

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2005

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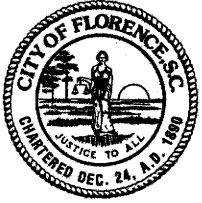
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**CITY OF
FLORENCE**
• SC •



FINANCE DIRECTOR
CITY-COUNTY COMPLEX BB
180 N. IRBY STREET
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September 16, 2005

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, 2005.

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, 2005, 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, 2005, 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

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of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, this report includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. This report provides in the MD&A financial highlights and an interpretation of the financial reports through trend analysis and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of the seven counties known as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of approximately 20 square miles and serves a population in excess of 30,000. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

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

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

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

Factors Affecting Financial Conditions

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

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

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

The healthcare industry in Florence has grown over the years to become one of the very best in the nation, and the growth in area healthcare continues. Florence boasts two major hospital systems—McLeod Regional Medical System and Carolinas

Hospital System—both of which continue to expand with major additions to their facilities currently underway. Additionally, Florence has a rehabilitation hospital, a variety of vision and dental clinics, and a wealth of other medical support services. Florence leads the region as a center for health care excellence with numerous medical, eye care, and dental practices also located in the City.

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

The Florence City County Civic Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Civic Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse entertainment events as hockey games, concerts, circuses, rodeos, ice skating and a variety of assorted shows.

In the summer of 2004 a new public library located on Dargan Street was opened. The new regional facility, funded in part by a Drs. Bruce and Lee Foundation grant, provided a much needed facility with square footage space being three times greater than the old library. The opening of this stately facility marks the completion of the first of numerous catalyst projects identified to boost the downtown economic revitalization effort.

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

Florence is fortunate to have one of the most diversified economies in the southeast, and economic expansion continues in both the City and County of Florence. The economic outlook and prospect for growth and development in the area are strong and appear promising for the future. Florence has been recognized nationally as a prime destination for business and industry because of its accessibility and the availability of land suitable for industrial and commercial development.

Long-term financial planning. *Florence Pee Dee Regional Water and Sewer Master Plan* – For the past several years the Florence Pee Dee Regional Water and Sewer Steering Committee has discussed issues regarding regional water and sewer needs and has created a framework for regional partnerships in the delivery of water and sewer services. To facilitate the development of this regional concept, the City of Florence, in partnership with the Steering Committee, contracted with the engineering firm Camp Dresser and McKee to prepare a Water and Sewer System Master Plan for the Pee Dee region. Phase I of the master plan will focus on the City's utility systems. However, regional issues and other needs will also be included in the scope of the study. The study is intended to provide a working document to guide the development of a regional water and wastewater system and will include the following components:

- *Expansion of Wastewater Treatment Facility* – City council was briefed and updated on the wastewater treatment facility expansion component of the study in August and December 2004. Since that time, City staff and consultants have been meeting on a regular basis to refine options and costs relating to a future expansion of the wastewater treatment facilities. The final alternatives and estimated costs for expansion will be presented to City Council in the fall of 2005 and will include recommendations, estimated costs, and funding options.
- *Pee Dee Regional Water and Sewer Services* – The study will serve as the vehicle by which a formal consensus is reached among the various utilities currently providing water and sewer services, leading to agreements for the production, delivery, and sale of water and sewer treatment between Pee Dee water and sewer utilities. It is intended that these agreements will promote regional partnerships and provide for water and sewer service to areas not currently served by water and sewer infrastructure. Such partnerships should promote economic development and ensure least cost opportunities for all Pee Dee communities.
- *Wholesale Water and Sewer Rates* – The study will include the development and recommendation of a wholesale rate methodology to be used in developing equitable wholesale water and sewer rates for future regional customers.
- *Compliance with Anticipated EPA Capacity, Management, Operations and Maintenance (CMOM) Program* – The US Environmental Protection Agency is 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. The study will make recommendations for compliance with the CMOM program.

- *Identification of System Deficiencies* – The study will identify wastewater collection and treatment system deficiencies and developing alternative solutions to address these concerns.

Stormwater Phase II Program – In 2003 the City of Florence applied for its National Pollutant Discharge Elimination System (NPDES) permit for the Stormwater Phase II program from the South Carolina Department of Health and Environmental Control (SCDHEC). This EPA and SCDHEC requirement is designed to preserve, protect, and improve the nation's water resources from polluted stormwater. Through the program, the City of Florence is working to minimize stormwater pollution in the city. The goal of the Stormwater Phase II program for cities is to establish long-term stormwater management activities and projects that meet the NPDES permit requirements. The City of Florence formed the Stormwater Advisory Board, composed of engineers, business owners, developers, contractors and city personnel, to help plan the Phase II program for the city. The board helps manage and determine the best activities and projects that meet requirements set forth by the EPA. The City of Florence has completed, through the initial draft phase, new land development regulations to include an illicit discharge and enforcement ordinance as well as a riparian buffer ordinance. The City has also drafted best management practices relating pre-construction and post-construction activities for the municipal limits of the City. These regulations and ordinances will help control the pollution associated with stormwater. Construction related review fees will be implemented upon final approval of the land development regulations to be assessed on land developers.

East Florence Stormwater Improvement and Mitigation Project – The City has begun development of this stormwater facility to assist in the reduction of stormwater pollutants as prescribed in Phase II of the NPDES permitting program. The scope of this project includes the acquisition of 4 parcels of land totaling 35 acres adjacent to Pie Branch between Walnut Street and National Cemetery Road, and the construction of at least one retention basin to settle out sediments and pollutants. The stormwater project will be developed on this property which, at present, consists of filled wetlands areas covered with kudzu and low lying areas overtaken by non-native plant species. By providing wetlands recreation, stream restoration, and re-establishment of native vegetation, the project will improve the quality of stormwater entering Jeffries Creek from this urban watershed. In addition to the water quality improvements, the project features educational nature trails and quality passive recreational opportunities. The new facility will serve one of the City's oldest and largest urban drainage basins that currently has no retention or other treatment process to improve water quality. Financing of this project, estimated at a cost of \$1,000,000, is expected to be through a South Carolina Office of Local Government State Revolving Fund low interest loan.

Capital Stormwater Projects – Since FY 2001-02, the City has completed or has approved for completion approximately \$1.9 million in stormwater projects that have been or are scheduled to be funded through readily available revenues generated by the Stormwater Enterprise Fund. In FY 2005-06 City Council will be presented with approximately 20 significant stormwater projects, the total size and scope of which will require that the City pursue long-term capital financing through a possible revenue bond issue. City council will be asked to prioritize projects and direct staff to pursue the design, construction, and financing of several stormwater projects identified as the most critical major problem areas to be addressed over the next five to six years. It is anticipated that these projects will require funding of approximately \$4 to \$5 million.

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 vibrancy of downtown Florence, the Revitalization Coordinator works with the Downtown Development Corporation, the Florence Downtown Merchants Association, City staff and others involved with the revitalization effort. In FY 2004-05 City Council took a major step forward in downtown revitalization with the adoption of an ordinance which created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. For FY 2005-06 City Council appropriated a total of \$225,000 to the Downtown Development Corporation for services needed to obtain a National Register Nomination for Historic Downtown Florence; preparing streetscape/landscape design drawings; preparing Downtown Developer Solicitations, and addressing Catalyst Project Work and Real Estate Advisory Services. Additionally, the establishment of a Tax Increment Financing (TIF) district in the downtown overlay area will be fully analyzed as a viable revenue source for the funding of new public infrastructure in downtown Florence.

Brownfields Project – The City of Florence was selected in FY 2004 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 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. However, a request to extend the grant through June 30, 2006 has been submitted to EPA. The Bush Recycling Center, a brownfields property located on Irby Street, was acquired by the City with a \$500,000 grant from the Drs. Bruce and Lee Foundation. This property, which serves as a catalyst project for downtown revitalization, has the potential for several reuse options. With funding from the EPA Brownfields assessment grant, the City will conduct an environmental site evaluation of the six acre former recycling property and determine the appropriate reuse for this property. Over the next several months, the City, working closely with community representatives, will be sponsoring a series of activities to engage the community in a collective decision-making process to identify preferred reuse options for the site.

