond indebtedness received specifically for capital improvements.

Debt Service Fund - The Debt Service Fund is a governmental fund that is used to account for funds needed to make principal and interest payments on outstanding debt issues.

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 Utilities 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 Court Escrow, Fire Trust, Veterans Park Development, Narcotics Holding Funds, and Florence Area Humane Society.

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

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

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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 Position 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.

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 governmental funds: *General Fund*. This fund is the City's primary operating fund. It accounts for all financial resources of the general government except those to be accounted for in another fund: *Hospitality Fund*. This fund is used to account for a 2% Hospitality Fee assessed on prepared food and beverages within the City.

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
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position/Fund Balance

1. 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 with an original maturity of three months or less. 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.

2. Receivables and payables

Activities 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 receivable are shown net of an allowance for uncollectibles.

3. 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 and in the Enterprise Fund consists of supplies held for consumption. Inventory in the Rollcart and Equipment Replacement Fund consists of rollcarts and recycling bins held for future use.

4. Restricted assets

Certain proceeds of the City's Governmental Fund and Enterprise Fund capital lease and revenue bond debt are classified as restricted assets on the statement of net position because they represent unspent proceeds of capital debt or debt service reserve funds. Unspent grant funds received in the governmental funds are also classified as restricted assets in the statement of net position.

5. 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 value on the date donated.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

5. Capital assets (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.

Interest costs are capitalized as a part of the historical cost of acquiring certain business-type activity assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The City capitalized \$3,311,747 in interest costs on construction projects during the year ended June 30, 2013. Total interest incurred was \$4,765,733, which was offset by Build America Bonds credits of \$1,442,973 and interest income of \$11,013 to arrive at interest capitalized.

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

6. Deferred and unearned revenues

Deferred revenues in the General Fund represent receivables expected to be collected later than 60 days after the end of the fiscal year. Unearned revenues in the General Fund represent 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.

7. Property taxes

City of Florence millage rates are set each year by the City Council as part of the annual budgeting process. Following a public hearing and two readings of a budget ordinance, the City's annual budget is adopted and millage rate set to become effective on July 1.

Assessed values are established by the Florence County Tax Assessor and the South Carolina Department of Revenue and were approximately \$158.8 million for the 2012 tax year. The City's property tax rate for fiscal year 2013 was 56.7 mills (operating 53.7, debt service 3.0). Property taxes are billed and collected by Florence County under a joint billing and collection agreement.

All property taxes, with the exception of vehicle taxes, are mailed in October of each year and are levied on the assessed value established as of the prior January 1. The lien date is December 31 of each year. These property taxes are due and payable by January 15 of each year. A 3% penalty is assessed on unpaid taxes on January 16. On February 2, unpaid taxes are assessed an additional 7% for a total of 10%. On March 17, unpaid taxes are assessed an additional 5% for a total of 15%, and additional collection costs are added. Unpaid delinquent property taxes for real property and mobile homes may be subject to collection through a public property sale by Florence County.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

7. Property taxes (Continued)

Vehicle property tax notices are mailed monthly and are due and payable in conjunction with vehicle registration through the Motor Vehicle Division of the South Carolina Department of Transportation. Payment of vehicle property tax is required as a condition of annual vehicle registration with the Motor Vehicle Division of the Department of Transportation.

8. 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.

9. 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 fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the straight-line method which approximates the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

11. Net position/fund balance

Government-wide Statements

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

11. Net position/fund balance (Continued)

Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable — The nonspendable fund balance category includes amounts that cannot be spent because they are either not in spendable form, such as supplies inventories, or are legally or contractually required to be maintained intact, such as principal donated to the City to be invested and held in a permanent fund from which only the investment earnings can be spent. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted — Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed — The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by an adopted ordinance or resolution of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned — Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council. Through the budget ordinance adopted annually by City Council, the City Manager is authorized to assign fund balances.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

11. Net position/fund balance (Continued)

Unassigned — Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. 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 difference are as follows:

Accrued interest payable	\$ (128,967)
Capital leases payable	(13,520,649)
Notes payable	(1,272,204)
General obligation bonds payable	(4,828,098)
Compensated absences	<u>(2,175,118)</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	 <u>\$ (21,925,036)</u>

B. 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 position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation states that “Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the statement of activities, amounts are recorded as revenue when earned.” The details of this \$16,518 difference are as follows:

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities
(Continued)

Deferred revenue - current year	\$ 92,208
Deferred revenue - prior year	<u>(108,726)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (16,518)</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this \$64,510 difference are as follows:

In the statement of activities, only the gain or loss 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 position differs from the change in fund balance by the cost of the capital assets sold.	\$ (57,509)
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Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources	111,427
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Capital assets transferred between enterprise funds and governmental funds are not reflected as a transfer in the fund financial statements, but are shown as a loss on disposal. However, the transactions are shown as transfers in the government-wide statements.	<u>10,592</u>
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Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 64,510</u>
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Another element of that reconciliation states that "Long-term debt issued provides current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net position." The detail of this \$4,846,563 difference is as follows:

Capital lease proceeds	\$ (6,610,362)
Payment of long-term debt principal	<u>1,763,799</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (4,846,563)</u>

Another element of that reconciliation states that "Governmental funds report debt issuance cost as expenditures. However, in the statement of activities, this cost is allocated over the term of the debt and reported as amortization expense." The detail of this \$9,096 difference is as follows:

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities
(Continued)

Bond issue costs	\$ -
Amortization expense	<u>(9,096)</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,096)</u>
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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 difference are as follows:

Compensated absences - current year	\$ (2,175,118)
Compensated absences - prior year	2,273,441
Accrued interest - current year accrual	(128,967)
Accrued interest - prior year accrual	<u>159,754</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 129,110</u>
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III. 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 the General Fund, the Hospitality Fund, and Enterprise Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Legal budgets are adopted only for the General Fund, Hospitality Fund, and Enterprise Funds. Thus, the budgetary financial statements included in this report do not include non-budgeted 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 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.

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.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the General Fund by \$3,956,061. The excess expenditures were due to the recording of the capital lease for the City Center building. The excess expenditures in the General Fund were covered by the recording of the capital lease proceeds under other financing sources.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. 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). At June 30, 2013, the City's bank balance was \$16,994,061, all of which are collateralized with securities held by the pledging or financial institution's trust department or agent in the City's name.

Restricted cash of \$445,179 at June 30, 2013, in the Governmental Funds is grant funds. Restricted cash of \$12,863,687 in the Enterprise Funds includes \$8,041,673 of unspent proceeds of revenue bonds to be used for the purchase and construction of capital assets.

In February 2012, the City awarded its cash management contract to Wells Fargo Bank for the next five years.

Investments

As of June 30, 2013, the City had the following investments:

	<u>Fair Value</u>	Investment Maturities (in years)		<u>Credit Ratings</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	
South Carolina Local Government Investment Pool	<u>\$ 26,646,982</u>	<u>\$26,646,982</u>	<u>\$ -</u>	N/A

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than three years.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As a result, as of June 30, 2013, none of the City's investments are exposed to custodial credit risk.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

A. Deposits and Investments (Continued)

Concentrations of Credit Risk

The City places no limit on the amount that the City may be invested in any one issuer or type of investment. Credit quality distribution for securities with credit exposure as a percentage of total investments are as follows. As of June 30, 2013, all of the City's investments were with the South Carolina Local Government Investment Pool which is 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 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.

Credit Risk

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. As of June 30, 2013, none of the City's investments are exposed to credit risk.

B. Receivables

Receivables as of June 30, 2013, 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</u>	<u>Non-Major</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
Accounts	\$ -	\$ -	\$ -	\$ 4,306,986	\$ 106,429
Taxes	196,315	-	5,087	-	-
Intergovernmental	2,697,382	-	316,002	119,553	-
Other	<u>7,372</u>	<u>281,530</u>	<u>-</u>	<u>13,474</u>	<u>14,888</u>
Gross receivables	2,901,069	281,530	321,089	4,440,013	121,317
Less allowance for uncollectibles	<u>(48,541)</u>	<u>-</u>	<u>-</u>	<u>(65,466)</u>	<u>(1,618)</u>
	<u><u>\$ 2,852,528</u></u>	<u><u>\$ 281,530</u></u>	<u><u>\$ 321,089</u></u>	<u><u>\$ 4,374,547</u></u>	<u><u>\$ 119,699</u></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, 2013, the various components of deferred revenue and unearned revenue in the governmental funds and activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 92,208	\$ -
Grant drawdowns prior to meeting eligibility requirements - recreation	-	14,396
Local option sales tax receivable	<u>-</u>	<u>1,489,588</u>
	<u><u>\$ 92,208</u></u>	<u><u>\$ 1,503,984</u></u>

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

C. Capital Assets

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

	Balances June 30, 2012	Increases	Decreases	Transfers	Balances June 30, 2013
Capital assets not being depreciated:					
Land	\$ 6,323,002	\$ 707,567	\$ -	\$ -	\$ 7,030,569
Construction in progress	153,552	6,607,178	-	-	6,760,730
Total capital assets not being depreciated	6,476,554	7,314,745	-	-	13,791,299
Capital assets being depreciated:					
Buildings	10,966,100	131,082	11,705	-	11,085,477
Infrastructure	26,041,760	353,894	-	-	26,395,654
Machinery and equipment	18,303,464	467,093	1,151,997	10,592	17,629,152
Total capital assets being depreciated	55,311,324	952,069	1,163,702	10,592	55,110,283
Less accumulated depreciation for:					
Buildings	3,267,008	274,995	4,121	-	3,537,882
Infrastructure	11,153,841	1,017,067	-	-	12,170,908
Machinery and equipment	13,226,431	1,086,367	1,102,072	-	13,210,726
Total accumulated depreciation	27,647,280	2,378,429	1,106,193	-	28,919,516
Total capital assets being depreciated, net	27,664,044	(1,426,360)	57,509	10,592	26,190,767
Governmental activities capital assets, net	\$ 34,140,598	\$ 5,888,385	\$ 57,509	\$ 10,592	\$ 39,982,066

Included in additions are capital contributions in the amount of \$111,427, which includes \$53,000 in infrastructure and \$58,427 included in buildings.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

C. Capital Assets (Continued)

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

	Balances June 30, 2012	Increases	Decreases	Transfers	Balances June 30, 2013
Capital assets not being depreciated:					
Land	\$ 1,787,205	\$ -	\$ -	\$ -	\$ 1,787,205
Construction in progress	92,374,566	20,050,488	17,949	(2,307,181)	110,099,924
Total capital assets not being depreciated	94,161,771	20,050,488	17,949	(2,307,181)	111,887,129
Capital assets being depreciated:					
Buildings and system	161,047,516	67,003	-	2,258,718	163,373,237
Machinery and equipment	7,183,620	727,608	572,288	(121,229)	7,217,711
Total capital assets being depreciated	168,231,136	794,611	572,288	2,137,489	170,590,948
Less accumulated depreciation for:					
Buildings and system	60,565,623	4,538,886	-	-	65,104,509
Machinery and equipment	5,636,454	451,181	550,614	(159,100)	5,377,921
Total accumulated depreciation	66,202,077	4,990,067	550,614	(159,100)	70,482,430
Total capital assets being depreciated, net	102,029,059	(4,195,456)	21,674	2,296,589	100,108,518
Business-type activities capital assets, net	\$ 196,190,830	\$ 15,855,032	\$ 39,623	\$ (10,592)	\$ 211,995,647

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 107,217
Public safety	789,250
Public works	809,522
Culture and recreation	672,440
Total depreciation - governmental activities	\$ 2,378,429
Business-Type Activities	
Water and sewer	\$ 4,425,949
Stormwater	564,118
Total depreciation - business-type activities	\$ 4,990,067

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

D. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2013, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 219,396	\$ -
Nonmajor governmental	-	208,357
Stormwater utility	-	11,039
	<u> </u>	<u> </u>
Total	<u>\$ 219,396</u>	<u>\$ 219,396</u>

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

Interfund transfers for the year ended June 30, 2013, are as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 4,100,888	\$ -
Hospitality Fund	-	885,000
Nonmajor governmental funds	-	270,163
	<u> </u>	<u> </u>
Total governmental funds	<u>4,100,888</u>	<u>1,155,163</u>
Water and Sewer Enterprise Fund	-	2,843,578
Nonmajor enterprise fund	-	102,147
	<u> </u>	<u> </u>
Total enterprise funds	<u>-</u>	<u>2,945,725</u>
	<u> </u>	<u> </u>
Total transfers	<u>\$ 4,100,888</u>	<u>\$ 4,100,888</u>

During the year ended June 30, 2013, the City transferred machinery and equipment from the Water and Sewer Fund to the General Fund. The net book value of the assets transferred was \$10,592. In the Water and Sewer Fund, the asset transfer was treated as a disposal. In the government wide Statement of Net Position, the disposal was reclassified as a transfer of assets, thereby increasing the interfund transfers from \$2,945,725 to \$2,956,317.

The transfers consist primarily of \$2,843,578 to General Fund from Water and Sewer Enterprise Fund and \$885,000 to General Fund from Hospitality Fund based on budgetary authorization.

E. Capital Leases

The City has entered into lease purchase agreements to fund the purchase of vehicles for the police and fire departments, construction of Veterans Memorial Park, improvements to Radio Drive, construction of the Tennis Center, and the City Center purchase and renovations. The book value of assets acquired under capital leases are as follows:

Machinery & equipment	\$ 2,990,760
Buildings	1,489,982
Infrastructure	9,118,874
Construction in progress	6,168,681
Less: accumulated depreciation	(2,743,305)
	<u> </u>
Total	<u>\$ 17,024,992</u>

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

E. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these lease payments at June 30, 2013, were as follows:

Years Ending June 30,

2014	\$	1,576,738
2015		1,336,738
2016		1,207,145
2017		1,196,030
2018		1,196,030
2019-2023		5,493,525
2024-2028		2,520,845
2029-2033		1,950,000
		16,477,051
Less amount representing interest		2,956,402
	\$	13,520,649

F. Long-Term Debt

A summary of the changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
General obligations					
bonds	\$ 5,092,905	\$ -	\$ 264,807	\$ 4,828,098	\$ 277,974
Capital leases	8,265,421	6,610,362	1,355,134	13,520,649	1,239,384
Notes payable	1,416,062	-	143,858	1,272,204	144,648
Compensated absences, as restated	2,273,441	953,318	1,051,641	2,175,118	100,000
	<u>\$ 17,047,829</u>	<u>\$ 7,563,680</u>	<u>\$ 2,815,440</u>	<u>\$ 21,796,069</u>	<u>\$ 1,762,006</u>
<u>Business-Type Activities</u>					
Revenue Bonds					
Water and sewer	\$ 101,861,000	\$ -	\$ 2,743,000	\$ 99,118,000	\$ 2,837,000
Stormwater	2,690,000	-	250,000	2,440,000	265,000
Less deferred amounts					
Bond premium	701,219	-	49,430	651,789	-
Total bonds payable	105,252,219	-	3,042,430	102,209,789	3,102,000
Notes payable					
Water and sewer	28,815,589	931,368	1,326,742	28,420,215	1,447,702
Compensated absences					
Water and sewer	659,711	355,687	356,469	658,929	30,000
Stormwater	57,791	30,608	30,227	58,172	3,000
	<u>\$ 134,785,310</u>	<u>\$ 1,317,663</u>	<u>\$ 4,755,868</u>	<u>\$ 131,347,105</u>	<u>\$ 4,582,702</u>

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

F. Long-Term Debt (Continued)

Notes payable in the governmental activities are not general obligations of the City. Repayment is budgeted in the General Fund and Special Revenue Fund. For governmental activities, compensated absences are liquidated by the General Fund, and capital leases are liquidated by the General Fund and Special Revenue Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the government and are repaid by the debt service fund.

Bond payable from governmental activities at June 30, 2013, is as follows:

In August 2010, the City issued a \$5,345,000 General Obligation Bond. The bond is for capital improvements, equipment purchases, and related issuance costs. The bond has a 3.16% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures September 30, 2026. \$ 4,828,098

Notes payable from governmental activities at June 30, 2013, are as follows:

In June 2008, the City borrowed \$1,000,000 on a note guaranteed under Section 108 of the U.S. Department of Housing and Urban Development bearing interest from 2.62% to 5.19%. Interest is paid semi-annually, and annual principal payments of \$65,000 in 2009 to 2022 with a final principal payment of \$90,000 in 2023. The proceeds may be spent for the purpose of acquisition and rehabilitation of real property. \$ 740,000

In July 2008, the City borrowed \$804,800 on a note guaranteed under the South Carolina Brownsfields Cleanup Revolving Loan Fund (BCLRF) bearing a 1% interest rate. Principal and interest payments of \$42,386 are due semi-annually through October 2019. 532,204

Total notes payable \$ 1,272,204

Governmental activities bond and notes payable debt service to maturity is as follows:

Year Ending June 30	General Obligation Bonds		Notes Payable		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 277,974	\$ 149,176	\$ 144,648	\$ 38,485	\$ 422,622	\$ 187,661
2015	291,609	139,177	145,447	35,042	437,056	174,219
2016	305,730	129,739	146,253	31,482	451,983	161,221
2017	320,352	119,846	147,068	27,804	467,420	147,650
2018	335,491	109,484	147,891	24,043	483,382	133,527
2019-2023	1,923,881	374,333	450,897	65,421	2,374,778	439,754
2024-2027	1,373,061	66,322	90,000	2,336	1,463,061	68,658
	<u>\$ 4,828,098</u>	<u>\$ 1,088,077</u>	<u>\$ 1,272,204</u>	<u>\$ 224,613</u>	<u>\$ 6,100,302</u>	<u>\$ 1,312,690</u>

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

F. Long-Term Debt (Continued)

The following table summarizes the City's business-type activities revenue bonds and notes payable:

	Date of Issuance	Original Issue	Interest Rate	Final Maturity	Balance June 30, 2013
Secured by Water and Sewer Fund revenues					
Revenue Bonds	Series 2010A	\$ 31,005,000	2.00 to 4.00	9/1/2024	\$ 27,235,000
	Series 2010B	67,995,000	5.625 to 6.280	9/1/2039	67,995,000
	Series 2011	4,926,000	1.558	9/1/2017	<u>3,888,000</u>
Total revenue bonds secured by Water and Sewer Fund revenues					99,118,000
Secured by Stormwater Utility Fund revenues					
Revenue Bonds	Series 2006	\$ 4,000,000	2.65	6/2/2021	<u>2,440,000</u>
Total Revenue Bonds					<u>\$ 101,558,000</u>
Secured by Water and Sewer Fund revenues					
Notes Payable	May 1999	\$ 2,767,997	2.25	3/1/2020	\$ 1,144,395
	May 2000	6,210,343	2.25	7/1/2029	4,508,915
	May 2000	4,062,403	4.25	6/1/2032	3,120,920
	January 2003	2,517,834	2.25	2/1/2030	1,926,985
	June 2009*	19,015,957	2.81	4/1/2031	17,332,608
	May 2013**	10,626,372	1.90	4/1/2034	<u>386,392</u>
Total Notes Payable					<u>\$ 28,420,215</u>

* The City began drawing down on a note payable from the South Carolina Water Quality Revolving Fund Authority in July 2009. The total loan amount available to the City for the upgrade of the City's wastewater treatment plant is \$19,015,957. As of June 30, 2013, the City had drawn \$18,868,479 of this amount and repaid a total of \$1,535,871. The balance is included in construction in process and in notes payable.

