

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004



CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2004

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INTRODUCTORY SECTION

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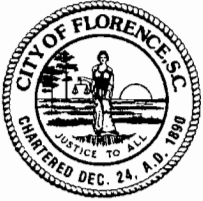
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**CITY OF
FLORENCE**

• SC •



FINANCE DIRECTOR
CITY-COUNTY COMPLEX BB
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September 16, 2004

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (City) for the fiscal year ended June 30, 2004.

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

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, 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, 2004, are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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

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

This report complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. This format is intended to improve financial reporting by adding significant additional information not previously available in local government financial statements. The City's financial statements include government-wide financial statements as well as fund-by-fund financial information. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition,

***A CITY OF
CHARACTER***

this report includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. This report also includes the MD&A which provides "financial highlights and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data." In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of the seven counties known as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of 19.8 square miles and serves a population of 30,853. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Florence are required to submit requests for appropriations to the City Manager in the Spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 40 as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Conditions

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

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

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

The healthcare industry in Florence has over the years grown to become one of the very best in the nation, and the growth in healthcare continues. The Carolinas Hospital System boasts 250,000 square-foot, \$100 million medical complex on the south side of Florence. McLeod Regional Medical Center also continues to expand its physical facilities with new professional

buildings and specialized medical facilities, including the McLeod Fitness Forum. Both hospital systems continue to expand with major additions to their facilities.

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

The Florence City County Civic Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Civic Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse entertainment events as concerts, circuses, rodeos, ice skating and assorted shows. In the fall of 1997 a professional ice hockey team, the Pee Dee Pride, began regular season play in the facility as part of the East Coast Hockey League. The hockey program provided an exciting and enjoyable outing for an average of 1,453 fans per game during its regular 2003-2004 season. Total attendance for the hockey season was 58,137 with 37 regular season games.

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

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

Long-term financial planning. *Florence Pee Dee Regional Water and Sewer Master Plan* – In 2004 and for the past several years the Florence Pee Dee Regional Water and Sewer Steering Committee has met to discuss issues regarding regional water and sewer needs and to develop a framework for regional partnerships in the delivery of water and sewer services. To facilitate the continued development of this regional development plan, the City of Florence, in partnership with the Steering Committee, contracted with the engineering firm Camp Dresser and McKee to prepare a Water and Sewer System Master Plan for the Pee Dee region. This study will serve as the vehicle by which a formal consensus is reached among the various utilities currently providing water and sewer services. This consensus will lead to agreements for the production, delivery, and sale of water and sewer treatment between Pee Dee water and sewer utilities. These agreements should provide for water and sewer service to areas not currently served by water and sewer infrastructure. The development of regional partnerships will promote economic development and will ensure least cost opportunities for all Pee Dee communities. The development and recommendation of a wholesale rate methodology will also be included as a component of the Water and Sewer Master Plan.

EPA Required Capacity, Management, Operations and Maintenance (CMOM) Program – The US Environmental Protection Agency is in the process of developing the Capacity, Management, Operation and Maintenance (CMOM) program to control overflows of sanitary sewage. CMOM regulations will require that City of Florence and other cities develop management and financial plans to ensure that their wastewater collection systems are designed and operated to convey wastewater without spills or discharges to the environment. During fiscal year 2004 the City of Florence, selected and contracted with Camp Dresser and McKee (CDM) to act as the lead engineer in the development of a Regional Water and Sewer System Master Plan. A major component of this task is to investigate and determine a comprehensive sewer management program directed at meeting any regulatory requirement that may be required as the result of CMOM regulations. It is anticipated that the project will be completed by spring of 2005.

Stormwater Management – In February 2002 City Council authorized staff to proceed with the design and construction of several proposed stormwater projects identified as the most critical problem areas to be addressed over the next three years. The projects, estimated at a cost of \$1.3 million, were selected based on available funding and the following prioritization criteria: Health and Safety; Environmental Impact; Infrastructure Damage; Damage to Private Property; Public or Private Nuisance; Public Health; Area Impact; Unique Cases; System Wide Impact. The initial project list includes projects which meet or exceed the stated criteria. The projects will be completed on an annual basis over the next three fiscal years. A number of these projects estimating approximately \$450,000 were recently designed. Bids will be received and construction is scheduled to begin within the next several months.

Stormwater Phase II Program – During March 2003 the City of Florence applied for its National Pollutant Discharge Elimination System (NPDES) permit for the Stormwater Phase II program from the South Carolina Department of Health and Environmental Control (SCDHEC). This EPA and SCDHEC requirement is designed to preserve, protect, and improve the nation's water resources from polluted stormwater. Through the program, the City of Florence is working to minimize stormwater pollution in the city. The goal of the Stormwater Phase II program for cities is to establish long-term stormwater management activities and projects that meet the six NPDES permit requirements to include 1) Public Education and Outreach; 2) Public Involvement and Participation; 3) Illicit Discharge Detection and Elimination; 4) Construction Site Runoff Control; 5) Post-Construction Runoff Control; and 6) Pollution Prevention/Good Housekeeping. The City of Florence recently formed the Stormwater Advisory Board, composed of engineers, business owners, developers, contractors and city personnel, to help plan the Phase II program for the city. The board will help manage and determine the best activities and projects that meet the six requirements set forth by the EPA. In the coming year, the City of Florence will also be developing new land development regulations and city ordinances relating to stormwater. These regulations and ordinances will help control the pollution associated with stormwater. Over the past year city staff has continued to meet with the Stormwater Advisory Board seeking input and guidance in revising the City's land development regulations. The Board has recommended that the City of Florence review for compliance purposes all development plans submitted within the urbanized area of City of Florence and for Florence County. This additional cost would be borne by the developer through an assessment of review fees.

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

Downtown Revitalization – In 2001 a Downtown Master Redevelopment plan was presented to the public as a strategic process for transforming downtown Florence back into the cultural and economic heart of the Pee Dee. The focus of the master plan is the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. A Downtown Revitalization Coordinator was hired in November 2001 as part of the master plan implementation process. A 501(c)(3) tax-exempt charitable corporation, the Florence Downtown Development Corporation was also formed as an initial implementation step. As part of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrance of downtown Florence, the Revitalization Coordinator works closely with the Downtown Development Corporation, the Florence Downtown Merchants Association, City staff and others involved with the revitalization effort. For FY 2003-04 City Council appropriated a total of \$100,000 to the Downtown Development Corporation. Design guidelines, the establishment of an overlay zoning district, an historic context evaluation, and various other related analyses were completed this year. Additional downtown revitalization funds have been appropriated in FY 2004-05 for consulting services needed in the development of a project-based financial feasibility analysis, site-level planning and illustration, real estate evaluation and recommendations, funding and finance strategies and other implementation steps.

Brownfields Project – In FY 2004 the City of Florence was selected by the US Environmental Protection Agency to receive a \$200,000 Brownfields assessment grant to be used to perform environmental site assessments in targeted areas. Grant funds are also to be used for community outreach activities, cleanup planning and health monitoring. The overall goal of this project is to promote the revitalization of the downtown area through the redevelopment of brownfields which are abandoned and underutilized industrial and commercial properties. The project period for this grant runs for two years from October 2003 through September 30, 2005. In addition to the Brownfields assessment grant, the City was awarded a \$500,000 grant in January 2004 from the Bruce and Lee Foundation to acquire brownfields property on Irby Street. This property, which serves as a catalyst project for downtown revitalization and is the initial project in the brownfields assessment, has the potential for several reuse options which will be considered in the future by the City.

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

The South Carolina Local Government Investment Pool is a pool of funds belonging to participating local governments which is managed by the State Treasurer. These funds are invested by the State Treasurer in obligations of the United States and its agencies and repurchase agreements collateralized by securities of the U.S. Government or its agencies.

The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The City earned interest revenue of \$134,824 on all investments for the year ended June 30, 2004.

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

The City maintains its insurance for tort liability, property, automobile fleet, boiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The City carries a \$10,000 deductible under both the SCMIT and SCMIRF plans. Claims below this threshold are managed by the City.

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

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

The City also provides postretirement health and dental care benefits for retirees and their dependents that meet certain service requirements. As of the end of the current fiscal year, there were 42 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report for the fiscal year ended June 30, 2003. 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 2003 marks the sixth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,

Thomas W. Chandler
Finance Director

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, 2003

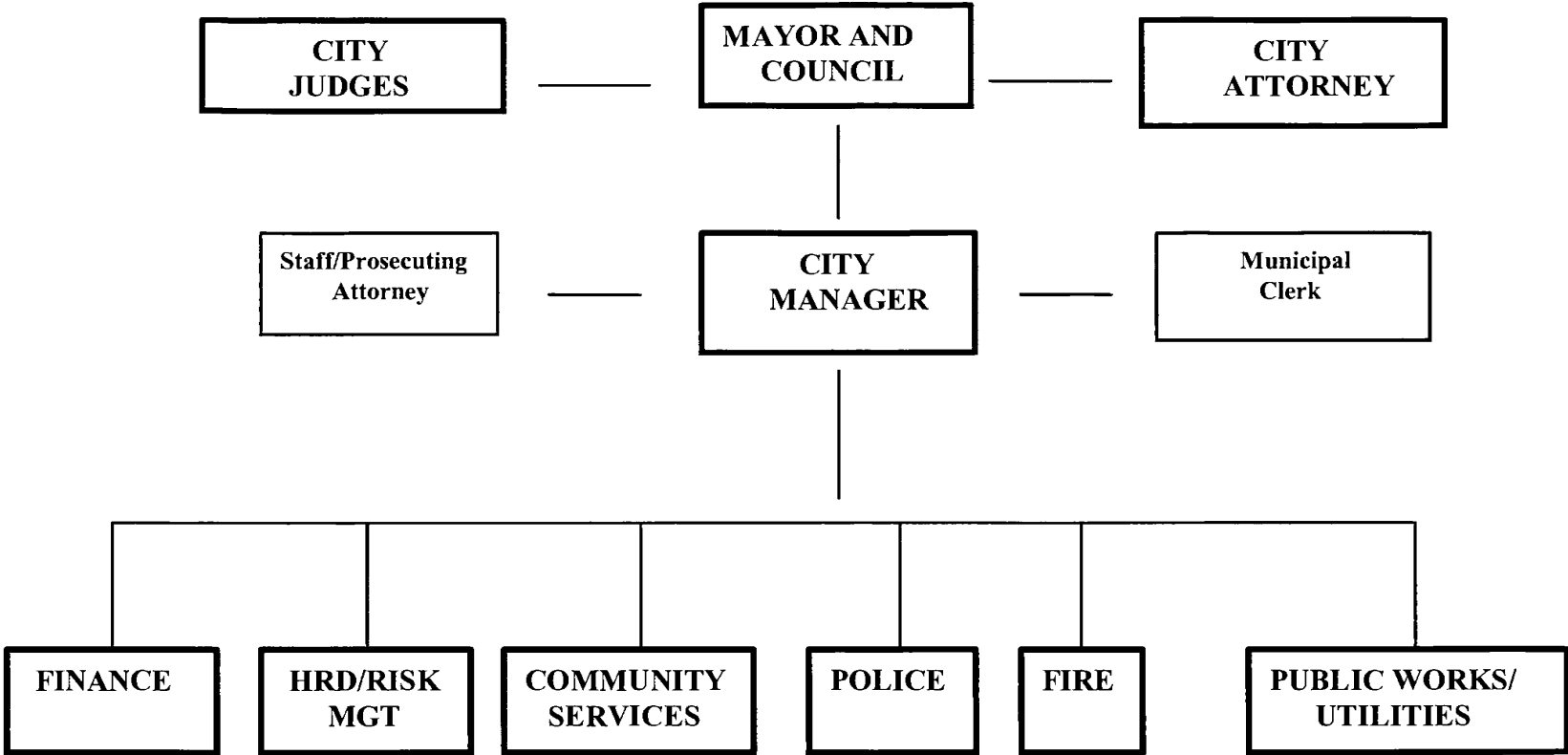
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**CITY OF FLORENCE, SC
ORGANIZATIONAL CHART**



CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2004

GOVERNING BODY

Frank E. Willis, Mayor

Billy D. Williams, Mayor Pro Tempore

Edward Robinson

Robert C. Holland

Rick Woodard

William C Bradham, Jr.

Maitland S. Chase, III

ADMINISTRATION

David N. Williams, City Manager

Thomas W. Chandler, Finance Director

Darene S. Stankus, Human Resources/Risk Management Director

Scotty B. Davis, Community Services Director

Anson E. Shells, Police Chief

Joseph H. Robertson, Fire Chief

Andrew H. Griffin, Public Works Director

Thomas B. J. Shearin, Special Services Administrator

FINANCIAL SECTION

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, South Carolina, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2004, on our consideration of the City of Florence, South Carolina, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 30 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Burch, Grier, Seale Co., CPAs, PA

September 2, 2004

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

As management of the City of Florence, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 7-12 of this report.

Financial Highlights

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$92,286,747 (*net assets*). Of this amount, \$23,273,010 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$7,887,975.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$9,830,734, a decrease of \$700,221 in comparison with the prior year. Approximately 100 percent of this total amount, \$9,830,734 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,548,666, or 38.46 percent of the total fund expenditures.
- The City of Florence had \$72.9 million in bonds and notes outstanding versus \$73.3 million last year, a decrease of .55 percent.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Florence's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Florence include general government, public safety, community services, and parks and leisure services. The business-type activities of the City of Florence include water and sewer services and storm water services.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Florence, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Florence can be divided into these categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental

fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a variety of individual governmental funds. For the general fund, which is considered a major fund, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 36 and 38 of this report.

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

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer activities and for the stormwater operations. The water and sewer fund is considered to be major fund and the stormwater fund is considered to be a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 41-44 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 45 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 46-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, certain *required supplementary information* is presented in this report.

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 64-110 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$92,286,747 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (74.78 percent) reflects its investment in capital assets (e.g. land, building, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Florence's Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 12,438,454	\$ 13,074,944	\$ 17,163,942	\$ 16,112,882	\$ 29,602,396	\$ 29,187,826
Capital assets	21,548,209	19,787,637	118,532,853	114,159,609	140,081,062	133,947,246
Total assets	33,986,663	32,862,581	135,696,795	130,272,491	169,683,458	163,135,072
Long-term liabilities outstanding	1,816,062	1,416,825	72,897,248	73,009,431	74,713,310	74,426,256
Other liabilities	1,252,391	1,192,988	1,431,010	3,117,056	2,683,401	4,310,044
Total liabilities	3,068,453	2,609,813	74,328,258	76,126,487	77,396,711	78,736,300
Net assets:						
Invested in capital assets, net of related debt	21,299,373	19,774,538	47,714,364	41,575,877	69,013,737	61,350,415
Unrestricted	9,618,837	10,478,230	13,654,173	12,570,127	23,273,010	23,048,357
Total net assets	\$ 30,918,210	\$ 30,252,768	\$ 61,368,537	\$ 54,146,004	\$ 92,286,747	\$ 84,398,772

The balance of unrestricted net assets (\$23,273,010) may be used to meet the government's ongoing obligations to citizens and creditors.

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

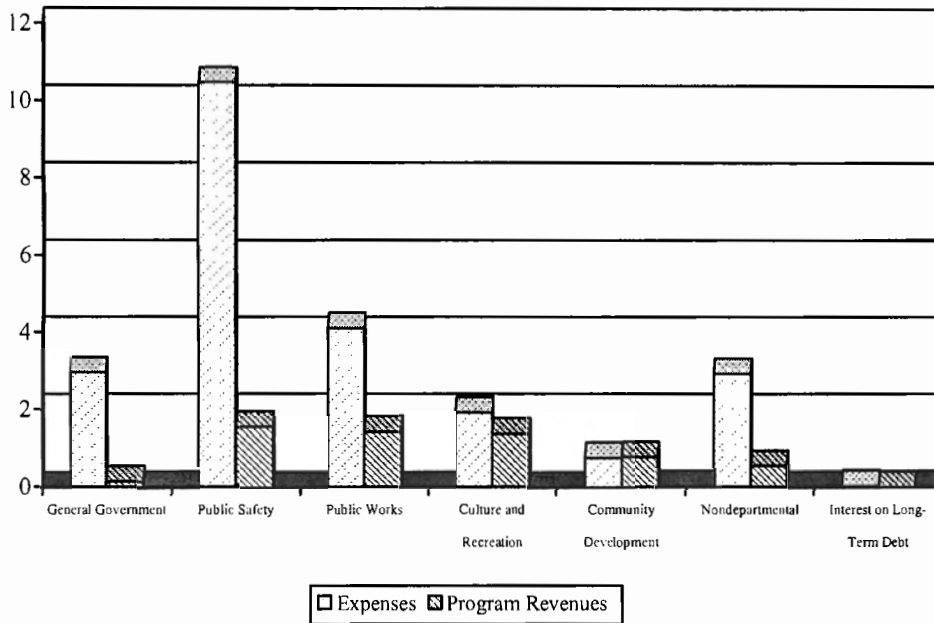
Governmental activities. Governmental activities increased the City of Florence's net assets by \$665,442, thereby accounting for 8 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- the purchase of 3 new sanitation trucks for a combined cost of \$462,900.
- the renovation to the police department's firing range and the addition of a new targeting system for a combined cost of \$110,393 funded by a Law Enforcement Block Grant. The original firing range facility was an open field with a fixed poles used to secure the targets and a range house that was in a severe state of disrepair. The field was divided into three shooting areas to provide practice or qualifying in separate shooting areas simultaneously. The main shooting area has a concrete pad with the distance from the target clearly marked and is graded to drain water off the course. An electronic targeting system was installed to allow for the targets to turn to the shooting position and automatically turn away from the line of fire after a timed period. The other two shooting areas do not have permanent targets installed but can be configured to meet specific qualification criteria. The entire range area was renovated to improve drainage and help prevent standing water. The old range house was removed and replaced.
- the purchase of several tracts of property in the downtown area for a combined cost of \$1,970,616.
- in January 2004 the City implemented a 2% Hospitality Fee on all prepared food sold, accounting for a net increase in revenue of approximately \$644,000.
- the City of Florence received a grant of \$500,000 from the Doctors Bruce and Lee Foundation for the purchase of property in the downtown area.
- the City's fixed assets for streets, curbs and gutters increased by \$519,365 due to annexations that occurred during the year.