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 \$344,491 on all investments for the year ended June 30, 2005.

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

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

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

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

The City also provides postretirement health and dental care benefits for retirees and their dependents that meet certain service requirements. As of the end of the current fiscal year, there were 46 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles do not yet require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post employment benefits can be found in Note I 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, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

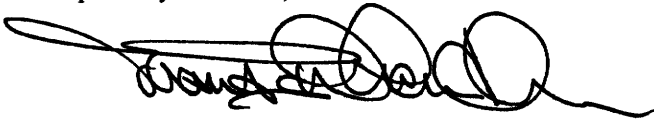
To be awarded a Certificate of Achievement award, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report, with contents which conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable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

A Certificate of Achievement is valid for a period of one year only. The Certificate awarded for fiscal year ended 2004 marks the seventh consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,

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

Thomas W. Chandler
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Florence,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



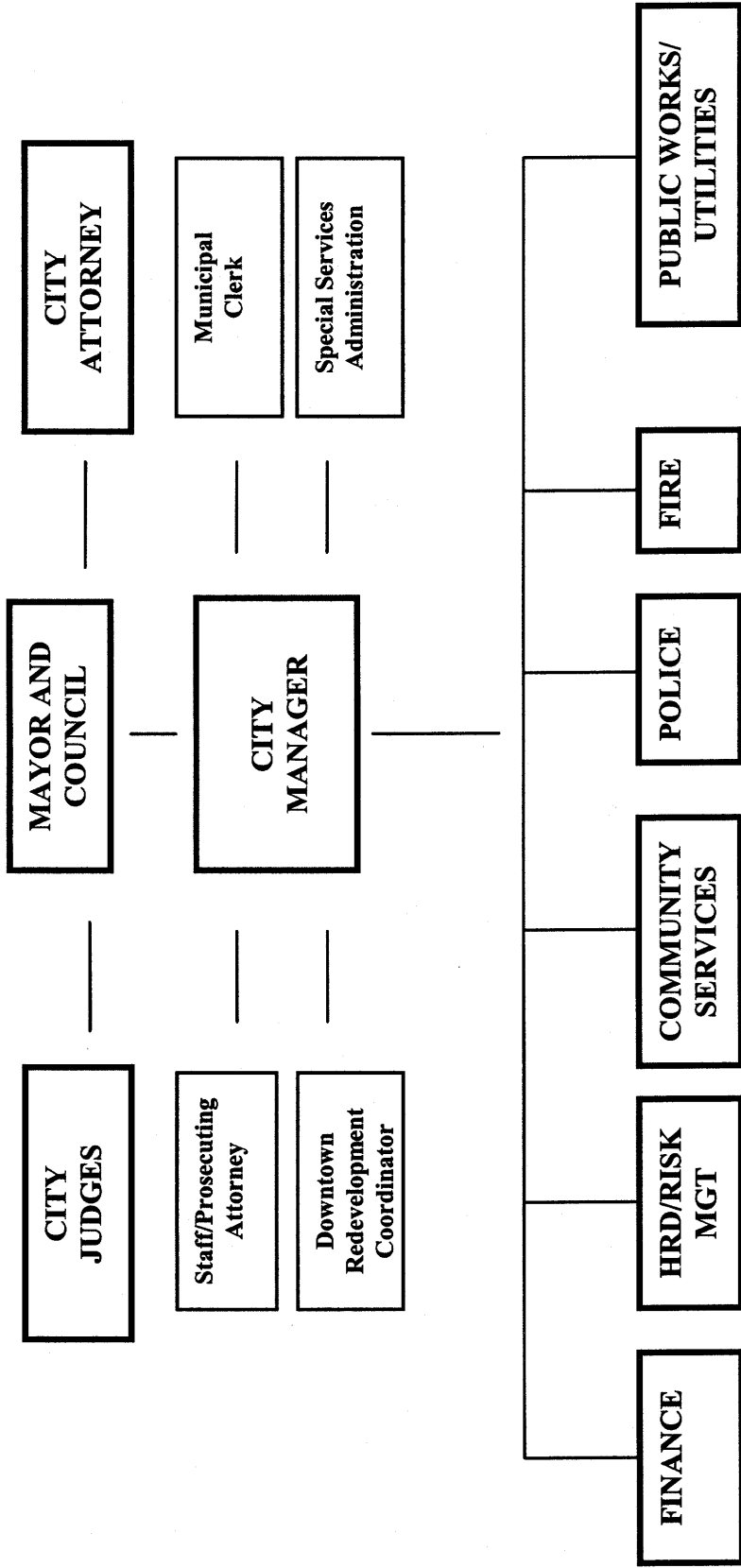
Nancy L. Zielle

President

Jeffrey R. Egan

Executive Director

CITY OF FLORENCE, SC ORGANIZATIONAL CHART



CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2005

GOVERNING BODY

Frank E. Willis, Mayor

Billy D. Williams, Mayor Pro Tempore

Edward Robinson

Robert C. Holland

Rick Woodard

William C Bradham, Jr.

Frank J. Brand, III

ADMINISTRATION

David N. Williams, City Manager

Thomas W. Chandler, Finance Director

Darene S. Stankus, Human Resources/Risk Management Director

Scotty B. Davis, Community Services Director

Anson E. Shells, Police Chief

Joseph H. Robertson, Fire Chief

Andrew H. Griffin, Public Works Director

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, South Carolina's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of June 30, 2005, 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 15, 2005, on our consideration of the City of Florence, South Carolina's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 21 through 29 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, Oxner, Seale Co., CPAs, PA

September 15, 2005

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, 2005. 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 \$96,328,274 (*net assets*). Of this amount, \$23,979,970 (*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 \$4,041,527.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$9,589,674, a decrease of \$241,060 in comparison with the prior year. Approximately 100 percent of this total amount, \$9,589,674 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 \$8,206,188, or 37.61 percent of the total fund expenditures.
- The City of Florence had \$69.1 million in bonds and notes outstanding versus \$72.9 million last year, a decrease of 5 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 \$96,328,274 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (75.11 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 12,349,268	\$ 12,438,454	\$ 16,930,014	\$ 17,163,942	\$ 29,279,282	\$ 29,602,396
Capital assets	23,053,142	21,548,209	118,086,680	118,532,853	141,139,822	140,081,062
Total assets	35,402,410	33,986,663	135,016,694	135,696,795	170,419,104	169,683,458
Long-term liabilities outstanding	1,624,021	1,816,062	69,225,624	72,897,248	70,849,645	74,713,310
Other liabilities	1,298,375	1,252,391	1,942,810	1,431,010	3,241,185	2,683,401
Total liabilities	2,922,396	3,068,453	71,168,434	74,328,258	74,090,830	77,396,711
Net assets:						
Invested in capital assets, net of related debt	23,053,142	21,299,373	49,295,162	47,714,364	72,348,304	69,013,737
Unrestricted	9,426,872	9,618,837	14,553,098	13,654,173	23,979,970	23,273,010
Total net assets	\$ 32,480,014	\$ 30,918,210	\$ 63,848,260	\$ 61,368,537	\$ 96,328,274	\$ 92,286,747

The balance of unrestricted net assets (\$23,979,970) 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.