** The City began drawing down on a note payable from the South Carolina Water Quality Revolving Fund Authority in May 2013. The total loan amount available to the City for the upgrade of the City's wastewater treatment plant is \$10,626,372. As of June 30, 2013, the City had drawn \$386,391 of this amount which is included in construction in progress and in notes payable.

Business-type activities revenue bond and notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Revenue Bonds		Notes Payable		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 3,102,000	\$ 5,089,591	\$ 1,447,702	\$ 461,515	\$ 4,549,702	\$ 5,551,106
2015	3,205,000	5,029,378	1,806,176	650,204	5,011,176	5,679,582
2016	3,282,000	4,964,710	1,453,278	609,370	4,735,278	5,574,080
2017	3,110,000	4,889,787	1,487,731	574,916	4,597,731	5,464,703
2018	2,634,000	4,811,186	1,523,174	539,474	4,157,174	5,350,660
2019-2023	12,860,000	22,845,321	7,568,278	2,165,708	20,428,278	25,011,029
2024-2028	8,780,000	19,944,330	8,197,097	1,200,061	16,977,097	21,144,391
2029-2033	18,970,000	14,689,014	4,936,779	223,935	23,906,779	14,912,949
2034-2038	22,940,000	7,803,133	-	-	22,940,000	7,803,133
2039-2040	22,675,000	788,925	-	-	22,675,000	788,925
	<u>\$ 101,558,000</u>	<u>\$ 90,855,375</u>	<u>\$ 28,420,215</u>	<u>\$ 6,425,183</u>	<u>\$ 129,978,215</u>	<u>\$ 97,280,558</u>

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

G. Fund Balances – Governmental Funds

As of June 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable	\$ 253,173	\$ -	\$ 47,381	\$ 300,554
Restricted for:				
Community development:				
Housing Partnership	-	-	3,630	3,630
HOME Program	-	-	319,128	319,128
NSP Grant	-	-	121,868	121,868
NSP-3 Grant	-	-	253	253
Public safety:				
E-911	-	-	326,691	326,691
Victims Services	-	-	106,856	106,856
Drug Control	-	-	53,908	53,908
Federal Equitable Sharing	-	-	26,467	26,467
Public Safety Grants	-	-	11,484	11,484
Capital projects:				
City Center renovations	331,319	-	-	331,319
Tourism:				
Sunday Local Option Revenue Fund	-	-	25,019	25,019
Hospitality Fund	-	768,640	-	768,640
Debt Service	-	240,000	480,499	720,499
	<u>331,319</u>	<u>1,008,640</u>	<u>1,475,803</u>	<u>2,815,762</u>
Committed to:				
Rollcart and Equipment Replacement	-	-	596,533	596,533
	<u>-</u>	<u>-</u>	<u>596,533</u>	<u>596,533</u>
Assigned to:				
Subsequent Year's Expenditures	1,065,800	-	-	1,065,800
Downtown redevelopment:				
Incubator Operating Fund	29,191	-	-	29,191
Downtown Revitalization	174,329	-	-	174,329
Capital projects:				
City Center Reserve Fund	626,257	-	-	626,257
Parks and athletic programs:				
Recreation Registration	2,278	-	-	2,278
Recreation Projects	16,915	-	-	16,915
Park Commission	3,441	-	-	3,441
Recreation Programs	12,656	-	-	12,656
Public safety:				
Drug Free Florence	57	-	-	57
Employee Assistance	3,764	-	-	3,764
	<u>1,934,688</u>	<u>-</u>	<u>-</u>	<u>1,934,688</u>
Unassigned	8,415,209	-	-	8,415,209
Total Fund Balances	<u>\$ 10,934,389</u>	<u>\$ 1,008,640</u>	<u>\$ 2,119,717</u>	<u>\$ 14,062,746</u>

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

H. Restatement - Compensated Absences

Certain errors in the calculation of the compensated absences liability for governmental activities resulting in the overstatement of previously reported balances were discovered during the year ended June 30, 2013. Accordingly, an adjustment of \$574,333 was made to write down the compensated absences liability as reported for governmental activities in the government wide statement of net position as of the beginning of the year. A corresponding entry was made to increase previously reported net position of governmental activities by the same amount. The restatement had no effect on any individual funds or the change in net position for the year ended June 30, 2013.

The following discloses the restatement of the net position of the governmental activities as of the beginning of the fiscal year:

	Governmental Activities
Net position, beginning of year, as previously stated	\$ 29,305,802
Increase due to correction of calculation of compensated absences liability amounts	574,333
Net position, beginning of year, as restated	\$ 29,880,135

The following discloses the restatement of the compensated absences liability balance as of the beginning of the fiscal year:

	Governmental Activities
Compensated absences liability, beginning of year, as previously stated	\$ 2,847,774
Decrease due to correction of calculation of compensated absences amounts	(574,333)
Compensated absences liability, beginning of year, as restated	\$ 2,273,441

V. OTHER INFORMATION

A. Employee Benefits

1. State retirement plans

The majority of employees of the City are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

V. OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State retirement plans (Continued)

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death program. The City's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were:

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

V. OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State retirement plans (Continued)

Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
June 30, 2013	10.450%	\$ 1,042,166	0.15%	\$ 14,959
June 30, 2012	9.385%	\$ 921,406	0.15%	\$ 14,727
June 30, 2011	9.240%	\$ 868,950	0.15%	\$ 14,106

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, .20% for the incidental death program, .20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The City's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were:

Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
June 30, 2013	11.900%	\$ 970,681	0.20%	\$ 16,314	0.20%	\$ 16,314
June 30, 2012	11.363%	\$ 945,198	0.20%	\$ 16,636	0.20%	\$ 16,636
June 30, 2011	11.130%	\$ 885,198	0.20%	\$ 15,907	0.20%	\$ 15,907

The amounts paid by the City for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

V. OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State retirement plans (Continued)

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the City's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the City recognizes no contingent liability for unfunded costs associated with participation in the plans.

2. Deferred compensation plan

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.

B. Postemployment Benefits Other Than Pensions

Plan description

The City's single-employer defined benefit postemployment healthcare plan (the Plan) provides medical and dental insurance to eligible retirees and their beneficiaries. As established by Resolution 98-05, adopted by City Council on May 11, 1998, and as amended by Resolution 2008-09, adopted by City Council on July 14, 2008, an employee becomes eligible when the employee qualifies for retirement benefits under the SCRS or PORS and meets a minimum required number of years of service with the City as defined below. Information regarding the SCRS and PORS eligibility may be obtained from the Comprehensive Annual Financial Report of those plans. The contribution requirements of the City and plan members are established and amended by Council. Council has retained the right to unilaterally modify its payments toward retiree health care benefits. The Plan does not issue a publicly available financial report.

As of July 1, 2011, the most recent measurement date for the plan, there were 528 covered participants; 59 were retirees and their beneficiaries receiving benefits, and 469 were active participants.

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust investment plan administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P.O. Box 12109, Columbia, South Carolina 29211.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

V. OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Funding Policy

The City contributes a fixed-dollar amount indexed each year by the Consumer Price Index (CPI). The current average monthly premium for coverage until age 65 is approximately \$390.20 for retirees and \$832.44 for retiree and spouse. The cost of coverage for pre-65 retirees is also implicitly subsidized by the City. Spouses are implicitly subsidized until age 65. All coverage ends at the death of the retiree. The current average monthly premium is approximately \$408.20 for retirees after age 65.

For Retirees Before July 14, 2008

Retirees pay a percentage of the explicit portion of the benefit based on their service at retirement for their own coverage based on the table below. Spouses pay the full premium rate.

<u>Years of Service</u>	<u>Percentage</u>
30+ years	0%
25-29 years	10%
20-24 years	20%
15-19 years	30%

After age 65, retirees pay the total premium cost in excess of a percentage of \$263.56 for their own coverage. The percentage is based on the service criteria listed in the table below. Retirees are expected to pay for all future increases in the cost of this coverage. Spouses pay the full premium rate after age 65.

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

For Retirees After July 14, 2008

Before age 65, retirees who have 25 or more years of service with the City of Florence pay nothing for their own coverage and the full premium for spouse coverage. Retirees who have a minimum of 20 years of service but less than 25 years of service with the City pay 50% of the total cost (including implicit portion) for their own coverage and the full premium plus 50% of the implicit cost for spouse coverage.

After age 65, retirees who have 25 or more years of service with the City pay the total premium cost in excess of \$263.56 for their own coverage. Retirees who have a minimum of 20 years of service but less than 25 years of service with the City pay the total premium in excess of \$131.78 (half of \$263.56) for their own coverage. Retirees are expected to pay for all future increases in the cost of this coverage. Spouses pay the full premium rate after age 65.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

V. OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2013, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 730,290
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	730,290
Contribution made	(730,290)
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

Contributions included \$362,522 paid by the City to the Plan to pre-fund benefits and \$367,768 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the Net OPEB (obligation) asset for 2013 and the preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2013	\$ 730,290	100%	\$ -
June 30, 2012	\$ 838,300	100%	\$ -
June 30, 2011	\$ 803,200	100%	\$ -

Funded Status and Funding Progress

At July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits (AAL) was \$8,337,329, with \$952,489 in plan assets at actuarial values, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,384,840. The funded ratio (Actuarial value of plan assets/AAL) was 11.42%. The covered payroll (annual payroll of active employees covered by the plan) was \$17,064,217, and the ratio of the UAAL to the covered payroll was 43.28%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

V. OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Significant methods and assumptions used in the actuarial valuation at July 1, 2011, follow:

Valuation date	July 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	27 years
Asset valuation method	5-year Smoothed Market Value; 80%-120% corridor
Actuarial assumptions:	
Investment rate of return *	6.5%
Medical cost trend rate	
Pre-Medicare trend rate	10.50%-5.00%
Post-Medicare trend rate	8.50%-5.00%
Ultimate trend rate	5.00%
Year of Ultimate trend rate	2018
* Includes inflation at	3.00%

C. 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.

D. Commitments

The City has committed itself on a number of construction and architectural contracts for Hospitality, Special Revenue, Water and Sewer, and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2013, the outstanding commitments total approximately \$11,419,171.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriated \$1,204,000 for the year ended June 30, 2013, as its share of the operating, capital, and debt service costs of the Civic Center. Per the agreement, the City is annually responsible for its share of the above listed costs. The agreement will remain in effect unless it is terminated by mutual consent of each party to the agreement.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

V. OTHER INFORMATION (CONTINUED)

E. 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 collectability of any related receivable at June 30, 2013, 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.

F. Subsequent Event

Subsequent to June 30, 2013, the City completed a Consent Decree with the United States Environmental Protection Agency (US EPA), South Carolina Department of Health and Environmental Control (SC DHEC), and the Town of Timmonsville, South Carolina (Town) to convey the Town's water and sewer utility systems (Utilities System) to the City. Capital improvements needed to the Utilities System in excess of \$12,000,000 have been identified and approved by all parties to the Consent Decree. These projects will be undertaken in the next few years to repair the currently failing Utilities System. Projected revenues from the Town's Utility System, two State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The City will also assume all liabilities and payments of outstanding bonded indebtedness of the Utility System of approximately \$6,330,000. The Town's Utilities System had not been conveyed to the City as of June 30, 2013.

G. New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, intends to improve financial reporting by clarifying the appropriate use of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources" to ensure consistency in financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. The City will implement the new guidance with the 2014 financial statements.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, intends to improve financial reporting by resolving conflicting guidance in previous pronouncements regarding the accounting and presentation of risk financing activities, operating leases and certain loan transactions. The statement is effective for financial statements for periods beginning after December 15, 2012. The City will implement the new guidance with the 2014 financial statements.

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, intends to improve the accounting and reporting of combinations and disposals of government operations for US state and local governments, to be applied prospectively for periods beginning after December 15, 2013. The City will implement the new guidance with the 2015 financial statements.

CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

V. OTHER INFORMATION (CONTINUED)

G. New Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, dictates the proper recognition and disclosure for governments which provide financial guarantees for another government, Non-profit entity, or individual, or vice-versa. The statement is effective for periods beginning after June 15, 2013. The City will implement the new guidance with the 2014 financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

The Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits provides information relating to the City's adoption of GASB Statement No. 45.

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**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
Primary Government						
7/1/2007	\$ -	\$ 9,126,000	\$ 9,126,000	0.00%	\$ 14,801,000	61.66%
7/1/2009	\$ 454,700	\$ 8,557,200	\$ 8,102,500	5.31%	\$ 15,893,500	50.98%
7/1/2011	\$ 952,489	\$ 8,337,329	\$ 7,384,840	11.42%	\$ 17,064,217	43.28%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30, 2013</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Net OPEB Liability</u>	<u>Percent Contributed</u>
Primary Government				
2009	\$ 772,000	\$ 772,000	\$ -	100%
2010	\$ 795,000	\$ 795,000	\$ -	100%
2011	\$ 803,200	\$ 803,200	\$ -	100%
2012	\$ 838,300	\$ 838,300	\$ -	100%
2013	\$ 730,290	\$ 730,290	\$ -	100%

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OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

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 Grants – This fund is used to account for the expenditures of community development block grants and HUD Section 108 loan proceeds.

Rollcart and Equipment Replacement – This fund is used to account for the costs associated with the repair and replacement of garbage collection rollcarts and recycle bins within the City.

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

Victims Services – 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 that have been awarded to the City and are available for use.

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.

NSP Grant – This fund is used to account for program expenditures of the HUD funded grant, Neighborhood Stabilization Program.

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

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

NSP-3 Grant – This fund is used to account for program expenditures of the HUD funded grant, Neighborhood Stabilization Program.

JAG Grant 2010 – This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2010.

JAG Grant 2011 – This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2011.

JAG Grant 2012 – This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2012.

HUD EDI Grant – This fund is used to account for program expenditures of the Department of Housing and Urban Development grant.

Sunday Local Option Revenue Fund – This fund is used to account for revenues received from the Sunday Local Option Taxes.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

To account for the proceeds of bond indebtedness received specifically for capital improvements.

DEBT SERVICE FUND

To account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**CITY OF FLORENCE, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds			
	Housing Partnership	HOME Program	Community Development Block Grants	Rollcart and Equipment Replacement
ASSETS				
Cash and cash equivalents	\$ 3,630	\$ 319,128	\$ -	\$ 353,903
Restricted cash	-	-	-	-
Receivables:				
Property taxes, less allowance for doubtful accounts	-	-	-	-
Due from other governments	-	-	15,898	-
Inventory	-	-	-	47,381
Investments	-	-	-	242,630
Total assets	<u>\$ 3,630</u>	<u>\$ 319,128</u>	<u>\$ 15,898</u>	<u>\$ 643,914</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 295	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	15,603	-
Total liabilities	<u>-</u>	<u>-</u>	<u>15,898</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	47,381
Restricted	3,630	319,128	-	-
Committed	-	-	-	596,533
Total fund balances	<u>3,630</u>	<u>319,128</u>	<u>-</u>	<u>643,914</u>
Total liabilities and fund balances	<u>\$ 3,630</u>	<u>\$ 319,128</u>	<u>\$ 15,898</u>	<u>\$ 643,914</u>

Special Revenue Funds

E-911	Victims Services	Drug Control	Federal Equitable Sharing	NSP Grant	Accommodation Tax
\$ 326,691	\$ 106,856	\$ 23,655	\$ 26,467	\$ 73,513	\$ -
-	-	-	-	122,420	-
-	-	-	-	-	-
-	-	-	-	71,753	164,039
-	-	-	-	-	-
-	-	30,960	-	-	-
<u>\$ 326,691</u>	<u>\$ 106,856</u>	<u>\$ 54,615</u>	<u>\$ 26,467</u>	<u>\$ 267,686</u>	<u>\$ 164,039</u>
\$ -	\$ -	\$ 707	\$ -	\$ 18,031	\$ 146,955
-	-	-	-	-	-
-	-	-	-	127,787	17,084
-	-	707	-	145,818	164,039
-	-	-	-	-	-
326,691	106,856	53,908	26,467	121,868	-
-	-	-	-	-	-
<u>326,691</u>	<u>106,856</u>	<u>53,908</u>	<u>26,467</u>	<u>121,868</u>	<u>-</u>
<u>\$ 326,691</u>	<u>\$ 106,856</u>	<u>\$ 54,615</u>	<u>\$ 26,467</u>	<u>\$ 267,686</u>	<u>\$ 164,039</u>

**CITY OF FLORENCE, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 JUNE 30, 2013**

	Special Revenue Funds			
	Public Safety Grants	NSP-3 Grant	JAG Grant 2010	JAG Grant 2011
ASSETS				
Cash and cash equivalents	\$ 11,484	\$ 30,364	\$ -	\$ -
Restricted cash	-	1,440	-	-
Receivables:				
Property taxes, less allowance for doubtful accounts	-	-	-	-
Due from other governments	-	16,812	-	-
Inventory	-	-	-	-
Investments	-	-	-	-
Total assets	\$ 11,484	\$ 48,616	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 480	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	47,883	-	-
Total liabilities	-	48,363	-	-
Fund balances:				
Nonspendable	-	-	-	-
Restricted	11,484	253	-	-
Committed	-	-	-	-
Total fund balances	11,484	253	-	-
Total liabilities and fund balances	\$ 11,484	\$ 48,616	\$ -	\$ -

Special Revenue Funds

JAG Grant 2012	HUD EDI Grant	Sunday Local Option Revenue Fund	Capital Projects Fund	Debt Service	Total Nonmajor Governmental Funds
\$ 856	\$ -	\$ 25,019	\$ -	\$ 475,412	\$ 1,776,978
-	-	-	-	-	123,860
-	-	-	-	5,087	5,087
-	47,500	-	-	-	316,002
-	-	-	-	-	47,381
-	-	-	-	-	273,590
\$ 856	\$ 47,500	\$ 25,019	\$ -	\$ 480,499	\$ 2,542,898
\$ -	\$ 47,500	\$ -	\$ -	\$ -	\$ 213,968
856	-	-	-	-	856
-	-	-	-	-	208,357
856	47,500	-	-	-	423,181
-	-	-	-	-	47,381
-	-	25,019	-	480,499	1,475,803
-	-	-	-	-	596,533
-	-	25,019	-	480,499	2,119,717
\$ 856	\$ 47,500	\$ 25,019	\$ -	\$ 480,499	\$ 2,542,898