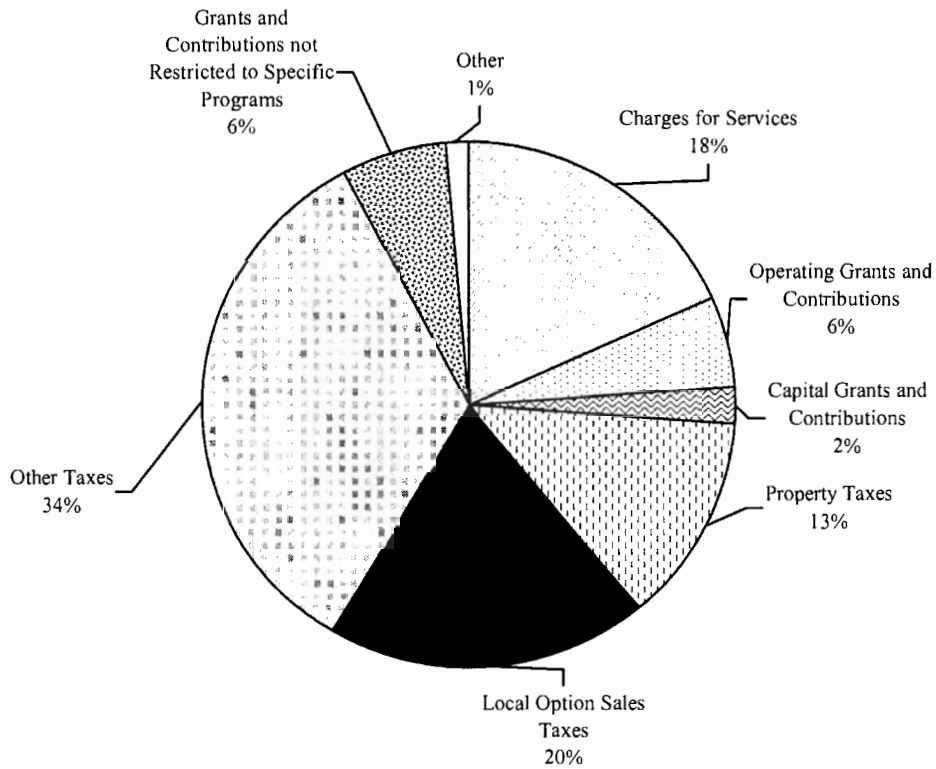
City of Florence's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$4,072,078	\$2,335,281	\$20,661,111	\$20,205,330	\$24,733,189	\$22,540,611
Operating grants and contributions	1,270,774	1,827,960	-	-	1,270,774	1,827,960
Capital grants and contributions	500,000	-	4,772,555	1,910,569	5,272,555	1,910,569
General revenues:						
Property taxes	7,292,228	7,211,204	-	-	7,292,228	7,211,204
Other taxes	7,459,531	7,671,638	-	-	7,459,531	7,671,638
Grants and contributions not restricted to specific programs						
Other	300,153	250,755	77,086	240,390	377,239	491,145
Total revenues	22,317,618	20,270,914	25,510,752	22,356,289	47,828,370	42,627,203
Expenses:						
General government	2,956,976	2,667,737	-	-	2,956,976	2,667,737
Public safety	10,467,776	10,100,303	-	-	10,467,776	10,100,303
Public works	4,107,632	4,328,155	-	-	4,107,632	4,328,155
Culture and recreation	1,919,012	1,343,332	-	-	1,919,012	1,343,332
Community development	759,905	741,417	-	-	759,905	741,417
Nondepartmental	2,925,052	3,524,203	-	-	2,925,052	3,524,203
Interest on long-term debt	27,823	1,264	-	-	27,823	1,264
Water and Sewer	-	-	16,141,725	15,435,783	16,141,725	15,435,783
Storm water	-	-	634,494	643,199	634,494	643,199
Total expenses	23,164,176	22,706,411	16,776,219	16,078,982	39,940,395	38,785,393
Increase (decrease) in net assets before transfers	(846,558)	(2,435,497)	8,734,533	6,277,307	7,887,975	3,841,810
Transfers	1,512,000	1,185,396	(1,512,000)	(1,185,396)	-	-
Increase (decrease) in net assets	665,442	(1,250,101)	7,222,533	5,091,911	7,887,975	3,841,810
Net assets - 7/1/2003	30,252,768	31,502,869	54,146,004	49,054,093	84,398,772	80,556,962
Net assets - 6/30/2004	\$30,918,210	\$30,252,768	\$61,368,537	\$54,146,004	\$92,286,747	\$84,398,772

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



Business-type activities. Business-type activities increased the City of Florence's net assets by \$7,222,533, accounting for 92 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Highway 327 Corridor Sewer Improvements – The Highway 327 corridor located in the northeastern part of Florence County is one of the last undeveloped gateways into the City of Florence. This corridor provides the principle access to the Pee Dee Regional Commerce Center and eleven other potential industrial sites as well as access to the City's new Pee Dee Regional Surface Water Treatment Plant. This route promises to attract significant private investment thereby creating many job opportunities for the entire Pee Dee Region. In fiscal year 2001-2002 the City of Florence was successful in securing a South Carolina Department of Commerce grant to extend a sewer interceptor line along Highway 327. This project was completed in February 2004 with a total construction cost of \$3,182,165.

High Hill Creek Interceptor – In an effort to provide regional sewer service to the Interstate 95 and US Highway 52 commercial area near the Florence and Darlington county line, the City was committed to increase the capacity in the High Hill Creek and Two Mile Creek Interceptors. The project, which was partially funded by a \$1.5 million US Department of Commerce Economic Development Administration grant, includes approximately 4.26 miles of 24" gravity sewer line, one mile of 8" gravity sewer collection line, and the upgrade of several pump stations. The 24" gravity sewer lines are parallel the existing 12" interceptors, adding approximately 2.5 MGD of sewer capacity to the North Florence system. This project was completed in May 2004 with a total project cost of \$4,446,443.

Surface Water Plant Raw Water Storage – The City is adding a 15 million gallon capacity raw water storage reservoir and associated pumping equipment to the Pee Dee Regional Water Plant. This storage facility, which was not included as part of the original surface water plant construction and funding project, will increase the reliability of the treatment processes and the quality of the finished water delivered to customers. Specifically, the reservoir will provide settling for improved water quality entering the water treatment plant. The settling process will assist in meeting turbidity and disinfection standards at the water plant. The reservoir will also allow the plant to operate for up to a day and a half using stored water if needed. Financing for the project came from a combination of sources including funding from the State Drinking Water Revolving Loan Fund, as well as two US Environmental Protection Agency grants. Construction of this facility is scheduled for completion in 2004. The City has expended \$4,024,796 million toward the completion of this project.

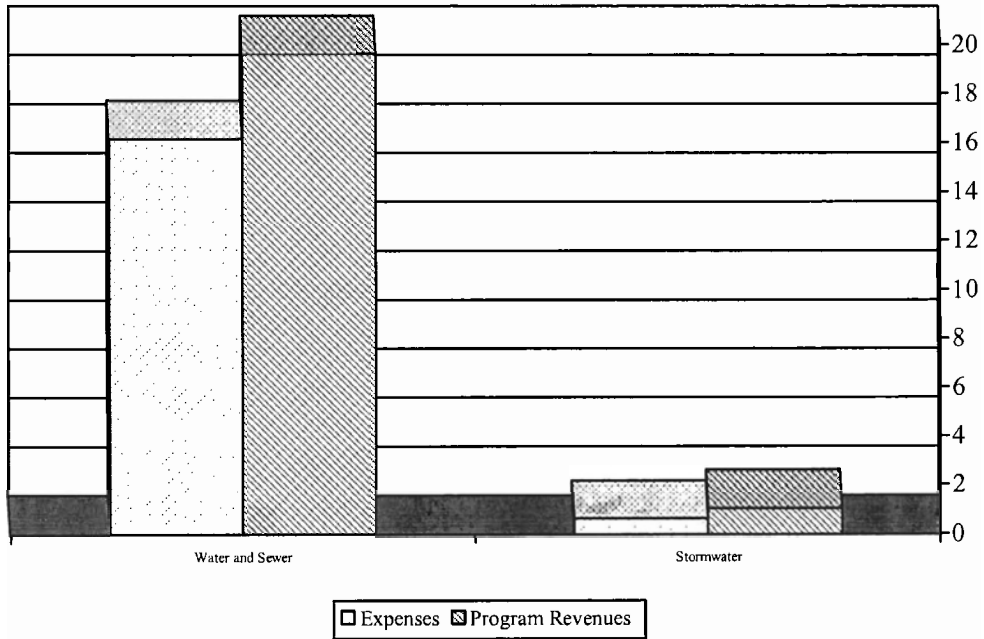
Quinby Sewer System – As provided by a Water and Sewer Agreement between the City of Florence and The Town of Quinby dated December 1998, the City of Florence will provide the Town of Quinby, located just northeast of Florence, with approximately 7.2 miles of 8" gravity sewer, 1.3 miles of 10" gravity sewer, 1.2 miles of 8" force main, and a duplex pump station. Construction of this sewer infrastructure was completed in November 2003 for a total project cost of \$2,248,541. The Town of Quinby's water system is currently tied to the City of Florence water system, and this sewer project serves the needs of approximately 350 customers in the Quinby area.

Financial Analysis of the Government's Funds

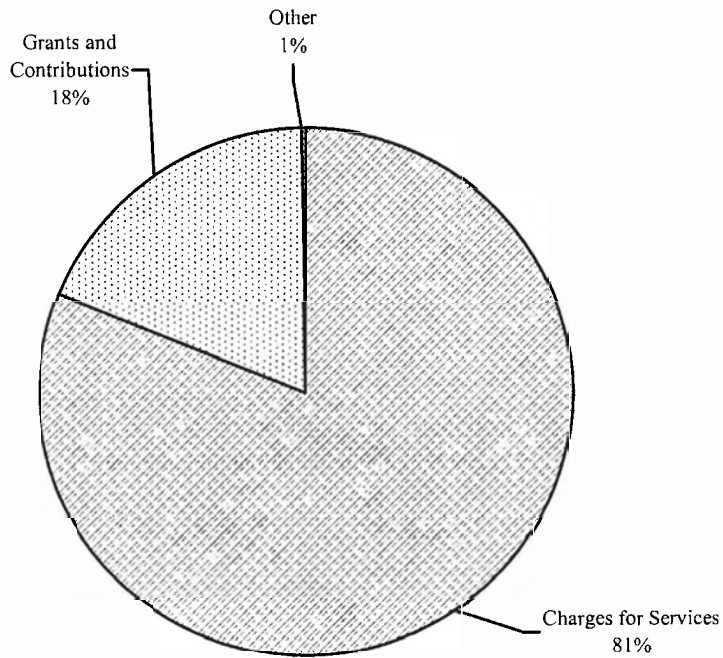
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Florence's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,830,734, a decrease of \$700,221 in comparison with the prior year. All of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, the entire fund balance of the general fund of \$8,548,666 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance to total fund expenditures. Fund balance represents 38.46 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$1,531,360 during the current fiscal year. Key factors for the decline are as follows:

The purchase of the following capital assets:

- the purchase of 3 new sanitation trucks for a combined cost of \$462,900.
- the purchase of several tracts of property in the downtown area for a combined cost of \$1,970,616.

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 \$13,654,173. The total growth in the net assets was \$7,222,533. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

City Council amended the General Fund budget on four separate occasions during the fiscal year 2003 – 2004. As a result of these amendments the General Fund's final amended budget was \$2,638,000 greater than the original adopted budget. The following changes occurred to the original budget:

- Unappropriated surplus was increased \$660,000 for the purchase of three new sanitation trucks, adopted on August 11, 2003.
- Unappropriated surplus was decreased \$200,000 when the \$750,000 budgeted for the Civic Center was transferred from the General Fund to the newly created Hospitality Fee special revenue fund. This amount was netted against a \$550,000 increase in expenditures for Police firing range improvements, the purchase of Fire Department safety equipment, land acquisition, and other special projects, adopted November 10, 2003.
- Police Grants was increased \$60,000 through funding from a Local Law Enforcement Block Grant for the purchase of firing range equipment. Additionally, unappropriated surplus was increased \$262,200 from the prior year's fund balance to provide for lease, renovation, and furnishing of two new Police sub-stations, purchase of several new vehicles (including a recreation bus for Parks and Leisure Services), and other special projects. The net increase to the original budget was \$322,200, adopted on December 15, 2003.
- Police Grants was increased by \$59,000 from funding received by the Dr. Bruce and Lee Foundation (\$37,500) and Wal-Mart (\$1,500) to be used for the Florence Police Department Canine Program. The remaining \$20,000 was for a grant received from the South Carolina Department of Public Safety as the pass-through agency for an Alternative to Incarceration/Expulsion Grant. Additionally, the budget was increased by \$1,796,800 in unappropriated surplus from the prior year's fund balance, the majority of these funds were for the acquisition of several properties in the downtown Florence area, and the remaining amount was used to fund special projects. The net increase to the original budget was \$1,855,800, adopted June 14, 2004.

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, 2004, amounts to \$140,081,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and equipment. The total increases in the City's investment in capital assets for the current fiscal year was 5 percent (a 9 percent increase for governmental activities and a 4 percent increase for business-type activities).

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

- The purchase of three new sanitation trucks for a combined cost of \$462,900.
- The purchase of several tracts of property in the downtown Florence area for a total cost of \$1,970,616.
- Renovations to the police firing range and the addition of a new targeting system for a total cost of \$110,393.
- The completion of the Highway 327 Corridor Sewer Improvements project at a total cost of \$3,182,165.
- The completion of the High Hill Creek Interceptor project at a total cost of \$4,446,443.
- The completion of the Quinby Sewer System project at a total cost of \$2,248,541.
- The completion of several other projects that were either completed within the fiscal year or smaller projects that were started in fiscal year 2002-2003 and completed in fiscal year 2003-2004. The combined cost of these projects was \$1,300,286.
- The repairs to a raw water main line and access road located at the Pee Dee Regional Surface Water Plant at a cost of \$456,507.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 5,431,253	\$ 3,791,319	\$ 1,369,698	\$ 1,319,440	\$ 6,800,951	\$ 5,110,759
Buildings and system	3,574,100	3,400,336	110,601,875	102,697,941	114,175,975	106,098,277
Infrastructure	8,119,506	8,099,391	-	-	8,119,506	8,099,391
Machinery and Equipment	4,423,350	4,470,591	1,433,982	1,495,722	5,857,332	5,966,313
Construction in process	-	26,000	5,127,298	8,646,506	5,127,298	8,672,506
Totals	\$ 21,548,209	\$ 19,787,637	\$ 118,532,853	\$ 114,159,609	\$ 140,081,062	\$ 133,947,246

Additional information on the City's capital assets can be found in note F beginning on page 55 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt and notes payable outstanding of \$72,948,638. All of the City's debt represents bonds and notes payable secured solely by specified revenue sources.

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

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenue Bonds	\$ -	\$ -	\$ 39,990,000	\$ 39,940,000	\$ 39,990,000	\$ 39,940,000
Notes Payable	-	-	32,958,638	33,344,134	32,958,638	33,344,134
Totals	\$ -	\$ -	\$ 72,948,638	\$ 73,284,134	\$ 72,948,638	\$ 73,284,134

The City's total debt decreased by \$335,496 (.46 percent) during the current fiscal year. The key factor in this decrease was payments on revenue bond and notes payable were greater than proceeds of \$3,468,079.

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

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$9,378,591. The City of Florence's has no outstanding general obligation debt.

Additional information on the City of Florence's long-term debt can be found in Note I beginning on page 57 of this report.

Economic Factors and Next Year's Budgets and Rates

A number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2005 fiscal year.

Amounts available for appropriation in the general fund are \$20.7 million, an increase of 2.9 percent over the original fiscal year 2004 budget of \$20.1 million. The final 2004 budget was \$23.3 million. The City's budget amendments were discussed earlier in this report.

As for the City's business-type activities, we expect that the 2005 results will also improve based on the following:

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

Requests for Information

This financial report is designed to provide a general overview of the City of Florence's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Florence, City-County Complex BB, Florence South Carolina, 29501.

BASIC FINANCIAL STATEMENTS

City of Florence, South Carolina
Statement of Net Assets
June 30, 2004

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents--Note D	\$ 5,442,754	\$ 4,628,782	\$ 10,071,536
Receivables--Note E	1,680,324	3,299,294	4,979,618
Inventories	264,089	272,783	536,872
Investments--Note D	5,051,287	6,500,580	11,551,867
Restricted cash and cash equivalents--Note D	-	1,686,568	1,686,568
Unamortized loan expense	-	775,935	775,935
Capital assets (net of accumulated depreciation)--Note F			
Land	5,431,253	1,369,698	6,800,951
Buildings and system	3,574,100	110,601,875	114,175,975
Machinery and equipment	4,423,350	1,433,982	5,857,332
Infrastructure	8,119,506	-	8,119,506
Construction in progress	-	5,127,298	5,127,298
TOTAL ASSETS	<u>\$ 33,986,663</u>	<u>\$ 135,696,795</u>	<u>\$ 169,683,458</u>
 LIABILITIES			
Accounts payable	\$ 472,806	\$ 419,621	\$ 892,427
Accrued interest	7,915	810,559	818,474
Other liabilities	667,649	166,887	834,536
Unearned revenue	104,021	-	104,021
Customer deposits	-	33,943	33,943
Noncurrent liabilities--Notes H and I			
Due within one year	315,921	3,798,726	4,114,647
Due in more than one year	1,500,141	69,098,522	70,598,663
TOTAL LIABILITIES	<u>3,068,453</u>	<u>74,328,258</u>	<u>77,396,711</u>
 NET ASSETS			
Invested in capital assets, net of related debt	21,299,373	47,714,364	69,013,737
Unrestricted	9,618,837	13,654,173	23,273,010
TOTAL NET ASSETS	<u>\$ 30,918,210</u>	<u>\$ 61,368,537</u>	<u>\$ 92,286,747</u>

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

City of Florence, South Carolina
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,956,976	\$ 7,493	\$ 139,129	\$ -
Public safety	10,467,776	1,150,474	402,352	-
Public works	4,107,632	1,250,913	181,230	-
Culture and recreation	1,919,012	1,149,640	230,630	-
Community development	759,905	513,558	266,152	-
Nondepartmental	2,925,052	-	51,281	500,000
Interest on long-term debt	<u>27,823</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>23,164,176</u>	<u>4,072,078</u>	<u>1,270,774</u>	<u>500,000</u>
Business-type Activities				
Water and sewer	16,141,725	19,614,845	-	4,772,555
Storm water	<u>634,494</u>	<u>1,046,266</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>16,776,219</u>	<u>20,661,111</u>	<u>-</u>	<u>4,772,555</u>
TOTAL	<u>\$ 39,940,395</u>	<u>\$ 24,733,189</u>	<u>\$ 1,270,774</u>	<u>\$ 5,272,555</u>
General Revenues				
Property taxes				
Licenses				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Gain on sale of capital assets				
Grants and contributions not restricted to specific programs				
Transfers				
Total General Revenues and Transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,810,354)	\$ -	\$ (2,810,354)
(8,914,950)	-	(8,914,950)
(2,675,489)	-	(2,675,489)
(538,742)	-	(538,742)
19,805	-	19,805
(2,373,771)	-	(2,373,771)
<u>(27,823)</u>	<u>-</u>	<u>(27,823)</u>
<u>(17,321,324)</u>	<u>-</u>	<u>(17,321,324)</u>
-	8,245,675	8,245,675
<u>-</u>	<u>411,772</u>	<u>411,772</u>
<u>-</u>	<u>8,657,447</u>	<u>8,657,447</u>
<u>(17,321,324)</u>	<u>8,657,447</u>	<u>(8,663,877)</u>
7,292,228	-	7,292,228
7,459,531	-	7,459,531
903,489	-	903,489
57,738	77,086	134,824
187,272	-	187,272
55,143	-	55,143
519,365	-	519,365
<u>1,512,000</u>	<u>(1,512,000)</u>	<u>-</u>
<u>17,986,766</u>	<u>(1,434,914)</u>	<u>16,551,852</u>
665,442	7,222,533	7,887,975
<u>30,252,768</u>	<u>54,146,004</u>	<u>84,398,772</u>
<u>\$ 30,918,210</u>	<u>\$ 61,368,537</u>	<u>\$ 92,286,747</u>