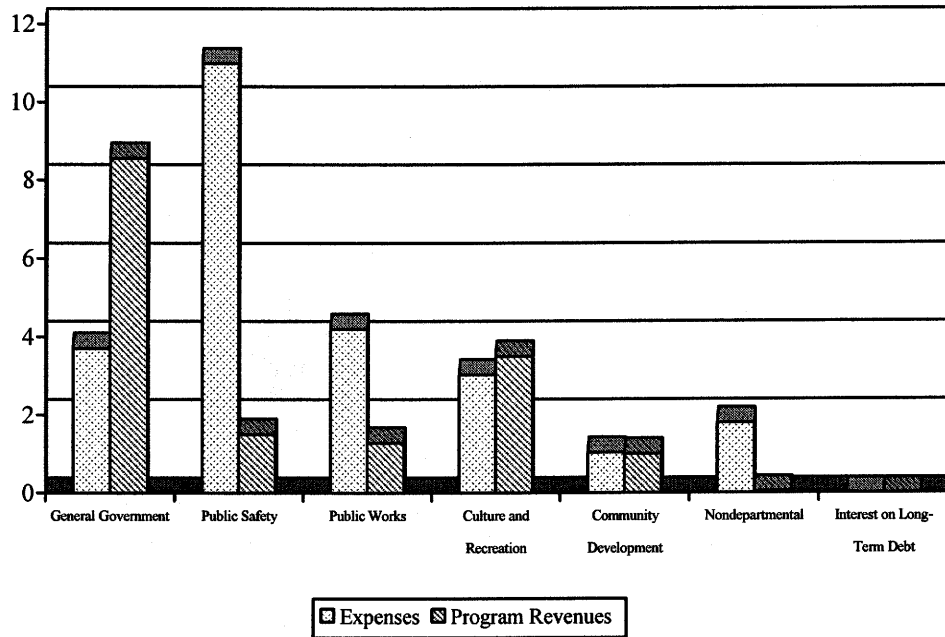
Governmental activities. Governmental activities increased the City of Florence's net assets by \$1,561,804, thereby accounting for 39 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- the purchase of 1 new sanitation truck for a cost of \$152,185.
- the purchase of 1 new knuckle boom truck used by the streets department to pick up large debris such as tree limb at a cost of \$113,028.
- the construction of a new police training facility for a total cost of \$109,593.
- the purchase of several tracts of property in the downtown area and associated cost to ready the property for use such as the demolition of buildings and removal of debris for a combined cost of \$1,514,838.
- in January 2004 the City implemented a 2% Hospitality Fee on all prepared food sold. This was the first full fiscal year of this program. The approximate revenue for the 2004-05 fiscal year was \$2,270,000.
- land for the planned Veterans' Memorial Park was donated to the City. The donation is valued at \$922,000.

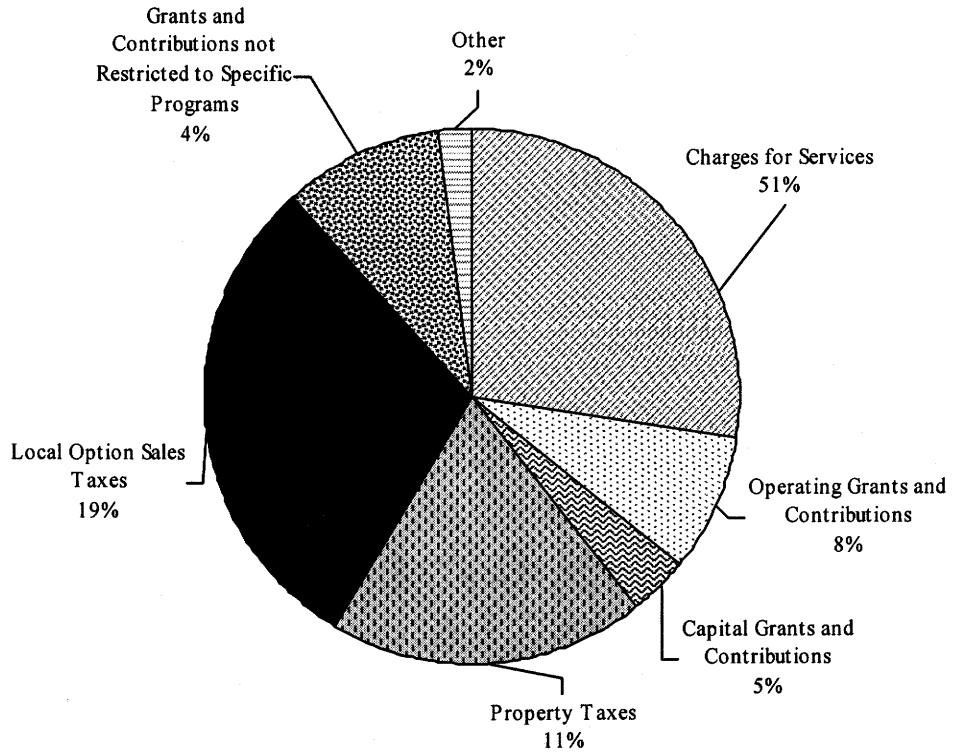
City of Florence's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
	Revenues:					
Program revenues:						
Charges for services	\$12,689,299	\$11,531,609	\$21,597,189	\$20,661,111	\$34,286,488	\$32,192,720
Operating grants and contributions	1,906,380	1,270,774	-	-	1,906,380	1,270,774
Capital grants and contributions	1,294,186	500,000	-	4,772,555	1,294,186	5,272,555
General revenues:						
Property taxes	7,507,436	7,292,228	-	-	7,507,436	7,292,228
Grants and contributions not restricted to specific programs	941,113	1,422,854	-	-	941,113	1,422,854
Other	552,185	300,153	228,027	77,086	780,212	377,239
Total revenues	24,890,599	22,317,618	21,825,216	25,510,752	46,715,815	47,828,370
Expenses:						
General government	3,704,698	2,956,976	-	-	3,704,698	2,956,976
Public safety	10,982,959	10,467,776	-	-	10,982,959	10,467,776
Public works	4,191,109	4,107,632	-	-	4,191,109	4,107,632
Culture and recreation	3,029,951	1,919,012	-	-	3,029,951	1,919,012
Community development	1,031,915	759,905	-	-	1,031,915	759,905
Nondepartmental	1,798,080	2,925,052	-	-	1,798,080	2,925,052
Interest on long-term debt	2,083	27,823	-	-	2,083	27,823
Water and Sewer	-	-	17,277,622	16,141,725	17,277,622	16,141,725
Storm water	-	-	655,871	634,494	655,871	634,494
Total expenses	24,740,795	23,164,176	17,933,493	16,776,219	42,674,288	39,940,395
Increase (decrease) in net assets before transfers	149,804	(846,558)	3,891,723	8,734,533	4,041,527	7,887,975
Transfers	1,412,000	1,512,000	(1,412,000)	(1,512,000)	-	-
Increase (decrease) in net assets	1,561,804	665,442	2,479,723	7,222,533	4,041,527	7,887,975
Net assets - 7/1/2004	30,918,210	30,252,768	61,368,537	54,146,004	92,286,747	84,398,772
Net assets - 6/30/2005	\$32,480,014	\$30,918,210	\$63,848,260	\$61,368,537	\$96,328,274	\$92,286,747

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 \$2,479,723, accounting for 61 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Surface Water Plant Raw Water Storage – The City added 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, has increased the reliability of the treatment processes and the quality of the finished water delivered to customers. Specifically, the reservoir provides 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 was completed in August 2004 with a total project cost of \$4,089,652.

Capital Water and Sewer Projects – The City has continued to expand its water and sewer infrastructure over the past year. These projects provide new services or upgrade existing services to City residents and customers. The combined cost of these newly completed projects was \$1,804,693.