**CITY OF FLORENCE, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds			
	Housing Partnership	HOME Program	Community Development Block Grants	Rollcart and Equipment Replacement
Revenues				
Intergovernmental	\$ -	\$ -	\$ 368,185	\$ -
Charges for services	-	-	-	-
Property taxes	-	-	-	-
Licenses, permits and fees	-	500	-	110,226
Investment earnings	-	1,617	-	2,658
Miscellaneous	51,250	-	-	-
Total revenues	<u>51,250</u>	<u>2,117</u>	<u>368,185</u>	<u>112,884</u>
Expenditures				
Current				
General government	-	-	-	9,973
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community development	50,121	501	213,332	-
Debt service				
Debt service principal	-	-	65,000	-
Debt service interest	-	-	-	-
Capital outlay	-	-	67,000	-
Total expenditures	<u>50,121</u>	<u>501</u>	<u>345,332</u>	<u>9,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,129</u>	<u>1,616</u>	<u>22,853</u>	<u>102,911</u>
Other financing sources (uses)				
Transfers in (out)	-	-	(22,853)	(85,028)
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22,853)</u>	<u>(85,028)</u>
Net change in fund balances	1,129	1,616	-	17,883
Fund balances at beginning of year	<u>2,501</u>	<u>317,512</u>	<u>-</u>	<u>626,031</u>
Fund balances at end of year	<u>\$ 3,630</u>	<u>\$ 319,128</u>	<u>\$ -</u>	<u>\$ 643,914</u>

Special Revenue Funds

E-911	Victims Services	Drug Control	Federal Equitable Sharing	NSP Grant	Accommodation Tax
\$ -	\$ -	\$ -	\$ -	\$ 104,329	\$ 510,454
244,646	-	-	-	-	-
-	-	-	-	-	-
-	98,867	-	-	-	-
1,418	564	2,117	227	-	70
-	-	36,088	-	-	-
<u>246,064</u>	<u>99,431</u>	<u>38,205</u>	<u>227</u>	<u>104,329</u>	<u>510,524</u>
-	-	-	-	-	-
88,605	-	21,132	26,904	-	-
-	-	-	-	-	540,517
-	-	-	-	24,514	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	66,132	-
<u>88,605</u>	<u>-</u>	<u>21,132</u>	<u>26,904</u>	<u>90,646</u>	<u>540,517</u>
157,459	99,431	17,073	(26,677)	13,683	(29,993)
-	(107,242)	-	-	-	-
-	(107,242)	-	-	-	-
157,459	(7,811)	17,073	(26,677)	13,683	(29,993)
169,232	114,667	36,835	53,144	108,185	29,993
<u>\$ 326,691</u>	<u>\$ 106,856</u>	<u>\$ 53,908</u>	<u>\$ 26,467</u>	<u>\$ 121,868</u>	<u>\$ -</u>

**CITY OF FLORENCE, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds			
	Public Safety Grants	NSP-3 Grant	JAG Grant 2010	JAG Grant 2011
Revenues				
Intergovernmental	\$ -	\$ 394,702	\$ 6,194	\$ 346
Charges for services	-	-	-	-
Property taxes	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment earnings	62	-	-	-
Miscellaneous	2,500	-	-	-
Total revenues	2,562	394,702	6,194	346
Expenditures				
Current				
General government	-	-	-	-
Public safety	1,694	-	6,194	346
Culture and recreation	-	-	-	-
Community development	-	394,702	-	-
Debt service				
Debt service principal	-	-	-	-
Debt service interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	1,694	394,702	6,194	346
Excess (deficiency) of revenues over (under) expenditures	868	-	-	-
Other financing sources (uses)				
Transfers in (out)	-	-	-	-
Total financing sources (uses)	-	-	-	-
Net change in fund balances	868	-	-	-
Fund balances at beginning of year	10,616	253	-	-
Fund balances at end of year	\$ 11,484	\$ 253	\$ -	\$ -

Special Revenue Funds						Total Nonmajor Governmental Funds
JAG Grant 2012	HUD EDI Grant	Sunday Local Option Revenue Fund	Capital Projects Fund	Debt Service		
\$ 30,796	\$ 47,500	\$ 74,930	\$ -	\$ -		1,537,436
-	-	-	-	-		244,646
-	-	-	-	469,271		469,271
-	-	-	-	-		209,593
-	-	89	-	2,011		10,833
-	-	-	-	-		89,838
<u>30,796</u>	<u>47,500</u>	<u>75,019</u>	<u>-</u>	<u>471,282</u>		<u>2,561,617</u>
-	-	-	(120)	-		9,853
16,278	-	-	-	-		161,153
-	-	-	-	-		540,517
-	47,500	-	-	-		730,670
-	-	-	-	264,807		329,807
-	-	-	-	157,952		157,952
14,518	-	-	-	-		147,650
<u>30,796</u>	<u>47,500</u>	<u>-</u>	<u>(120)</u>	<u>422,759</u>		<u>2,077,602</u>
-	-	75,019	120	48,523		484,015
-	-	(50,000)	(5,040)	-		(270,163)
-	-	<u>(50,000)</u>	<u>(5,040)</u>	<u>-</u>		<u>(270,163)</u>
-	-	25,019	(4,920)	48,523		213,852
-	-	-	4,920	431,976		1,905,865
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,019</u>	<u>\$ -</u>	<u>\$ 480,499</u>		<u>\$ 2,119,717</u>

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**PROPRIETARY FUNDS -
ENTERPRISE FUNDS**

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 POSITION
BUDGET AND ACTUAL
PROPRIETARY FUNDS – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Current use charges	\$ 30,229,000	\$ 30,056,000	\$ 29,471,890	\$ (584,110)
Miscellaneous	715,000	708,000	943,847	235,847
Water and sewer tap fees	340,000	511,000	517,016	6,016
Total operating revenues	<u>31,284,000</u>	<u>31,275,000</u>	<u>30,932,753</u>	<u>(342,247)</u>
OPERATING EXPENSES				
Personnel	4,451,040	4,267,380	4,233,089	(34,291)
Employee benefits	1,719,850	1,653,060	1,631,278	(21,782)
Purchased services	5,026,270	5,336,990	5,166,330	(170,660)
Supplies and materials	1,367,500	1,292,230	1,158,773	(133,457)
Other operating expenses	1,177,790	2,000,790	969,518	(1,031,272)
Depreciation and amortization	5,448,200	6,358,200	4,499,624	(1,858,576)
Total operating expenses	<u>19,190,650</u>	<u>20,908,650</u>	<u>17,658,612</u>	<u>(3,250,038)</u>
OPERATING INCOME	<u>12,093,350</u>	<u>10,366,350</u>	<u>13,274,141</u>	<u>2,907,791</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	44,000	53,000	47,053	(5,947)
Intergovernmental revenues	-	-	119,553	119,553
Miscellaneous revenues	1,462,000	1,601,000	-	(1,601,000)
Loss on disposal of assets	-	-	(50,215)	(50,215)
Interest expense	-	-	(1,227,824)	(1,227,824)
Appropriation of net position	2,803,200	4,377,200	-	(4,377,200)
Total non-operating revenue (expenses)	<u>4,309,200</u>	<u>6,031,200</u>	<u>(1,111,433)</u>	<u>(7,142,633)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>16,402,550</u>	<u>16,397,550</u>	<u>12,162,708</u>	<u>(4,234,842)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>82,545</u>	<u>82,545</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>16,402,550</u>	<u>16,397,550</u>	<u>12,245,253</u>	<u>(4,152,297)</u>
TRANSFERS				
Transfers out	<u>(16,402,550)</u>	<u>(16,397,550)</u>	<u>(2,843,578)</u>	<u>13,553,972</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>9,401,675</u>	<u>9,401,675</u>
TOTAL NET POSITION - BEGINNING	<u>109,453,692</u>	<u>109,453,692</u>	<u>109,453,692</u>	<u>-</u>
TOTAL NET POSITION - ENDING	<u>\$ 109,453,692</u>	<u>\$ 109,453,692</u>	<u>\$ 118,855,367</u>	<u>\$ 9,401,675</u>

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
PROPRIETARY FUNDS – STORMWATER UTILITY FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Stormwater service fees	\$ 1,269,500	\$ 1,262,000	\$ 1,271,502	\$ 9,502
Miscellaneous	54,500	12,000	33,314	21,314
Total operating revenues	<u>1,324,000</u>	<u>1,274,000</u>	<u>1,304,816</u>	<u>30,816</u>
OPERATING EXPENSES				
Personnel	299,690	308,240	294,579	(13,661)
Employee benefits	116,030	116,420	114,027	(2,393)
Purchased services	123,200	111,200	118,397	7,197
Supplies and materials	18,500	21,560	17,266	(4,294)
Other operating expenses	17,730	17,730	15,742	(1,988)
Depreciation and amortization	707,000	875,000	566,310	(308,690)
Total operating expenses	<u>1,282,150</u>	<u>1,450,150</u>	<u>1,126,321</u>	<u>(323,829)</u>
OPERATING INCOME (LOSS)	<u>41,850</u>	<u>(176,150)</u>	<u>178,495</u>	<u>354,645</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	6,000	6,000	5,132	(868)
Interest expense	-	-	(70,733)	(70,733)
Appropriation of net position	570,000	738,000	-	(738,000)
Total non-operating revenue (expenses)	<u>576,000</u>	<u>744,000</u>	<u>(65,601)</u>	<u>(809,601)</u>
INCOME (LOSS) BEFORE TRANSFERS	617,850	567,850	112,894	(454,956)
TRANSFERS OUT	<u>(617,850)</u>	<u>(567,850)</u>	<u>(102,147)</u>	<u>465,703</u>
CHANGE IN NET POSITION	-	-	10,747	10,747
TOTAL NET POSITION - BEGINNING	<u>3,054,070</u>	<u>3,054,070</u>	<u>3,054,070</u>	<u>-</u>
TOTAL NET POSITION - ENDING	<u>\$ 3,054,070</u>	<u>\$ 3,054,070</u>	<u>\$ 3,064,817</u>	<u>\$ 10,747</u>

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AGENCY FUNDS

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

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

Fire Trust – 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 firefighters.

Veterans Park Development – This fund is used to account for funds received and expended for the development of monuments, other structural amenities, and related special events at the Veterans Park.

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

Florence Area Humane Society – This fund is used to account for donations made to the Humane Society received at the City's Animal Shelter.

**CITY OF FLORENCE, SOUTH CAROLINA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2013**

	<u>Court Escrow</u>	<u>Fire Trust</u>	<u>Veterans Park Development</u>	<u>Narcotics Holding Funds</u>	<u>Florence Area Humane Society</u>	<u>Totals</u>
Assets						
Cash and cash equivalents	\$ 26,877	\$ 7,909	\$ 48,056	\$ 295,477	\$ 11,203	\$ 389,522
Investments	-	-	-	60,138	-	60,138
Total assets	<u>\$ 26,877</u>	<u>\$ 7,909</u>	<u>\$ 48,056</u>	<u>\$ 355,615</u>	<u>\$ 11,203</u>	<u>\$ 449,660</u>
Liabilities						
Due to others	\$ 26,877	\$ 7,909	\$ 48,056	\$ 355,615	\$ 11,203	\$ 449,660
Total liabilities	<u>\$ 26,877</u>	<u>\$ 7,909</u>	<u>\$ 48,056</u>	<u>\$ 355,615</u>	<u>\$ 11,203</u>	<u>\$ 449,660</u>

**CITY OF FLORENCE, SOUTH CAROLINA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 56,012	\$ 26,877	\$ 56,012	\$ 26,877
Liabilities				
Due to others	\$ 56,012	\$ 26,877	\$ 56,012	\$ 26,877
<u>Fire Trust</u>				
Assets				
Cash and cash equivalents	\$ 5,611	\$ 118,982	\$ 116,684	\$ 7,909
Liabilities				
Due to others	\$ 5,611	\$ 118,982	\$ 116,684	\$ 7,909
<u>Veterans Park Development</u>				
Assets				
Cash and cash equivalents	\$ 49,507	\$ 8,765	\$ 10,216	\$ 48,056
Liabilities				
Due to others	\$ 49,507	\$ 8,765	\$ 10,216	\$ 48,056
<u>Narcotics Holding Funds</u>				
Assets				
Cash and cash equivalents	\$ 263,252	\$ 66,869	\$ 34,644	\$ 295,477
Investments	59,992	146	-	60,138
	<u>\$ 323,244</u>	<u>\$ 67,015</u>	<u>\$ 34,644</u>	<u>\$ 355,615</u>
Liabilities				
Due to others	\$ 323,244	\$ 67,015	\$ 34,644	\$ 355,615
<u>Florence Area Humane Society</u>				
Assets				
Cash and cash equivalents	\$ 2,206	\$ 8,997	\$ -	\$ 11,203
Liabilities				
Due to others	\$ 2,206	\$ 8,997	\$ -	\$ 11,203
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 376,588	\$ 230,490	\$ 217,556	\$ 389,522
Investments	59,992	146	-	60,138
Total Assets	<u>\$ 436,580</u>	<u>\$ 230,636</u>	<u>\$ 217,556</u>	<u>\$ 449,660</u>
Liabilities				
Due to others	\$ 436,580	\$ 230,636	\$ 217,556	\$ 449,660
Total Liabilities	<u>\$ 436,580</u>	<u>\$ 230,636</u>	<u>\$ 217,556</u>	<u>\$ 449,660</u>

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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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes				
Current	\$ 3,581,900	\$ 2,999,400	\$ 2,952,890	\$ (46,510)
Local option sales tax	5,310,000	5,705,000	5,709,116	4,116
Penalties	6,000	6,000	5,404	(596)
Payments in lieu of taxes	110,000	111,000	111,748	748
Delinquent taxes	130,000	112,000	108,372	(3,628)
Total Property Taxes	9,137,900	8,933,400	8,887,530	(45,870)
Licenses and fees				
Business and professional license	7,115,000	7,693,000	7,691,332	(1,668)
Franchise fees	3,550,000	3,205,000	3,205,152	152
Prior year business license	190,000	189,000	189,495	495
Total Licenses and Fees	10,855,000	11,087,000	11,085,979	(1,021)
Intergovernmental				
State shared revenue	670,000	799,500	799,492	(8)
Governmental reimbursements	504,000	531,000	531,859	859
State A tax funds	48,000	51,000	51,866	866
Grants	532,000	1,874,000	739,064	(1,134,936)
Marketing and promotion	100,000	95,000	112,938	17,938
Total Intergovernmental	1,854,000	3,350,500	2,235,219	(1,115,281)
Charges for services				
Refuse - landfill fee	1,330,000	1,345,000	1,345,041	41
Refuse - collection fee	312,000	320,000	321,207	1,207
Planning and zoning fees	28,000	24,000	24,115	115
Recreation fees	229,000	241,000	452,108	211,108
Total Charges for Services	1,899,000	1,930,000	2,142,471	212,471
Fines and Forfeitures				
Criminal fines	170,000	155,000	152,422	(2,578)
Traffic fines	520,000	477,000	477,353	353
Parking violations fines	16,000	10,000	10,295	295
Animal control fines	4,000	4,500	4,850	350
Total Fines and Forfeitures	710,000	646,500	644,920	(1,580)
Miscellaneous				
Investment income	20,000	20,000	23,396	3,396
Miscellaneous	296,000	222,500	899,355	676,855
Concessions	65,000	53,000	52,926	(74)
Total Miscellaneous	381,000	295,500	975,677	680,177
TOTAL REVENUES	24,836,900	26,242,900	25,971,796	(271,104)