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

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2004

ASSETS	General	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents--Note D	\$ 4,369,617	\$ 1,073,137	\$ 5,442,754
Receivables			
Property taxes, less allowance for doubtful accounts of \$104,911	150,729	-	150,729
Due from other funds--Note G	34,328	-	34,328
Due from other governments	1,169,779	97,806	1,267,585
Other	75,047	186,963	262,010
Investments--Note D	4,925,408	125,879	5,051,287
Inventories	<u>264,089</u>	<u>-</u>	<u>264,089</u>
TOTAL ASSETS	<u>\$ 10,988,997</u>	<u>\$ 1,483,785</u>	<u>\$ 12,472,782</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 409,438	\$ 63,368	\$ 472,806
Due to other funds--Note G	-	34,328	34,328
Other liabilities	667,649	-	667,649
Deferred revenue--Note E	1,363,244	-	1,363,244
Unearned revenue--Note E	<u>-</u>	<u>104,021</u>	<u>104,021</u>
TOTAL LIABILITIES	<u>2,440,331</u>	<u>201,717</u>	<u>2,642,048</u>
Fund balance			
Unreserved, reported in			
General fund			
Designated for subsequent year's expenditures	1,124,070	-	1,124,070
Undesignated	<u>7,424,596</u>	<u>-</u>	<u>7,424,596</u>
Special revenue funds	<u>8,548,666</u>	<u>-</u>	<u>8,548,666</u>
Special revenue funds	<u>-</u>	<u>1,282,068</u>	<u>1,282,068</u>
	<u>8,548,666</u>	<u>1,282,068</u>	<u>9,830,734</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,988,997</u>	<u>\$ 1,483,785</u>	<u>\$ 12,472,782</u>

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

City of Florence, South Carolina
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds	\$ 9,830,734
Total net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,548,209
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of year end and local option sales tax collected in the current year, but deferred in the governmental funds and used to reduce property taxes in the subsequent year.	1,363,244
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,823,977)</u>
Net assets of governmental activities	<u>\$ 30,918,210</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 7,280,753	\$ -	\$ 7,280,753
Licenses and fees	7,459,531	1,122,278	8,581,809
Intergovernmental	1,494,679	674,784	2,169,463
Charges for services	1,250,913	197,908	1,448,821
Fines and forfeitures	628,344	-	628,344
Investment earnings	52,391	5,347	57,738
Miscellaneous	<u>226,322</u>	<u>1,452,060</u>	<u>1,678,382</u>
TOTAL REVENUES	<u>18,392,933</u>	<u>3,452,377</u>	<u>21,845,310</u>
Expenditures			
Current			
General government	2,298,030	139,850	2,437,880
Public safety	9,517,140	152,255	9,669,395
Public works	3,564,636	-	3,564,636
Culture and recreation	887,440	724,290	1,611,730
Community development	-	759,905	759,905
Nondepartmental	2,925,052	-	2,925,052
Debt Service			
Principal	243,651	-	243,651
Interest	20,676	-	20,676
Capital Outlay	<u>2,773,315</u>	<u>523,532</u>	<u>3,296,847</u>
TOTAL EXPENDITURES	<u>22,229,940</u>	<u>2,299,832</u>	<u>24,529,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,837,007)</u>	<u>1,152,545</u>	<u>(2,684,462)</u>
Other Financing Sources (Uses)			
Transfers in	1,983,406	-	1,983,406
Transfers out	(150,000)	(321,406)	(471,406)
Capital leases	<u>472,241</u>	<u>-</u>	<u>472,241</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,305,647</u>	<u>(321,406)</u>	<u>1,984,241</u>
NET CHANGE IN FUND BALANCE	(1,531,360)	831,139	(700,221)
Fund balance at beginning of year	<u>10,080,026</u>	<u>450,929</u>	<u>10,530,955</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,548,666</u>	<u>\$ 1,282,068</u>	<u>\$ 9,830,734</u>

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

City of Florence, South Carolina

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net change in fund balances-total governmental funds \$ (700,221)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,299,739

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. 460,833

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 11,475

Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. Payment of capital lease principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net assets. This is the amount by which proceeds exceed repayments. (228,590)

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. (177,794)

Change in net assets of governmental activities \$ 665,442

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 7,373,500	\$ 7,263,500	\$ 7,280,753	\$ 17,253
Licenses and fees	7,220,000	7,450,000	7,459,531	9,531
Intergovernmental	1,125,515	1,352,415	1,494,679	142,264
Charges for services	1,190,000	1,245,000	1,250,913	5,913
Fines and forfeitures	806,000	610,100	628,344	18,244
Investment earnings	130,000	35,000	52,391	17,391
Miscellaneous	83,800	107,800	226,322	118,522
TOTAL REVENUES	<u>17,928,815</u>	<u>18,063,815</u>	<u>18,392,933</u>	<u>329,118</u>
Expenditures				
Current				
General government	2,337,830	2,345,753	2,298,030	47,723
Public safety	9,826,130	9,632,356	9,517,140	115,216
Public works	3,589,290	3,718,712	3,564,636	154,076
Culture and recreation	947,340	911,567	887,440	24,127
Non-departmental	2,917,050	2,737,170	2,925,052	(187,882)
Debt Service				
Principal	-	-	243,651	(243,651)
Interest	-	-	20,676	(20,676)
Capital Outlay	<u>352,360</u>	<u>3,262,442</u>	<u>2,773,315</u>	<u>489,127</u>
TOTAL EXPENDITURES	<u>19,970,000</u>	<u>22,608,000</u>	<u>22,229,940</u>	<u>378,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,041,185)</u>	<u>(4,544,185)</u>	<u>(3,837,007)</u>	<u>707,178</u>
Other Financing Sources (Uses)				
Transfers in	1,991,185	1,975,185	1,983,406	8,221
Transfers out	(150,000)	(150,000)	(150,000)	-
Capital leases	-	-	472,241	472,241
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,841,185</u>	<u>1,825,185</u>	<u>2,305,647</u>	<u>480,462</u>
NET CHANGE IN FUND BALANCE	(200,000)	(2,719,000)	(1,531,360)	1,187,640
Fund balance at beginning of year	<u>10,080,026</u>	<u>10,080,026</u>	<u>10,080,026</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,880,026</u>	<u>\$ 7,361,026</u>	<u>\$ 8,548,666</u>	<u>\$ 1,187,640</u>

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

City of Florence, South Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities - - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total
	Water & Sewer Fund	Stormwater Utility Fund	
ASSETS			
Current assets			
Cash and cash equivalents--Note D	\$ 3,599,368	\$ 1,029,414	\$ 4,628,782
Accounts receivable--Note E	2,864,502	87,568	2,952,070
Receivable--other--Note E	347,224	-	347,224
Investments--Note D	6,500,580	-	6,500,580
Inventories	<u>272,783</u>	<u>-</u>	<u>272,783</u>
Total current assets	<u>13,584,457</u>	<u>1,116,982</u>	<u>14,701,439</u>
Noncurrent assets			
Restricted cash and cash equivalents--Note D	<u>1,686,568</u>	<u>-</u>	<u>1,686,568</u>
Unamortized loan expense	<u>775,935</u>	<u>-</u>	<u>775,935</u>
Capital assets--Note F			
Land	1,319,440	50,258	1,369,698
Buildings and system	136,683,690	1,965,725	138,649,415
Construction in process	4,922,669	204,629	5,127,298
Machinery and equipment	5,371,161	189,702	5,560,863
Less accumulated depreciation	<u>(30,350,106)</u>	<u>(1,824,315)</u>	<u>(32,174,421)</u>
Total Capital Assets (Net Of Accumulated Depreciation)	<u>117,946,854</u>	<u>585,999</u>	<u>118,532,853</u>
Total noncurrent assets	<u>120,409,357</u>	<u>585,999</u>	<u>120,995,356</u>
TOTAL ASSETS	<u>\$ 133,993,814</u>	<u>\$ 1,702,981</u>	<u>\$ 135,696,795</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 382,789	\$ 36,832	\$ 419,621
Accrued interest	810,559	-	810,559
Other liabilities	152,633	14,254	166,887
Customer deposits	33,943	-	33,943
Compensated absences-current--Note I	20,000	2,000	22,000
Notes payable-current--Note I	1,906,053	-	1,906,053
Revenue bonds payable-current--Note I	<u>1,870,673</u>	<u>-</u>	<u>1,870,673</u>
Total current liabilities	<u>5,176,650</u>	<u>53,086</u>	<u>5,229,736</u>
Noncurrent liabilities--Note I			
Compensated absences	372,583	32,232	404,815
Notes payable	31,052,585	-	31,052,585
Revenue bonds payable	<u>37,641,122</u>	<u>-</u>	<u>37,641,122</u>
Total noncurrent liabilities	<u>69,066,290</u>	<u>32,232</u>	<u>69,098,522</u>
TOTAL LIABILITIES	<u>74,242,940</u>	<u>85,318</u>	<u>74,328,258</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,128,365	585,999	47,714,364
Unrestricted	<u>12,622,509</u>	<u>1,031,664</u>	<u>13,654,173</u>
TOTAL NET ASSETS	<u>\$ 59,750,874</u>	<u>\$ 1,617,663</u>	<u>\$ 61,368,537</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenses and Changes in Funds Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities - - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total
	Water & Sewer Fund	Stormwater Utility Fund	
Operating Revenues			
Current use charges	\$ 18,790,797	\$ -	\$ 18,790,797
Miscellaneous	269,835	3,276	273,111
Water and sewer tap fees	554,213	-	554,213
Stormwater service fees	<u>-</u>	<u>1,042,990</u>	<u>1,042,990</u>
TOTAL OPERATING REVENUES	<u>19,614,845</u>	<u>1,046,266</u>	<u>20,661,111</u>
Operating Expenses			
Personnel	2,984,151	270,232	3,254,383
Employee benefits	964,606	88,186	1,052,792
Purchased services	3,328,885	132,880	3,461,765
Supplies and materials	706,068	17,326	723,394
Other expenses	539,243	6,375	545,618
Depreciation and amortization	<u>4,018,943</u>	<u>119,495</u>	<u>4,138,438</u>
TOTAL OPERATING EXPENSES	<u>12,541,896</u>	<u>634,494</u>	<u>13,176,390</u>
OPERATING INCOME	<u>7,072,949</u>	<u>411,772</u>	<u>7,484,721</u>
Non-operating revenues (expenses)			
Investment earnings	72,513	4,573	77,086
Interest expense	<u>(3,599,829)</u>	<u>-</u>	<u>(3,599,829)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,527,316)</u>	<u>4,573</u>	<u>(3,522,743)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	3,545,633	416,345	3,961,978
Capital contributions	4,772,555	-	4,772,555
Transfers in	-	150,000	150,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
Change in net assets	6,806,188	416,345	7,222,533
Net assets at beginning of year	<u>52,944,686</u>	<u>1,201,318</u>	<u>54,146,004</u>
NET ASSETS AT END OF YEAR	<u>\$ 59,750,874</u>	<u>\$ 1,617,663</u>	<u>\$ 61,368,537</u>

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

City of Florence, South Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Fund Stormwater Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 19,271,708	\$ 1,032,950	\$ 20,304,658
Payments to suppliers	(5,727,700)	(125,606)	(5,853,306)
Payments to employees	(3,879,474)	(359,304)	(4,238,778)
Other receipts	1,684,290	3,276	1,687,566
Other payments	<u>(540,462)</u>	<u>(4,778)</u>	<u>(545,240)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,808,362</u>	<u>546,538</u>	<u>11,354,900</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	150,000	150,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,512,000)</u>	<u>-</u>	<u>(1,512,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	4,429,720	-	4,429,720
Additions to property, plant and equipment	(8,146,039)	(313,182)	(8,459,221)
Disposals of property, plant and equipment	28,111	2	28,113
Principal paid on bonds and notes	(3,803,575)	-	(3,803,575)
Interest paid on bonds and notes	(3,412,801)	-	(3,412,801)
Proceeds of notes payable	3,468,079	-	3,468,079
Payments of debt issue costs	<u>(10,781)</u>	<u>-</u>	<u>(10,781)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,447,286)</u>	<u>(313,180)</u>	<u>(7,760,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	3,191,352	-	3,191,352
Purchase of investments	(3,857,874)	-	(3,857,874)
Investment income	<u>90,999</u>	<u>4,573</u>	<u>95,572</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(575,523)</u>	<u>4,573</u>	<u>(570,950)</u>
NET INCREASE IN CASH	1,273,553	237,931	1,511,484
Cash at beginning of year	<u>4,012,383</u>	<u>791,483</u>	<u>4,803,866</u>
CASH AT END OF YEAR	<u>\$ 5,285,936</u>	<u>\$ 1,029,414</u>	<u>\$ 6,315,350</u>

(Continued)

City of Florence, South Carolina
Statement of Cash Flows - - Continued
Proprietary Funds
Year Ended June 30, 2004

	Business-type Activities - - Enterprise Fund		
	Major Fund Water & Sewer Fund	Non-Major Fund Stormwater Utility Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 7,072,949	\$ 411,772	\$ 7,484,721
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	3,938,369	119,495	4,057,864
Amortization	80,574	-	80,574
Changes in assets and liabilities			
(Increase) decrease in receivables	1,341,153	(10,040)	1,331,113
Decrease in inventories	50,389	-	50,389
Increase (decrease) in accounts payable	(1,743,136)	24,600	(1,718,536)
Decrease in customer deposits	(1,198)	-	(1,198)
Increase (decrease) in compensated absences	44,872	(886)	43,986
Increase in other liabilities	24,390	1,597	25,987
TOTAL ADJUSTMENT	3,735,413	134,766	3,870,179
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,808,362	\$ 546,538	\$ 11,354,900
NON-CASH CAPITAL, FINANCING AND INVESTING ACTIVITIES			
Net decrease in the fair value of investments	\$ 18,486	\$ -	\$ 18,486

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

City of Florence, South Carolina
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004

ASSETS

Cash and cash equivalents--Note D	\$ 214,572
Investments--Note D	<u>49,713</u>
TOTAL ASSETS	<u>\$ 264,285</u>

LIABILITIES

Due to others	<u>\$ 264,285</u>
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The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina

Notes To Financial Statements

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

Related Organizations

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

Joint Ventures

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

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

Governmental Fund Types

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

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Taxpayer-assessed property taxes and other sources of funds are considered "measurable" when in the hands of intermediary collecting governments, and are recognized as revenue at that time or if they are collected within 60 days of year end. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major government fund: General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

4. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

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

Receivables and Payables

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

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

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

Inventory

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

Restricted Assets

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

Capital Assets

Governmental Funds

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

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Proprietary Fund Types

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

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

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

Deferred and Unearned Revenues

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

Compensated Absences

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

Long-term Obligations

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

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

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

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

Net Assets/Fund Equity

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Net Assets/Fund Equity - - Continued

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance in the General Fund at June 30, 2004 is designated as follows.

Civic Center	\$ 246,870
General government	<u>877,200</u>
	<u>\$ 1,124,070</u>

Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,823,977 difference are as follows:

Accrued interest payable	\$ 7,915
Capital leases payable	240,921
Compensated absences	<u>1,575,141</u>

Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,823,977</u>
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2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,299,739 difference are as follows:

Capital outlay	\$ 3,296,847
Depreciation expense	<u>(1,997,108)</u>

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,299,739</u>
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City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

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

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$460,833 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (58,532)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>519,365</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 460,833</u>

Another element of that reconciliation states that "Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. Payment of capital lease principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net assets." The details of this \$228,590 difference are as follows:

Proceeds of capital lease debt	\$ (472,241)
Payment of capital lease principal	<u>243,651</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (228,590)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$177,794 difference are as follows:

Compensated absences	\$ (170,647)
Accrued interest	<u>(7,147)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (177,794)</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

NOTE D - DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's deposits with financial institutions at June 30, 2004 was \$11,966,631 and the bank balance was \$9,686,565. At June 30, 2004, the City had cash on hand of \$6,045. The bank balance is categorized as follows:

Insured or collateralized with securities held by the City or by the City's agent in the City's name	\$ 100,000
Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	9,586,565
Uncollateralized	<u>-</u>
	<u>\$ 9,686,565</u>

Restricted cash of \$1,686,568 at June 30, 2004, in the Enterprise Fund is the unspent proceeds of the \$2,000,000 Series 2003B revenue bond to be used for the purchase and construction of capital assets.