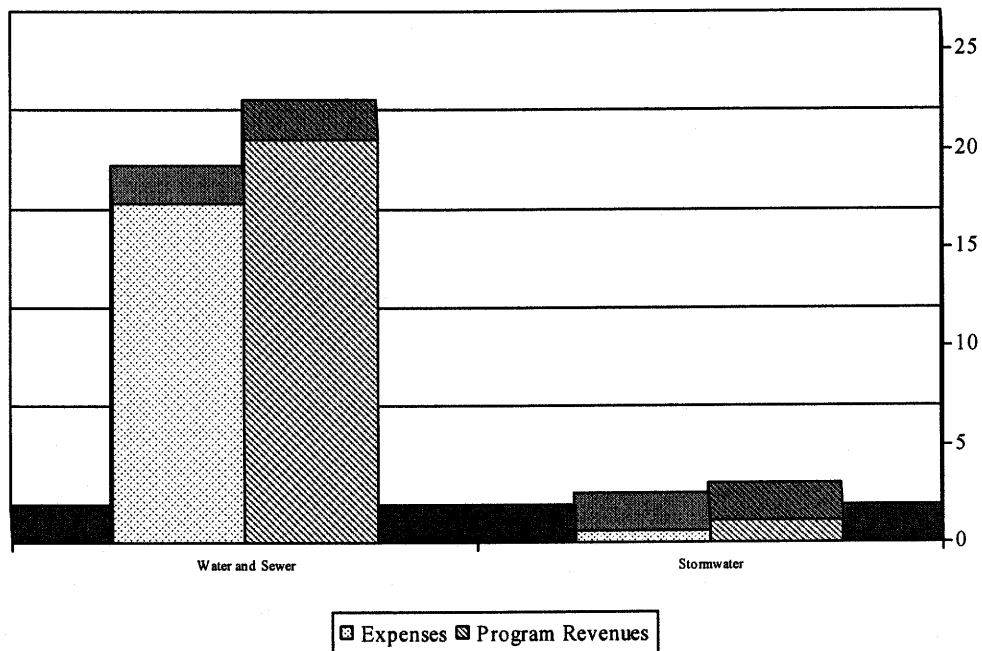
Storm Water Improvement Projects – The City is working to improve its storm drainage system. Two projects were completed this year, Woods Drive and Woodmont, for a combined cost of \$559,565.

Financial Analysis of the Government's Funds

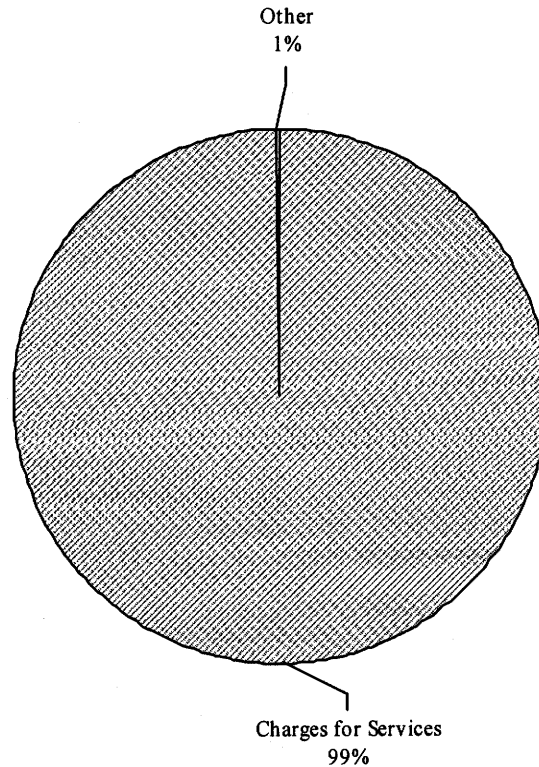
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$9,589,674, a decrease of \$241,060 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 \$8,206,188 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 37.61 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$342,478 during the current fiscal year. Key factors for the decline are as follows:

The purchase of the following capital assets:

- the purchase of several tracts of property in the downtown area and associated costs to ready the property for use, such as the demolition of buildings and removal of debris, for a combined cost of \$1,514,838.

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 \$14,553,098. The total growth in the net assets was \$2,479,723. 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 two separate occasions during the fiscal year 2004 – 2005. As a result of these amendments the General Fund's final amended budget was \$1,756,300 greater than the original adopted budget. The following changes occurred to the original budget:

General Fund Budgetary Highlights - - Continued

- Miscellaneous Revenue was increased by \$10,000 for grant funding received from Dr. Edward Floyd for the construction of a picnic shelter at Lucas Park to be dedicated in memory of Jack Wilkinson, adopted November 8, 2004.
- Unappropriated surplus was increased by \$1,945,300 from undesignated fund balance. The major uses for the increase were \$1,068,100 for the acquisition of the former Investor's Bank and adjacent property as well as the BTC/Old McLeod Property, \$150,000 to provide matching funds for a grant to purchase land for park facilities, \$125,000 to purchase specialized equipment for Community Services, Police, Fire, Public Works, and Parks Departments, \$100,000 for the construction of a police training facility, \$160,000 for the replacement of a sanitation truck, and \$50,000 for the acquisition of land for affordable housing development, adopted November 8, 2004.
- Current Property Tax was decreased by \$318,000. The Contingency Fund and IT Upgrade accounts were reduced a total of \$318,000, adopted May 9, 2005.
- Miscellaneous Grants was increased by \$119,000. Brownfields Grant Expense was increased by \$80,600 and Rail Trail – DOT was provided an additional \$38,400 in finding, adopted May 9, 2005.

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, 2005, amounts to \$141,139,822 (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 1 percent (a 7 percent increase for governmental activities and a 1 percent decrease for business-type activities).

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

- The purchase of 1 new sanitation truck for a cost of \$152,185.
- The purchase of 1 new knuckle boom truck used by the streets department to pick up large debris such as tree limb at a cost of \$113,028.
- The construction of a new police training facility for a total cost of \$109,593.
- The purchase of several tracts of property in the downtown area and associated cost to ready the property for use such as the demolition of buildings and removal of debris for a combined cost of \$1,514,838.
- In January 2004 the City implemented a 2% Hospitality Fee on all prepared food sold. This was the first full fiscal year of this program. The approximate revenue for the 2004-05 fiscal year was \$2,270,000.
- Land for the planned Veterans' Memorial Park was donated to the City. The donation is valued at \$922,000.
- The completion of the Surface Water Raw Water Storage for a total cost of \$4,089,652.
- The completion of several capital water and sewer projects for a combined cost of \$1,804,693.
- The completion of two storm water improvement projects at a total cost of \$559,565.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 7,792,522	\$ 5,431,253	\$ 1,369,698	\$ 1,369,698	\$ 9,162,220	\$ 6,800,951
Buildings and system	3,542,553	3,574,100	113,376,041	110,601,875	116,918,594	114,175,975
Infrastructure	7,522,401	8,119,506	-	-	7,522,401	8,119,506
Machinery and Equipment	4,087,126	4,423,350	1,274,429	1,433,982	5,361,555	5,857,332
Construction in process	108,540	-	2,066,512	5,127,298	2,175,052	5,127,298
Totals	\$ 23,053,142	\$ 21,548,209	\$ 118,086,680	\$ 118,532,853	\$ 141,139,822	\$ 140,081,062

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 \$69,065,861. 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	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	\$ -	\$ -	\$ 37,940,000	\$ 39,990,000	\$ 37,940,000	\$ 39,990,000
Notes Payable	-	-	31,125,861	32,958,638	31,125,861	32,958,638
Totals	\$ -	\$ -	\$ 69,065,861	\$ 72,948,638	\$ 69,065,861	\$ 72,948,638

The City's total debt decreased by \$3,882,777 (5.32 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 \$115,990.

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 \$9,377,868. The City of Florence has no outstanding general obligation debt.

Additional information on the City of Florence's long-term debt can be found in Note H 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 2006 fiscal year.

Amounts available for appropriation in the general fund are \$20.7 million, with no significant increase from the amount of the original fiscal year 2005 budget of \$20.7 million. The final 2005 budget was \$22.5 million. The City's budget amendments were discussed earlier in this report.