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General government				
City Council				
Salary and wages	\$ 113,130	\$ 113,640	\$ 113,126	\$ 514
Retirement	12,260	12,410	12,261	149
Health insurance	50,130	48,190	48,070	120
Workers' compensation	8,240	8,240	6,919	1,321
Social security	8,650	8,040	7,963	77
Printing and supplies	5,000	2,000	1,489	511
Postage	100	100	-	100
Membership and dues	19,000	23,000	22,653	347
Travel and conferences	32,000	30,000	26,277	3,723
Telephone related services	6,000	6,000	5,144	856
Professional services	28,000	33,000	32,693	307
Special departmental supplies	6,000	4,500	4,006	494
Grant expenditures	7,000	7,050	-	7,050
Total City Council	<u>295,510</u>	<u>296,170</u>	<u>280,601</u>	<u>15,569</u>
Justice and Law				
Salary and wages	357,400	338,650	315,918	22,732
Retirement	38,670	34,790	34,357	433
Health insurance	39,970	37,360	37,255	105
Workers' compensation	11,800	11,800	9,819	1,981
Social security	27,340	24,580	23,163	1,417
Printing and supplies	2,000	1,000	924	76
Postage	3,000	3,500	3,071	429
Membership and dues	400	600	510	90
Travel and conferences	2,500	2,500	1,395	1,105
Auto operating expenses	5,000	5,000	4,843	157
Telephone related services	2,500	2,500	2,057	443
Maintenance and service contracts	5,000	6,000	5,588	412
Machine and equipment repairs	500	500	16	484
Employee training	2,500	2,300	528	1,772
Professional services	2,500	2,000	1,326	674
Jury vouchers	8,500	7,000	6,146	854
Office supplies	2,000	4,300	4,231	69
Special departmental supplies	6,000	3,700	4,309	(609)
Capital outlay	11,800	1,800	-	1,800
Total Justice and Law	<u>529,380</u>	<u>489,880</u>	<u>455,456</u>	<u>34,424</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
General government (Continued)				
City Manager				
Salary and wages	\$ 255,150	\$ 233,170	\$ 232,050	\$ 1,120
Retirement	26,300	25,130	24,685	445
Health insurance	31,220	29,540	29,262	278
Workers' compensation	7,120	6,620	5,949	671
Social security	19,520	17,370	17,273	97
Printing and supplies	5,300	4,000	3,463	537
Postage	1,500	1,000	565	435
Membership and dues	2,000	800	640	160
Travel and conferences	2,000	5,000	4,691	309
Car allowance	6,000	6,000	6,000	-
Auto operating expenses	500	250	-	250
Telephone related services	4,900	4,900	4,863	37
Maintenance and service contracts	1,000	1,000	1,002	(2)
Employee training	3,900	2,400	2,209	191
Professional services	1,000	7,500	7,383	117
Special departmental supplies	2,500	2,000	1,446	554
Gas and oil	500	500	-	500
Total City Manager	<u>370,410</u>	<u>347,180</u>	<u>341,481</u>	<u>5,699</u>
Finance				
Salary and wages	486,550	461,950	455,053	6,897
Retirement	51,570	49,580	49,083	497
Health insurance	66,260	60,300	60,134	166
Workers' compensation	11,800	11,800	9,935	1,865
Social security	37,220	34,040	33,978	62
Printing and supplies	10,000	7,000	4,675	2,325
Postage	9,500	10,000	9,864	136
Membership and dues	1,500	2,500	2,335	165
Travel and conferences	3,000	2,600	1,657	943
Auto operating expenses	200	200	32	168
Telephone related services	5,500	8,000	7,695	305
Maintenance and service contracts	11,000	11,000	11,172	(172)
Machine and equipment repairs	2,000	1,300	1,049	251
Public notices	1,000	1,000	852	148
Employee training	1,800	1,800	1,130	670
Professional services	600	600	465	135
Tax billing and collections	54,000	54,500	49,191	5,309
Office supplies	10,000	13,000	12,869	131
Special departmental supplies	-	-	3,388	(3,388)
Gas and oil	500	700	614	86
Capital outlay	3,500	3,400	-	3,400
Total Finance	<u>767,500</u>	<u>735,270</u>	<u>715,171</u>	<u>20,099</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
General government (Continued)				
Personnel				
Salary and wages	\$ 279,390	\$ 259,890	\$ 258,910	\$ 980
Retirement	29,540	22,960	22,649	311
Health insurance	38,610	27,220	26,968	252
Workers' compensation	7,120	6,120	5,977	143
Social security	21,370	19,250	19,003	247
Printing and supplies	5,000	1,500	1,146	354
Postage	2,300	2,800	2,691	109
Membership and dues	1,400	600	505	95
Travel and conferences	2,500	2,350	2,159	191
Auto operating expenses	500	250	75	175
Telephone related services	3,000	2,620	2,570	50
Maintenance and service contracts	4,000	6,750	6,174	576
Public notices	15,000	23,200	23,491	(291)
Employee training	3,850	1,650	1,526	124
Professional services	26,000	38,000	37,270	730
Medical expenses	40,000	28,980	28,937	43
Office supplies	3,000	6,500	6,461	39
Special departmental supplies	3,000	500	361	139
Gas and oil	500	1,050	801	249
Total Personnel	<u>486,080</u>	<u>452,190</u>	<u>447,674</u>	<u>4,516</u>
Community Service				
Salary and wages	339,590	292,760	289,211	3,549
Retirement	36,000	32,020	31,414	606
Health insurance	51,720	44,620	44,499	121
Workers' compensation	9,420	8,120	7,914	206
Social security	25,980	22,060	21,898	162
Printing and supplies	3,500	2,400	1,338	1,062
Postage	1,800	1,500	736	764
Membership and dues	1,600	500	(50)	550
Travel and conferences	1,000	2,000	1,862	138
Auto operating expenses	1,200	1,700	1,428	272
Telephone related services	4,800	5,300	5,157	143
Radio maintenance	500	250	-	250
Maintenance and service contracts	1,600	4,100	3,928	172
Public notices	3,000	2,500	1,057	1,443
Uniform and clothing	1,000	500	-	500
Employee training	1,000	500	(24)	524
Professional services	6,500	8,500	8,305	195
Office supplies	-	3,400	3,360	40
Special departmental supplies	5,800	3,500	4,855	(1,355)
Gas and oil	7,500	7,500	7,268	232
Capital outlay	1,500	1,500	-	1,500
Total Community Service	<u>505,010</u>	<u>445,230</u>	<u>434,156</u>	<u>11,074</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
General government (Continued)				
Urban Planning & Development				
Salary and wages	\$ 214,770	\$ 220,690	\$ 215,961	\$ 4,729
Retirement	22,770	23,510	23,220	290
Health insurance	31,260	31,830	31,551	279
Workers' compensation	4,890	4,890	4,216	674
Social security	16,430	16,210	16,197	13
Postage	2,000	2,000	969	1,031
Membership and dues	4,000	4,000	2,628	1,372
Travel and conferences	3,000	1,300	1,140	160
Auto operating expenses	500	400	37	363
Electricity	25,000	23,000	20,317	2,683
Telephone related services	2,000	2,400	2,047	353
Maintenance and service contracts	14,000	14,000	13,182	818
Maintenance and equipment repairs	1,000	1,000	-	1,000
Building maintenance	1,000	1,000	896	104
Public notices	7,500	2,000	1,716	284
Employee training	1,500	2,600	2,287	313
Professional services	10,000	15,280	15,279	1
Uniforms and clothing	-	100	64	36
Office supplies	6,000	3,800	2,437	1,363
Special departmental supplies	1,000	1,000	1,036	(36)
Gas and oil	2,000	1,500	811	689
Capital outlay	1,000	400	-	400
Total Urban Planning & Development	371,620	372,910	355,991	16,919
Total General Government	3,325,510	3,138,830	3,030,530	108,300
Public Safety				
Police				
Salary and wages	5,766,540	5,622,550	5,439,421	183,129
Retirement	699,750	680,440	654,112	26,328
Health insurance	898,700	872,510	857,171	15,339
Workers' compensation	187,820	187,820	160,272	27,548
Social security	440,850	411,070	405,982	5,088
Printing and supplies	12,000	9,000	6,401	2,599
Postage	3,500	4,500	3,449	1,051
Membership and dues	1,800	1,800	1,360	440
Travel and conferences	3,800	3,800	752	3,048
Auto operating expenses	85,000	85,000	83,382	1,618
Electricity	21,500	17,500	17,299	201
Telephone related services	45,000	45,000	44,402	598
Cable and related services	6,300	3,000	-	3,000

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Safety (Continued)				
Police (Continued)				
Radio maintenance	\$ 7,000	\$ 7,000	\$ 6,781	\$ 219
Maintenance service contracts	31,500	31,500	31,611	(111)
Machine and equipment repairs	8,500	8,500	5,202	3,298
Building and maintenance	4,000	2,000	1,055	945
Uniform and clothing	75,000	75,000	58,200	16,800
Prisoner housing	305,000	295,000	264,226	30,774
Inmate services	3,700	6,000	5,130	870
Rent payments	39,600	30,000	28,100	1,900
Employee training	20,000	15,000	12,065	2,935
Professional services	10,000	10,000	8,367	1,633
Pal expenses	6,000	5,000	4,878	122
Medical expenses	1,000	1,000	-	1,000
Rewards	1,000	1,000	-	1,000
Special departmental supplies	60,000	58,550	77,265	(18,715)
Gas and oil	350,000	356,500	355,805	695
Water usage	3,600	4,300	4,134	166
Grant expenditures	-	-	7,954	(7,954)
Capital outlay	46,400	82,200	41,130	41,070
Total Police	<u>9,144,860</u>	<u>8,932,540</u>	<u>8,585,906</u>	<u>346,634</u>
Fire				
Salary and wages	3,179,210	3,360,040	3,218,498	141,542
Retirement	389,790	391,780	388,451	3,329
Health insurance	508,780	519,060	516,144	2,916
Workers' compensation	101,590	99,790	84,878	14,912
Social security	243,210	245,030	239,699	5,331
Printing and supplies	1,500	1,500	859	641
Postage	150	150	99	51
Membership and dues	1,000	1,000	514	486
Travel and conferences	-	800	578	222
Auto operating expenses	40,000	39,000	38,618	382
Electricity	45,000	45,000	32,808	12,192
Telephone related services	27,000	27,000	24,466	2,534
Heating fuel	23,000	18,000	17,277	723
Fire prevention	15,000	14,000	9,271	4,729
Radio maintenance	5,000	4,000	2,749	1,251
Maintenance service contracts	22,500	22,500	20,987	1,513
Machine and equipment repairs	7,500	7,500	6,364	1,136
Building and maintenance	25,000	22,000	14,727	7,273
Uniform and clothing	59,000	56,000	55,023	977
Employee training	20,000	19,000	19,491	(491)
Professional services	7,500	7,500	6,809	691
Special departmental supplies	52,000	47,500	71,014	(23,514)

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Safety (Continued)				
Fire (Continued)				
Gas and oil	\$ 62,000	\$ 65,000	\$ 64,115	\$ 885
Water usage	20,000	17,500	12,713	4,787
Capital outlay	31,000	38,500	74,832	(36,332)
Total Fire	<u>4,886,730</u>	<u>5,069,150</u>	<u>4,920,984</u>	<u>148,166</u>
Total Public Safety	<u>14,031,590</u>	<u>14,001,690</u>	<u>13,506,890</u>	<u>494,800</u>
Public Works				
Streets and Beautification				
Salaries and wages	1,015,400	978,260	941,664	36,596
Retirement	103,990	100,410	95,663	4,747
Health insurance	198,220	195,430	190,870	4,560
Workers' compensation	42,520	39,520	35,521	3,999
Social security	75,380	70,620	68,196	2,424
Printing and supplies	1,500	500	337	163
Office supplies	3,000	2,700	2,609	91
Janitorial supplies	5,000	6,500	5,843	657
Safety supplies	1,500	1,200	1,180	20
Postage	200	100	30	70
Membership and dues	500	-	-	-
Auto operating expenses	25,000	21,500	20,965	535
Electricity	24,000	33,500	33,277	223
Telephone related services	3,000	2,600	2,416	184
Heating fuel	-	500	146	354
Radio maintenance	1,500	300	296	4
Maintenance and service contracts	59,000	34,500	34,409	91
Machine and equipment repairs	32,000	42,500	41,332	1,168
Building and maintenance	8,000	2,050	(7,008)	9,058
Tree beautification	7,000	5,000	4,980	20
Sign shop supplies	9,000	11,500	7,876	3,624
Safety equipment	4,000	1,150	1,042	108
Medical expenses	50,000	59,000	58,440	560
Uniform and clothing	13,000	15,700	15,549	151
Inmate services	22,000	32,000	33,870	(1,870)
Chemicals	5,000	4,600	4,440	160
Paving materials and supplies	10,000	7,500	7,180	320
Irrigation materials and supplies	3,000	1,500	1,403	97
Employee training	2,500	4,400	4,303	97
Special departmental supplies	20,000	23,300	26,529	(3,229)
Gas and oil	65,000	74,700	74,082	618
Water usage	15,000	11,000	10,661	339
Capital outlay	8,000	137,000	44,911	92,089
Total Streets and Beautification	<u>1,833,210</u>	<u>1,921,040</u>	<u>1,763,012</u>	<u>158,028</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Works (Continued)				
Sanitation				
Salary and wages	\$ 835,680	\$ 831,900	\$ 820,934	\$ 10,966
Retirement	88,590	87,940	87,701	239
Health insurance	167,440	163,120	162,518	602
Workers' compensation	31,910	27,910	26,786	1,124
Social security	63,930	62,170	62,049	121
Printing and supplies	300	300	269	31
Postage	100	100	17	83
Membership and dues	100	100	-	100
Auto operating expenses	100,000	153,000	152,722	278
Telephone related services	400	200	-	200
Radio maintenance	2,500	2,500	1,293	1,207
Maintenance and service contracts	12,000	12,000	7,295	4,705
Machine and equipment repairs	67,000	90,000	88,024	1,976
Landfill services	1,150,000	1,086,000	1,084,728	1,272
Uniform and clothing	10,000	11,500	10,828	672
Office supplies	300	300	-	300
Compost supplies	1,000	1,000	-	1,000
Safety supplies	1,500	1,000	150	850
Public notices	7,000	7,000	6,495	505
Employee training	100	100	58	42
Professional services	300	200	-	200
Special departmental supplies	7,000	8,300	7,746	554
Gas and oil	235,000	285,000	266,292	18,708
Total Sanitation	2,782,150	2,831,640	2,785,905	45,735
Equipment Maintenance				
Salary and wages	286,190	286,000	277,863	8,137
Retirement	30,340	33,770	29,443	4,327
Health insurance	48,230	49,080	48,139	941
Workers' compensation	8,240	8,240	6,917	1,323
Social security	21,890	20,940	20,577	363
Printing and supplies	200	100	93	7
Auto operating expenses	1,000	1,000	831	169
Telephone related services	-	50	43	7
Heating fuel	4,000	5,400	5,372	28
Radio maintenance	500	500	-	500
Maintenance and service contracts	4,000	4,000	2,054	1,946
Machine and equipment repairs	500	1,400	1,272	128
Uniform and clothing	4,000	4,700	4,507	193
Office supplies	200	50	-	50
Janitorial supplies	200	200	-	200
Safety supplies	500	400	-	400

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Works (Continued)				
Sanitation (Continued)				
Employee training	\$ 400	\$ 600	\$ 430	\$ 170
Special departmental supplies	5,000	3,600	3,476	124
Gas and oil	4,500	4,500	4,404	96
Capital outlay	-	6,500	6,313	187
Total Equipment Maintenance	<u>419,890</u>	<u>431,030</u>	<u>411,734</u>	<u>19,296</u>
Total Public Works	<u>5,035,250</u>	<u>5,183,710</u>	<u>4,960,651</u>	<u>223,059</u>
Culture and Recreation				
Parks and Leisure services				
Salary and wages	922,990	898,950	885,927	13,023
Retirement	90,420	91,600	90,734	866
Health insurance	139,370	145,250	144,893	357
Workers' compensation	43,710	38,710	36,420	2,290
Social security	70,610	68,530	68,218	312
Printing and supplies	2,000	3,000	2,452	548
Postage	1,000	500	248	252
Membership and dues	2,000	1,200	1,075	125
Auto operating expenses	11,000	15,000	14,856	144
Electricity	75,000	79,000	78,124	876
Telephone related services	8,000	12,400	12,123	277
Cable and related services	2,500	1,300	520	780
Radio maintenance	1,000	1,000	120	880
Maintenance and service contracts	20,000	14,500	14,257	243
Machine and equipment repairs	5,000	13,500	13,871	(371)
Building maintenance	5,000	2,000	11,236	(9,236)
Facility and park maintenance	29,000	46,900	18,358	28,542
Tree beautification	3,000	2,000	1,665	335
Uniforms and clothing	7,000	11,200	11,051	149
Office supplies	2,000	3,600	3,447	153
Safety supplies	2,000	1,000	251	749
Janitorial services and supplies	6,000	6,000	5,453	547
Athletic field supplies	2,000	2,000	1,675	325
Irrigation supplies	2,000	400	234	166
Inmate services	20,000	12,960	12,870	90
Food and supplies	6,000	5,000	2,281	2,719
Employee training	1,200	1,200	1,174	26
Professional services	5,000	3,000	2,411	589
Contracted instructors	10,000	5,000	4,506	494
Special departmental supplies	21,000	19,500	15,429	4,071
Gas and oil	42,000	60,500	60,180	320
Water usage	18,000	22,000	18,614	3,386
Boys and Girls Club	21,000	21,000	21,000	-

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Culture and Recreation (Continued)				
Parks and Leisure services (Continued)				
Tournaments	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Grant expenditures	10,000	10,000	7,329	2,671
Capital outlay	8,000	212,000	134,720	77,280
Total Parks and Leisure services	1,615,800	1,832,700	1,698,722	133,978
Athletic Programs				
Salary and wages	545,500	523,670	522,135	1,535
Retirement	42,610	39,700	39,509	191
Health insurance	70,120	69,280	69,076	204
Workers' compensation	73,240	61,240	60,005	1,235
Social security	41,810	45,970	39,867	6,103
Printing and supplies	500	500	216	284
Postage	200	200	17	183
Membership and dues	1,500	500	275	225
Auto operating expenses	3,000	2,000	1,518	482
Electricity	160,000	143,900	119,319	24,581
Telephone related services	3,000	3,600	3,408	192
Cable and related services	1,500	1,650	1,530	120
Maintenance and service contracts	21,000	18,180	18,077	103
Machine and equipment repairs	6,000	8,000	7,119	881
Radio repairs and maintenance	500	500	-	500
Building maintenance	5,500	9,400	8,900	500
Facility and park maintenance	16,000	16,000	12,369	3,631
Uniform and clothing	1,500	1,500	484	1,016
Inmate services	12,000	15,140	15,015	125
Office supplies	500	500	333	167
Safety supplies	500	170	93	77
Janitorial services and supplies	5,000	7,900	7,043	857
Athletic field supplies	7,000	7,000	5,582	1,418
Food and supplies	40,000	42,700	38,807	3,893
Employee training	500	1,500	766	734
Special departmental supplies	4,000	5,500	5,438	62
Irrigation parts and supplies	4,500	4,700	4,550	150
Pro shop supplies	25,000	21,400	20,760	640
Stadium commission	5,100	5,100	5,100	-
Athletic expenses	7,000	7,000	6,155	845
Gymnastic expenses	4,000	4,000	3,819	181
Tennis center expenses	7,000	16,000	14,676	1,324
Gas and oil	8,000	9,600	9,486	114
Water usage	38,000	38,000	35,013	2,987