During February, 2002, the City awarded its cash management contract to Carolina First Bank for the next five years. Funds in excess of the compensating balance, which was \$485,446 at June 30, 2004 are invested.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE D - DEPOSITS AND INVESTMENTS - - Continued

Investments

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

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

	<u>Categories</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U. S. Government securities	<u>\$ 11,037,804</u>	-	-	\$ 11,037,804
South Carolina Local Government Investment Pool				<u>563,776</u>
				<u>\$ 11,601,580</u>

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

NOTE E - RECEIVABLES

Receivables as of June 30, 2004, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Non-Major</u>	<u>Total</u>
Accounts	\$ -	\$ 2,893,436	\$ 275,416	\$ 3,168,852
Taxes	255,640	-	-	255,640
Intergovernmental	1,169,779	342,835	97,806	1,610,420
Other	<u>75,047</u>	<u>4,389</u>	-	<u>79,436</u>
Gross receivables	1,500,466	3,240,660	373,222	5,114,348
Less: Allowance for uncollectibles	<u>(104,911)</u>	<u>(28,934)</u>	<u>(885)</u>	<u>(134,730)</u>
	<u>\$ 1,395,555</u>	<u>\$ 3,211,726</u>	<u>\$ 372,337</u>	<u>\$ 4,979,618</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE E - RECEIVABLES -- Continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2004, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 87,023	\$ -
Local option sales tax receivable	1,276,221	-
Grant draw downs prior to meeting all eligibility requirements	<u>-</u>	<u>104,021</u>
	<u>\$ 1,363,244</u>	<u>\$ 104,021</u>

NOTE F - CAPITAL ASSETS

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

	Balances June 30, 2003	Increases	Decreases	Balances June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 3,791,319	\$ 1,674,091	\$ 34,157	\$ 5,431,253
Construction in progress	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,817,319</u>	<u>1,674,091</u>	<u>60,157</u>	<u>5,431,253</u>
Capital assets, being depreciated:				
Buildings	5,330,902	332,436	60,000	5,603,338
Infrastructure	13,723,324	605,482	-	14,328,806
Machinery and equipment	<u>10,274,106</u>	<u>1,230,203</u>	<u>320,737</u>	<u>11,183,572</u>
Total capital assets being depreciated	<u>29,328,332</u>	<u>2,168,121</u>	<u>380,737</u>	<u>31,115,716</u>
Less-accumulated depreciation for:				
Buildings	1,930,566	134,297	35,625	2,029,238
Infrastructure	5,623,933	585,367	-	6,209,300
Machinery and equipment	<u>5,803,515</u>	<u>1,277,444</u>	<u>320,737</u>	<u>6,760,222</u>
Total accumulated depreciation	<u>13,358,014</u>	<u>1,997,108</u>	<u>356,362</u>	<u>14,998,760</u>
Total capital assets, being depreciated, net	<u>15,970,318</u>	<u>171,013</u>	<u>24,375</u>	<u>16,116,956</u>
Governmental activities capital assets, net	<u>\$ 19,787,637</u>	<u>\$ 1,845,104</u>	<u>\$ 84,532</u>	<u>\$ 21,548,209</u>

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

	Balances June 30, 2003	Increases	Decreases	Balances June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 1,319,440	\$ 50,258	\$ -	\$ 1,369,698
Construction in progress	<u>8,646,506</u>	<u>8,130,354</u>	<u>11,649,562</u>	<u>5,127,298</u>
Total capital assets, not being depreciated	<u>9,965,946</u>	<u>8,180,612</u>	<u>11,649,562</u>	<u>6,496,996</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE F - CAPITAL ASSETS - - Continued

	<u>Balances</u> <u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2004</u>
Capital assets, being depreciated:				
Buildings and system	127,199,139	11,450,276	-	138,649,415
Machinery and equipment	<u>5,180,976</u>	<u>461,487</u>	<u>81,600</u>	<u>5,560,863</u>
Total capital assets, being depreciated	<u>132,380,115</u>	<u>11,911,763</u>	<u>81,600</u>	<u>144,210,278</u>
Less-accumulated depreciation for:				
Buildings and system	24,501,198	3,546,342	-	28,047,540
Machinery and equipment	<u>3,685,254</u>	<u>511,522</u>	<u>69,895</u>	<u>4,126,881</u>
Total accumulated depreciation	<u>28,186,452</u>	<u>4,057,864</u>	<u>69,895</u>	<u>32,174,421</u>
Total capital assets, being depreciated, net	<u>104,193,663</u>	<u>7,853,899</u>	<u>11,705</u>	<u>112,035,857</u>
Business-type activities capital assets, net	<u>\$ 114,159,609</u>	<u>\$ 16,034,511</u>	<u>\$ 11,661,267</u>	<u>\$ 118,532,853</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government		\$ 499,202
Public safety		676,450
Public works		520,405
Culture and recreation		<u>301,051</u>
Total depreciation-governmental activities		<u>\$ 1,997,108</u>
Business-Type Activities		
Water and sewer		\$ 3,938,369
Stormwater		<u>119,495</u>
Total depreciation-business-type activities		<u>\$ 4,057,864</u>

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2004 are as follows:

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
General Fund	\$ 34,328	\$ -
Nonmajor governmental	<u>-</u>	<u>34,328</u>
Total	<u>\$ 34,328</u>	<u>\$ 34,328</u>

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - - Continued

Interfund transfers for the year ended June 30, 2004, are as follows:

	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
<u>Transfer out</u>			
General fund	\$ 150,000	\$ -	\$ 150,000
Nonmajor governmental funds	321,406	-	321,406
Water and sewer enterprise fund	1,512,000	-	1,512,000
Nonmajor enterprise funds	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total transfers out	<u>\$ 1,983,406</u>	<u>\$ 150,000</u>	<u>\$ 2,133,406</u>

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

NOTE H - CAPITAL LEASES

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

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2004, were as follows:

<u>Year Ending June 30</u>	
2005	\$ 250,919
Less, amount representing interest	<u>9,998</u>
Present value of minimum lease payments	<u>\$ 240,921</u>

NOTE I - LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital leases	\$ 12,331	\$ 472,241	\$ 243,651	\$ 240,921	\$ 240,921
Compensated absences	<u>1,404,494</u>	<u>851,782</u>	<u>681,135</u>	<u>1,575,141</u>	<u>75,000</u>
	<u>\$ 1,416,825</u>	<u>\$ 1,324,023</u>	<u>\$ 924,786</u>	<u>\$ 1,816,062</u>	<u>\$ 315,921</u>
<u>Business-type Activities</u>					
Revenue Bonds					
Water and Sewer	\$ 39,940,000	\$ 2,000,000	\$ 1,950,000	\$ 39,990,000	\$ 2,050,000
Less unamortized amount deferred for refunding	<u>(657,532)</u>	<u>-</u>	<u>(179,327)</u>	<u>(478,205)</u>	<u>(179,327)</u>
Total bonds payable	39,282,468	2,000,000	1,770,673	39,511,795	1,870,673

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE I - LONG-TERM DEBT - - Continued

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-type Activities - - Continued</u>					
Notes Payable					
Water and Sewer	33,344,134	1,468,079	1,853,575	32,958,638	1,906,053
Compensated absences					
Water and Sewer	347,711	251,222	206,350	392,583	20,000
Stormwater	35,118	29,543	30,429	34,232	2,000
	<u>\$ 73,009,431</u>	<u>\$ 3,748,844</u>	<u>\$ 3,861,027</u>	<u>\$ 72,897,248</u>	<u>\$ 3,798,726</u>

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

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

	<u>Date of</u> <u>Issuance</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Revenue Bonds</u>					
Series 1993		\$ 14,815,000	4.90 to 5.20	3/1/2007	\$ 5,120,000
Series 2000		25,690,000	5.50 to 7.50	3/1/2030	24,510,000
Series 2002		8,360,000	3.80	9/1/2017	8,360,000
Series 2003B		2,000,000	3.90	9/1/2018	2,000,000
<u>Notes Payable</u>					
August 1991		1,100,000	4.25	7/1/2012	431,929
June 1993		23,828,128	4.25	12/1/2014	14,967,850
May 1999		2,767,997	3.50	3/1/2020	2,329,481
May 2000		6,210,343	3.50	1/1/2032	5,903,881
May 2000		4,062,403	4.25	6/1/2032	3,912,105
October 2002		3,821,332	0.00	1/1/2012	3,057,066
January 2003		2,517,834	3.75	2/1/2034	2,356,326

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

<u>Year Ended</u> <u>June 30</u>	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,050,000	\$ 2,186,673	\$ 1,906,053	\$ 1,125,956	\$ 3,956,053	\$ 3,312,629
2006	2,270,000	2,069,658	2,014,753	1,117,048	4,284,753	3,186,706
2007	2,385,000	1,943,338	2,083,063	1,048,738	4,468,063	2,992,076
2008	620,000	1,809,790	2,154,245	977,557	2,774,245	2,787,347
2009	1,495,000	1,751,553	2,228,419	903,382	3,723,419	2,654,935
2010-2014	7,995,000	7,561,780	11,284,222	3,294,043	19,279,222	10,855,823
2015-2019	8,310,000	5,323,480	3,709,581	1,733,241	12,019,581	7,056,721
2020-2024	5,565,000	3,514,488	2,529,239	1,205,927	8,094,239	4,720,415
2025-2029	7,505,000	1,782,276	2,882,568	707,828	10,387,568	2,490,104
2030-2034	1,795,000	98,725	2,166,495	153,577	3,961,495	252,302
	<u>\$ 39,990,000</u>	<u>\$ 28,041,761</u>	<u>\$ 32,958,638</u>	<u>\$ 12,267,297</u>	<u>\$ 72,948,638</u>	<u>\$ 40,309,058</u>

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2004

NOTE J - EMPLOYEE BENEFITS

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

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

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

During the year the City contributed \$462,102 to the SCRS and \$595,070 to the SCPORS. Contributions by employees during the year were \$380,213 to the SCRS and \$352,975 to the SCPORS. The City's covered payroll for the SCRS and SCPORS was \$6,336,878 and \$5,430,380, respectively. Total current year payroll for all employees was \$13,070,717.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Three-Year Trend Information

Year Ended	SCRS		SCPORS	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
June 30, 2002	\$ 421,594	100	\$ 551,941	100
June 30, 2003	465,923	100	597,193	100
June 30, 2004	462,102	100	595,070	100

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2004

NOTE J - EMPLOYEE BENEFITS - - Continued

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

In addition to providing retirement benefits, City Council passed resolution 98-05 on May 11, 1998, providing retired employees certain health care benefits. City employees who meet all criteria for retirement under the South Carolina Retirement and Police Retirement Systems and had worked for the City for a minimum of 15 years of continuous service are eligible for these benefits. At June 30, 2004, forty two retirees meet those eligibility requirements. The city pays the following percentage of health and dental insurance premiums for pre-Medicare retirees.

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

The City also is a secondary provider for each retiree eligible for Medicare. The cost of retiree health care benefits is recognized as expense as the premiums are paid. For the year ended June 30, 2004, these costs totaled \$139,414.

NOTE K - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains its insurance for tort liability, property, automobile fleet, boiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The City pays an annual premium to SCMIRF and SCMIT. The City carries a \$10,000 deductible under the SCMIRF plan and a \$10,000 deductible under the SCMIT plan. Claims below these thresholds are managed by the City. The SCMIRF will reinsure through commercial companies for claims in excess of \$1 million for each insured event. If the City's losses under SCMIT exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

NOTE L - COMMITMENTS

The City has committed itself on a number of construction and architectural contracts for Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2004, the outstanding commitments total \$106,556. During May 2000, the City closed loans for \$4.1 million from the S.C. Infrastructure Revolving Fund to be used for Water and Sewer Enterprise Fund capital improvements. As of June 30, 2004, \$10,000 of the loan proceeds had not been received by the City. During January, 2003 the City closed loans for \$2.5 million from the S.C. Water Pollution Revolving Fund to be used for Water and Sewer Enterprises Fund capital improvements. As of June 30, 2004, \$194,540 of the loan proceeds had not been received by the City.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2004

NOTE L - COMMITMENTS -- Continued

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

On July 1, 2002, the City of Florence and Florence County consolidated recreational facilities and recreational activity within Florence County with Florence County assuming the responsibility for the facilities and the recreational activities. Florence County leases from the City of Florence certain athletic parks and recreational facilities. The lease was effective on July 1, 2002, and will continue for an initial term of twenty years with an annual lease payment of one dollar per year. The lease will automatically extend for successive five year periods unless either party delivers written notice to the other party that the party does not consent to any further extension of the term. The City agreed to make declining annual payments to the County on a quarterly basis by fiscal year. The annual payment was \$607,500 for the fiscal year ending June 30, 2004. The annual payment will decline by \$67,500 for each fiscal year after June 30, 2004. The final annual payment is to be \$67,500 for the fiscal year ended June 30, 2012.

NOTE M - CONTINGENCIES

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

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2004 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

Hospitality Fee - This fund is used to account for funds received for tourism programs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property Transfer - This fund is used to account for grant funds to purchase property.

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

Patriotic Parade - The fund is used to account for funds received for the annual patriotic parade in September.

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

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

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

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Hospitality Fee	Home Program	Community Development Block Grant	Park Commission	All American City
ASSETS					
Cash and cash equivalents	\$ 457,745	\$ 109,824	\$ -	\$ 4,040	\$ 4,002
Receivables	186,963	-	-	-	-
Due from other governments	-	-	30,495	-	-
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 644,708</u>	<u>\$ 109,824</u>	<u>\$ 30,495</u>	<u>\$ 4,040</u>	<u>\$ 4,002</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	30,495	-	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>30,495</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Fund balances	<u>644,708</u>	<u>109,824</u>	<u>-</u>	<u>4,040</u>	<u>4,002</u>
TOTAL FUND BALANCES	<u>644,708</u>	<u>109,824</u>	<u>-</u>	<u>4,040</u>	<u>4,002</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 644,708</u>	<u>\$ 109,824</u>	<u>\$ 30,495</u>	<u>\$ 4,040</u>	<u>\$ 4,002</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	Downtown As a Classroom	E-911	Victim's Rights	Drug Control
\$ 3,699	\$ 14,084	\$ 17,127	\$ 845	\$ 123,947	\$ 104,820	\$ 46,381
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,286</u>	<u>25,593</u>
<u>\$ 3,699</u>	<u>\$ 14,084</u>	<u>\$ 17,127</u>	<u>\$ 845</u>	<u>\$ 123,947</u>	<u>\$ 205,106</u>	<u>\$ 71,974</u>
\$ 35	\$ 2,193	\$ -	\$ -	\$ -	\$ -	\$ 454
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>35</u>	<u>2,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454</u>
<u>3,664</u>	<u>11,891</u>	<u>17,127</u>	<u>845</u>	<u>123,947</u>	<u>205,106</u>	<u>71,520</u>
<u>3,664</u>	<u>11,891</u>	<u>17,127</u>	<u>845</u>	<u>123,947</u>	<u>205,106</u>	<u>71,520</u>
<u>\$ 3,699</u>	<u>\$ 14,084</u>	<u>\$ 17,127</u>	<u>\$ 845</u>	<u>\$ 123,947</u>	<u>\$ 205,106</u>	<u>\$ 71,974</u>

(Continued)

City of Florence, South Carolina
Combining Balance Sheet - - Continued
Nonmajor Governmental Funds
June 30, 2004

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	LLEBG	Safety Committee	Street Paving/ Resurfacing
ASSETS					
Cash and cash equivalents	\$ 39,084	\$ 4,800	\$ 105,753	\$ 10,283	\$ -
Receivables	-	-	-	-	-
Due from other governments	-	-	-	-	2,235
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 39,084</u>	<u>\$ 4,800</u>	<u>\$ 105,753</u>	<u>\$ 10,283</u>	<u>\$ 2,235</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	2,235
Unearned revenue	-	-	102,194	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>102,194</u>	<u>-</u>	<u>2,235</u>
FUND BALANCES					
Fund balances	<u>39,084</u>	<u>4,800</u>	<u>3,559</u>	<u>10,283</u>	<u>-</u>
TOTAL FUND BALANCES	<u>39,084</u>	<u>4,800</u>	<u>3,559</u>	<u>10,283</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,084</u>	<u>\$ 4,800</u>	<u>\$ 105,753</u>	<u>\$ 10,283</u>	<u>\$ 2,235</u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Property Transfer	Leisure Service Registration	Patriotic Parade	Employee Assistance	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 10,295	\$ 1,866	\$ 8,700	\$ 4,019	\$ 1,823	\$ 1,073,137
-	-	-	-	-	-	-	186,963
2,401	62,675	-	-	-	-	-	97,806
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,879</u>
<u>\$ 2,401</u>	<u>\$ 62,675</u>	<u>\$ 10,295</u>	<u>\$ 1,866</u>	<u>\$ 8,700</u>	<u>\$ 4,019</u>	<u>\$ 1,823</u>	<u>\$ 1,483,785</u>
\$ 803	\$ 59,272	\$ -	\$ -	\$ 611	\$ -	\$ -	\$ 63,368
1,598	-	-	-	-	-	-	34,328
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,021</u>
<u>2,401</u>	<u>59,272</u>	<u>-</u>	<u>1,827</u>	<u>611</u>	<u>-</u>	<u>-</u>	<u>201,717</u>
<u>-</u>	<u>3,403</u>	<u>10,295</u>	<u>39</u>	<u>8,089</u>	<u>4,019</u>	<u>1,823</u>	<u>1,282,068</u>
<u>-</u>	<u>3,403</u>	<u>10,295</u>	<u>39</u>	<u>8,089</u>	<u>4,019</u>	<u>1,823</u>	<u>1,282,068</u>
<u>\$ 2,401</u>	<u>\$ 62,675</u>	<u>\$ 10,295</u>	<u>\$ 1,866</u>	<u>\$ 8,700</u>	<u>\$ 4,019</u>	<u>\$ 1,823</u>	<u>\$ 1,483,785</u>

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

City of Florence, South Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2004

	Hospitality Fee	Home Program	Community Development Block Grant	Park Commission	All American City
Revenues					
Licenses and fees	\$ 1,122,278	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	266,152	-	-
Charges for services	-	-	-	-	-
Investment earnings	449	272	-	17	19
Miscellaneous	-	544,380	43,123	680	-
TOTAL REVENUES	<u>1,122,727</u>	<u>544,652</u>	<u>309,275</u>	<u>697</u>	<u>19</u>
Expenditures					
General government	-	-	37,603	-	-
Public safety	-	-	-	-	-
Culture and recreation	478,019	-	-	-	-
Community development	-	494,644	265,261	-	-
Capital outlay	-	-	6,411	-	-
TOTAL EXPENDITURES	<u>478,019</u>	<u>494,644</u>	<u>309,275</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>644,708</u>	<u>50,008</u>	<u>-</u>	<u>697</u>	<u>19</u>
Other Financing Uses					
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	644,708	50,008	-	697	19
Fund balance at beginning of year	-	59,816	-	3,343	3,983
FUND BALANCE AT END OF YEAR	<u>\$ 644,708</u>	<u>\$ 109,824</u>	<u>\$ -</u>	<u>\$ 4,040</u>	<u>\$ 4,002</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	Downtown As a Classroom	E-911	Victim's Rights	Drug Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	12,267	-	-	185,641	-	-
208	63	82	4	311	1,145	1,417
<u>94,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,329</u>	<u>61,993</u>
<u>95,182</u>	<u>12,330</u>	<u>82</u>	<u>4</u>	<u>185,952</u>	<u>93,474</u>	<u>63,410</u>
-	-	-	-	74,266	-	-
94,247	-	-	-	-	-	23,103
-	12,871	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>94,247</u>	<u>12,871</u>	<u>-</u>	<u>-</u>	<u>74,266</u>	<u>-</u>	<u>23,103</u>
<u>935</u>	<u>(541)</u>	<u>82</u>	<u>4</u>	<u>111,686</u>	<u>93,474</u>	<u>40,307</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,936)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,936)</u>	<u>-</u>
935	(541)	82	4	111,686	(25,462)	40,307
<u>2,729</u>	<u>12,432</u>	<u>17,045</u>	<u>841</u>	<u>12,261</u>	<u>230,568</u>	<u>31,213</u>
<u>\$ 3,664</u>	<u>\$ 11,891</u>	<u>\$ 17,127</u>	<u>\$ 845</u>	<u>\$ 123,947</u>	<u>\$ 205,106</u>	<u>\$ 71,520</u>

(Continued)

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - - Continued Nonmajor Governmental Funds Year Ended June 30, 2004

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	LLEBG	Safety Committee	Street Paving/ Resurfacing
Revenues					
Licenses and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	160,517	-	3,352
Charges for services	-	-	-	-	-
Investment earnings	141	-	1,009	42	-
Miscellaneous	<u>87,193</u>	<u>4,800</u>	<u>-</u>	<u>2,076</u>	<u>-</u>
TOTAL REVENUES	<u>87,334</u>	<u>4,800</u>	<u>161,526</u>	<u>2,118</u>	<u>3,352</u>
Expenditures					
General government	-	-	-	-	3,352
Public safety	34,905	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	<u>27,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>62,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>25,117</u>	<u>4,800</u>	<u>161,526</u>	<u>2,118</u>	<u>-</u>
Other Financing Uses					
Transfers out	<u>-</u>	<u>-</u>	<u>(160,785)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(160,785)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	25,117	4,800	741	2,118	-
Fund balance at beginning of year	<u>13,967</u>	<u>-</u>	<u>2,818</u>	<u>8,165</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 39,084</u>	<u>\$ 4,800</u>	<u>\$ 3,559</u>	<u>\$ 10,283</u>	<u>\$ -</u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Property Transfer	Leisure Service Registration	Patriotic Parade	Employee Assistance	Economic Promotion	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,122,278
19,732	217,531	-	-	7,500	-	-	-	674,784
-	-	-	-	-	-	-	-	197,908
-	-	104	39	-	17	-	8	5,347
-	-	<u>500,000</u>	<u>2,295</u>	<u>12,800</u>	<u>5,417</u>	-	-	<u>1,452,060</u>
<u>19,732</u>	<u>217,531</u>	<u>500,104</u>	<u>2,334</u>	<u>20,300</u>	<u>5,434</u>	-	8	<u>3,452,377</u>
19,732	-	-	-	-	4,897	-	-	139,850
-	-	-	-	-	-	-	-	152,255
-	218,894	-	2,295	12,211	-	-	-	724,290
-	-	-	-	-	-	-	-	759,905
-	-	<u>489,809</u>	-	-	-	-	-	<u>523,532</u>
<u>19,732</u>	<u>218,894</u>	<u>489,809</u>	<u>2,295</u>	<u>12,211</u>	<u>4,897</u>	-	-	<u>2,299,832</u>
-	(1,363)	<u>10,295</u>	<u>39</u>	<u>8,089</u>	<u>537</u>	-	8	<u>1,152,545</u>
-	(34,627)	-	-	-	-	(7,058)	-	(321,406)
-	(34,627)	-	-	-	-	(7,058)	-	(321,406)
-	(35,990)	10,295	39	8,089	537	(7,058)	8	831,139
-	<u>39,393</u>	-	-	-	<u>3,482</u>	<u>7,058</u>	<u>1,815</u>	<u>450,929</u>
<u>\$ -</u>	<u>\$ 3,403</u>	<u>\$ 10,295</u>	<u>\$ 39</u>	<u>\$ 8,089</u>	<u>\$ 4,019</u>	<u>\$ -</u>	<u>\$ 1,823</u>	<u>\$ 1,282,068</u>