As for the City's business-type activities, we expect that the 2006 results will also improve based on the following:

- South Carolina state law requires that property values be reassessed every five years. A reassessment of property values was recently completed by Florence County and these reassessed values will be used for the 2005 property tax billing. State law requires that in the year in which a reassessment program is implemented, rollback millage must be used in lieu of the previous year's millage rate. The method of calculating the rollback millage rate is defined by South Carolina Code of Laws in Section 12-37-251(E) which states: "Rollback millage is calculated by dividing the prior year property tax revenues by the adjusted total assessed value applicable in the year the values derived from countywide equalization and reassessment program are implemented. The amount of assessed value must be adjusted by deducting assessments added for property or improvements not previously taxed, for new construction, and for renovation of existing structures." Due to reassessment, the City's millage rate for FY 2005-06 was rolled back from 60.8 mills to 54.9 mills.
- 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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents--Note D	\$ 5,145,940	\$ 5,236,455	\$ 10,382,395
Receivables--Note E	2,722,002	3,065,781	5,787,783
Inventories	261,579	334,544	596,123
Investments--Note D	4,219,747	7,550,611	11,770,358
Restricted cash and cash equivalents--Note D	-	47,244	47,244
Unamortized loan expense	-	695,379	695,379
Capital assets (net of accumulated depreciation)--Note F			
Land	7,792,522	1,369,698	9,162,220
Buildings and system	3,542,553	113,376,041	116,918,594
Machinery and equipment	4,087,126	1,274,429	5,361,555
Infrastructure	7,522,401	-	7,522,401
Construction in progress	<u>108,540</u>	<u>2,066,512</u>	<u>2,175,052</u>
TOTAL ASSETS	<u>\$ 35,402,410</u>	<u>\$ 135,016,694</u>	<u>\$ 170,419,104</u>
LIABILITIES			
Accounts payable	\$ 437,998	\$ 935,344	\$ 1,373,342
Accrued interest	-	767,158	767,158
Other liabilities	814,303	207,822	1,022,125
Unearned revenue	46,074	-	46,074
Customer deposits	-	32,486	32,486
Noncurrent liabilities--Note H			
Due within one year	80,000	4,080,952	4,160,952
Due in more than one year	<u>1,544,021</u>	<u>65,144,672</u>	<u>66,688,693</u>
TOTAL LIABILITIES	<u>2,922,396</u>	<u>71,168,434</u>	<u>74,090,830</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,053,142	49,295,162	72,348,304
Unrestricted	<u>9,426,872</u>	<u>14,553,098</u>	<u>23,979,970</u>
TOTAL NET ASSETS	<u>\$ 32,480,014</u>	<u>\$ 63,848,260</u>	<u>\$ 96,328,274</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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 3,704,698	\$ 7,939,460	\$ 318,290	\$ 300,000
Public safety	10,982,959	859,857	569,607	72,186
Public works	4,191,109	1,283,593	-	-
Culture and recreation	3,029,951	2,307,982	271,663	922,000
Community development	1,031,915	298,407	705,063	-
Nondepartmental	1,798,080	-	41,757	-
Interest on long-term debt	2,083	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>24,740,795</u>	<u>12,689,299</u>	<u>1,906,380</u>	<u>1,294,186</u>
Business-type Activities				
Water and sewer	17,277,622	20,530,495	-	-
Storm water	655,871	1,066,694	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>17,933,493</u>	<u>21,597,189</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 42,674,288</u>	<u>\$ 34,286,488</u>	<u>\$ 1,906,380</u>	<u>\$ 1,294,186</u>
General Revenues				
Property taxes				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Gain on sale of capital assets				
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
\$ 4,853,052	\$ -	\$ 4,853,052
(9,481,309)	-	(9,481,309)
(2,907,516)	-	(2,907,516)
471,694	-	471,694
(28,445)	-	(28,445)
(1,756,323)	-	(1,756,323)
<u>(2,083)</u>	<u>-</u>	<u>(2,083)</u>
<u>(8,850,930)</u>	<u>-</u>	<u>(8,850,930)</u>
-	3,252,873	3,252,873
<u>-</u>	<u>410,823</u>	<u>410,823</u>
<u>-</u>	<u>3,663,696</u>	<u>3,663,696</u>
<u>(8,850,930)</u>	<u>3,663,696</u>	<u>(5,187,234)</u>
7,507,436	-	7,507,436
941,113	-	941,113
116,464	228,027	344,491
411,595	-	411,595
24,126	-	24,126
<u>1,412,000</u>	<u>(1,412,000)</u>	<u>-</u>
<u>10,412,734</u>	<u>(1,183,973)</u>	<u>9,228,761</u>
1,561,804	2,479,723	4,041,527
<u>30,918,210</u>	<u>61,368,537</u>	<u>92,286,747</u>
<u>\$ 32,480,014</u>	<u>\$ 63,848,260</u>	<u>\$ 96,328,274</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, 2005

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents--Note D	\$ 4,024,635	\$ 1,121,305	\$ 5,145,940
Receivables			
Property taxes, less allowance for doubtful accounts of \$101,323	134,388	-	134,388
Due from other funds--Note G	184,045	-	184,045
Due from other governments	1,803,262	167,013	1,970,275
Other	308,427	308,912	617,339
Investments--Note D	4,091,494	128,253	4,219,747
Inventories	<u>261,579</u>	<u>-</u>	<u>261,579</u>
TOTAL ASSETS	<u>\$ 10,807,830</u>	<u>\$ 1,725,483</u>	<u>\$ 12,533,313</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 326,120	\$ 111,878	\$ 437,998
Due to other funds--Note G	-	184,045	184,045
Other liabilities	814,303	-	814,303
Deferred revenue--Note E	1,461,219	-	1,461,219
Unearned revenue--Note E	<u>-</u>	<u>46,074</u>	<u>46,074</u>
TOTAL LIABILITIES	<u>2,601,642</u>	<u>341,997</u>	<u>2,943,639</u>
Fund balance			
Unreserved, reported in			
General fund			
Designated for subsequent year's expenditures	883,300	-	883,300
Undesignated	<u>7,322,888</u>	<u>-</u>	<u>7,322,888</u>
	<u>8,206,188</u>	<u>-</u>	<u>8,206,188</u>
Special revenue funds	<u>-</u>	<u>1,383,486</u>	<u>1,383,486</u>
	<u>8,206,188</u>	<u>1,383,486</u>	<u>9,589,674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,807,830</u>	<u>\$ 1,725,483</u>	<u>\$ 12,533,313</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, 2005

Total fund balances for governmental funds	\$ 9,589,674
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.	23,053,142
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.	1,461,219
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,624,021)</u>
Net assets of governmental activities	<u>\$ 32,480,014</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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 7,409,461	\$ -	\$ 7,409,461
Licenses and fees	7,939,460	2,283,203	10,222,663
Intergovernmental	1,371,381	1,249,671	2,621,052
Charges for services	1,283,593	203,820	1,487,413
Fines and forfeitures	591,924	-	591,924
Investment earnings	93,069	23,395	116,464
Miscellaneous	<u>680,324</u>	<u>1,000,360</u>	<u>1,680,684</u>
TOTAL REVENUES	<u>19,369,212</u>	<u>4,760,449</u>	<u>24,129,661</u>
Expenditures			
Current			
General government	2,514,636	654,692	3,169,328
Public safety	10,125,237	210,143	10,335,380
Public works	3,747,404	-	3,747,404
Culture and recreation	1,049,412	1,665,812	2,715,224
Community development	-	1,031,915	1,031,915
Nondepartmental	1,798,080	-	1,798,080
Debt Service			
Principal	240,921	-	240,921
Interest	9,998	-	9,998
Capital Outlay	<u>2,334,728</u>	<u>399,743</u>	<u>2,734,471</u>
TOTAL EXPENDITURES	<u>21,820,416</u>	<u>3,962,305</u>	<u>25,782,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,451,204)</u>	<u>798,144</u>	<u>(1,653,060)</u>
Other Financing Sources (Uses)			
Transfers in	2,208,726	35,443	2,244,169
Transfers out	<u>(100,000)</u>	<u>(732,169)</u>	<u>(832,169)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,108,726</u>	<u>(696,726)</u>	<u>1,412,000</u>
NET CHANGE IN FUND BALANCE	(342,478)	101,418	(241,060)
Fund balance at beginning of year	<u>8,548,666</u>	<u>1,282,068</u>	<u>9,830,734</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,206,188</u>	<u>\$ 1,383,486</u>	<u>\$ 9,589,674</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, 2005