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Culture and Recreation (Continued)				
Athletic Programs (Continued)				
Marketing and promotion	\$ 120,000	\$ 120,000	\$ 90,765	\$ 29,235
Tournaments	3,000	3,000	2,200	800
Capital outlay	-	98,000	22,083	75,917
Total Athletic Programs	<u>1,284,580</u>	<u>1,353,000</u>	<u>1,191,508</u>	<u>161,492</u>
Total Culture and Recreation	<u>2,900,380</u>	<u>3,185,700</u>	<u>2,890,230</u>	<u>295,470</u>
Non-Departmental				
Employee relations	25,000	27,500	27,043	457
Unemployment compensation	18,000	16,000	15,589	411
OPEB expense	466,270	466,270	466,270	-
Employee benefit program	-	-	13,579	(13,579)
Employee assistance	-	-	17,246	(17,246)
Property and liability insurance	270,000	272,000	271,774	226
Small claims	70,000	46,500	44,989	1,511
Employee W/C small claims	60,000	39,000	38,411	589
Bank charges	20,000	23,500	23,200	300
Boys' and Girls' Club	20,000	20,000	20,000	-
Transit system	85,000	85,000	85,000	-
Pee Dee Chapter Red Cross	10,000	10,000	10,000	-
Property acquisition expenditures	-	-	1,150	(1,150)
City-County Complex operation	195,600	195,800	195,707	93
Contingency	100,000	50,400	-	50,400
Street lights	740,000	727,100	726,860	240
Rail to trail project	-	17,600	3,240	14,360
Management software expenditures	-	-	26,256	(26,256)
Fire district tax reimbursement	50,000	30,000	29,453	547
IT Support Services	135,000	148,000	134,496	13,504
Legal services	55,000	75,000	74,213	787
Drug Free Florence	-	-	450	(450)
Downtown revitalization	-	-	91,208	(91,208)
Incubator project	-	-	846	(846)
Special projects	65,000	125,000	115,103	9,897
Other recreation programs	-	-	211,934	(211,934)
Tennis center expenditures	-	-	10,108	(10,108)
City Center expenditures	-	-	24,018	(24,018)
Capital Outlay	945,800	2,724,500	7,345,839	(4,621,339)
Keep Florence Beautiful	5,000	5,000	5,000	-
Total Non-Departmental	<u>3,335,670</u>	<u>5,104,170</u>	<u>10,028,982</u>	<u>(4,924,812)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Debt Service				
Principal	\$ 571,600	\$ 516,600	\$ 643,466	\$ (126,866)
Interest	-	-	26,012	(26,012)
Total Debt Service	<u>571,600</u>	<u>516,600</u>	<u>669,478</u>	<u>(152,878)</u>
TOTAL EXPENDITURES	<u>29,200,000</u>	<u>31,130,700</u>	<u>35,086,761</u>	<u>(3,956,061)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(4,363,100)</u>	<u>(4,887,800)</u>	<u>(9,114,965)</u>	<u>(4,227,165)</u>
Other Financing Sources (Uses)				
Capital leases	-	-	6,610,362	6,610,362
Transfers in	3,928,100	3,807,100	4,100,888	293,788
Appropriation of fund balance	435,000	1,080,700	-	(1,080,700)
Total Other Financing Sources (Uses)	<u>4,363,100</u>	<u>4,887,800</u>	<u>10,711,250</u>	<u>5,823,450</u>
NET CHANGES IN FUND BALANCES				
	-	-	1,596,285	1,596,285
Fund balance at beginning of year	<u>9,338,104</u>	<u>9,338,104</u>	<u>9,338,104</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 9,338,104</u>	<u>\$ 9,338,104</u>	<u>\$ 10,934,389</u>	<u>\$ 1,596,285</u>

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Water service fees	\$ 14,900,000	\$ 14,565,000	\$ 14,245,054	\$ (319,946)
Sewer service fees	15,150,000	15,260,000	15,186,242	(73,758)
Sewer surcharge	34,000	39,000	40,594	1,594
Cut on fees	145,000	192,000	193,597	1,597
Water tap fees	280,000	376,000	377,658	1,658
Sewer tap fees	60,000	135,000	139,358	4,358
Service charges	225,000	268,000	269,065	1,065
Late fees	430,000	390,000	390,401	401
Miscellaneous income	60,000	50,000	90,784	40,784
Total Operating Revenues	<u>31,284,000</u>	<u>31,275,000</u>	<u>30,932,753</u>	<u>(342,247)</u>
Operating Expenses				
Engineering				
Salary and wages	639,810	642,250	641,332	918
Retirement	67,820	68,470	68,272	198
Health insurance	81,850	83,210	81,682	1,528
Workers' compensation	12,990	12,990	10,940	2,050
Social security	48,950	44,670	44,663	7
Printing and supplies	3,500	1,040	468	572
Postage	300	300	19	281
Membership and dues	1,000	780	570	210
Auto operating expenses	3,500	3,500	3,049	451
Electricity	10,000	25,600	25,345	255
Travel and conferences	1,000	750	492	258
Telephone related services	2,000	9,660	9,537	123
Radio maintenance	500	500	-	500
Other maintenance and repairs	-	610	601	9
Maintenance and service contracts	50,000	30,000	7,393	22,607
Building maintenance	5,000	4,260	838	3,422
Office supplies	-	130	127	3
Other noncapital equipment	3,000	3,520	-	3,520
Uniforms and Clothing	3,000	3,000	2,575	425
Public notices	200	200	-	200
Employees training	1,500	1,970	1,965	5
Professional services	67,500	67,200	66,394	806
Special departmental supplies	10,000	9,480	9,639	(159)
Gas and oil	13,000	13,000	11,945	1,055
Total Engineering	<u>1,026,420</u>	<u>1,027,090</u>	<u>987,846</u>	<u>39,244</u>

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses (Continued)				
Utility Finance				
Salary and wages	\$ 890,260	\$ 901,690	\$ 884,286	\$ 17,404
Retirement	94,320	96,440	95,906	534
Health insurance	153,270	154,260	154,075	185
Workers' compensation	30,720	26,720	25,551	1,169
Social security	68,100	68,010	66,714	1,296
Printing and supplies	1,500	4,300	4,177	123
Office supplies	21,600	21,600	18,896	2,704
Janitorial supplies	5,400	3,000	56	2,944
Postage	4,800	4,800	2,995	1,805
Membership and dues	800	1,300	955	345
Travel and conferences	2,000	2,000	186	1,814
Auto operating expenses	10,500	16,900	16,766	134
Radio maintenance	600	500	450	50
Other maintenance and repairs	5,500	3,000	487	2,513
Telephone related services	4,300	4,300	3,614	686
Maintenance and service contracts	34,000	41,900	39,824	2,076
Building maintenance	1,500	4,400	4,227	173
Rent payments	44,000	44,000	42,130	1,870
Employee training	1,750	1,250	753	497
Professional services	-	200	103	97
Utility billing	170,000	175,000	173,636	1,364
Special departmental supplies	4,000	6,200	12,722	(6,522)
Meters, parts and supplies	100,000	360,900	335,806	25,094
Uniforms and clothing	3,400	4,500	4,106	394
Gas and oil	53,000	51,000	49,454	1,546
Water usage	2,800	2,400	2,027	373
Building and fixed equipment	45,000	1,900	-	1,900
Other equipment	14,650	25,300	-	25,300
Total Utility Finance	1,767,770	2,027,770	1,939,902	87,868
Wastewater Treatment				
Salary and wages	1,157,840	1,123,090	1,120,590	2,500
Retirement	122,670	120,220	119,971	249
Health insurance	199,560	202,010	201,692	318
Workers' compensation	34,280	29,780	29,131	649
Social security	88,570	82,090	81,886	204
Printing and supplies	1,400	1,660	1,658	2
Postage	1,500	1,500	1,239	261
Membership and dues	7,200	7,200	6,700	500
Travel and conferences	-	200	64	136
Auto operating expenses	10,000	13,700	12,263	1,437
Electricity	856,000	930,870	929,556	1,314
Heating fuel	15,000	10,000	4,347	5,653
Telephone related services	8,700	10,800	10,694	106

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variances</u> <u>With Final</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses (Continued)				
Wastewater Treatment (Continued)				
Radio maintenance	\$ 500	\$ 500	\$ 184	\$ 316
Maintenance and service contracts	5,000	6,410	1,764	4,646
Machine and equipment repairs	280,400	228,040	229,802	(1,762)
Building maintenance	1,000	2,740	2,735	5
Building and equipment supplies	100,000	77,500	-	77,500
Landfill services	360,000	459,000	462,333	(3,333)
Uniforms and clothing	8,000	13,000	12,885	115
Chemicals	120,000	151,000	137,366	13,634
Lab supplies	29,000	22,000	17,451	4,549
Employee training	5,000	10,520	11,106	(586)
Professional services	35,000	33,000	32,660	340
Special departmental supplies	52,000	55,000	57,030	(2,030)
Gas and oil	65,000	77,370	76,968	402
Water usage	25,000	25,000	19,104	5,896
Upgrade and painting	210,000	210,000	-	210,000
Total Wastewater Treatment	3,798,620	3,904,200	3,581,179	323,021
Water Production - Surface Water				
Salary and wages	372,450	325,560	322,440	3,120
Retirement	39,480	35,600	34,853	747
Health insurance	53,240	48,460	48,286	174
Workers' compensation	10,620	10,120	9,086	1,034
Social security	28,490	24,690	24,091	599
Printing and supplies	1,200	2,000	1,702	298
Postage	100	100	85	15
Membership and dues	650	650	615	35
Auto operating expenses	2,000	2,500	5,240	(2,740)
Electricity	300,000	338,070	337,706	364
Telephone related services	5,000	5,000	4,492	508
Heating fuel	20,000	17,180	16,561	619
Radio maintenance	500	230	-	230
Maintenance and service contracts	6,500	9,910	9,712	198
Machine and equipment repairs	43,000	34,800	110,970	(76,170)
Building maintenance	23,000	31,200	30,996	204
Uniforms and clothing	4,700	4,700	4,425	275
Chemicals	225,000	328,000	326,815	1,185
Lab supplies	40,000	48,300	47,847	453
Employee training	500	1,030	1,040	(10)
Professional services	9,000	9,000	8,857	143
Special departmental supplies	20,000	20,000	16,291	3,709
Gas and oil	6,600	6,070	5,824	246
Water usage	1,300	1,300	1,003	297
Upgrade and painting	515,000	355,900	-	355,900
Total Water Production - Surface Water	1,728,330	1,660,370	1,368,937	291,433

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses (Continued)				
Water Production - Ground Water				
Salary and wages	\$ 269,630	\$ 272,350	\$ 270,568	\$ 1,782
Retirement	28,580	29,710	29,278	432
Health insurance	57,100	57,380	57,220	160
Workers' compensation	9,430	8,730	8,001	729
Social security	20,630	19,940	19,768	172
Printing and supplies	300	480	60	420
Postage	120	420	227	193
Membership and dues	300	560	555	5
Auto operating expenses	3,500	4,960	4,887	73
Electricity	850,000	623,750	605,537	18,213
Telephone related services	40,000	51,550	51,096	454
Heating fuel	200	5,240	4,020	1,220
Radio maintenance	400	400	-	400
Machine and equipment repairs	48,000	48,000	143,408	(95,408)
Building maintenance	3,000	7,030	3,261	3,769
Uniforms and clothing	3,000	3,600	3,464	136
Chemicals	140,000	91,910	85,030	6,880
Lab supplies	12,000	17,620	10,543	7,077
Employee training	1,000	1,920	1,422	498
Professional services	60,000	60,000	58,398	1,602
Well repairs	82,000	150,490	120,139	30,351
Special departmental supplies	2,500	3,010	2,613	397
Gas and oil	25,000	25,000	23,301	1,699
Water usage	7,200	9,980	9,552	428
Upgrade and painting	100,000	196,000	-	196,000
Total Water Production - Ground Water	1,763,890	1,690,030	1,512,348	177,682
Distribution Operations				
Salary and wages	679,130	582,630	576,822	5,808
Retirement	71,990	62,810	61,610	1,200
Health insurance	133,280	125,990	124,104	1,886
Workers' compensation	24,790	22,290	21,473	817
Social security	51,950	42,980	42,403	577
Printing and supplies	3,800	5,100	4,813	287
Postage	150	150	36	114
Membership and dues	300	150	145	5
Travel and conferences	500	-	-	-
Auto operating expenses	20,000	20,000	13,676	6,324
Electricity	38,200	34,100	7,429	26,671
Telephone related services	14,700	14,700	5,423	9,277
Heating fuel	10,000	10,000	5,371	4,629
Radio maintenance	300	780	647	133
Maintenance and service contracts	1,000	7,960	7,210	750
Machine and equipment repairs	19,000	50,500	314,535	(264,035)

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses (Continued)				
Distribution Operations (Continued)				
Building maintenance	\$ 12,000	\$ 18,100	\$ 17,681	\$ 419
Uniforms and clothing	9,300	12,250	11,954	296
Meters, parts and supplies	250,000	122,000	121,489	511
Pipe fittings and hydrants	220,000	176,180	175,881	299
Paving materials and supplies	9,900	6,260	4,403	1,857
Employee training	400	1,470	838	632
Professional services	13,000	13,000	220,487	(207,487)
Special departmental supplies	17,000	17,000	23,268	(6,268)
Gas and oil	60,000	66,500	66,131	369
Water usage	9,000	9,600	9,384	216
Machines and equipment	3,900	8,800	-	8,800
Total Distribution Operations	<u>1,673,590</u>	<u>1,431,300</u>	<u>1,837,213</u>	<u>(405,913)</u>
Collection Operations				
Salary and wages	441,920	419,810	417,051	2,759
Retirement	46,840	44,250	43,943	307
Health insurance	89,970	83,620	81,804	1,816
Workers' compensation	16,550	16,550	14,042	2,508
Social security	33,810	31,070	30,833	237
Postage	50	50	10	40
Printing and supplies	100	100	36	64
Membership and dues	200	200	75	125
Travel and conferences	200	200	-	200
Auto operating expenses	11,000	13,200	12,811	389
Telephone related services	500	800	740	60
Radio maintenance	500	500	219	281
Machine and equipment repairs	18,000	20,000	19,636	364
Uniforms and clothing	5,500	5,500	5,267	233
Pipe fittings and hydrants	50,000	68,700	68,370	330
Paving materials and supplies	28,000	30,000	28,714	1,286
Employee training	150	400	375	25
Professional services	250	250	-	250
Special departmental supplies	10,000	16,000	15,302	698
Gas and oil	40,500	48,200	47,817	383
Machines and equipment	12,000	9,500	-	9,500
Total Collection Operations	<u>806,040</u>	<u>808,900</u>	<u>787,045</u>	<u>21,855</u>

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses (Continued)				
Non-Departmental				
Depreciation and amortization	\$ 5,448,200	\$ 6,358,200	\$ 4,499,624	\$ 1,858,576
Bank charges	81,000	87,000	86,068	932
Employee relations	15,000	20,000	19,412	588
Unemployment compensation	3,000	2,000	727	1,273
Other post employment benefits	142,990	142,990	142,990	-
Property and liability insurance	145,000	146,000	145,480	520
Small claims	20,000	30,000	29,640	360
Employee W/C small claims	25,000	23,000	21,551	1,449
Legal services	55,000	75,000	74,213	787
City-County complex operation	196,500	196,500	195,707	793
City Center operations	-	251,000	-	251,000
Contingency	193,000	522,000	-	522,000
IT support services	135,000	148,000	130,698	17,302
IT upgrade	44,000	48,000	3,797	44,203
Management system software	22,300	199,300	34,821	164,479
Special projects	100,000	110,000	84,414	25,586
Redevelopment expenses	-	-	175,000	(175,000)
Total Non-Departmental	<u>6,625,990</u>	<u>8,358,990</u>	<u>5,644,142</u>	<u>2,714,848</u>
TOTAL OPERATING EXPENSES	<u>19,190,650</u>	<u>20,908,650</u>	<u>17,658,612</u>	<u>3,250,038</u>
OPERATING INCOME	<u>12,093,350</u>	<u>10,366,350</u>	<u>13,274,141</u>	<u>2,907,791</u>
Non-Operating Revenues (Expenses)				
Investment earnings	44,000	53,000	47,053	(5,947)
Intergovernmental revenues	-	-	119,553	119,553
Miscellaneous revenues	1,462,000	1,601,000	-	(1,601,000)
Loss on disposal of assets	-	-	(50,215)	(50,215)
Interest expense	-	-	(1,227,824)	(1,227,824)
Appropriation of net position	2,803,200	4,377,200	-	(4,377,200)
Total Non-Operating Revenues (Expenses)	<u>4,309,200</u>	<u>6,031,200</u>	<u>(1,111,433)</u>	<u>(7,142,633)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>16,402,550</u>	<u>16,397,550</u>	<u>12,162,708</u>	<u>(4,234,842)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>82,545</u>	<u>82,545</u>
INCOME BEFORE TRANSFERS TRANSFERS OUT	<u>16,402,550</u> <u>(16,402,550)</u>	<u>16,397,550</u> <u>(16,397,550)</u>	<u>12,245,253</u> <u>(2,843,578)</u>	<u>(4,152,297)</u> <u>13,553,972</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>9,401,675</u>	<u>9,401,675</u>
NET POSITION AT BEGINNING OF YEAR	<u>109,453,692</u>	<u>109,453,692</u>	<u>109,453,692</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 109,453,692</u>	<u>\$ 109,453,692</u>	<u>\$ 118,855,367</u>	<u>\$ 9,401,675</u>

CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
PROPRIETARY FUND – STORMWATER UTILITY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variances With Final Budget
	Original	Final		
Operating Revenues				
Stormwater service fees	\$ 1,269,500	\$ 1,262,000	\$ 1,271,502	\$ 9,502
Miscellaneous income	54,500	12,000	33,314	21,314
Total Operating Revenues	1,324,000	1,274,000	1,304,816	30,816
Operating Expenses				
Salary and wages	299,690	308,240	294,579	13,661
Retirement	31,770	32,630	31,877	753
Health insurance	51,900	51,970	51,733	237
Workers' compensation	9,430	9,430	8,119	1,311
Social security	22,930	22,390	22,298	92
Printing and supplies	500	500	35	465
Membership and dues	700	1,200	1,125	75
Postage	200	200	2	198
Travel and conferences	300	300	-	300
Auto operating expenses	12,000	15,000	13,764	1,236
Electricity	5,000	4,000	3,364	636
Telephone related services	500	500	501	(1)
Radio maintenance	500	580	575	5
Machine and equipment repairs	18,500	15,270	21,510	(6,240)
Uniforms and clothing	3,000	3,000	2,981	19
Pipe fittings and hydrants	10,000	8,560	8,543	17
Employees training	700	850	808	42
Professional services	38,000	29,500	36,019	(6,519)
Special departmental supplies	8,000	12,500	8,688	3,812
Gas and oil	38,500	35,500	32,617	2,883
Depreciation	707,000	875,000	564,118	310,882
Bank charges	3,300	3,300	3,115	185
Employee relations	500	500	179	321
Unemployment compensation	500	500	18	482
Property and liability insurance	5,300	5,300	5,131	169
Other postretirement employee benefits	12,430	12,430	12,430	-
Amortization of bond issue costs	-	-	2,192	(2,192)
Small claims	1,000	1,000	-	1,000
TOTAL OPERATING EXPENSES	1,282,150	1,450,150	1,126,321	323,829
OPERATING INCOME	41,850	(176,150)	178,495	354,645

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
PROPRIETARY FUND – STORMWATER UTILITY FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variances With Final Budget
	Original	Final		
Non-Operating Revenues (Expenses)				
Investment earnings	\$ 6,000	\$ 6,000	\$ 5,132	\$ (868)
Interest expense	-	-	(70,733)	(70,733)
Appropriation of net position	570,000	738,000	-	(738,000)
Total Non-Operating Revenues (Expenses)	<u>576,000</u>	<u>744,000</u>	<u>(65,601)</u>	<u>(809,601)</u>
INCOME BEFORE TRANSFERS	617,850	567,850	112,894	(454,956)
TRANSFERS IN	<u>(617,850)</u>	<u>(567,850)</u>	<u>(102,147)</u>	<u>465,703</u>
CHANGE IN NET POSITION	-	-	10,747	10,747
NET POSITION AT BEGINNING OF YEAR	<u>3,054,070</u>	<u>3,054,070</u>	<u>3,054,070</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u><u>\$ 3,054,070</u></u>	<u><u>\$ 3,054,070</u></u>	<u><u>\$ 3,064,817</u></u>	<u><u>\$ 10,747</u></u>