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

ENTERPRISE FUND

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

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

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

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Water and Sewer Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Current use charges	\$ 19,079,000	\$ 19,075,000	\$ 18,790,797	\$ (284,203)
Miscellaneous	282,000	267,300	269,835	2,535
Water and sewer tap fees	<u>453,000</u>	<u>554,000</u>	<u>554,213</u>	<u>213</u>
TOTAL OPERATING REVENUES	<u>19,814,000</u>	<u>19,896,300</u>	<u>19,614,845</u>	<u>(281,455)</u>
Operating Expenses				
Personnel	3,131,230	3,022,500	2,984,151	38,349
Employee benefits	1,019,860	984,760	964,606	20,154
Purchased services	3,545,110	3,729,930	3,328,885	401,045
Supplies and materials	859,550	694,130	706,068	(11,938)
Other expenses	569,550	614,280	539,243	75,037
Depreciation and amortization	<u>900,700</u>	<u>935,700</u>	<u>4,018,943</u>	<u>(3,083,243)</u>
TOTAL OPERATING EXPENSES	<u>10,026,000</u>	<u>9,981,300</u>	<u>12,541,896</u>	<u>(2,560,596)</u>
OPERATING INCOME	<u>9,788,000</u>	<u>9,915,000</u>	<u>7,072,949</u>	<u>(2,842,051)</u>
Non-operating Revenues (Expenses)				
Investment earnings	98,000	26,000	72,513	46,513
Interest expense	<u>(8,374,000)</u>	<u>(8,614,000)</u>	<u>(3,599,829)</u>	<u>5,014,171</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(8,276,000)</u>	<u>(8,588,000)</u>	<u>(3,527,316)</u>	<u>5,060,684</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,512,000	1,327,000	3,545,633	2,218,633
Capital contributions	-	-	4,772,555	4,772,555
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	-	(185,000)	6,806,188	6,991,188
Net assets at beginning of year	<u>52,944,686</u>	<u>52,944,686</u>	<u>52,944,686</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 52,944,686</u>	<u>\$ 52,759,686</u>	<u>\$ 59,750,874</u>	<u>\$ 6,991,188</u>

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

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Stormwater Utility Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Miscellaneous	\$ -	\$ -	\$ 3,276	\$ 3,276
Stormwater service fees	<u>1,030,000</u>	<u>1,030,500</u>	<u>1,042,990</u>	<u>12,490</u>
TOTAL OPERATING REVENUES	<u>1,030,000</u>	<u>1,030,500</u>	<u>1,046,266</u>	<u>15,766</u>
Operating Expenses				
Personnel	312,290	291,600	270,232	21,368
Employee benefits	96,120	97,180	88,186	8,994
Purchased services	104,800	159,000	132,880	26,120
Supplies and materials	20,500	20,300	17,326	2,974
Other expenses	17,000	35,630	6,375	29,255
Depreciation and amortization	<u>484,290</u>	<u>1,193,790</u>	<u>119,495</u>	<u>1,074,295</u>
TOTAL OPERATING EXPENSES	<u>1,035,000</u>	<u>1,797,500</u>	<u>634,494</u>	<u>1,163,006</u>
OPERATING INCOME (LOSS)	<u>(5,000)</u>	<u>(767,000)</u>	<u>411,772</u>	<u>1,178,772</u>
Non-operating Revenues				
Investment earnings	<u>5,000</u>	<u>4,500</u>	<u>4,573</u>	<u>73</u>
INCOME (LOSS) BEFORE TRANSFERS	-	(762,500)	416,345	1,178,845
Transfers in	150,000	150,000	150,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Change in net assets	-	(762,500)	416,345	1,178,845
Net assets at beginning of year	<u>1,201,318</u>	<u>1,201,318</u>	<u>1,201,318</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,201,318</u>	<u>\$ 438,818</u>	<u>\$ 1,617,663</u>	<u>\$ 1,178,845</u>

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

AGENCY FUNDS

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

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

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

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

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

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

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

City of Florence, South Carolina
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004

	Keep Florence Beautiful	Human Relations Council
ASSETS		
Cash and cash equivalents	\$ 2,987	\$ 1,747
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,987</u>	<u>\$ 1,747</u>
LIABILITIES		
Due to others	<u>\$ 2,987</u>	<u>\$ 1,747</u>
TOTAL LIABILITIES	<u>\$ 2,987</u>	<u>\$ 1,747</u>

Florence Co. Munci. Assoc.	Police Cabin	Court Escrow	Narcotics Holding Fund	Totals
\$ 2,683	\$ 3,692	\$ 25,506	\$ 177,957	\$ 214,572
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,713</u>	<u>49,713</u>
<u>\$ 2,683</u>	<u>\$ 3,692</u>	<u>\$ 25,506</u>	<u>\$ 227,670</u>	<u>\$ 264,285</u>
<u>\$ 2,683</u>	<u>\$ 3,692</u>	<u>\$ 25,506</u>	<u>\$ 227,670</u>	<u>\$ 264,285</u>
<u>\$ 2,683</u>	<u>\$ 3,692</u>	<u>\$ 25,506</u>	<u>\$ 227,670</u>	<u>\$ 264,285</u>

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

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>Keep Florence Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 5,753	\$ 13,578	\$ 16,344	\$ 2,987
Liabilities				
Due to others	\$ 5,753	\$ 13,578	\$ 16,344	\$ 2,987
<u>Human Relations Council</u>				
Assets				
Cash and cash equivalents	\$ 1,738	\$ 9	\$ -	\$ 1,747
Liabilities				
Due to others	\$ 1,738	\$ 9	\$ -	\$ 1,747
<u>Florence Co. Munic. Assoc.</u>				
Assets				
Cash and cash equivalents	\$ 2,471	\$ 212	\$ -	\$ 2,683
Liabilities				
Due to others	\$ 2,471	\$ 212	\$ -	\$ 2,683
<u>Police Cabin</u>				
Assets				
Cash and cash equivalents	\$ 3,674	\$ 18	\$ -	\$ 3,692
Liabilities				
Due to others	\$ 3,674	\$ 18	\$ -	\$ 3,692
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 19,835	\$ 5,671	\$ -	\$ 25,506
Liabilities				
Due to others	\$ 19,835	\$ 5,671	\$ -	\$ 25,506
<u>Narcotics Holding Fund</u>				
Assets				
Cash and cash equivalents	\$ 162,735	\$ 47,576	\$ 32,354	\$ 177,957
Investments	49,376	337	-	49,713
Liabilities				
TOTAL ASSETS				
	\$ 212,111	\$ 47,913	\$ 32,354	\$ 227,670
Liabilities				
Due to others	\$ 212,111	\$ 47,913	\$ 32,354	\$ 227,670

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities--Continued
Agency Fund
Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 196,206	\$ 67,064	\$ 48,698	\$ 214,572
Investments	<u>49,376</u>	<u>337</u>	<u>-</u>	<u>49,713</u>
TOTAL ASSETS	<u>\$ 245,582</u>	<u>\$ 67,401</u>	<u>\$ 48,698</u>	<u>\$ 264,285</u>
Liabilities				
Due to others	\$ 245,582	\$ 67,401	\$ 48,698	\$ 264,285
TOTAL LIABILITIES	<u>\$ 245,582</u>	<u>\$ 67,401</u>	<u>\$ 48,698</u>	<u>\$ 264,285</u>

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

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

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule--By Source
June 30, 2004 and 2003

	<u>2004</u>	June 30, <u>2003</u>
Governmental funds capital assets		
Land	\$ 5,431,253	\$ 3,791,319
Buildings	5,603,338	5,330,902
Infrastructure	14,328,806	13,723,324
Machinery and equipment	11,183,572	10,274,106
Construction in process	<u>-</u>	<u>26,000</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 36,546,969</u>	<u>\$ 33,145,651</u>
Investment in governmental funds capital assets by source		
General fund	<u>\$ 36,546,969</u>	<u>\$ 33,145,651</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 36,546,969</u>	<u>\$ 33,145,651</u>

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

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule--By Function and Activity
June 30, 2004

FUNCTION AND ACTIVITY	Land	Buildings	Infrastructure	Machinery And Equipment	Total
General government					
Council	\$ 3,714,772	\$ 1,693,069	\$ 10,108,131	\$ 59,777	\$ 15,575,749
Justice and law	-	-	-	23,600	23,600
Manager	-	-	-	40,425	40,425
Finance	-	-	-	42,146	42,146
Personnel	-	-	-	13,254	13,254
Community services	-	-	-	115,209	115,209
TOTAL GENERAL GOVERNMENT	<u>3,714,772</u>	<u>1,693,069</u>	<u>10,108,131</u>	<u>294,411</u>	<u>15,810,383</u>
Public safety					
Police	105,007	375,087	86,117	2,989,509	3,555,720
Fire	<u>158,390</u>	<u>888,845</u>	-	<u>2,523,688</u>	<u>3,570,923</u>
TOTAL PUBLIC SAFETY	<u>263,397</u>	<u>1,263,932</u>	<u>86,117</u>	<u>5,513,197</u>	<u>7,126,643</u>
Streets and beautification	16,125	-	-	1,338,988	1,355,113
Sanitation	-	-	-	3,198,309	3,198,309
Equipment maintenance	-	-	-	131,425	131,425
Parks & leisure services	<u>1,436,959</u>	<u>2,646,337</u>	<u>4,134,558</u>	<u>707,242</u>	<u>8,925,096</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 5,431,253</u>	<u>\$ 5,603,338</u>	<u>\$ 14,328,806</u>	<u>\$ 11,183,572</u>	<u>\$ 36,546,969</u>

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

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes--By Function and Activity
Year Ended June 30, 2004

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets
	July 1, 2003			June 30, 2004
General government				
Council	\$ 13,144,357	\$ 2,496,392	\$ 65,000	\$ 15,575,749
Justice and law	23,600	-	-	23,600
Manager	40,425	-	-	40,425
Finance	42,146	-	-	42,146
Personnel	13,254	-	-	13,254
Community services	<u>98,663</u>	<u>16,546</u>	<u>-</u>	<u>115,209</u>
TOTAL GENERAL GOVERNMENT	<u>13,362,445</u>	<u>2,512,938</u>	<u>65,000</u>	<u>15,810,383</u>
Public safety				
Police	2,895,088	695,082	34,450	3,555,720
Fire	<u>3,692,691</u>	<u>75,183</u>	<u>196,951</u>	<u>3,570,923</u>
TOTAL PUBLIC SAFETY	<u>6,587,779</u>	<u>770,265</u>	<u>231,401</u>	<u>7,126,643</u>
Streets and beautification	1,367,803	63,432	76,122	1,355,113
Sanitation	2,719,562	478,747	-	3,198,309
Equipment maintenance	131,425	-	-	131,425
Parks & leisure services	<u>8,976,637</u>	<u>85,279</u>	<u>136,820</u>	<u>8,925,096</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 33,145,651</u>	<u>\$ 3,910,661</u>	<u>\$ 509,343</u>	<u>\$ 36,546,969</u>

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

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes				
Current	\$ 2,942,000	\$ 2,705,000	\$ 2,709,483	\$ 4,483
Local option sales tax	4,325,000	4,440,000	4,444,974	4,974
Penalties	3,500	3,500	3,521	21
Payment in lieu of taxes	48,000	60,000	66,723	6,723
Delinquent taxes	<u>55,000</u>	<u>55,000</u>	<u>56,052</u>	<u>1,052</u>
TOTAL PROPERTY TAXES	<u>7,373,500</u>	<u>7,263,500</u>	<u>7,280,753</u>	<u>17,253</u>
Licenses and fees				
Business and professional license	5,300,000	5,340,000	5,343,551	3,551
Franchise fees	1,750,000	1,805,000	1,807,319	2,319
Prior year business license	<u>170,000</u>	<u>305,000</u>	<u>308,661</u>	<u>3,661</u>
TOTAL LICENSES AND FEES	<u>7,220,000</u>	<u>7,450,000</u>	<u>7,459,531</u>	<u>9,531</u>
Intergovernmental				
State shared revenue	785,800	783,800	791,510	7,710
Governmental reimbursements	140,800	110,800	111,979	1,179
Community development	165,000	116,000	116,045	45
Grants	<u>33,915</u>	<u>341,815</u>	<u>475,145</u>	<u>133,330</u>
TOTAL INTERGOVERNMENTAL	<u>1,125,515</u>	<u>1,352,415</u>	<u>1,494,679</u>	<u>142,264</u>
Charges for services				
Refuse--landfill fee	915,000	975,000	978,208	3,208
Refuse--collection fee	<u>275,000</u>	<u>270,000</u>	<u>272,705</u>	<u>2,705</u>
TOTAL CHARGES FOR SERVICES	<u>1,190,000</u>	<u>1,245,000</u>	<u>1,250,913</u>	<u>5,913</u>
Fines and forfeitures				
Criminal fines	155,000	160,000	169,574	9,574
Traffic fines	635,000	435,000	437,090	2,090
Parking violations fines	15,000	15,000	21,130	6,130
Animal control fines	<u>1,000</u>	<u>100</u>	<u>550</u>	<u>450</u>
TOTAL FINES AND FORFEITURES	<u>806,000</u>	<u>610,100</u>	<u>628,344</u>	<u>18,244</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues--Continued				
Miscellaneous				
Investment income	130,000	35,000	52,391	17,391
Miscellaneous	<u>83,800</u>	<u>107,800</u>	<u>226,322</u>	<u>118,522</u>
TOTAL MISCELLANEOUS	<u>213,800</u>	<u>142,800</u>	<u>278,713</u>	<u>135,913</u>
TOTAL REVENUES	<u>17,928,815</u>	<u>18,063,815</u>	<u>18,392,933</u>	<u>329,118</u>
Expenditures				
General Government				
City Council				
Salary and wages	83,270	83,270	83,265	5
Retirement	5,710	5,710	5,704	6
Health insurance	23,150	26,650	26,612	38
Workers' compensation	8,780	9,480	9,416	64
Social security	6,370	6,370	6,278	92
Printing and supplies	5,000	6,000	5,341	659
Postage	800	600	271	329
Membership and dues	16,000	8,300	8,274	26
Travel and conference	34,000	39,500	39,420	80
Telephone and telegraph	300	300	216	84
Telephone related services	600	500	470	30
Maintenance and service contracts	450	200	66	134
Professional services	16,500	21,500	17,800	3,700
Special departmental supplies	<u>4,500</u>	<u>2,900</u>	<u>1,762</u>	<u>1,138</u>
TOTAL CITY COUNCIL	<u>205,430</u>	<u>211,280</u>	<u>204,895</u>	<u>6,385</u>
Legal Services				
Salary and wages	61,400	61,950	61,723	227
Retirement	4,210	4,210	4,146	64
Health insurance	3,940	3,920	3,912	8
Workers' compensation	110	120	118	2
Social security	4,690	4,680	4,552	128
Printing and supplies	600	600	433	167
Postage	200	150	138	12
Membership and dues	350	400	360	40
Travel and conference	300	2,000	1,984	16
Telephone and telegraph	300	350	281	69
Telephone related services	200	300	262	38

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government--Continued				
Legal Services--Continued				
Employee training	250	620	620	-
Professional services	50,000	87,500	86,370	1,130
Special departmental supplies	<u>700</u>	<u>1,300</u>	<u>1,271</u>	<u>29</u>
TOTAL LEGAL SERVICES	<u>127,250</u>	<u>168,100</u>	<u>166,170</u>	<u>1,930</u>
Justice and Law				
Salary and wages	234,330	216,170	214,002	2,168
Retirement	15,850	14,310	14,305	5
Health insurance	27,160	21,150	21,105	45
Workers' compensation	8,780	9,430	9,416	14
Social security	17,700	15,570	15,043	527
Printing and supplies	7,000	6,000	5,176	824
Postage	3,000	2,000	1,815	185
Membership and dues	500	300	110	190
Travel and conference	1,000	2,100	2,047	53
Auto operating expenses	4,000	3,500	3,322	178
Telephone and telegraph	1,600	1,500	1,258	242
Telephone related services	400	1,250	1,210	40
Maintenance and service contracts	2,500	4,600	4,596	4
Machine and equipment repairs	130	170	162	8
Employee training	2,000	2,000	1,608	392
Professional services	28,000	20,150	19,729	421
Special department supplies	<u>2,000</u>	<u>8,160</u>	<u>8,092</u>	<u>68</u>
TOTAL JUSTICE AND LAW	<u>355,950</u>	<u>328,360</u>	<u>322,996</u>	<u>5,364</u>
City Manager				
Salary and wages	308,900	292,980	285,627	7,353
Retirement	21,100	21,890	20,028	1,862
Health insurance	23,400	24,830	25,332	(502)
Workers' compensation	6,280	6,780	6,735	45
Social security	22,590	21,770	19,121	2,649
Printing and supplies	7,200	8,800	7,604	1,196
Postage	1,100	1,400	1,259	141
Membership and dues	5,600	5,000	3,033	1,967
Travel and conference	5,500	7,000	6,352	648
Car allowance	7,200	7,200	7,200	-
Telephone and telegraph	3,200	4,400	4,199	201
Telephone related services	2,000	3,000	2,923	77
Maintenance and service contracts	300	350	318	32