Net change in fund balances-total governmental funds	\$ (241,060)
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.	841,970
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	662,963
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	97,975
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.	240,921
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(40,965)</u>
Change in net assets of governmental activities	<u>\$ 1,561,804</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
General Fund
Year Ended June 30, 2005

	<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	\$ 7,790,600	\$ 7,359,100	\$ 7,409,461	\$ 50,361
Licenses and fees	7,410,000	7,590,000	7,939,460	349,460
Intergovernmental	1,204,400	1,406,900	1,371,381	(35,519)
Charges for services	1,255,000	1,275,000	1,283,593	8,593
Fines and forfeitures	719,000	571,000	591,924	20,924
Investment earnings	50,000	55,000	93,069	38,069
Miscellaneous	110,000	120,000	680,324	560,324
TOTAL REVENUES	<u>18,539,000</u>	<u>18,377,000</u>	<u>19,369,212</u>	<u>992,212</u>
Expenditures				
Current				
General government	2,515,430	2,537,830	2,514,636	23,194
Public safety	10,290,250	10,105,170	10,125,237	(20,067)
Public works	3,770,500	3,788,200	3,747,404	40,796
Culture and recreation	1,058,420	1,048,535	1,049,412	(877)
Non-departmental	2,035,200	2,207,660	1,798,080	409,580
Debt Service				
Principal	-	-	240,921	(240,921)
Interest	-	-	9,998	(9,998)
Capital Outlay	<u>930,200</u>	<u>2,668,905</u>	<u>2,334,728</u>	<u>334,177</u>
TOTAL EXPENDITURES	<u>20,600,000</u>	<u>22,356,300</u>	<u>21,820,416</u>	<u>535,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,061,000)</u>	<u>(3,979,300)</u>	<u>(2,451,204)</u>	<u>1,528,096</u>
Other Financing Sources (Uses)				
Transfers in	2,134,000	2,107,000	2,208,726	101,726
Transfers out	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,034,000</u>	<u>2,007,000</u>	<u>2,108,726</u>	<u>101,726</u>
NET CHANGE IN FUND BALANCE	<u>(27,000)</u>	<u>(1,972,300)</u>	<u>(342,478)</u>	<u>1,629,822</u>
Fund balance at beginning of year	<u>8,548,666</u>	<u>8,548,666</u>	<u>8,548,666</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,521,666</u>	<u>\$ 6,576,366</u>	<u>\$ 8,206,188</u>	<u>\$ 1,629,822</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, 2005

	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	\$ 4,386,421	\$ 850,034	\$ 5,236,455
Accounts receivable--Note E	2,970,834	89,975	3,060,809
Receivable--other--Note E	4,972	-	4,972
Investments--Note D	7,196,546	354,065	7,550,611
Inventories	334,544	-	334,544
Total current assets	<u>14,893,317</u>	<u>1,294,074</u>	<u>16,187,391</u>
Noncurrent assets			
Restricted cash and cash equivalents--Note D	47,244	-	47,244
Unamortized loan expense	695,379	-	695,379
Capital assets--Note F			
Land	1,319,440	50,258	1,369,698
Buildings and system	142,699,965	2,525,290	145,225,255
Construction in process	2,044,872	21,640	2,066,512
Machinery and equipment	5,608,064	189,702	5,797,766
Less accumulated depreciation	<u>(34,460,003)</u>	<u>(1,912,548)</u>	<u>(36,372,551)</u>
Total Capital Assets (Net Of Accumulated Depreciation)	<u>117,212,338</u>	<u>874,342</u>	<u>118,086,680</u>
Total noncurrent assets	<u>117,954,961</u>	<u>874,342</u>	<u>118,829,303</u>
TOTAL ASSETS	<u>\$ 132,848,278</u>	<u>\$ 2,168,416</u>	<u>\$ 135,016,694</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 823,214	\$ 112,130	\$ 935,344
Accrued interest	767,158	-	767,158
Other liabilities	189,990	17,832	207,822
Customer deposits	32,486	-	32,486
Compensated absences-current--Note H	20,000	2,000	22,000
Notes payable-current--Note H	1,968,279	-	1,968,279
Revenue bonds payable-current--Note H	2,090,673	-	2,090,673
Total current liabilities	<u>5,891,800</u>	<u>131,962</u>	<u>6,023,762</u>
Noncurrent liabilities--Note H			
Compensated absences	395,074	41,567	436,641
Notes payable	29,157,582	-	29,157,582
Revenue bonds payable	35,550,449	-	35,550,449
Total noncurrent liabilities	<u>65,103,105</u>	<u>41,567</u>	<u>65,144,672</u>
TOTAL LIABILITIES	<u>70,994,905</u>	<u>173,529</u>	<u>71,168,434</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,420,820	874,342	49,295,162
Unrestricted	<u>13,432,553</u>	<u>1,120,545</u>	<u>14,553,098</u>
TOTAL NET ASSETS	<u>\$ 61,853,373</u>	<u>\$ 1,994,887</u>	<u>\$ 63,848,260</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, 2005

	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	\$ 19,454,889	\$ -	\$ 19,454,889
Miscellaneous	464,733	-	464,733
Water and sewer tap fees	610,873	-	610,873
Stormwater service fees	<u>-</u>	<u>1,066,694</u>	<u>1,066,694</u>
TOTAL OPERATING REVENUES	<u>20,530,495</u>	<u>1,066,694</u>	<u>21,597,189</u>
Operating Expenses			
Personnel	3,231,634	324,171	3,555,805
Employee benefits	1,036,384	104,218	1,140,602
Purchased services	3,900,270	122,332	4,022,602
Supplies and materials	761,106	9,547	770,653
Other expenses	531,883	7,370	539,253
Depreciation and amortization	<u>4,316,873</u>	<u>88,233</u>	<u>4,405,106</u>
TOTAL OPERATING EXPENSES	<u>13,778,150</u>	<u>655,871</u>	<u>14,434,021</u>
OPERATING INCOME	<u>6,752,345</u>	<u>410,823</u>	<u>7,163,168</u>
Non-operating revenues (expenses)			
Investment earnings	211,626	16,401	228,027
Interest expense	<u>(3,499,472)</u>	<u>-</u>	<u>(3,499,472)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(3,287,846)</u>	<u>16,401</u>	<u>(3,271,445)</u>
INCOME BEFORE TRANSFERS	3,464,499	427,224	3,891,723
Transfers in	150,000	100,000	250,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
Change in net assets	2,102,499	377,224	2,479,723
Net assets at beginning of year	<u>59,750,874</u>	<u>1,617,663</u>	<u>61,368,537</u>
NET ASSETS AT END OF YEAR	<u>\$ 61,853,373</u>	<u>\$ 1,994,887</u>	<u>\$ 63,848,260</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, 2005