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
SPECIAL REVENUE FUND – VICTIMS SERVICES FUND
YEAR ENDED JUNE 30, 2013**

<hr/>	
Court fines	
Court fines collected	\$ 634,834
Court fines retained by City	<u>(634,834)</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>
Court Assessments, Surcharges and Pullout	
Court assessment collected	\$ 682,217
Court surcharges collected	214,383
Court pullout collected	21,998
Court assessments, surcharges and pullout retained by City	<u>(98,867)</u>
Court assessments, surcharges and pullout remitted to the State Treasurer	<u>\$ 819,731</u>
Victims Services	
Court assessments allocated to Victims Services	\$ 76,092
Court surcharges allocated to Victims Services	22,775
Investment income	<u>564</u>
Funds allocated to Victims Services	99,431
Victims Services expenditures	<u>(107,242)</u>
Funds provided (used) in current year	(7,811)
Funds available for carryforward from prior year	<u>114,667</u>
Funds available for carryforward at end of year	<u>\$ 106,856</u>

STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	93
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	101
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	105
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	115

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**CITY OF FLORENCE, SOUTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment										
in capital assets	\$ 21,299,373	\$ 23,053,142	\$ 22,624,824	\$ 20,703,754	\$ 21,001,938	\$ 17,499,606	\$ 13,871,015	\$ 17,158,331	\$ 19,429,425	\$ 20,692,434
Restricted	-	-	-	167,439	20,000	30,000	30,000	5,029,732	1,279,834	2,815,762
Unrestricted	9,618,837	9,426,872	9,759,013	9,853,296	11,745,471	10,298,441	14,544,052	8,484,126	8,596,543	8,804,690
Total governmental activities net position	<u>\$ 30,918,210</u>	<u>\$ 32,480,014</u>	<u>\$ 32,383,837</u>	<u>\$ 30,724,489</u>	<u>\$ 32,767,409</u>	<u>\$ 27,828,047</u>	<u>\$ 28,445,067</u>	<u>\$ 30,672,189</u>	<u>\$ 29,305,802</u>	<u>\$ 32,312,886</u>
Business-type activities										
Net investment										
in capital assets	\$ 47,714,364	\$ 49,295,162	\$ 53,017,659	\$ 54,491,789	\$ 55,854,407	\$ 63,684,875	\$ 63,713,249	\$ 79,843,049	\$ 82,021,447	\$ 89,407,316
Restricted	-	-	-	280,988	-	2,473,850	5,075,799	6,323,412	4,899,688	4,794,542
Unrestricted	13,654,173	14,553,098	13,696,663	16,365,953	22,494,732	17,791,955	23,762,825	16,707,215	25,586,627	27,718,326
Total business-type activities net position	<u>\$ 61,368,537</u>	<u>\$ 63,848,260</u>	<u>\$ 66,714,322</u>	<u>\$ 71,138,730</u>	<u>\$ 78,349,139</u>	<u>\$ 83,950,680</u>	<u>\$ 92,551,873</u>	<u>\$ 102,873,676</u>	<u>\$ 112,507,762</u>	<u>\$ 121,920,184</u>
Primary government totals										
Net investment										
in capital assets	\$ 69,013,737	\$ 72,348,304	\$ 75,642,483	\$ 75,195,543	\$ 76,856,345	\$ 81,184,481	\$ 77,584,264	\$ 97,001,380	\$ 101,450,872	\$ 110,099,750
Restricted	-	-	-	448,427	20,000	2,503,850	5,105,799	11,353,144	6,179,522	7,610,304
Unrestricted	23,273,010	23,979,970	23,455,676	26,219,249	34,240,203	28,090,396	38,306,877	25,191,341	34,183,170	36,523,016
Total primary government net position	<u>\$ 92,286,747</u>	<u>\$ 96,328,274</u>	<u>\$ 99,098,159</u>	<u>\$ 101,863,219</u>	<u>\$ 111,116,548</u>	<u>\$ 111,778,727</u>	<u>\$ 120,996,940</u>	<u>\$ 133,545,865</u>	<u>\$ 141,813,564</u>	<u>\$ 154,233,070</u>

Table 02

**CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 5,882,028	\$ 5,502,778	\$ 6,008,887	\$ 5,988,907	\$ 7,903,075	\$ 8,068,970	\$ 7,307,747	\$ 6,910,887	\$ 6,884,773	\$ 6,224,892
Public safety	10,467,776	10,982,959	11,683,483	12,365,574	12,733,887	13,323,884	13,409,835	14,139,828	15,342,743	14,258,623
Public works	4,107,632	4,191,109	4,449,471	4,451,755	4,579,662	4,933,597	5,172,572	4,868,876	5,527,026	5,789,957
Culture and recreation	1,919,012	3,029,951	3,282,275	7,588,055	4,407,663	6,765,323	4,318,364	4,030,009	5,223,822	4,939,601
Community development	759,905	1,031,915	363,629	477,068	216,096	328,207	1,697,060	502,885	1,097,686	730,670
Interest on debt	27,823	2,083	21,608	165,107	147,403	273,148	365,197	525,463	672,883	428,682
Total governmental activities expenses	<u>23,164,176</u>	<u>24,740,795</u>	<u>25,809,353</u>	<u>31,036,466</u>	<u>29,987,786</u>	<u>33,693,129</u>	<u>32,270,775</u>	<u>30,977,948</u>	<u>34,748,933</u>	<u>32,372,425</u>
Business-type activities:										
Water & Sewer	16,141,725	17,277,622	17,786,812	17,674,784	18,350,029	20,480,653	19,267,013	17,974,450	18,376,996	18,926,059
Stormwater	634,494	655,871	877,543	1,050,567	1,074,366	1,070,200	1,159,819	1,210,596	1,295,628	1,197,054
Total business-type activities expenses	<u>16,776,219</u>	<u>17,933,493</u>	<u>18,664,355</u>	<u>18,725,351</u>	<u>19,424,395</u>	<u>21,550,853</u>	<u>20,426,832</u>	<u>19,185,046</u>	<u>19,672,624</u>	<u>20,123,113</u>
Total primary government expenses	<u>\$ 39,940,395</u>	<u>\$ 42,674,288</u>	<u>\$ 44,473,708</u>	<u>\$ 49,761,817</u>	<u>\$ 49,412,181</u>	<u>\$ 55,243,982</u>	<u>\$ 52,697,607</u>	<u>\$ 50,162,994</u>	<u>\$ 54,421,557</u>	<u>\$ 52,495,538</u>
Program Revenues										
Governmental activities:										
Charges for services	\$ 11,531,609	\$ 12,689,299	\$ 12,948,872	\$ 13,966,132	\$ 16,289,368	\$ 16,560,571	\$ 14,532,169	\$ 13,867,188	\$ 13,786,297	\$ 15,030,057
Operating grants and contributions	1,270,774	1,906,380	1,182,273	2,655,129	2,761,350	1,552,503	3,313,840	4,073,237	2,971,633	2,362,524
Capital grants and contributions	500,000	1,294,186	564,662	723,680	697,194	736,431	285,763	51,000	356,500	111,430
Total governmental activities program revenues	<u>13,302,383</u>	<u>15,889,865</u>	<u>14,695,807</u>	<u>17,344,941</u>	<u>19,747,912</u>	<u>18,849,505</u>	<u>18,131,772</u>	<u>17,991,425</u>	<u>17,114,430</u>	<u>17,504,011</u>
Business-type activities:										
Charges for services:										
Water & Sewer	19,614,845	20,530,495	21,416,515	22,679,541	26,030,858	25,476,228	27,616,193	28,554,598	29,557,415	29,988,906
Stormwater	1,046,266	1,066,694	1,090,893	1,124,063	1,213,130	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502
Operating grants and contributions	-	-	-	-	-	-	-	-	-	119,553
Capital grants and contributions	4,772,555	-	21,000	228,060	257,666	814,663	574,568	741,858	-	82,545
Total business-type activities revenues	<u>25,433,666</u>	<u>21,597,189</u>	<u>22,528,408</u>	<u>24,031,664</u>	<u>27,501,654</u>	<u>27,510,335</u>	<u>29,424,764</u>	<u>30,544,339</u>	<u>30,810,314</u>	<u>31,462,506</u>
Total primary government revenues	<u>38,736,049</u>	<u>37,487,054</u>	<u>37,224,215</u>	<u>41,376,605</u>	<u>47,249,566</u>	<u>46,359,840</u>	<u>47,556,536</u>	<u>48,535,764</u>	<u>47,924,744</u>	<u>48,966,517</u>
Net (expense)/revenue										
Governmental activities	(9,861,793)	(8,850,930)	(11,113,546)	(13,691,525)	(10,239,874)	(14,843,624)	(14,139,003)	(12,986,523)	(17,634,503)	(14,868,414)
Business-type activities	8,657,447	3,663,696	3,864,053	5,306,313	8,077,259	5,959,482	8,997,932	11,359,293	11,137,690	11,339,393
Total primary government net expense	<u>\$ (1,204,346)</u>	<u>\$ (5,187,234)</u>	<u>\$ (7,249,493)</u>	<u>\$ (8,385,212)</u>	<u>\$ (2,162,615)</u>	<u>\$ (8,884,142)</u>	<u>\$ (5,141,071)</u>	<u>\$ (1,627,230)</u>	<u>\$ (6,496,813)</u>	<u>\$ (3,529,021)</u>

(Continued)

**CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEAR
(Accrual Basis of Accounting)**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and fees										
Property taxes	\$ 7,292,228	\$ 7,507,436	\$ 7,956,478	\$ 8,193,634	\$ 8,360,565	\$ 8,594,436	\$ 8,766,376	\$ 9,375,114	\$ 9,401,312	\$ 9,340,283
Hospitality Fees ⁽¹⁾	1,122,278	2,283,203	2,371,249	2,661,073	2,799,149	2,800,739	2,841,585	2,926,340	3,092,529	3,214,470
Unrestricted grants and contributions	1,422,854	941,113	1,006,529	1,143,389	987,666	942,306	790,254	711,684	728,643	851,358
Investment earnings	57,738	116,464	255,196	479,844	439,199	186,869	45,791	22,815	20,686	42,800
Gain on sale of assets	-	-	-	-	-	-	-	-	355,108	-
Miscellaneous	242,415	435,721	344,108	603,307	869,250	514,233	188,017	158,122	149,837	895,937
Transfers	1,512,000	1,412,000	1,455,058	1,612,000	1,626,117	1,637,000	2,124,000	2,019,569	2,520,001	2,956,317
Total governmental activities	<u>11,649,513</u>	<u>12,695,937</u>	<u>13,388,618</u>	<u>14,693,247</u>	<u>15,081,946</u>	<u>14,675,583</u>	<u>14,756,023</u>	<u>15,213,644</u>	<u>16,268,116</u>	<u>17,301,165</u>
Business-type activities										
Investment earnings	77,086	228,027	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185
Miscellaneous	-	-	-	-	-	913,528	1,495,506	928,575	965,858	977,161
Transfers	(1,512,000)	(1,412,000)	(1,455,058)	(1,612,000)	(1,626,117)	(1,637,000)	(2,124,000)	(2,019,569)	(2,520,001)	(2,956,317)
Total business-type activities	<u>(1,434,914)</u>	<u>(1,183,973)</u>	<u>(997,991)</u>	<u>(881,905)</u>	<u>(866,850)</u>	<u>(357,941)</u>	<u>(396,739)</u>	<u>(1,037,490)</u>	<u>(1,503,604)</u>	<u>(1,926,971)</u>
Total Primary government	<u>10,214,599</u>	<u>11,511,964</u>	<u>12,390,627</u>	<u>13,811,342</u>	<u>14,215,096</u>	<u>14,317,642</u>	<u>14,359,284</u>	<u>14,176,154</u>	<u>14,764,512</u>	<u>15,374,194</u>
Changes in Net Position										
Governmental activities	665,442	1,561,804	(96,177)	(1,659,351)	2,042,923	(2,968,780)	617,020	2,227,121	(1,366,387)	2,432,751
Business-type activities	7,222,533	2,479,723	2,866,062	4,424,408	7,210,409	5,601,541	8,601,193	10,321,803	9,634,086	9,412,422
Total primary government	<u>\$ 7,887,975</u>	<u>\$ 4,041,527</u>	<u>\$ 2,769,885</u>	<u>\$ 2,765,057</u>	<u>\$ 9,253,332</u>	<u>\$ 2,632,761</u>	<u>\$ 9,218,213</u>	<u>\$ 12,548,924</u>	<u>\$ 8,267,699</u>	<u>\$ 11,845,173</u>

(1) Effective 1/1/2004

Table 03

**CITY OF FLORENCE, SOUTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX AND FEE REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Business License/ Franchise Fees</u>	<u>Hospitality Fee⁽¹⁾</u>	<u>Fines and Forfeitures</u>	<u>Total</u>
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
2008	8,360,565	10,212,766	2,799,149	827,954	22,200,434
2009	8,594,436	10,332,888	2,800,739	725,808	22,453,871
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,375,114	10,347,941	2,926,340	695,789	23,345,184
2012	9,401,312	10,318,699	3,092,529	692,526	23,505,066
2013	9,340,283	11,085,979	3,214,470	644,920	24,285,652

(1) 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,201	\$ 265,745	\$ 253,173
Restricted	-	-	-	-	-	-	-	210,000	-	331,319
Reserved	-	-	-	-	300,000	27,000	240,000	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	693,523	781,179	1,934,688
Unreserved	8,548,666	8,206,188	8,004,650	8,187,370	8,128,515	9,022,785	9,510,270	8,740,538	8,291,180	8,415,209
Total General Fund	<u>\$ 8,548,666</u>	<u>\$ 8,206,188</u>	<u>\$ 8,004,650</u>	<u>\$ 8,187,370</u>	<u>\$ 8,428,515</u>	<u>\$ 9,049,785</u>	<u>\$ 9,750,270</u>	<u>\$ 9,899,262</u>	<u>\$ 9,338,104</u>	<u>\$ 10,934,389</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,730	\$ 25,063	\$ 47,381
Restricted	-	-	-	-	-	-	-	1,733,579	1,279,834	2,484,443
Reserved	-	-	-	2,988,084	1,151,487	-	-	-	-	-
Committed	-	-	-	-	-	-	-	3,141,642	1,409,480	596,533
Assigned	-	-	-	-	-	-	-	1,194,567	675,914	-
Unreserved	1,282,068	1,383,486	2,023,353	1,691,698	3,750,499	8,889,745	7,169,422	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,282,068</u>	<u>\$ 1,383,486</u>	<u>\$ 2,023,353</u>	<u>\$ 4,679,782</u>	<u>\$ 4,901,986</u>	<u>\$ 8,889,745</u>	<u>\$ 7,169,422</u>	<u>\$ 6,090,518</u>	<u>\$ 3,390,291</u>	<u>\$ 3,128,357</u>

Table 05

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property Taxes	\$ 7,280,753	\$ 7,409,461	\$ 7,813,788	\$ 7,954,442	\$ 8,172,899	\$ 8,577,341	\$ 8,766,376	\$ 9,345,471	\$ 9,399,509	\$ 9,356,801
Licenses and fees	8,581,809	10,222,663	10,499,074	11,228,029	13,011,915	13,133,627	13,322,031	13,274,281	13,411,228	14,510,042
Intergovernmental	2,169,463	2,621,052	2,448,800	4,099,227	3,609,493	2,529,952	4,290,958	2,715,256	3,790,156	3,772,655
Charges for services	1,448,821	1,487,413	1,615,327	1,787,838	1,980,238	2,047,613	2,211,833	2,128,982	2,159,166	2,387,117
Fines and forfeitures	628,344	591,924	688,837	825,692	827,954	725,808	784,380	695,789	692,526	644,920
Investment earnings	57,738	116,464	255,196	479,844	439,199	186,869	45,791	30,006	20,689	40,298
Miscellaneous	1,678,382	1,680,684	450,306	956,527	2,165,312	1,132,615	1,036,131	3,001,651	675,859	1,042,119
Total revenues	<u>21,845,310</u>	<u>24,129,661</u>	<u>23,771,328</u>	<u>27,331,599</u>	<u>30,207,010</u>	<u>28,333,825</u>	<u>30,457,500</u>	<u>31,191,436</u>	<u>30,149,133</u>	<u>31,753,952</u>
Expenditures										
Current										
General government	5,362,932	4,967,408	5,439,557	5,446,156	7,389,797	7,407,872	6,995,675	6,765,865	6,776,184	6,072,413
Public safety	9,669,395	10,335,380	10,774,687	11,587,658	11,921,922	12,417,086	12,392,972	12,947,045	14,132,035	13,552,531
Public works	3,564,636	3,747,404	3,970,308	4,024,636	4,251,485	4,290,955	4,479,662	4,254,787	4,699,514	4,909,427
Culture and recreation	1,611,730	2,715,224	2,940,458	5,242,151	4,072,780	6,408,020	3,865,643	3,637,061	4,801,637	4,331,993
Community development	759,905	1,031,915	363,629	477,068	216,096	328,207	1,696,760	502,885	1,097,686	730,670
Debt Service										
Principal	243,651	240,921	272,252	505,051	543,977	670,369	1,069,978	1,162,813	2,358,462	1,763,799
Interest and debt costs	20,676	9,998	-	162,476	154,483	142,569	390,440	537,190	612,332	459,469
Capital Outlay										
Total expenditures	<u>24,529,772</u>	<u>25,782,721</u>	<u>25,542,535</u>	<u>29,829,583</u>	<u>32,698,476</u>	<u>34,781,292</u>	<u>33,503,490</u>	<u>39,571,801</u>	<u>36,398,227</u>	<u>39,975,688</u>
Excess of revenues over (under) expenditures	<u>(2,684,462)</u>	<u>(1,653,060)</u>	<u>(1,771,207)</u>	<u>(2,497,984)</u>	<u>(2,491,466)</u>	<u>(6,447,467)</u>	<u>(3,045,990)</u>	<u>(8,380,365)</u>	<u>(6,249,094)</u>	<u>(8,221,736)</u>
Other financing sources (uses)										
Bond proceeds	-	-	-	-	-	-	-	5,345,000	-	-
Debt issuance cost	-	-	-	(35,867)	(7,584)	(52,305)	-	(37,000)	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	72,102	-
Operating transfers in	1,983,406	2,244,169	1,850,987	2,320,701	2,337,842	2,460,915	3,062,440	2,851,048	3,353,864	4,100,888
Operating transfers out	(471,406)	(832,169)	(426,829)	(708,701)	(700,842)	(823,915)	(938,440)	(669,189)	(833,863)	(1,155,163)
Proceeds of capital lease	472,241	-	785,378	3,761,000	1,325,402	9,558,117	-	47,025	395,606	6,610,362
Total other financing sources (uses)	<u>1,984,241</u>	<u>1,412,000</u>	<u>2,209,536</u>	<u>5,337,133</u>	<u>2,954,818</u>	<u>11,142,812</u>	<u>2,124,000</u>	<u>7,536,884</u>	<u>2,987,709</u>	<u>9,556,087</u>
Net change in governmental fund balance	<u>\$ (700,221)</u>	<u>\$ (241,060)</u>	<u>\$ 438,329</u>	<u>\$ 2,839,149</u>	<u>\$ 463,352</u>	<u>\$ 4,695,345</u>	<u>\$ (921,990)</u>	<u>\$ (843,481)</u>	<u>\$ (3,261,385)</u>	<u>\$ 1,334,351</u>
Debt service as a percentage of non-capital expenditures	1.2%	1.1%	1.1%	2.6%	2.5%	2.7%	4.7%	5.8%	8.6%	7.0%