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
General Government--Continued				
City Manager--Continued				
Employee training	1,100	1,800	1,726	74
Professional services	1,500	2,700	2,640	60
Special departmental supplies	<u>4,600</u>	<u>5,950</u>	<u>4,489</u>	<u>1,461</u>
TOTAL CITY MANAGER	<u>421,570</u>	<u>415,850</u>	<u>398,586</u>	<u>17,264</u>
Finance				
Salary and wages	372,350	371,730	370,412	1,318
Retirement	25,100	25,400	24,891	509
Health insurance	35,380	36,000	35,789	211
Workers' compensation	12,600	13,600	13,513	87
Social security	28,480	27,500	27,035	465
Printing and supplies	7,000	8,500	8,430	70
Postage	6,000	8,250	8,006	244
Membership and dues	3,000	1,000	712	288
Travel and conference	4,000	4,000	3,585	415
Auto operating expenses	250	150	57	93
Telephone and telegraph	4,000	6,000	5,867	133
Telephone related services	2,800	4,500	4,290	210
Maintenance and service contracts	6,000	2,750	2,417	333
Machine and equipment repairs	200	200	2,400	(2,200)
Public notes	2,500	1,700	1,414	286
Employee training	3,000	4,500	4,468	32
Professional services	6,700	4,000	3,844	156
Special department supplies	53,000	66,700	60,845	5,855
Gas and oil	<u>100</u>	<u>1,000</u>	<u>104</u>	<u>896</u>
TOTAL FINANCE	<u>572,460</u>	<u>587,480</u>	<u>578,079</u>	<u>9,401</u>
Personnel				
Salary and wages	190,050	161,650	159,716	1,934
Retirement	12,360	11,000	10,610	390
Health insurance	15,580	12,630	12,503	127
Workers' compensation	7,680	8,280	8,236	44
Social security	14,540	11,200	11,085	115
Printing and supplies	8,000	11,500	11,391	109
Postage	1,400	1,400	1,365	35
Membership and dues	1,400	600	525	75
Travel and conference	1,500	840	806	34

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
General Government--Continued				
Personnel--Continued				
Auto operating expenses	2,000	940	330	610
Telephone and telegraph	3,000	1,500	1,498	2
Telephone related services	2,000	2,380	2,334	46
Maintenance and service contracts	2,300	2,300	1,699	601
Machine and equipment repairs	200	200	129	71
Public notices	6,000	8,880	8,582	298
Employee training	1,000	1,060	1,060	-
Professional services	20,000	39,600	39,537	63
Medical expenses	47,000	36,500	36,193	307
Special department supplies	3,000	2,600	2,282	318
Gas and oil	500	400	33	367
	<u>339,510</u>	<u>315,460</u>	<u>309,914</u>	<u>5,546</u>
TOTAL PERSONNEL				
Community Services				
Salary and wages	229,320	226,920	226,244	676
Retirement	15,710	15,210	15,140	70
Health insurance	23,390	22,750	22,749	1
Workers' compensation	7,550	8,150	8,097	53
Social security	17,540	16,700	16,462	238
Printing and supplies	3,200	5,800	5,427	373
Postage	1,000	1,800	1,425	375
Membership and dues	400	400	325	75
Travel and conference	1,400	1,220	1,214	6
Auto operating expenses	1,100	800	699	101
Telephone and telegraph	1,250	1,000	973	27
Telephone related services	1,300	1,500	1,453	47
Radio maintenance	400	150	-	150
Maintenance and service contracts	4,500	3,220	3,220	-
Employee training	700	250	75	175
Professional services	1,000	1,480	1,448	32
Special department supplies	4,800	10,543	11,312	(769)
Gas and oil	1,100	1,330	1,127	203
Capital outlay	-	16,607	16,547	60
	<u>315,660</u>	<u>335,830</u>	<u>333,937</u>	<u>1,893</u>
TOTAL COMMUNITY SERVICES				
TOTAL GENERAL GOVERNMENT	<u>2,337,830</u>	<u>2,362,360</u>	<u>2,314,577</u>	<u>47,783</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, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Public Safety				
Police				
Salary and wages	4,212,770	4,002,710	3,989,765	12,945
Retirement	437,180	405,660	405,411	249
Health insurance	466,200	421,880	424,507	(2,627)
Workers' compensation	162,150	174,150	173,896	254
Social security	328,230	293,150	289,006	4,144
Printing and supplies	17,000	9,900	7,214	2,686
Postage	2,900	2,900	2,393	507
Membership and dues	2,500	2,500	1,334	1,166
Travel and conference	2,500	2,500	1,595	905
Auto operating expenses	80,500	76,460	70,463	5,997
Electricity	-	6,500	5,778	722
Telephone and telegraph	22,000	13,000	12,612	388
Telephone related services	15,000	25,200	24,745	455
Radio maintenance	5,000	6,000	4,703	1,297
Maintenance and service contracts	20,000	19,000	15,527	3,473
Machine and equipment repairs	5,000	5,000	1,718	3,282
Building maintenance	2,000	2,000	1,976	24
Uniform and clothing	55,000	45,800	43,236	2,564
Prisoner housing	180,000	166,600	161,873	4,727
Rent payments	-	11,000	11,000	-
Employee training	20,000	20,000	19,693	307
Professional services	30,000	31,600	31,150	450
Pal expenses	9,000	10,090	10,786	(696)
Medical expenses	1,000	1,000	374	626
Rewards	1,000	1,000	-	1,000
Special department supplies	40,000	71,412	67,007	4,405
Gas and oil	120,000	129,300	110,211	19,089
Water usage	-	950	830	120
Grant expenditures	111,870	66,607	64,905	1,702
Capital outlay	<u>255,860</u>	<u>514,521</u>	<u>599,320</u>	<u>(84,799)</u>
TOTAL POLICE	<u>6,604,660</u>	<u>6,538,390</u>	<u>6,553,028</u>	<u>(14,638)</u>
Fire				
Salary and wages	2,401,100	2,409,870	2,408,083	1,787
Retirement	253,970	249,220	249,765	(545)
Health insurance	280,040	268,270	270,163	(1,893)
Workers' compensation	91,720	98,730	98,364	366
Social security	188,140	175,130	175,029	101
Printing and supplies	13,500	15,980	15,646	334
Postage	1,300	1,300	1,079	221
Membership and dues	500	500	280	220

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Safety--Continued				
Fire--Continued				
Travel and conference	2,000	1,500	1,098	402
Auto operating expenses	30,000	46,700	45,668	1,032
Electricity	30,500	25,770	25,323	447
Telephone and telegraph	10,000	8,500	7,621	879
Telephone related services	8,500	11,100	11,076	24
Heating fuel	14,000	18,075	18,015	60
Fire prevention	10,500	10,500	10,445	55
Radio maintenance	4,500	1,180	699	481
Maintenance and service contracts	6,000	5,000	4,371	629
Machine and equipment repairs	10,500	10,400	9,890	510
Building maintenance	12,000	8,100	7,949	151
Uniform and clothing	31,000	33,910	33,819	91
Employee training	20,000	20,000	19,977	23
Professional services	5,000	13,300	13,096	204
Special department supplies	26,560	146,832	109,834	36,998
Gas and oil	18,000	19,600	17,126	2,474
Water usage	8,000	9,020	9,016	4
Capital outlay	<u>32,500</u>	<u>119,553</u>	<u>75,183</u>	<u>44,370</u>
TOTAL FIRE	<u>3,509,830</u>	<u>3,728,040</u>	<u>3,638,615</u>	<u>89,425</u>
TOTAL PUBLIC SAFETY	<u>10,114,490</u>	<u>10,266,430</u>	<u>10,191,643</u>	<u>74,787</u>
Public Works				
Streets and Beautification				
Salary and wages	660,760	658,260	657,289	971
Retirement	45,230	44,730	44,427	303
Health insurance	104,400	103,400	103,798	(398)
Workers' compensation	35,160	37,160	37,117	43
Social security	50,550	48,100	47,891	209
Printing and supplies	600	600	400	200
Postage	100	100	9	91
Membership and dues	500	500	190	310
Travel and conference	500	500	-	500
Auto operating expenses	22,000	20,900	14,363	6,537
Electricity	10,000	11,720	11,711	9
Telephone related services	1,100	1,300	1,281	19
Radio maintenance	1,200	1,000	456	544
Machine and equipment repairs	34,000	35,000	35,489	(489)
Tree beautification	11,000	16,000	15,905	95
Sign shop supplies	9,000	10,000	9,289	711
Uniform and clothing	11,000	12,000	11,536	464
Chemicals	14,000	9,000	8,007	993

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Works--Continued				
Streets and Beautification--Continued				
Paving materials and supplies	7,000	4,780	4,708	72
Employee training	500	500	288	212
Professional services	11,000	15,100	14,798	302
Special department supplies	20,000	31,414	30,880	534
Gas and oil	25,000	34,000	29,327	4,673
Water usage	11,000	10,000	8,076	1,924
Capital outlay	<u>46,000</u>	<u>98,586</u>	<u>63,432</u>	<u>35,154</u>
TOTAL STREETS AND				
BEAUTIFICATION	<u>1,131,600</u>	<u>1,204,650</u>	<u>1,150,667</u>	<u>53,983</u>
Sanitation				
Salary and wages	526,310	538,110	537,684	426
Retirement	36,000	36,300	36,232	68
Health insurance	84,950	83,450	83,322	128
Workers' compensation	28,890	31,090	30,983	107
Social security	40,270	38,770	38,379	391
Printing and supplies	1,000	500	162	338
Postage	100	100	38	62
Membership and dues	200	200	193	7
Travel and conference	100	100	-	100
Auto operating expenses	60,000	62,500	55,149	7,351
Telephone related services	200	200	156	44
Radio maintenance	2,000	2,000	1,722	278
Maintenance and service contracts	287,000	287,500	287,315	185
Machine and equipment repairs	54,000	127,500	56,330	71,170
Landfill services	905,000	916,000	897,690	18,310
Uniform and clothing	9,000	9,000	8,600	400
Compost supplies	1,500	-	-	-
Public notices	6,500	5,500	4,955	545
Employee training	200	300	245	55
Professional services	100	100	-	100
Special department supplies	7,000	11,158	10,791	367
Gas and oil	81,000	96,500	80,061	16,439
Capital outlay	<u>-</u>	<u>639,542</u>	<u>478,747</u>	<u>160,795</u>
TOTAL SANITATION	<u>2,131,320</u>	<u>2,886,420</u>	<u>2,608,754</u>	<u>277,666</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Works--Continued				
Equipment Maintenance				
Salary and wages	261,570	249,970	247,714	2,256
Retirement	17,900	16,900	16,713	187
Health insurance	31,150	31,150	30,905	245
Workers' compensation	10,060	11,060	10,789	271
Social security	19,990	19,990	17,567	2,423
Printing and supplies	200	200	3	197
Auto operating expenses	1,900	1,900	1,319	581
Telephone related services	300	300	-	300
Heating fuel	4,800	4,800	4,602	198
Radio maintenance	300	300	50	250
Maintenance and service contracts	4,000	4,000	2,086	1,914
Machine and equipment repairs	4,000	8,000	1,219	6,781
Uniform and clothing	3,500	3,500	3,146	354
Employee training	500	500	277	223
Special department supplies	7,000	7,000	5,516	1,484
Gas and oil	5,200	6,200	5,488	712
TOTAL EQUIPMENT MAINTENANCE	<u>372,370</u>	<u>365,770</u>	<u>347,394</u>	<u>18,376</u>
TOTAL PUBLIC WORKS	<u>3,635,290</u>	<u>4,456,840</u>	<u>4,106,815</u>	<u>350,025</u>
Culture and Recreation				
Parks and Leisure Services				
Salary and wages	540,140	502,000	495,603	6,397
Retirement	33,170	31,170	30,940	230
Health insurance	65,300	62,400	61,458	942
Workers' compensation	21,400	23,000	22,950	50
Social security	41,330	36,330	36,162	168
Printing and supplies	2,500	2,900	2,861	39
Postage	1,500	1,500	1,340	160
Membership and dues	1,000	1,000	866	134
Travel and conference	2,000	2,000	1,355	645
Auto operating expenses	6,000	10,000	8,622	1,378
Electricity	45,000	45,000	42,408	2,592
Telephone and telegraph	4,000	3,500	3,456	44
Telephone related services	1,500	1,500	1,115	385
Radio maintenance	500	700	657	43
Maintenance and service contracts	6,000	4,800	4,670	130
Machine and equipment repairs	8,000	11,400	12,928	(1,528)
Building maintenance	25,000	25,000	24,732	268
Tree beautification	3,000	1,600	1,114	486
Uniform and clothing	4,500	3,700	2,930	770

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Culture and Recreation--Continued				
Parks and Leisure Services--Continued				
Employee training	3,000	2,000	1,773	227
Professional services	23,500	25,000	22,324	2,676
Special department supplies	55,000	59,167	59,814	(647)
Gas and oil	12,000	15,900	13,565	2,335
Water usage	8,000	6,000	5,124	876
Boys and girls club's	28,000	28,000	27,973	27
Tournaments	1,000	1,000	700	300
Grant expenditures	5,000	5,000	-	5,000
Capital outlay	<u>18,000</u>	<u>139,633</u>	<u>59,279</u>	<u>80,354</u>
TOTAL PARKS AND LEISURE SERVICES	<u>965,340</u>	<u>1,051,200</u>	<u>946,719</u>	<u>104,481</u>
TOTAL CULTURE AND RECREATION	<u>965,340</u>	<u>1,051,200</u>	<u>946,719</u>	<u>104,481</u>
Non-Departmental				
Employee relations	20,000	24,000	23,503	497
Special employee projects	-	1,800	1,774	26
Unemployment compensation	18,000	13,000	10,953	2,047
Property & liability insurance	305,000	271,200	268,858	2,342
Small claims	3,500	3,500	3,475	25
Employee W/C small claims	1,000	7,500	8,178	(678)
Boys' and Girls' club	20,000	20,000	20,000	-
Transit system	35,000	35,000	35,000	-
Florence Museum	30,000	30,000	30,000	-
City-County Airport	25,200	25,200	25,125	75
Florence Area Humane Society	50,000	50,000	50,000	-
City-County Complex operations	174,050	174,050	174,006	44
Contingency	108,500	-	-	-
Street lights	508,000	513,500	512,985	515
Brownfields grant	-	18,000	23,130	(5,130)
Property acquisitions	-	1,734,000	1,510,767	223,233
Rail to trail project	-	1,300	36,028	(34,728)
Boards and commissions	300	300	275	25
Land grant match	-	150,000	-	150,000
Community services land acquisition	-	50,000	-	50,000
Gateway and beautification	-	2,000	1,724	276
Civic Center	900,000	150,000	597,840	(447,840)
Special projects	111,000	589,320	464,738	124,582
Recreation transfer Florence County	<u>607,500</u>	<u>607,500</u>	<u>607,500</u>	<u>-</u>
TOTAL NON-DEPARTMENTAL	<u>2,917,050</u>	<u>4,471,170</u>	<u>4,405,859</u>	<u>65,311</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Debt Service				
Principal	-	-	243,651	(243,651)
Interest	-	-	20,676	(20,676)
TOTAL DEBT SERVICE	-	-	264,327	(264,327)
TOTAL EXPENDITURES	<u>19,970,000</u>	<u>22,608,000</u>	<u>22,229,940</u>	<u>378,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,041,185)</u>	<u>(4,544,185)</u>	<u>(3,837,007)</u>	<u>707,178</u>
Other Financing Sources (Uses)				
Transfers in	1,991,185	1,975,185	1,983,406	8,221
Transfers out	(150,000)	(150,000)	(150,000)	-
Capital leases	-	-	472,241	472,241
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,841,185</u>	<u>1,825,185</u>	<u>2,305,647</u>	<u>480,462</u>
NET CHANGE IN FUND BALANCE	<u>(200,000)</u>	<u>(2,719,000)</u>	<u>(1,531,360)</u>	<u>1,187,640</u>
Fund balance at beginning of year	<u>10,080,026</u>	<u>10,080,026</u>	<u>10,080,026</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,880,026</u>	<u>\$ 7,361,026</u>	<u>\$ 8,548,666</u>	<u>\$ 1,187,640</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Water and sewer service fees	\$ 18,880,000	\$ 18,915,500	\$ 18,633,285	\$ (282,215)
Sewer surcharges	123,000	101,500	100,107	(1,393)
Cut on fees	76,000	58,000	57,405	(595)
Water and sewer tap fees	453,000	554,000	554,213	213
Service charges	92,000	115,500	116,150	650
Late fees	75,000	76,000	76,308	308
Miscellaneous income	<u>115,000</u>	<u>75,800</u>	<u>77,377</u>	<u>1,577</u>
TOTAL OPERATING REVENUES	<u>19,814,000</u>	<u>19,896,300</u>	<u>19,614,845</u>	<u>(281,455)</u>
Operating Expenses				
Engineering				
Personnel services	388,100	397,600	396,394	1,206
Retirement	26,580	26,780	26,657	123
Health insurance	33,100	31,100	31,034	66
Workers' compensation	11,330	12,330	12,151	179
Social security	29,690	26,190	25,680	510
Printing and supplies	2,000	2,300	2,274	26
Postage	350	3,650	3,585	65
Membership and dues	300	400	325	75
Travel and conference	1,500	1,400	1,115	285
Auto operating expense	2,000	1,100	946	154
Electricity	17,000	16,000	15,738	262
Telephone and telegraph	6,000	5,100	5,051	49
Telephone related services	4,500	5,200	5,165	35
Heating fuel	4,500	4,700	4,602	98
Radio maintenance	1,000	500	90	410
Maintenance and service contracts	12,000	11,000	10,850	150
Building maintenance	6,500	10,300	10,206	94
Uniforms & clothing	2,000	2,100	2,063	37
Public notices	150	50	-	50
Employee training	2,000	400	320	80
Professional service	83,600	75,900	59,370	16,530
Specialized departmental supplies	8,000	7,900	9,207	(1,307)
Gas and oil	3,500	4,000	3,450	550
Water usage	<u>6,500</u>	<u>8,500</u>	<u>8,459</u>	<u>41</u>
TOTAL ENGINEERING	<u>652,200</u>	<u>654,500</u>	<u>634,732</u>	<u>19,768</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Finance				
Personnel services	294,950	287,860	287,691	169
Retirement	20,200	19,700	19,446	254
Health insurance	46,330	42,530	42,385	145
Workers' compensation	16,400	17,600	17,588	12
Social security	22,610	21,000	20,976	24
Printing and supplies	3,000	2,600	2,468	132
Postage	100,000	92,400	92,327	73
Membership and dues	100	40	40	-
Travel and conference	800	600	528	72
Auto operating expense	500	100	1	99
Electricity	7,500	6,150	6,143	7
Telephone and telegraph	5,430	6,530	6,460	70
Telephone related services	500	1,600	1,565	35
Radio maintenance	500	-	-	-
Maintenance and service contracts	33,500	36,400	39,671	(3,271)
Building maintenance	2,000	1,500	1,448	52
Employee training	1,000	1,300	1,259	41
Professional service	2,000	14,200	14,116	84
Specialized departmental supplies	33,000	25,600	25,563	37
Gas and oil	200	70	44	26
Water usage	500	440	435	5
TOTAL UTILITY FINANCE	<u>591,020</u>	<u>578,220</u>	<u>580,154</u>	<u>(1,934)</u>
Wastewater Treatment				
Personnel services	635,630	657,530	656,418	1,112
Retirement	43,570	44,070	43,957	113
Health insurance	81,640	80,640	83,398	(2,758)
Workers' compensation	28,890	31,090	30,983	107
Social security	48,650	46,950	46,892	58
Printing and supplies	1,450	500	430	70
Postage	400	400	340	60
Membership and dues	7,800	6,000	6,000	-
Travel and conference	250	20	15	5
Auto operating expense	9,000	10,250	9,395	855
Electricity	708,000	628,600	628,573	27
Telephone and telegraph	3,500	2,300	2,249	51
Telephone related services	1,350	2,950	2,911	39
Heating fuel	150	-	11	(11)
Radio maintenance	300	-	-	-
Maintenance and service contracts	9,500	5,880	5,373	507
Machine and equipment repairs	312,000	405,620	287,390	118,230
Building maintenance	6,000	2,000	1,971	29
Landfill service	208,000	318,680	318,670	10