	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	\$ 19,959,430	\$ 1,064,287	\$ 21,023,717
Payments to suppliers	(4,282,712)	(56,581)	(4,339,293)
Payments to employees	(4,208,170)	(419,054)	(4,627,224)
Other receipts	464,150	-	464,150
Other payments	<u>(533,340)</u>	<u>(3,792)</u>	<u>(537,132)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>11,399,358</u>	<u>584,860</u>	<u>11,984,218</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	150,000	100,000	250,000
Transfers out	<u>(1,512,000)</u>	<u>(150,000)</u>	<u>(1,662,000)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,362,000)</u>	<u>(50,000)</u>	<u>(1,412,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	342,835	-	342,835
Additions to property, plant and equipment	(3,501,848)	(376,576)	(3,878,424)
Disposals of property, plant and equipment	47	-	47
Principal paid on bonds and notes	(3,998,767)	-	(3,998,767)
Interest paid on bonds and notes	(3,363,546)	-	(3,363,546)
Proceeds of notes payable	<u>115,990</u>	<u>-</u>	<u>115,990</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,405,289)</u>	<u>(376,576)</u>	<u>(10,781,865)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	3,657,291	-	3,657,291
Purchase of investments	(4,370,252)	(354,998)	(4,725,250)
Investment income	<u>228,621</u>	<u>17,334</u>	<u>245,955</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(484,340)</u>	<u>(337,664)</u>	<u>(822,004)</u>
NET DECREASE IN CASH	<u>(852,271)</u>	<u>(179,380)</u>	<u>(1,031,651)</u>
Cash at beginning of year	<u>5,285,936</u>	<u>1,029,414</u>	<u>6,315,350</u>
CASH AT END OF YEAR	<u>\$ 4,433,665</u>	<u>\$ 850,034</u>	<u>\$ 5,283,699</u>

(Continued)

City of Florence, South Carolina
Statement of Cash Flows - - Continued
Proprietary Funds
Year Ended June 30, 2005

	Business-type Activities - - Enterprise Fund		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total
	Water & Sewer Fund	Stormwater Utility Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 6,752,345	\$ 410,823	\$ 7,163,168
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	4,236,317	88,233	4,324,550
Amortization	80,556	-	80,556
Changes in assets and liabilities			
Increase in receivables	(106,915)	(2,407)	(109,322)
Increase in inventories	(61,761)	-	(61,761)
Increase in accounts payable	440,425	75,298	515,723
Decrease in customer deposits	(1,457)	-	(1,457)
Increase in compensated absences	22,491	9,335	31,826
Increase in other liabilities	37,357	3,578	40,935
TOTAL ADJUSTMENT	<u>4,647,013</u>	<u>174,037</u>	<u>4,821,050</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 11,399,358</u>	<u>\$ 584,860</u>	<u>\$ 11,984,218</u>
NON-CASH CAPITAL, FINANCING AND INVESTING ACTIVITIES			
Net decrease in the fair value of investments	\$ 16,995	\$ 933	\$ 17,928

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, 2005

ASSETS

Cash and cash equivalents--Note D	\$ 117,564
Investments--Note D	<u>50,650</u>

TOTAL ASSETS \$ 168,214

LIABILITIES

Due to others	<u>\$ 168,214</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, 2005

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

④ 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, 2005

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 Demolition, Property Transfer, Leisure Service Registration, Patriotic Parade, Employee Assistance, 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., Pee Dee Continuum of Care, 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, 2005

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, 2005

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, 2005

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, 2005

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, 2005 is designated as follows.

General government	<u>\$ 883,300</u>
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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 \$1,624,021 difference are as follows:

Compensated absences	<u>\$ 1,624,021</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,624,021</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$841,970 difference are as follows:

Capital outlay	\$ 2,734,471
Depreciation expense	<u>(1,892,501)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 841,970</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

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 \$662,963 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.	\$ (331,223)
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>994,186</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 662,963</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 \$40,965 difference are as follows:

Compensated absences	\$ (48,880)
Accrued interest	<u>7,915</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (40,965)</u>

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Formal budgetary integration is employed as a management control device during the year for General Fund 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.).

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2005

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - - Continued

3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the original amounts and the final authorized amounts as revised during the year. The City made a mid-year supplemental budgetary appropriation.

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

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

NOTE D - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's policy requires deposits to be secured by collateral, obligations of the U.S. Treasury and U.S. Agencies and instrumentalities, State of South Carolina or South Carolina local governments, valued at market or par, whichever is lower, less the amount of insurance (FDIC). Deposits of the City of \$8,977,937 at June 30, 2005, are insured or collateralized with securities held by the pledging financial institutions' trust department in the name of the City. \$8,931,511 of the deposits at June 30, 2005 are collateralized with securities held by the pledging financial institutions' trust department in the name of the City.

Restricted cash of \$47,244 at June 30, 2005, 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 \$46,426 at June 30, 2005 are invested.

Investments

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

As of June 30, 2005, the city had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years) Less Than 1</u>
U.S. Treasury bills	\$ 1,789,102	\$ 1,789,102
U.S. Governments and Agencies	9,456,760	9,456,760
South Carolina Local		
Government Investment Pool	<u>575,146</u>	<u>575,146</u>
	<u>\$ 11,821,008</u>	<u>\$ 11,821,008</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE D - DEPOSITS AND INVESTMENTS - - Continued

Investments - - Continued

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, 2005, 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	\$ -	\$ 3,000,768	\$ 399,796	\$ 3,400,564
Taxes	235,711	-	-	235,711
Intergovernmental	1,803,262	-	167,013	1,970,275
Other	<u>308,427</u>	<u>4,972</u>	<u>-</u>	<u>313,399</u>
Gross receivables	2,347,400	3,005,740	566,809	5,919,949
Less: Allowance for uncollectibles	<u>(101,323)</u>	<u>(29,934)</u>	<u>(909)</u>	<u>(132,166)</u>
	<u>\$ 2,246,077</u>	<u>\$ 2,975,806</u>	<u>\$ 565,900</u>	<u>\$ 5,787,783</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2005, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 88,823	\$ -
Local option sales tax receivable	1,372,396	-
Grant draw downs prior to meeting all eligibility requirements	<u>-</u>	<u>46,074</u>
	<u>\$ 1,461,219</u>	<u>\$ 46,074</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE F - CAPITAL ASSETS

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

	<u>Balances</u> <u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 5,431,253	\$ 2,682,739	\$ 321,470	\$ 7,792,522
Construction in progress	<u>-</u>	<u>108,540</u>	<u>-</u>	<u>108,540</u>
Total capital assets, not being depreciated	<u>5,431,253</u>	<u>2,791,279</u>	<u>321,470</u>	<u>7,901,062</u>
Capital assets, being depreciated:				
Buildings	5,603,338	109,593	-	5,712,931
Infrastructure	14,328,806	16,876	-	14,345,682
Machinery and equipment	<u>11,183,572</u>	<u>810,909</u>	<u>262,186</u>	<u>11,732,295</u>
Total capital assets being depreciated	<u>31,115,716</u>	<u>937,378</u>	<u>262,186</u>	<u>31,790,908</u>
Less-accumulated depreciation for:				
Buildings	2,029,238	141,140	-	2,170,378
Infrastructure	6,209,300	613,981	-	6,823,281
Machinery and equipment	<u>6,760,222</u>	<u>1,137,380</u>	<u>252,433</u>	<u>7,645,169</u>
Total accumulated depreciation	<u>14,998,760</u>	<u>1,892,501</u>	<u>252,433</u>	<u>16,638,828</u>
Total capital assets, being depreciated, net	<u>16,116,956</u>	<u>(955,123)</u>	<u>9,753</u>	<u>15,152,080</u>
Governmental activities capital assets, net	<u>\$ 21,548,209</u>	<u>\$ 1,836,156</u>	<u>\$ 331,223</u>	<u>\$ 23,053,142</u>