Table 06

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET POSITION OF ENTERPRISE FUNDS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Water & Sewer										
Service Fees	\$ 18,633,285	\$ 19,247,289	\$ 20,289,696	\$ 21,368,185	\$ 24,202,597	\$ 24,796,610	\$ 27,163,915	\$ 28,151,177	\$ 28,975,273	\$ 29,431,296
Sewer Surcharges	100,107	144,525	78,501	97,078	59,654	68,766	69,589	96,440	35,156	40,594
Cut on Fees	57,405	63,075	65,245	74,325	178,735	157,812	163,132	162,648	147,414	193,597
Water & Sewer										
Tap Fees	554,213	610,873	671,204	835,823	1,030,488	453,040	382,689	403,421	546,986	517,016
Service Charges	116,150	127,780	129,788	125,372	290,606	255,388	265,134	226,186	240,778	269,065
Late Fees	76,308	77,990	81,019	87,053	164,823	285,028	418,462	422,020	430,468	390,401
Stormwater Fees	1,042,990	1,066,694	1,089,301	1,121,916	1,198,218	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502
Investment earnings	77,086	228,027	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	119,553
Miscellaneous	80,653	258,963	123,654	321,912	376,533	1,187,775	1,223,346	928,575	152,512	206,643
Total revenues	20,738,197	21,825,216	22,985,475	24,761,759	28,260,921	28,789,394	31,152,025	31,691,854	31,832,025	32,491,852
Expenditures										
Current										
Engineering	634,732	713,268	776,610	809,866	906,622	869,298	911,246	974,177	1,032,580	987,846
Utility Finance	580,154	583,610	678,718	727,049	741,982	851,037	818,791	932,884	1,411,815	1,939,902
Wastewater Treatment	2,472,668	2,554,603	2,668,538	2,596,617	2,661,429	2,984,387	3,201,419	3,255,574	3,239,314	3,581,179
Water Production	2,216,561	2,351,240	2,492,365	2,742,980	3,046,488	2,882,349	2,963,361	2,668,762	3,302,963	2,881,285
Utility Operations	1,949,015	2,103,824	2,299,328	2,424,662	2,690,956	2,914,425	2,091,324	2,275,930	1,731,542	1,837,213
Utility Construction	130,579	187,231	194,431	109,020	190,226	263,678	755,176	768,601	732,536	787,045
Stormwater	634,494	655,871	877,543	883,581	916,032	920,469	1,019,210	1,079,309	1,198,115	1,126,321
Non-departmental	8,158,016	8,783,846	8,676,822	8,431,576	8,270,660	9,865,212	8,689,525	7,289,814	7,029,073	6,992,914
Net Interdepartmental										
Transfer	1,512,000	1,412,000	1,455,058	1,612,000	1,626,117	1,637,000	2,124,000	2,125,000	2,520,001	2,945,725
Total expense	18,288,219	19,345,493	20,119,413	20,337,351	21,050,512	23,187,855	22,574,052	21,370,051	22,197,939	23,079,430
Net change in net position	\$ 2,449,978	\$ 2,479,723	\$ 2,866,062	\$ 4,424,408	\$ 7,210,409	\$ 5,601,539	\$ 8,577,973	\$ 10,321,803	\$ 9,634,086	\$ 9,412,422

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	Fines and Forfeitures	Total
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
2008	8,172,899	10,212,766	2,799,149	827,954	22,012,768
2009	8,577,341	10,332,888	2,800,739	725,808	22,436,776
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,345,471	10,347,941	2,926,340	695,789	23,315,541
2012	9,399,509	10,318,699	3,092,529	692,526	23,503,263
2013	9,356,801	11,085,979	3,214,470	644,920	24,302,170

Table 08

CITY OF FLORENCE, SOUTH CAROLINA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

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	Motor Vehicles	Other					
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
2008	2007	43,624,088	63,334,142	15,510,400	20,406,476	4,262,629	138,612,477	54.9	2,577,078,442	5.38
2009	2008	46,591,593	67,302,466	14,886,860	22,118,529	4,282,034	146,617,414	54.9	2,728,131,590	5.37
2010	2009	48,563,854	68,919,960	13,671,060	21,327,503	4,434,172	148,048,205	54.9	2,777,562,487	5.33
2011	2010	53,718,182	70,501,984	14,093,880	20,772,127	4,553,707	154,532,466	56.7	2,930,483,528	5.27
2012	2011	54,714,285	71,085,672	14,523,690	19,183,573	4,591,064	154,916,156	56.7	2,960,477,579	5.23
2013	2012	54,937,686	69,773,408	15,291,980	18,778,579	4,687,925	154,093,728	56.7	2,957,895,007	5.21

Source: Florence County

Note: Property is reassessed every 5 years. Tax rates are per \$1,000 of assessed value.

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		
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
2008	2007	54.9	0.0	54.9	67.9	9.0	76.9	157.5	19.0	176.5	4.9	313.2
2009	2008	54.9	0.0	54.9	67.9	9.0	76.9	163.7	19.0	182.7	4.9	319.4
2010	2009	54.9	0.0	54.9	67.9	9.0	76.9	171.7	34.3	206.0	4.9	342.7
2011	2010	53.7	3.0	56.7	67.9	9.0	76.9	173.2	32.0	205.2	4.9	343.7
2012	2011	53.7	3.0	56.7	68.9	8.0	76.9	177.5	30.0	207.5	4.9	346.0
2013	2012	53.7	3.0	56.7	71.9	8.0	79.9	184.5	35.6	220.1	4.9	361.6

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	2013			2004		
	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	\$ 8,657,200	1	5.45%	\$ 7,598,580	1	6.48%
Magnolia, LLC	3,239,410	2	2.04	-		
Duke Energy Progress ⁽³⁾	3,105,930	3	1.96	2,744,130	4	2.34
McLeod Regional Medical Center	2,718,710	4	1.71	4,758,790	2	4.06
Florence Mall	1,797,550	5	1.13	-		
BellSouth Telecommunications	1,774,630	6	1.12	3,168,510	3	2.70
Raldex, Inc.	1,635,260	7	1.03	-		
Wal-Mart	1,542,070	8	0.97	683,020	9	0.58
Holcombe Land Development	1,289,900	9	0.81	1,034,850	6	0.88
South Carolina Electric and Gas	886,700	10	0.56	704,820	8	0.60
Byrd Properties, Inc.				2,364,890	5	2.02
Lowe's Home Improvement				991,450	7	0.85
Edens & Avant Fin. Ltd. Partnership				672,780	10	0.57

Source: Florence County

(1) Total Assessed Value for 2013 was \$158,781,653

(2) Total Assessed Value for 2004 was \$117,232,391

(3) In FY 2013 Duke Energy merged with Carolina Power and Light

Table 11

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original Tax Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections of Prior Tax Year's Levy in Subsequent Fiscal Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Collected</u>	<u>Percentage of Original Levy</u>
2004	2003	\$ 7,127,729	\$ 6,858,315	96.2%	\$ 57,851	\$ 6,916,166	97.0%
2005	2004	7,127,180	6,993,031	98.1	77,415	7,070,446	99.2
2006	2005	7,526,956	7,382,948	98.1	58,728	7,441,676	98.9
2007	2006	7,609,207	7,526,794	98.9	66,140	7,592,934	99.8
2008	2007	7,843,843	7,733,752	98.6	72,246	7,805,998	99.5
2009	2008	8,284,380	8,125,465	98.1	82,570	8,208,035	99.1
2010	2009	8,371,282	8,260,672	98.7	63,590	8,324,262	99.4
2011	2010	9,020,186	8,793,288	97.5	77,144	8,870,432	98.3
2012	2011	9,044,059	8,846,137	97.8	114,338	8,960,475	99.1
2013	2012	9,002,920	8,831,673	98.1	-	8,831,673	98.1

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	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2004	\$ -	\$ -	\$ 240,921	\$ 39,511,795	\$ 32,958,638	\$ 72,711,354	1.47%	\$ 2,296
2005	-	-	-	37,641,122	31,125,861	68,766,983	1.32	2,163
2006	-	-	4,274,126	39,670,000	29,111,139	73,055,265	1.35	2,288
2007	-	-	3,769,075	37,090,000	27,028,107	67,887,182	1.16	2,120
2008	-	1,280,000	3,270,500	36,265,000	24,873,896	65,689,396	1.08	2,049
2009	-	2,235,000	11,363,248	34,555,000	22,645,511	70,798,759	1.08	2,200
2010	-	2,060,675	10,466,595	111,040,082	17,419,572	140,986,924	2.13	3,805
2011	5,345,000	1,829,137	9,563,108	109,375,650	27,950,456	154,063,351	2.27	4,128
2012	5,092,905	1,416,062	8,265,421	105,252,219	28,815,589	148,842,196	*	3,959
2013	4,828,098	1,272,204	13,520,649	102,209,789	28,420,215	150,250,955	*	3,977

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

* Personal Income Tax Data is not currently available

Table 13

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

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund (3)</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
2004	31,662	\$ 113,304,707	\$ -	\$ -	\$ -	0.00%	\$ -
2005	31,787	113,338,178	-	-	-	0.00	-
2006	31,930	132,929,784 ⁽²⁾	-	-	-	0.00	-
2007	32,015	134,345,434	-	-	-	0.00	-
2008	32,063	138,612,477	-	-	-	0.00	-
2009	32,180	146,617,414	-	-	-	0.00	-
2010	37,056	148,048,205	-	-	-	0.00	-
2011	37,326	154,532,466 ⁽²⁾	5,345,000	-	5,345,000	3.46	143
2012	37,596	154,916,156	5,092,905	431,976	4,660,929	3.01	124
2013	37,784	154,093,728	4,828,098	480,499	4,347,599	2.82	115

(1) 2010 is the U.S. Census population, all other estimates by the South Carolina Budget and Control Board - Office of Research and Statistics or City of Florence Finance Department.

(2) Reassessment

(3) This is the amount restricted for debt service principal payments.

Table 14

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2013**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Government⁽¹⁾</u>	<u>Amount Applicable to Government</u>
Direct:			
City of Florence	\$ 19,620,951	100.00%	\$ 19,620,951
Total Direct Debt	<u>19,620,951</u>		<u>19,620,951</u>
Overlapping:⁽²⁾			
Florence County	41,335,691	36.30%	6,215,411
Florence School District 1	29,795,000	44.75%	8,502,500
Total Overlapping Debt	<u>71,130,691</u>		<u>14,717,911</u>
 Total Direct & Overlapping Debt	 <u>\$ 90,751,642</u>		 <u>\$ 34,338,862</u>

(1) The percentage of overlapping debt applicable is estimated by using assessed property values. Applicable percentages were estimated by dividing the City's assessed value by the assessed value of the appropriate overlapping jurisdiction (Florence County or Florence School District 1)

(2) Source: Florence County Finance Department

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Florence. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

Table 15

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 9,378,591	\$ 9,377,868	\$ 10,968,243	\$ 11,088,098	\$ 11,430,008	\$ 12,071,956	\$ 12,198,590	\$ 12,726,894	\$ 12,760,578	\$ 12,702,532
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	\$5,345,000	\$4,660,930	\$4,347,599
Legal Debt Margin	<u>\$9,378,591</u>	<u>\$9,377,868</u>	<u>\$10,968,243</u>	<u>\$11,088,098</u>	<u>\$11,430,008</u>	<u>\$12,071,956</u>	<u>\$12,198,590</u>	<u>\$7,381,894</u>	<u>\$8,099,648</u>	<u>\$8,354,933</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%	42.00%	36.53%	34.23%

Legal Debt Margin Calculation for Fiscal Year 2013

Taxable Assessed Value - 2013 Levy	\$ 154,093,728
Add back: exempt real property (Homestead Exemption)	4,687,925
Total Assessed Value	<u>\$ 158,781,653</u>
 Debt Limit (8% of Total Assessed Value Without Referendum)	 \$ 12,702,532
Debt applicable to limit:	
Total Bonded Debt	\$ 4,828,098
Less amounts available in debt service fund	(480,499)
Less Deductions Allowed by Law	-
Total Net Debt Applicable to Limit	<u>4,347,599</u>
Legal Debt Margin	<u>\$ 8,354,933</u>

CITY OF FLORENCE, SOUTH CAROLINA
REVENUE BOND COVERAGE – COMBINED WATER AND SEWER UTILITIES SYSTEM BONDS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue⁽¹⁾</u>	<u>Less: Operating Expenses⁽²⁾</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2008	26,654,167	11,204,841	15,449,326	2,392,078	2,782,452	5,174,530	2.99
2009	26,712,674	12,292,031	14,420,643	3,341,252	2,650,041	5,991,293	2.41
2010	29,199,368	12,087,177	17,112,191	3,447,196	2,497,453	5,944,649	2.88
2011	30,665,248	11,751,584	18,913,664	1,973,833	4,923,927	6,897,760	2.74
2012	31,924,606	12,439,583	19,485,023	3,879,607	6,082,235	9,961,842	1.96
2013	32,422,779	13,158,988	19,263,791	3,822,469	6,136,072	9,958,541	1.93

(1) Total Operating Revenues (including interest and Build America Bond Interest Subsidy) 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⁾
2004	31,662	4,950	25,204	14,117	8.7
2005	31,787	5,208	26,399	13,905	8.4
2006	31,930	5,395	27,449	14,715	7.5
2007	32,015	5,861	29,661	15,510	6.1
2008	32,063	6,093	30,690	15,490	6.7
2009	32,180	6,528	30,542	15,783	12.1
2010	37,056	6,592	32,048	16,017	11.0
2011	37,326	6,754	32,762	16,081	11.6
2012	37,596	*	*	16,176	10.2
2013	37,784	*	*	16,305	9.9

* Information not yet available

(1) 2010 is the U.S. Census population, all other estimates by the South Carolina Budget and Control Board - Office of Research and Statistics or City of Florence Finance Department.

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

(3) Florence School District One

(4) South Carolina Department of Employment and Workforce. Unemployment rate is for Florence County.

Table 18

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

Employer	2013			2004 ⁽²⁾		
	Number of Employees	Rank	Percentage of of Total County Employment ⁽¹⁾	Number of Employees	Rank	Percentage of of Total County Employment ⁽¹⁾
McLeod Regional Medical Center	6,300	1	11.1%	4,500	1	NA
Florence School District One	2,226	2	3.9	-	-	-
Administrators/TRICARE (BCBS)	1,430	3	2.5	-	2	-
Carolinas Hospital System	1,277	4	2.2	1,512	-	NA
The Assurant Group	1,263	5	2.2	-	-	NA
Florence County	803	6	1.4	800	3	-
Wal-Mart	635	7	1.1	-	-	-
Nightingales Nursing Services	600	8	1.1	-	-	-
City of Florence	506	9	0.9	-	-	-
Florence Co. Disabilities & Spec. Needs	309	10	0.5	-	-	-
The ESAB Group	-	-	-	640	4	NA
Francis Marion University	-	-	-	476	5	NA
Roche Carolina	-	-	-	278	6	NA
Pepsi Cola	-	-	-	262	7	NA
Amana, Inc	-	-	-	260	8	NA
Pet Dairy	-	-	-	175	9	NA
Rental Uniforms	-	-	-	173	10	NA

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

(2) Prior to FY 2006 principal employers were reported in the City's Water & Sewer Service area.