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Operating Expenses--Continued				
Wastewater Treatment--Continued				
Uniforms and clothing	10,050	8,150	8,143	7
Compost supplies	75,000	16,000	15,973	27
Chemicals	42,980	59,080	58,981	99
Lab supplies	18,000	21,320	21,315	5
Public notices	600	-	-	-
Employee training	5,000	2,000	1,997	3
Professional services	45,000	80,500	106,450	(25,950)
Specialized departmental supplies	120,000	105,300	101,625	3,675
Gas and oil	19,000	22,180	19,929	2,251
Water usage	15,000	13,300	13,279	21
Upgrade and painting	-	113,000	-	113,000
TOTAL WASTEWATER TREATMENT	<u>2,456,710</u>	<u>2,684,310</u>	<u>2,472,668</u>	<u>211,642</u>
Water Production--Surface Water				
Personnel services	325,030	304,830	301,457	3,373
Retirement	22,270	20,260	20,044	216
Health insurance	38,910	37,720	34,812	2,908
Workers' compensation	13,840	14,880	14,843	37
Social security	24,860	22,670	22,428	242
Printing and supplies	1,700	1,700	1,598	102
Postage	200	330	300	30
Membership and dues	900	800	640	160
Travel and conference	800	400	25	375
Auto operating expense	2,200	2,000	1,551	449
Electricity	345,000	226,850	226,849	1
Telephone and telegraph	5,000	3,710	3,702	8
Telephone related services	2,000	700	282	418
Heating fuel	23,000	16,000	15,781	219
Radio maintenance	100	-	-	-
Maintenance and service contracts	-	1,500	1,085	415
Machine and equipment repairs	30,000	10,000	9,470	530
Building maintenance	3,300	7,300	6,724	576
Uniforms and clothing	3,800	4,700	4,413	287
Chemicals	325,000	58,000	57,460	540
Lab supplies	60,000	26,000	24,582	1,418
Public notices	1,500	500	88	412
Employee training	1,000	700	515	185
Professional services	25,000	23,490	26,413	(2,923)
Specialized departmental supplies	60,000	35,000	32,022	2,978
Gas and oil	4,100	6,920	5,982	938

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Water Production--Surface Water--Continued				
Water usage	-	750	744	6
Upgrade and painting	-	68,000	-	68,000
TOTAL WATER				
PRODUCTION--SURFACE WATER	<u>1,319,510</u>	<u>895,710</u>	<u>813,810</u>	<u>81,900</u>
Water Production--Ground Water				
Personnel services	278,860	267,860	264,107	3,753
Retirement	19,110	17,710	17,542	168
Health insurance	34,980	32,420	31,988	432
Workers' compensation	11,340	12,340	12,161	179
Social security	21,340	19,590	19,487	103
Printing and supplies	300	350	293	57
Postage	50	60	53	7
Membership and dues	1,000	1,210	1,204	6
Travel and conference	450	150	100	50
Auto operating expense	7,000	9,810	9,153	657
Electricity	550,000	737,760	737,293	467
Telephone and telegraph	5,500	2,670	2,663	7
Telephone related services	12,800	18,810	18,802	8
Heating fuel	150	150	113	37
Radio maintenance	500	500	439	61
Machine and equipment repairs	55,000	71,910	71,853	57
Building maintenance	9,000	9,600	9,362	238
Uniforms and clothing	4,200	3,200	3,188	12
Chemicals	65,000	83,000	82,860	140
Lab supplies	3,500	3,160	3,150	10
Employee training	500	420	414	6
Professional services	35,000	39,450	39,789	(339)
Well repairs	90,000	34,190	29,420	4,770
Specialized departmental supplies	16,000	15,600	21,905	(6,305)
Gas and oil	10,500	14,070	12,187	1,883
Water usage	10,000	13,230	13,225	5
Upgrade and painting	-	63,000	-	63,000
TOTAL WATER				
PRODUCTION--GROUND WATER	<u>1,242,080</u>	<u>1,472,220</u>	<u>1,402,751</u>	<u>69,469</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Operations				
Personnel services	1,123,220	1,020,720	992,511	28,209
Retirement	76,960	71,790	67,418	4,372
Health insurance	174,000	164,100	157,165	6,935
Workers' compensation	55,280	59,480	59,284	196
Social security	85,950	78,990	73,669	5,321
Printing and supplies	1,600	1,600	1,348	252
Postage	900	900	784	116
Membership and dues	450	450	265	185
Travel and conference	2,000	1,800	1,330	470
Auto operating expense	37,000	36,000	28,031	7,969
Electricity	11,000	10,000	9,761	239
Telephone and telegraph	500	700	680	20
Telephone related services	3,000	2,400	2,091	309
Radio maintenance	1,000	2,500	1,687	813
Maintenance and service contracts	1,200	1,200	991	209
Machine and equipment repairs	28,000	30,000	22,582	7,418
Building maintenance	6,000	11,000	5,447	5,553
Traffic lights	15,000	5,620	5,256	364
Uniforms and clothing	22,000	22,000	21,222	778
Meters, parts and supplies	120,000	148,000	145,178	2,822
Pipe fittings and hydrants	204,000	211,500	207,397	4,103
Paving materials and supplies	22,000	19,700	19,334	366
Employee training	2,000	1,700	1,691	9
Professional services	7,000	11,000	10,678	322
Special departmental supplies	45,000	39,700	60,083	(20,383)
Gas and oil	60,000	61,380	53,132	8,248
TOTAL UTILITY OPERATIONS	<u>2,105,060</u>	<u>2,014,230</u>	<u>1,949,015</u>	<u>65,215</u>
Utility Construction				
Personnel services	85,440	86,100	85,573	527
Retirement	5,520	5,820	5,772	48
Health insurance	15,350	15,350	15,283	67
Workers' compensation	5,000	5,400	5,362	38
Social security	6,160	6,260	6,201	59
Auto operating expense	1,000	500	292	208
Radio maintenance	200	-	-	-
Machine and equipment repairs	2,000	400	185	215
Uniforms and clothing	1,500	-	-	-
Pipe fittings and hydrants	60,000	7,000	6,974	26
Paving materials and supplies	2,500	2,600	2,438	162
Special departmental supplies	2,500	700	910	(210)

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Construction--Continued				
Gas and oil	<u>2,000</u>	<u>2,000</u>	<u>1,589</u>	<u>411</u>
TOTAL UTILITY CONSTRUCTION	<u>189,170</u>	<u>132,130</u>	<u>130,579</u>	<u>1,551</u>
Non-departmental				
Depreciation	900,700	935,700	3,938,369	(3,002,669)
Bank charges	14,000	25,000	27,475	(2,475)
Employee relations	14,000	19,000	18,598	402
Special employee projects	-	1,500	1,500	-
Unemployment compensation	7,000	10,000	4,977	5,023
Property & liability insurance	200,000	182,000	178,076	3,924
Amortization of bond issue costs	-	-	80,574	(80,574)
Small claims	2,500	5,500	5,008	492
Employee W/C small claims	1,000	1,500	798	702
City-County complex operations	174,050	174,050	174,006	44
Contingency	73,000	-	-	-
Special projects	<u>84,000</u>	<u>195,730</u>	<u>128,806</u>	<u>66,924</u>
TOTAL NON-DEPARTMENTAL	<u>1,470,250</u>	<u>1,549,980</u>	<u>4,558,187</u>	<u>(3,008,207)</u>
TOTAL OPERATING EXPENSES	<u>10,026,000</u>	<u>9,981,300</u>	<u>12,541,896</u>	<u>(2,560,596)</u>
OPERATING INCOME	<u>9,788,000</u>	<u>9,915,000</u>	<u>7,072,949</u>	<u>(2,842,051)</u>
Non-Operating Revenues (Expenses)				
Investment earnings	98,000	26,000	72,513	46,513
Interest expense	<u>(8,374,000)</u>	<u>(8,614,000)</u>	<u>(3,599,829)</u>	<u>5,014,171</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(8,276,000)</u>	<u>(8,588,000)</u>	<u>(3,527,316)</u>	<u>5,060,684</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,512,000	1,327,000	3,545,633	2,218,633
Capital contributions	-	-	4,772,555	4,772,555
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	-	(185,000)	6,806,188	6,991,188
Net assets at beginning of year	<u>52,944,686</u>	<u>52,944,686</u>	<u>52,944,686</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 52,944,686</u>	<u>\$ 52,759,686</u>	<u>\$ 59,750,874</u>	<u>\$ 6,991,188</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Stormwater service fees	\$ 1,030,000	\$ 1,030,500	\$ 1,042,990	\$ 12,490
Miscellaneous	-	-	3,276	3,276
TOTAL OPERATING REVENUES	<u>1,030,000</u>	<u>1,030,500</u>	<u>1,046,266</u>	<u>15,766</u>
Operating Expenses				
Personnel services	312,290	291,600	270,232	21,368
Retirement	18,700	19,950	18,299	1,651
Health insurance	42,700	40,300	35,692	4,608
Workers' compensation	13,830	15,330	14,832	498
Social security	20,890	21,600	19,363	2,237
Printing and supplies	500	500	147	353
Postage	200	3,200	3,139	61
Travel and conference	700	700	278	422
Auto operating expense	12,000	9,500	8,304	1,196
Telephone related services	200	200	-	200
Radio maintenance	500	500	472	28
Machine and equipment repairs	20,000	16,500	15,692	808
Uniforms and clothing	5,000	5,000	3,173	1,827
Pipe fittings and hydrants	10,000	10,000	9,918	82
Employee training	1,200	1,400	1,393	7
Professional services	50,000	107,000	59,933	47,067
Special departmental supplies	10,000	9,800	10,959	(1,159)
Gas and oil	15,000	15,000	12,401	2,599
Depreciation	484,290	1,193,790	119,495	1,074,295
Employee relations	500	700	472	228
Unemployment compensation	500	100	24	76
Property & liability insurance	5,000	4,500	4,380	120
Small claims	500	-	-	-
Contingency fund	10,500	28,830	-	28,830
Special projects	-	1,500	1,500	-
Drainage improvements	-	-	24,396	(24,396)
TOTAL OPERATING EXPENSES	<u>1,035,000</u>	<u>1,797,500</u>	<u>634,494</u>	<u>1,163,006</u>
OPERATING INCOME (LOSS)	<u>(5,000)</u>	<u>(767,000)</u>	<u>411,772</u>	<u>1,178,772</u>
Non-operating revenues				
Investment income	5,000	4,500	4,573	73
TOTAL NON-OPERATING REVENUES	<u>5,000</u>	<u>4,500</u>	<u>4,573</u>	<u>73</u>
INCOME (LOSS)				
BEFORE TRANSFERS	-	(762,500)	416,345	1,178,845

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual - - Continued
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Transfers in	150,000	150,000	150,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Change in net assets	-	(762,500)	416,345	1,178,845
Net assets at beginning of year	<u>1,201,318</u>	<u>1,201,318</u>	<u>1,201,318</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,201,318</u>	<u>\$ 438,818</u>	<u>\$ 1,617,663</u>	<u>\$ 1,178,845</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund--Victim's Rights Fund
Year Ended June 30, 2004

Court Fines

Court fines collected	\$ 548,368
Court fines retained by City	<u>548,368</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>

Court Assessments

Court assessments collected	\$ 593,127
Court assessments retained by City	<u>(66,314)</u>
Court assessments remitted to the State Treasurer	<u>\$ 526,813</u>

Court Surcharges

Court surcharges collected	<u>\$ 26,148</u>
Court surcharges retained by City	<u>\$ 26,148</u>

Victims Services

Court assessments allocated to Victim Services	\$ 66,181
Court surcharges allocated to Victim Services	26,148
Investment income	<u>1,145</u>
Funds allocated to Victim Services	93,474
Victim Services expenditures	<u>(118,936)</u>
Funds used in current year	(25,462)
Funds available for carryforward from prior year	<u>230,568</u>
Funds available for carryforward at end of year	<u>\$ 205,106</u>

STATISTICAL SECTION

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

Fiscal Year	Property Taxes	Licenses and Fees	Inter-Governmental	Charges for Services	Fines and Forfeitures	Miscellaneous	Total
1995	\$ 5,813,827	\$ 4,849,174	\$ 2,088,517	\$ 1,203,772	\$ 744,722	\$ 1,270,827	\$ 15,970,839
1996	5,501,835	5,143,064	2,134,657	1,117,511	845,080	817,475	15,559,622
1997	5,663,559	5,425,571	2,264,928	1,255,892	762,893	883,652	16,256,495
1998	5,849,075	5,316,080	2,236,400	1,353,332	850,449	950,371	16,555,707
1999	5,916,270	5,723,003	2,227,148	1,331,466	757,677	829,179	16,784,743
2000	6,792,442	5,899,590	1,990,282	1,338,042	930,993	919,609	17,870,958
2001	6,976,218	6,828,618	2,710,397	1,395,519	950,840	1,338,881	20,200,473
2002	7,018,246	7,250,910	3,609,720	1,426,616	918,356	895,205	21,119,053
2003	7,320,927	7,671,638	2,802,036	1,317,815	785,772	578,425	20,476,613
2004	7,280,753	8,581,809	2,169,463	1,448,821	628,344	1,736,120	21,845,310

(1) Includes General and Special Revenue Funds.

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Community Development</u>	<u>Totals</u>
1995	\$ 1,587,590	\$ 5,903,068	\$ 2,585,588	\$ 1,364,888	\$ 1,606,386	\$1,853,375	\$ 2,211,822	\$ 585,698	\$ 17,698,415
1996	1,660,038	6,064,957	2,419,718	1,405,580	1,532,777	34,466	563,232	426,780	14,107,548
1997	1,677,853	6,301,933	2,575,492	1,576,983	1,636,364	17,810	931,680	743,126	15,461,241
1998	1,455,904	6,656,286	2,818,010	1,667,131	2,859,410	74,957	1,647,556	416,738	17,595,992
1999	1,494,809	6,903,127	2,750,540	1,721,535	2,040,653	112,435	1,205,227	710,668	16,938,994
2000	1,678,541	7,986,596	3,468,575	1,583,666	2,212,255	376,276	1,859,239	797,438	19,962,586
2001	2,573,469	8,627,319	3,514,149	1,714,786	2,623,327	403,116	976,865	455,409	20,888,440
2002	2,470,010	8,742,561	3,213,734	1,760,442	2,925,052	373,660	1,115,431	1,027,411	21,628,301
2003	2,605,943	9,450,501	3,470,619	1,075,979	3,524,203	50,648	2,460,876	741,417	23,380,186
2004	2,437,880	9,669,395	3,564,636	1,611,730	2,925,052	264,327	3,296,847	759,905	24,529,772

(1) Includes General and Special Revenue Funds.

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Original Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Original Tax Levy</u>
1995	1994	\$5,562,264	\$5,256,465	94.5%	\$187,235	\$5,443,700	97.9%	\$183,911	3.3%
1996	1995	5,165,709	5,056,951	97.9	84,641	5,141,592	99.5	123,259	2.4
1997	1996	5,363,958	5,236,399	97.6	70,849	5,307,248	98.9	73,168	1.4
1998	1997	5,562,491	5,450,655	98.0	45,640	5,496,295	98.8	79,634	1.4
1999	1998	5,601,995	5,541,752	98.9	18,226	5,559,978	99.2	74,229	1.3
2000	1999	6,518,873 (1)	6,381,085	97.9	44,879	6,425,964	98.6	97,980	1.5
2001	2000	6,980,688	6,552,838	93.9	69,710	6,622,548	94.9	128,221	1.8
2002	2001	6,779,253	6,620,054	97.7	52,652	6,672,706	98.4	151,397	2.2
2003	2002	6,959,625	6,904,209	99.2	54,248	6,958,457	99.9	207,894	3.0
2004	2003	7,127,729	6,858,315	96.2	55,112	6,913,427	97.0	201,596	2.8

(1) Reassessment

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Florence</u>	<u>County of Florence</u>	<u>School District</u>	<u>Technical College</u>	<u>Total Combined Rate</u>
1995	1994	81.4	63.0	104.4	3.8	252.6
1996	1995	73.4	68.9	103.1	3.8	249.2
1997	1996	68.4	68.9	103.7	3.8	244.8
1998	1997	68.4	68.9	105.2	3.8	246.3
1999	1998	68.4	68.9	109.9	3.8	251.0
2000	1999	60.8	64.5	111.2	3.5	240.0
2001	2000	60.8	64.5	113.4	3.5	242.2
2002	2001	60.8	64.5	123.3	3.5	252.1
2003	2002	60.8	69.5	145.6	3.5	279.4
2004	2003	60.8	70.0	158.2	3.5	292.5

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

Table 05

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		<u>Ratio of Total Assessed Value to Total Estimated Actual Value</u>
		<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	
1995	1994	\$43,105,712	\$855,919,262	\$25,226,773	\$240,426,877	\$68,332,485	\$1,096,346,139	6.23%
1996	1995	44,295,476	880,418,481	26,082,029	248,598,317	70,377,505	1,129,016,798	6.23
1997	1996	47,933,236	946,352,106	30,487,208	290,551,851	78,420,444	1,236,903,957	6.34
1998	1997	49,613,639	981,822,347	31,709,330	302,207,380	81,322,969	1,284,029,727	6.33
1999	1998	50,676,839	1,005,551,085	31,223,672	297,594,527	81,900,511	1,303,145,612	6.28
2000	1999	69,307,253	1,379,603,123	37,911,045	361,279,030	107,218,298	1,740,882,153	6.16
2001	2000	70,302,656	1,402,504,091	44,511,290	424,138,286	114,813,946	1,826,642,377	6.29
2002	2001	73,289,662	1,462,076,536	38,211,207	370,109,090	111,500,869	1,832,185,626	6.09
2003	2002	75,378,877	1,505,744,318	39,088,646	390,686,269	114,467,523	1,896,430,587	6.04
2004	2003	79,213,497	1,579,518,729	38,018,894	394,471,074	117,232,391	1,973,989,803	5.90

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

Table 06

CITY OF FLORENCE, SOUTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2004

Total Assessed Value - 2003 Tax Levy		<u>\$ 117,232,391</u>
Debt Limit - 8 Percent of Total Assessed Value Without Referendum		\$ 9,378,591
Amount of Debt Applicable to Debt Limit	\$0	
Total Bonded Debt		
Less Deductions Allowed by Law	<u>0</u>	<u>0</u>
Legal Debt Margin		<u>\$ 9,378,591</u>

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Fund</u>	<u>Debt Payable From Enterprise Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio to Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capital</u>
1995	30,285 (2)	\$ 68,332,485	\$0	\$0	\$0	\$0	0.00%	\$0
1996	30,000 (2)	70,377,505	0	0	0	0	0.00	0
1997	29,822 (2)	78,420,444	0	0	0	0	0.00	0
1998	29,511 (2)	81,322,969	0	0	0	0	0.00	0
1999	29,511 (2)	81,900,511	0	0	0	0	0.00	0
2000	30,248 (3)	107,218,298	0	0	0	0	0.00	0
2001	30,248 (3)	114,813,946	0	0	0	0	0.00	0
2002	30,248 (3)	111,500,869	0	0	0	0	0.00	0
2003	30,611 (2)	114,467,523	0	0	0	0	0.00	0
2004	30,853 (2)	117,232,391	0	0	0	0	0.00	0

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

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

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

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	\$ 0	\$ 0	\$ 0	\$ 17,698,415	0.00%
1996	0	0	0	14,107,548	0.00
1997	0	0	0	15,461,241	0.00
1998	0	0	0	17,595,992	0.00
1999	0	0	0	16,938,994	0.00
2000	0	0	0	19,962,586	0.00
2001	0	0	0	20,888,440	0.00
2002	0	0	0	21,628,301	0.00
2003	0	0	0	23,380,186	0.00
2004	0	0	0	24,529,772	0.00

(1) Includes General and Special Revenue Funds.

CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2004

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

Table 10

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1995	\$ 11,798,540	\$ 5,341,103	\$ 6,457,437	\$1,552,269	\$ 1,540,390	\$ 3,092,659	2.09
1996	12,673,438	5,264,665	7,408,773	1,857,342	1,865,376	3,722,718	1.99
1997	13,078,289	5,768,110	7,310,179	1,947,852	1,776,518	3,724,370	1.96
1998	13,917,239	5,588,975	8,328,264	2,044,896	1,681,024	3,725,920	2.24
1999	14,452,754	6,172,865	8,279,889	1,964,212	1,757,291	3,721,503	2.22
2000	15,262,996	7,075,386	8,187,610	2,282,988	1,491,354	3,774,342	2.17
2001	18,354,405	7,607,785	10,746,620	2,459,581	2,807,459	5,267,040	2.04
2002	17,608,578	7,463,469	10,145,109	2,955,108	3,014,009	5,969,117	1.70
2003	19,382,569	8,496,911	10,885,658	3,306,140	3,326,816	6,632,956	1.64
2004	19,687,358	8,522,953	11,164,405	3,421,442	3,412,801	6,834,243	1.63

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

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

Table 11

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

Fiscal Year	Engineering	Utility Finance	Wastewater Treatment	Water Production	Utility Operations	Utility Construction	Concessions	Stormwater	Non-Departmental	Net Inter-Departmental Transfer	Totals
1995	\$ 341,482	\$ 632,898	\$ 1,522,889	\$ 1,323,088	\$ 1,148,717	\$ 0	\$ 51,583	\$ 0	\$ 3,182,393	\$ 1,040,819	\$ 9,243,869
1996	344,548	623,609	1,649,694	1,186,856	1,182,886	0	55,834	0	4,162,426	925,000	10,130,853
1997	371,338	645,550	1,880,396	1,269,756	1,247,561	0	55,806	0	4,220,620	925,129	10,616,156
1998	411,839	330,363	1,740,411	1,380,139	1,436,120	0	58,158	0	4,050,463	1,074,996	10,482,489
1999	557,185	367,072	1,759,859	1,660,348	1,535,621	0	64,927	0	3,997,424	926,183	10,868,619
2000	447,343	441,493	2,041,221	2,103,870	1,499,526	81,240	65,134	0	4,477,539	1,177,925	12,335,291
2001	586,538	508,925	2,358,987	1,980,260	1,610,475	137,483	59,369	0	5,783,454	1,356,144	14,381,635
2002	708,699	483,717	2,293,916	1,595,177	1,726,644	210,092	74,756	469,412	5,911,485	1,407,827	14,881,725
2003	659,660	557,960	2,392,892	2,252,778	1,808,572	172,437	0	643,199	7,591,484	1,610,366	17,689,348
2004	634,732	580,154	2,472,668	2,216,561	1,949,015	130,579	0	634,494	8,158,016	1,512,000	18,288,219

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

Table 12

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

<u>Fiscal Year</u>	<u>Investment Income</u>	<u>Water and Sewer Service Fees</u>	<u>Sewer Surcharges</u>	<u>Cut on Fees</u>	<u>Water and Sewer Tap Fees</u>	<u>Service Charges</u>	<u>Late Fees</u>	<u>Miscellaneous Income (Loss)</u>	<u>Concessions Sales</u>	<u>Stormwater Fees</u>	<u>Totals</u>
1995	\$ 526,210	\$ 10,473,186	\$ 65,530	\$ 37,355	\$ 392,603	\$ 83,560	\$54,011	\$ 167,398	\$ 62,429	\$ 0	\$ 11,862,282
1996	589,927	11,368,487	73,825	37,555	391,418	81,092	49,661	81,473	61,397	0	12,734,835
1997	629,166	11,850,728	97,624	48,355	388,411	79,364	50,849	(66,208)	63,830	0	13,142,119
1998	765,426	12,398,089	122,296	51,935	430,784	85,555	53,113	10,041	57,745	0	13,974,984
1999	662,716	12,932,733	159,676	46,690	461,534	84,665	59,898	44,842	76,968	0	14,529,722
2000	1,032,765	13,404,850	65,539	49,400	532,128	88,935	57,070	32,610	70,095	0	15,333,392
2001	2,259,981	15,052,406	129,507	48,787	584,981	80,425	57,423	141,545	66,846	0	18,421,901
2002	687,827	15,823,076	175,638	51,475	414,443	81,475	59,911	315,926	90,379	815,978	18,516,128
2003	240,390	18,073,785	81,558	72,300	489,342	197,763	73,895	211,903	0	1,004,784	20,445,720
2004	77,086	18,633,285	100,107	57,405	554,213	116,150	76,308	80,653	0	1,042,990	20,738,197

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Public School Enrollment (1)</u>	<u>Unemployment Rate (2)</u>
1995	30,285 (3)	14,960	7.4%
1996	30,000 (3)	14,982	9.5
1997	29,822 (3)	14,784	6.5
1998	29,511 (3)	14,411	4.7
1999	29,511 (3)	14,124	5.7
2000	30,248 (4)	14,149	6.1
2001	30,248 (4)	13,634	5.2
2002	30,248 (4)	13,424	7.8
2003	30,611 (3)	14,309	9.2
2004	30,853 (3)	14,117	8.7

Data Sources:

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

Table 14

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

Fiscal Year	<u>New Construction</u>				<u>Additions and Renovations</u>				<u>Bank Deposits (2)</u> <u>(In Millions)</u>
	<u>Number of Residential Permits</u>	<u>Construction Cost</u>	<u>Number of Commercial Permits</u>	<u>Construction Costs</u>	<u>Number of Residential Permits</u>	<u>Construction Cost</u>	<u>Number of Commercial Permits</u>	<u>Construction Costs</u>	
1995 (1)	94	\$ 7,489,090	30	\$12,938,344	412	\$ 2,585,760	180	\$ 9,586,641	\$ 749
1996 (1)	106	9,136,280	33	15,248,433	106	9,136,280	33	15,248,433	786
1997 (1)	128	12,659,518	35	31,063,963	296	2,123,850	121	23,454,364	869
1998 (3)	80	7,776,195	14	25,664,825	234	2,210,472	75	8,230,045	913
1999 (3)	173	22,663,692	24	34,270,896	382	10,795,702	135	15,123,780	963
2000 (3)	162	17,631,489	97	15,566,802	455	2,922,010	265	15,590,953	931
2001 (3)	118	15,218,178	9	4,683,336	250	9,134,397	185	26,886,513	979
2002 (3)	203	26,241,019	30	18,079,592	355	3,443,981	96	8,830,227	1,063
2003 (3)	185	24,128,142	26	34,501,395	234	2,017,542	134	7,137,608	1,120
2004 (3)	233	29,585,936	27	20,718,418	178	1,685,836	81	10,189,454	1,122

(1) City of Florence Building Codes Department

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

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

CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL TAXPAYERS
JUNE 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Gross Tax Levy</u>	<u>Percentage of Total Assessed Valuation (1)</u>
QHG	Medical Services	\$7,598,580	\$461,994	6.48%
McLeod Regional Medical Center	Medical Services	4,758,790	289,334	4.06
BellSouth Telecommunications	Telephone & Related Services	3,168,510	192,645	2.70
Carolina Power and Light	Electrical Power	2,744,130	166,843	2.34
Byrd Properties Inc. Etal	Real Estate Management	2,364,890	143,778	2.02
Holcombe Land Development	Real Estate Management	1,034,850	62,919	0.88
Lowe's Home Improvement	Retail & Construction Contractor Svs.	991,450	60,280	0.85
South Carolina Electric and Gas	Electric and Natural Gas Utility	704,820	42,853	0.60
Wal-Mart Stores Inc.	Retail	683,020	41,528	0.58
Edens & Avant Fin Ltd. Partnership	Real Estate Management	<u>672,780</u>	<u>40,905</u>	<u>0.57</u>
TOTALS		<u>\$ 24,721,820</u>	<u>\$ 1,503,079</u>	<u>21.08%</u>

(1) Total Assessed Valuation is \$117,232,391.

Table 16

CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL EMPLOYERS IN WATER & SEWER SERVICE AREA
JUNE 30, 2004

<u>Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Years In Service Area</u>
McLeod Regional Medical Center	Medical Services	4,500	24
Carolina Hospital Systems	Medical Services	1,512	116
Florence County	Government	800	116
The ESAB Group	Manufacturer	640	44
Francis Marion University	University	476	34
Roche Carolina	Manufacturer	278	12
Pepsi Cola	Manufacturer	262	67
Amana, Inc.	Manufacturer	260	16
PET Dairy	Manufacturer	175	54
Rental Uniforms	Manufacturer	173	58

Table 17

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL WATER USERS IN SERVICE AREA
JUNE 30, 2004**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
General Electric	Manufacturing	\$ 215,029	2.17%
McLeod Regional Hospital	Medical Services	101,135	1.02
Roche Carolina	Manufacturing	99,334	1.00
Francis Marion University	University	98,687	1.00
Rental Uniforms	Manufacturing	55,018	.56
PET Dairy	Manufacturing	52,184	.53
Pepsi Cola	Manufacturing	50,372	.51
Springhill Suites	Hotel	50,175	.51
ESAB	Manufacturing	47,815	.48
Amana, Inc.	Manufacturing	<u>43,592</u>	<u>.44</u>
	TOTALS	<u>\$ 813,341</u>	<u>8.22%</u>

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL SEWER USERS IN SERVICE AREA
JUNE 30, 2004**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
Koppers	Manufacturing	\$ 202,738	2.26%
Francis Marion University	University	134,022	1.49
ESAB	Manufacturing	118,956	1.33
Roche Carolina	Manufacturing	115,240	1.28
McLeod Regional Hospital	Medical Services	106,450	1.19
Rental Uniforms	Manufacturing	100,658	1.12
PET Dairy	Manufacturing	98,418	1.10
Darlington County	Government	65,041	0.72
Pepsi Cola	Manufacturing	58,916	0.66
American Baking Company	Manufacturing	<u>53,710</u>	<u>0.60</u>
	TOTALS	<u>\$ 1,054,149</u>	<u>11.75%</u>

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

	<u>2004</u>	<u>2003 (1)</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Water Customers:										
Residential	24,647	23,902	19,133	18,716	18,307	17,563	16,925	16,690	16,385	16,050
Commercial	<u>2,739</u>	<u>2,694</u>	<u>2,869</u>	<u>2,797</u>	<u>2,866</u>	<u>3,003</u>	<u>2,840</u>	<u>2,761</u>	<u>2,705</u>	<u>2,563</u>
Total	27,386	26,596	22,002	21,513	21,173	20,566	19,765	19,451	19,090	18,613
Sewer Customers:										
Residential	14,989	14,375	13,752	13,421	13,094	12,671	12,476	12,339	12,187	11,986
Commercial	<u>2,068</u>	<u>2,031</u>	<u>2,071</u>	<u>2,006</u>	<u>2,044</u>	<u>2,141</u>	<u>2,047</u>	<u>1,999</u>	<u>1,955</u>	<u>1,864</u>
Total	17,057	16,406	15,823	15,427	15,138	14,812	14,523	14,338	14,142	13,850
Total Utility Customers:	<u>44,443</u>	<u>43,002</u>	<u>37,825</u>	<u>36,940</u>	<u>36,311</u>	<u>35,378</u>	<u>34,288</u>	<u>33,789</u>	<u>33,232</u>	<u>32,463</u>

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

Table 20

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

June 30, 2004

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	
Exempt	40
Non-Exempt	420
Area in square miles	19.8
City of Florence facilities and services	
Miles of streets	241
Miles of storm sewers	95
Number of street lights	5,125
Culture and Recreation	
Community centers	3
Parks	13
Park acreage	300
Tennis courts	24
Fire Protection	
Number of stations	4
Number of fire personnel and officers	72
Number of calls answered	2,603
Number of inspections conducted	780
Police Protection	
Number of stations	3
Number of Substations	1
Number of Resource Centers	3
Number of police personnel and officers	135
Number of patrol units	113
Number of law violations	
Physical arrests	2,737
Traffic violations	4,366
Parking violations	966
Wastewater System	
Miles of sanitary sewers	357
Miles of storm sewers	95
Number of treatment plants	2
Number of service connections	17,154
Daily average treatment in gallons	10.05 mgd
Maximum daily capacity of treatment plant in gallons	15.10 mgd

Table 20
(Cont.)

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2004

City of Florence facilities and services (Cont.)

Water System	
Miles of water mains	726
Number of service connections	27,475
Number of fire hydrants	1,280
Daily average consumption in gallons	12.06 mgd
Maximum daily capacity of plant in gallons	37.00 mgd

Facilities and services not included in the primary government

Cable Television System	
Miles of service (Florence County)	1,167
Number of satellite receiving stations	8

Education

Number of elementary schools	13
Number of elementary school instructors	499
Number of secondary schools	6
Number of secondary school instructors	495

Facilities and services not included in the reporting entity:

Hospitals	
Number of hospitals	2
Number of patient beds	743

Other data

City of Florence gross retail sales for calendar year 2003	\$1,341,405,946
City of Florence Business Licenses Issued for calendar year 2003	3,993
City of Florence Per Capita spending for calendar year 2003	\$43,477
City of Florence New Business Licenses Issued for calendar year 2003	643
City of Florence Population (estimated population)	30,853
City of Florence Per Capita spending for calendar year 2003	\$43,477
City of Florence Outstanding General Obligation Debt	\$0.00
City of Florence Outstanding Revenue Debt	\$72,948,638
City of Florence Bond Rating	
Moody's Investors Service	A1
Standard and Poor's	A
Business License Receipts	\$5,652,213
Percent Change In Business License Receipts over Prior Year	0.10%
Franchise Fee Receipts	\$1,807,319
Percent Change in Franchise Fee Receipts from Prior Year	(0.12%)

(Continued)

Table 20
(Cont.)

**CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2004**

Other data (Cont.)

FY 2003-04 General Fund Balance	\$8,548,666
FY 2003-04 Water and Sewer Enterprise Fund Change in Net Assets	\$6,806,188
Appraised Property Value	\$1,973,989,803
Change in Property Value from prior year	4.09%
Residential and Commercial New Construction Permits Issued	519
New Construction Value	\$62,179,644

SINGLE AUDIT SECTION

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

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

Compliance

We have audited the compliance of City of Florence, South Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. City of Florence, South Carolina's, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Florence, South Carolina's, management. Our responsibility is to express an opinion on City of Florence, South Carolina's, compliance based on our audit.

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

In our opinion, City of Florence, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of

performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the 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, 2004, and have issued our report thereon dated September 2, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Florence, South Carolina, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Burch, Gyner, Seale Co., CPAs, PA

September 2, 2004

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
Com. Dev. Block Grant Entitlement	14.218	N/A	\$ 4,675,000	<u>\$ 266,152</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>266,152</u>
<u>U. S. Department of Transportation</u>				
Passed through S.C. Dept. of Transportation				
Urban Youth Corps Program	20.511	-	20,000	17,331
Urban Youth Corps Program	20.511	-	20,000	<u>2,401</u>
				<u>19,732</u>
Florence Rail/Trail Project	20.205	ENH 02-02-PIN21647	324,424	<u>34,077</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>53,809</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1570	123,105	113,443
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1524	114,347	<u>47,074</u>
				<u>160,517</u>
Bulletproof Vest Partnership Program	16.607	-	-	<u>3,617</u>
Passed through S. C. Dept. of Public Safety				
Juvenile Accountability Incentive Block Grant	16.523	IJS0115	88,613	<u>22,819</u>
Passed through S. C. Dept. of Juvenile Justice				
Alternatives to Incarcerations/ Alternatives to Expulsion	16.549	IQ03003	30,000	14,381
Public Safety Partnerships and Community Policing Grants	16.710	-	49,648	<u>7,565</u>
				<u>21,946</u>
TOTAL DEPARTMENT OF JUSTICE				<u>208,899</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
Passed through S.C. Emergency Management Division Public Assistant Grants	97.036	FEMA-1509-DR-SC	156,058	<u>156,058</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>156,058</u>
<u>U. S. Department of Agriculture</u>				
Passed through S. C. Forestry Comm.	10.661	2003U6	7,315	<u>5,599</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>5,599</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-97493303	200,000	17,204
Pee Dee River Water System Improvements	66.606	XP-97440701	1,840,800	<u>1,112,374</u>
				<u>1,129,578</u>
Passed through S.C. State Revolving Fund				
Wastewater Treatment Plant Upgrade/Expansion				
	66.458	SRF022-93-378-10	23,828,128 *	-
Upper Middle Swamp Interceptor	66.458	SRF016-91-378-09	858,982 **	-
Water Supply Improvements	66.468	SRF3-003-21100001-02	2,767,997 ***	-
Pee Dee Regional Water System/ Finished Water Main				
	66.468	SRF3-008-00-210001-01	6,210,343 ****	-
Rain Water Storage	66.468	SRF3-014-02-2110001-04	1,236,374 *****	<u>224,649</u>
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY				<u>1,354,227</u>
<u>U.S. Department of Commerce</u>				
Direct program				
Economic Development Administration High Hill Creek Interceptor	11.300	EDA 04-01-04613	1,500,000	<u>752,682</u>
TOTAL U. S. DEPARTMENT OF COMMERCE				<u>752,682</u>
TOTAL FEDERAL AWARDS				<u>\$ 2,797,426</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
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- * - Loan balance \$14,967,850 at June 30, 2004.
- ** - Loan balance \$431,929 at June 30, 2004.
- *** - Loan balance \$2,329,481 at June 30, 2004.
- **** - Loan balance \$5,903,881 at June 30, 2004.
- ***** - Loan balance \$2,356,326 at June 30, 2004.

NOTE A - BASIS PRESENTATION

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

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

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of City of Florence, South Carolina.
2. No reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of City of Florence, South Carolina were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for City of Florence, South Carolina expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for City of Florence are reported in this schedule.
7. The programs tested as major programs include: Environmental Protection Agency for Surveys, Studies, Investigations and Special Purpose Grants - CFDA 66.606.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Florence, South Carolina was determined to be a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

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

None

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

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

We have audited the financial statements of City of Florence, South Carolina, as of and for the year ended June 30, 2004 and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Florence, South Carolina's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Florence, South Carolina, in a separate letter dated September 2, 2004.

Compliance and Other Matters

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

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

Burch, Oxner, Seale Co., CPAs, PA

September 2, 2004