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	2013			2004		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$ 228,339	1.60%	2	\$ 101,135	1.02%
Johnson Controls	Manufacturing	2	155,178	1.09		-	-
Francis Marion University	University	3	148,021	1.04	4	98,687	1.00%
Heinz	Manufacturing	4	126,775	0.89		-	-
Carolinas Hospital System	Medical Services	5	98,041	0.69		-	-
Roche Carolina	Manufacturing	6	82,232	0.58	3	99,334	1.00
Rental Uniforms	Industrial	7	69,138	0.49	5	55,018	0.56
Forrest Lake Apartments	Apartments	8	65,990	0.46		-	-
International Food House	Manufacturing	9	58,221	0.41		-	-
Habitat 2000	Apartments	10	47,972	0.34	10	47,150	0.58
General Electric	Manufacturing		-	-	1	215,029	2.17
PET Dairy	Manufacturing		-	-	6	52,184	0.53
Pepsi Cola	Manufacturing		-	-	7	50,372	0.51
Springhill Suites	Hotel		-	-	8	50,175	0.51
ESAB	Manufacturing		-	-	9	47,815	0.48
TOTALS			<u>\$ 1,079,907</u>	<u>7.62%</u>		<u>\$ 816,899</u>	<u>9.74%</u>

Total Billed Revenue: \$14,243,395

Table 20

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

Customer	Type of Business	2013			2004		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$274,155	1.77%	5	\$ 106,450	1.19%
Francis Marion University	University	2	225,246	1.46	2	134,022	1.49
Koppers	Manufacturing	3	216,182	1.40	1	202,738	2.26
Heinz	Manufacturing	4	171,291	1.11		-	-
Roche Carolina	Manufacturing	5	162,733	1.05	4	115,240	1.28
ESAB	Manufacturing	6	134,533	0.87	3	118,956	1.33
Darlington County	Government	7	127,062	0.82	8	65,041	0.72
Rental Uniforms	Industrial	8	126,901	0.82	6	100,658	1.12
Carolina Hospital Systems	Medical Services	9	123,610	0.80		-	-
Forrest Lake Apartments	Appartments	10	97,986	0.63		-	-
PET Dairy	Manufacturing	-	-	-	7	98,418	1.10
Pepsi Cola	Manufacturing	-	-	-	9	58,916	0.66
American Baking Company	Manufacturing	-	-	-	10	53,710	0.60
TOTALS			<u>\$ 1,659,699</u>	<u>10.73%</u>		<u>\$ 1,054,149</u>	<u>11.75%</u>

Total Billed Revenues: \$15,452,919

Table 21

**CITY OF FLORENCE, SOUTH CAROLINA
NUMBER OF UTILITY CUSTOMERS – BY SERVICE AND CATEGORY
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013
Water Customers:										
Residential	24,647	25,259	25,957	26,610	27,189	27,139	27,299	27,333	27,561	27,760
Commercial	2,739	2,763	2,802	2,849	2,970	2,958	2,983	2,977	3,006	3,027
Industrial						7	5	3	2	2
Total	<u>27,386</u>	<u>28,022</u>	<u>28,759</u>	<u>29,459</u>	<u>30,159</u>	<u>30,104</u>	<u>30,287</u>	<u>30,313</u>	<u>30,569</u>	<u>30,789</u>
Sewer Customers:										
Residential	14,989	15,421	16,241	16,761	17,190	17,143	17,340	17,344	17,517	17,689
Commercial	2,068	2,086	2,119	2,157	2,247	2,234	2,241	2,228	2,263	2,275
Industrial						7	6	5	4	4
Total	<u>17,057</u>	<u>17,507</u>	<u>18,360</u>	<u>18,918</u>	<u>19,437</u>	<u>19,384</u>	<u>19,587</u>	<u>19,577</u>	<u>19,784</u>	<u>19,968</u>
Total Utility Customers:	<u><u>44,443</u></u>	<u><u>45,529</u></u>	<u><u>47,119</u></u>	<u><u>48,377</u></u>	<u><u>49,596</u></u>	<u><u>49,488</u></u>	<u><u>49,874</u></u>	<u><u>49,890</u></u>	<u><u>50,353</u></u>	<u><u>50,757</u></u>

(1) Prior to 2009 Industrial customers were included in the Commercial customers' total.

Table 22

**CITY OF FLORENCE, SOUTH CAROLINA
WATER RATES
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Minimum Rates⁽¹⁾										
Inside City Rates										
3/4"	\$ 9.65	\$ 9.83	\$ 10.02	\$ 10.27	\$ 11.10	\$ 11.77	\$ 12.47	\$ 12.00	\$ 12.25	\$ 12.50
1"	14.68	14.97	15.26	15.67	16.92	17.94	19.01	25.50	26.05	26.60
1 1/4"	15.94	16.26	16.58	17.02	18.37	19.47	20.63	36.75	37.55	38.35
1 1/2"	28.52	29.12	29.70	30.52	32.92	34.90	36.99	48.00	49.05	50.10
2"	48.02	49.05	50.04	51.45	55.46	58.79	62.31	75.00	76.65	78.30
3"	104.00	106.28	108.42	111.52	120.18	127.39	135.03	147.00	150.25	153.50
4"	182.00	186.01	189.76	195.22	210.34	222.96	236.33	228.00	233.05	238.10
6"	405.29	414.28	422.64	434.85	468.48	496.59	526.38	453.00	463.05	470.10
8"	717.90	733.85	748.68	770.32	829.89	879.68	932.46	723.00	739.05	755.10
Volume Rate (per 1,000 gallons)	1.35	1.38	1.41	1.43	1.55	1.64	1.74	1.75	1.79	1.83
Minimum Rates⁽¹⁾										
Outside City Rates										
3/4"	12.80	13.05	13.30	13.65	15.15	16.51	18.00	17.40	17.77	18.14
1"	20.34	20.76	21.17	21.75	24.12	26.29	28.66	39.00	39.85	40.70
1 1/4"	22.23	22.69	23.14	23.77	26.36	28.73	31.32	57.00	58.25	59.50
1 1/2"	41.10	41.98	42.82	44.02	48.79	53.18	57.97	75.00	76.65	78.30
2"	70.35	71.85	73.32	75.41	83.57	91.09	99.29	118.20	120.81	123.42
3"	154.32	157.72	160.90	165.52	183.39	199.89	217.88	233.40	238.57	243.74
4"	271.31	277.32	282.92	291.07	322.47	351.49	383.13	363.00	371.05	379.10
6"	606.26	619.72	632.24	650.51	720.64	785.49	856.19	723.00	739.05	755.10
8"	1,075.18	1,099.07	1,121.28	1,153.72	1,278.07	1,393.09	1,518.47	1,153.00	1,180.65	1,206.30
Volume Rate (per 1,000 gallons)	2.03	2.07	2.12	2.15	2.39	2.61	2.84	2.80	2.86	2.93

(1) Minimum rate is based on meter size and includes the customer charge (per account)

Table 23

**CITY OF FLORENCE, SOUTH CAROLINA
SEWER RATES
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Minimum Rates⁽¹⁾										
Inside City Rates										
3/4"	\$ 15.91	\$ 16.12	\$ 16.41	\$ 16.82	\$ 18.28	\$ 19.38	\$ 20.54	\$ 20.60	\$ 21.20	\$ 21.85
1"	25.41	25.75	26.23	26.92	29.28	31.04	32.90	46.85	48.20	50.68
1 1/4"	27.79	28.16	28.69	29.45	32.03	33.95	35.99	68.73	70.70	72.86
1 1/2"	51.55	52.24	53.25	54.71	59.52	63.09	66.88	90.60	93.20	96.05
2"	88.38	89.56	91.32	93.86	102.15	108.28	114.78	143.10	147.20	151.70
3"	194.11	196.72	200.61	206.27	224.50	237.97	252.25	283.10	291.20	300.10
4"	341.42	346.02	352.88	362.88	395.30	419.02	444.16	440.60	453.20	467.05
6"	763.16	773.44	788.82	811.25	883.04	936.02	992.18	878.10	903.20	930.80
8"	1,353.60	1,371.82	1,399.14	1,438.96	1,566.32	1,660.30	1,759.95	1,403.10	1,443.20	1,487.30
Volume Rate (per 1,000 gallons)	1.66	1.71	1.75	1.77	1.90	2.01	2.13	2.48	2.55	2.63
Minimum Rates⁽¹⁾										
Outside City Rates										
3/4"	21.85	22.14	22.55	23.14	25.86	28.19	30.73	31.10	32.00	32.98
1"	36.11	36.59	37.29	38.29	42.82	46.68	50.88	73.10	75.20	77.51
1 1/4"	39.67	40.20	40.97	42.08	47.06	51.30	55.92	108.11	111.20	114.60
1 1/2"	75.31	76.32	77.81	79.97	89.47	97.52	106.30	143.10	147.20	151.70
2"	130.55	132.31	134.91	138.70	155.21	169.18	184.41	227.10	233.60	240.74
3"	289.15	293.04	298.85	307.31	343.95	374.91	408.66	451.10	464.00	478.18
4"	510.12	516.98	527.26	542.23	606.90	661.52	721.06	703.10	723.20	745.30
6"	1,142.73	1,158.11	1,181.17	1,214.78	1,359.71	1,482.09	1,615.48	1,403.10	1,443.20	1,487.30
8"	2,028.38	2,055.70	2,096.64	2,156.34	2,413.65	2,630.88	2,867.66	2,243.10	2,307.20	2,448.10
Volume Rate (per 1,000 gallons)	2.49	2.57	2.63	2.66	2.93	3.19	3.48	3.97	4.08	4.21

(1) Minimum rate is based on meter size and includes the customer charge (per account)

Table 24

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

Function	Full-time Equivalent City Government Positions									
	2004	2005	2006	2007 ⁽¹⁾	2008	2009	2010	2011	2012	2013
General Government Admin.	19	19	13	11	12	12	12	13	14	12
Finance Department	9	10	10	10	10	10	10	10	10	9
Personnel Department	4	4	4	4	5	5	5	5	6	6
Community Services Department	5	5	5	7	8	8	8	8	8	8
Public Safety										
Police	127	138	140	138	138	140	143	153	153	154
Fire	71	71	71	70	70	71	72	85	85	85
Total Public Safety	198	209	211	208	208	211	215	238	238	239
Public Works Department										
Streets and Beautification	28	28	30	30	30	30	30	30	30	36
Sanitation	23	23	24	24	25	27	27	27	27	27
Equipment Maintenance	8	8	8	8	8	7	7	7	7	7
Total Public Works	59	59	62	62	63	64	64	64	64	70
Parks and Recreation	17	23	23	23	35	39	39	41	41	27
Urban Planning & Development	0	0	0	4	4	8	8	8	7	14
Water and Sewer	114	115	116	117	117	117	118	119	120	122
Stormwater	11	12	12	11	11	11	10	9	9	9
Total Employees	436	456	456	457	473	485	489	515	517	516

Source: City of Florence Budget

(1) Urban Planning & Development staff had previously been counted in the General Government Administration Function.

Table 25

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical Arrests	2,737	2,918	2,881	3,003	3,523	3,787	3,633	2,740	2,965	3,570
Traffic Violations	4,366	6,345	8,876	9,323	9,598	8,692	8,775	12,697	7,728	7,923
Parking Violations	966	1,020	1,153	757	623	924	770	546	514	430
Fire										
Calls Answered	2,603	2,162	2,324	2,413	2,236	2,177	2,565	2,709	2,492	2,557
Inspections	780	941	974	1,021	837	1,286	1,040	1,797	1,992	1,735
Water System										
Service Connections	27,475	28,166	28,759	29,459	30,238	30,240	30,814	30,396	30,546	30,789
Average daily consumptions (in millions of gallons)	12.06	12.06	12.50	13.00	14.00	13.00	13.00	13.00	13.00	12.17
Maximum daily capacity (in millions of gallons)	37.00	37.00	37.00	37.00	37.00	37.00	26.00	26.00	26.00	25.60
Wastewater System										
Service connections	17,154	17,632	18,360	18,918	19,486	19,530	19,954	19,641	19,780	19,954
Average daily treatment (in millions of gallons)	10.10	10.10	8.90	10.00	9.82	11.00	12.00	10.00	8.50	8.63
Maximum daily capacity (in millions of gallons)	15.10	15.00	15.00	15.00	15.00	18.00	18.00	18.00	18.00	18.00

Table 26

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	2	2	2	3	2	3	3
Resource Centers	3	3	3	3	3	4	6	9	5	6
Patrol units	113	115	125	157	127	135	100	133	159	128
Fire Stations										
Fire Stations	4	4	4	4	4	4	4	5	5	5
Highways and Streets										
Streets (in miles) ⁽¹⁾	241	241	246	241	241	283	283	96	97	99
Streetlights (Leased)	5,125	5,572	5,816	6,052	6,075	6,235	6,375	6,670	6,722	6,722
Culture and Recreation										
Community centers	3	3	4	3	4	4	4	6	6	4
Parks	13	14	15	16	16	17	19	19	19	18
Park acreage	300	530	500	530	605	624	660	660	660	655
Swimming pools	0	0	0	0	0	0	0	0	0	0
Tennis courts	24	24	24	22	24	24	48	54	50	49
Water System										
Water mains (in miles)	726	730	730	730	741	718	718	724	733	748
Fire hydrants	1,280	1,524	1,786	1,801	1,882	2,334	2,213	2,229	2,259	2,317
Wastewater System										
Sanitary sewers (in miles)	357	368	375	375	390	388	425	448	456	462
Treatment plants	2	1	1	1	1	1	1	1	1	1
Stormwater System										
Storm sewers (in miles) ⁽²⁾	95	100	105	109	110	115	115	75	76	76

(1) Prior to 2011 the streets reported represented the total number of miles within the City. Beginning in 2011, the streets reported represent the miles of streets owned by the City of Florence.

(2) Prior to 2011 the storm drains reported represented the total number of miles within the City. Beginning in 2011, the storm drains reported represent the miles of storm drains owned by the City of Florence.

Table 27

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

Date of Incorporation		1890
Form of Government		Council/Manager
Total Number of Full-Time Employees		516
Area in square miles		21.51
Facilities and services not included in the primary government		
Cable Television System		
Miles of service (Florence County)		1,223
Number of satellite receiving stations		-
Education		
Number of elementary schools		14
Number of elementary school instructors		559
Number of secondary schools		7
Number of secondary school instructors		448
Facilities and services not included in the reporting entity		
Hospitals		
Number of hospitals		3
Number of patient beds		916
Other data		
Business Licenses issued for fiscal year 2012-2013		3,270
New Business Licenses issued for fiscal year 2012-2013		404
Business License Receipts	\$	7,880,826
Percent change in Business License receipts from prior year		13.21%
Franchise Fee Receipts	\$	3,205,152
Percent change in Franchise Fee receipts from prior year		(4.38%)
Population (estimated population)		37,784
City of Florence gross retail sales for calendar year 2012	\$	2,550,916,504
Per Capita spending for calendar year 2012	\$	67,513
Outstanding General Obligation Debt, net of amounts available for debt service	\$	4,347,599
Outstanding Revenue Debt	\$	124,027,136
City of Florence Bond Rating		
Moody's Investor's Service		Aa2
Standards and Poor's		A+
Residential construction permits issued		264
Construction value	\$	13,235,401
Commercial construction permits issued		108
Construction value	\$	27,775,625

SINGLE AUDIT SECTION

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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

Report on Compliance for Each Major Federal Program

We have audited **City of Florence, South Carolina's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Florence's major federal programs for the year ended June 30, 2013. City of Florence's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Florence's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Florence's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Florence, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

City of Florence's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Florence's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Florence is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Florence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Florence's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Florence, South Carolina
December 2, 2013

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs			
CDBG - ENTITLEMENT GRANTS CLUSTER			
Community Development Block Grants	14.218	N/A	\$ 338,185
ARRA-Community Development Block Grants	14.253	N/A	30,000
Total CDBG - Entitlement Grants Cluster			<u>368,185</u>
U.S. Department of Housing and Urban Development			
Direct program			
Economic Development Initiative	14.251	N/A	47,500
Total Direct Department of Housing and Urban Development			<u>47,500</u>
Passed through S.C. State Housing Finance and Development Authority			
Neighborhood Stabilization Program	14.228	08-NSP-116	90,646
Neighborhood Stabilization Program	14.228	11-NSP-116	394,702
Subtotal CFDA 14.228			485,348
HOME Investment Partnership Program	14.239	2010HOMERESV	50,121
Total passed through S.C. State Housing Finance and Development Authority			<u>535,469</u>
Total Department of Housing and Urban Development			<u>582,969</u>
U.S. Department of Justice			
Direct program			
Bureau of Justice Assistance Grant	16.580	N/A	37,336
Bullet Proof Vest Program	16.607	N/A	9,507
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	77,429
Total Department of Justice direct programs			<u>124,272</u>
U.S. Department of Transportation			
Passed through S.C. Department of Transportation			
Highway Planning and Construction	20.205	ENH 96-07	117,587
Total Department of Transportation passed through programs			<u>117,587</u>
U.S. Environmental Protection Agency			
Passed through S.C. Dept. of Health and Environmental Control			
Capitalization Grants for Clean Water State Revolving Funds	66.458	S1-121-09-378-19	308,330
NonPoint Source Implementation Grant	66.460	EQ-3-805	15,904
Total Environmental Protection Agency passed through programs			<u>324,234</u>
Total Expenditures of Federal Awards			<u>\$ 1,517,247</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF FLORENCE, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

1. Significant Accounting Policies

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. The information presented on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. For purposes of the schedule, federal programs include all federal awards and procurement relationships entered into directly between the primary government, the City of Florence, South Carolina, and the federal government and sub-grants from non-federal organizations made under federally sponsored agreements.

2. Outstanding Loans

At June 30, 2013, the City had the following outstanding loans:

	CFDA #	Amount
U.S. Department of Housing and Urban Development		
CDBG Section 108 Loan Guarantees	14.248	\$ 740,000
U.S. Environmental Protection Agency		
Water Supply Improvements	66.468	1,144,395
Pee Dee Regional Water System/Finished Water Main	66.468	4,508,915
Rain Water Storage	66.468	1,926,985
Regional Wastewater Treatment Plant Upgrade - Phase I	66.458	17,332,608
Total Environmental Protection Agency		24,912,903
Total loans outstanding		\$ 25,652,903

3. Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants	\$ 35,000

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

 Material weakness(es) identified? yes X no

 Significant deficiency(ies) identified not considered
 to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? yes X no

 Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes X none reported

Type of auditor’s report issued on compliance for major
programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in
accordance with section .510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG - Entitlement Grants Cluster
14.253	Community Development Block Grants
	ARRA - Community Development Block Grants
14.251	Economic Development Initiative

Dollar threshold used to distinguish between Type A and Type B
programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

**CITY OF FLORENCE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

II – Financial Statements Findings:

None

III – Federal Awards Findings:

2013-01 Special Reporting

**CDBG – Entitlement Grants Cluster
Community Development Block Grants 14.218**

Condition: The City did not submit reports for subawards to subrecipients as required.

Criteria: The Federal Funding Accountability and Transparency Act requires all Prime Grant Recipients awarded a new federal grant greater than \$25,000 to submit a FFATA subaward report by the end of the month following the month in which the prime recipient awards any subaward greater than or equal to \$25,000. This report is submitted through the FFATA Subaward Reporting System (FSRS).

Cause: City staff was unaware of the requirement to submit the FFATA Subaward Report through the FFATA Subaward Reporting System (FSRS).

Questioned Costs: There were no questioned costs related to this finding.

Effect: Noncompliance with the Reporting compliance requirement.

Recommendation: The City should have someone knowledgeable of grant reporting and requirements review all subawards issued and submit the proper reports.

Views of Responsible Officials and Planned Corrective Action: The City complies with award reporting requirements upon becoming aware of those requirements. The City was not aware of this subaward and subrecipient reporting requirement. The City was first made aware of this reporting requirement by its contract auditor on October 25, 2013, and upon this notification, contacted its Grantor HUD representative for confirmation. After researching the reporting issue, the HUD representative confirmed the filing requirement.

Upon receiving this requirement confirmation from HUD, the City completed the reporting registration process and filed the required report on December 2, 2013, in the Federal Subaward Reporting System as required by the Federal Funding Accountability and Transparency Act (FFATA).

Now that the City is aware of this requirement, it will comply with future reporting stipulations as required under the FFATA. Future entitlement line items funding subrecipients will be flagged for FFATA reporting in the City's accounting system ensuring that the City remains compliant on this reporting requirement.

**CITY OF FLORENCE, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

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

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Florence, South Carolina's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Florence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Florence's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Florence's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Florence's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Florence, South Carolina
December 2, 2013