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

	<u>Balances</u> <u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 1,369,698	\$ -	\$ -	\$ 1,369,698
Construction in progress	<u>5,127,298</u>	<u>1,957,949</u>	<u>5,018,735</u>	<u>2,066,512</u>
Total capital assets, not being depreciated	<u>6,496,996</u>	<u>1,957,949</u>	<u>5,018,735</u>	<u>3,436,210</u>
Capital assets, being depreciated:				
Buildings and system	138,649,415	6,575,840	-	145,225,255
Machinery and equipment	<u>5,560,863</u>	<u>363,370</u>	<u>126,467</u>	<u>5,797,766</u>
Total capital assets, being depreciated	<u>144,210,278</u>	<u>6,939,210</u>	<u>126,467</u>	<u>151,023,021</u>
Less-accumulated depreciation for:				
Buildings and system	28,047,540	3,801,674	-	31,849,214
Machinery and equipment	<u>4,126,881</u>	<u>522,876</u>	<u>126,420</u>	<u>4,523,337</u>
Total accumulated depreciation	<u>32,174,421</u>	<u>4,324,550</u>	<u>126,420</u>	<u>36,372,551</u>
Total capital assets, being depreciated, net	<u>112,035,857</u>	<u>2,614,660</u>	<u>47</u>	<u>114,650,470</u>
Business-type activities capital assets, net	<u>\$ 118,532,853</u>	<u>\$ 4,572,609</u>	<u>\$ 5,018,782</u>	<u>\$ 118,086,680</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE F - CAPITAL ASSETS - - Continued

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government		\$ 532,533
Public safety		632,868
Public works		424,169
Culture and recreation		<u>302,931</u>
Total depreciation-governmental activities		<u>\$ 1,892,501</u>
Business-Type Activities		
Water and sewer		\$ 4,236,317
Stormwater		<u>88,233</u>
Total depreciation-business-type activities		<u>\$ 4,324,550</u>

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2005 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 184,045	\$ -
Nonmajor governmental	<u>-</u>	<u>184,045</u>
Total	<u>\$ 184,045</u>	<u>\$ 184,045</u>

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

Interfund transfers for the year ended June 30, 2005, are as follows:

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governments Funds</u>	<u>Water & Sewer Enterprise's Fund</u>	<u>Nonmajor Enterprise Funds</u>	
<u>Transfer out</u>					
General fund	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Nonmajor governmental funds	546,726	35,443	150,000	-	732,169
Water and sewer enterprise fund	1,512,000	-	-	-	1,512,000
Nonmajor enterprise funds	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total transfers out	<u>\$ 2,208,726</u>	<u>\$ 35,443</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>\$ 2,494,169</u>

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE H - LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Capital leases	\$ 240,921	\$ -	\$ 240,921	\$ -	\$ -
Compensated absences	1,575,141	897,284	848,404	1,624,021	80,000
	<u>\$ 1,816,062</u>	<u>\$ 897,284</u>	<u>\$ 1,089,325</u>	<u>\$ 1,624,021</u>	<u>\$ 80,000</u>
<u>Business-type Activities</u>					
<u>Revenue Bonds</u>					
Water and Sewer	\$ 39,990,000	\$ -	\$ 2,050,000	\$ 37,940,000	\$ 2,270,000
Less unamortized amount deferred for refunding	(478,205)	-	(179,327)	(298,878)	(179,327)
Total bonds payable	39,511,795	-	1,870,673	37,641,122	2,090,673
<u>Notes Payable</u>					
Water and Sewer	32,958,638	115,990	1,948,767	31,125,861	1,968,279
Compensated absences					
Water and Sewer	392,583	274,335	251,837	415,081	20,000
Stormwater	34,232	39,202	29,868	43,566	2,000
	<u>\$ 72,897,248</u>	<u>\$ 429,527</u>	<u>\$ 4,101,145</u>	<u>\$ 69,225,630</u>	<u>\$ 4,080,952</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, 2005</u>
<u>Revenue Bonds</u>					
	Series 1993	\$ 14,815,000	5.10 to 5.20	3/1/2007	\$ 3,500,000
	Series 2000	25,690,000	5.50 to 7.50	3/1/2030	24,080,000
	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	385,581
	June 1993	23,828,128	4.25	12/1/2014	13,811,120
	May 1999	2,767,997	3.50	3/1/2020	2,216,515
	May 2000	6,210,343	3.50	1/1/2032	5,773,623
	May 2000	4,062,403	4.25	6/1/2032	3,847,380
	October 2002	3,821,332	0.00	1/1/2012	2,674,932
	January 2003	2,517,834	3.75	2/1/2034	2,416,710

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE H - LONG-TERM DEBT - - Continued

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

<u>Year Ended</u>	<u>Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>						
2006	\$ 2,270,000	\$ 2,069,657	\$ 1,968,279	\$ 1,058,798	\$ 4,238,279	\$ 3,128,455
2007	2,385,000	1,943,338	2,081,289	1,045,583	4,466,289	2,988,921
2008	620,000	1,809,790	2,152,405	974,469	2,772,405	2,784,259
2009	1,495,000	1,751,553	2,226,507	900,366	3,721,507	2,651,919
2010	1,525,000	1,674,821	2,303,726	823,145	3,828,726	2,497,966
2011-2015	8,195,000	7,141,716	10,571,559	2,853,180	18,766,559	9,994,896
2016-2020	7,570,000	4,888,767	2,880,914	1,601,707	10,450,914	6,490,474
2021-2025	5,905,000	3,205,952	2,462,557	1,103,193	8,367,557	4,309,145
2026-2030	7,975,000	1,369,504	2,974,056	591,697	10,949,056	1,961,201
2031-2034	-	-	1,504,569	78,943	1,504,569	78,943
	<u>\$37,940,000</u>	<u>\$ 25,855,098</u>	<u>\$ 31,125,861</u>	<u>\$ 11,031,081</u>	<u>\$ 69,065,861</u>	<u>\$ 36,886,179</u>

NOTE I - 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 \$510,981 to the SCRS and \$621,665 to the SCPORS. Contributions by employees during the year were \$413,427 to the SCRS and \$369,055 to the SCPORS. The City's covered payroll for the SCRS and SCPORS was \$7,626,584 and \$6,034,978, respectively. Total current year payroll for all employees was \$13,995,963.

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.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE I - EMPLOYEE BENEFITS - - Continued

Three-Year Trend Information

Year Ended	<u>SCRS</u>		<u>SCPORS</u>	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
June 30, 2003	\$ 465,923	100	\$ 597,193	100
June 30, 2004	462,102	100	595,070	100
June 30, 2005	510,981	100	621,665	100

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

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

In addition to providing retirement benefits, City Council passed resolution 98-05 on May 11, 1998, providing retired employees certain health care benefits. City employees who meet all criteria for retirement under the South Carolina Retirement and Police Retirement Systems and had worked for the City for a minimum of 15 years of continuous service are eligible for these benefits. At June 30, 2005, forty six 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, 2005, these costs totaled \$210,868.

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2005

NOTE J - 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 K - COMMITMENTS

The City has committed itself on a number of construction and architectural contracts for General Fund and Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2005, the outstanding commitments total \$1,033,762.

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 \$540,000 for the fiscal year ending June 30, 2005. The annual payment will decline by \$67,500 for each fiscal year after June 30, 2005. The final annual payment is to be \$67,500 for the fiscal year ended June 30, 2012.

On October 14, 2002, Florence City Council approved an ordinance to provide \$500,000 over a period of approximately five years to Florence County for the construction of a communications tower to serve northern Florence County, including a significant portion of the City of Florence. A payment of \$100,000 was made from the E-911 fund during the fiscal year ending June 30, 2005. As of June 30, 2005, the outstanding commitment was \$400,000.

NOTE L - 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.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2005

NOTE L - CONTINGENCIES - - Continued

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, 2005 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 Demolition - This fund is used to account for funds used to demolish buildings.

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

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

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, 2005

	Hospitality Fee	Home Program	Community Development Block Grant	Park Commission	All American City
ASSETS					
Cash and cash equivalents	\$ 637,719	\$ -	\$ -	\$ 4,223	\$ 4,058
Receivables	200,335	108,577	-	-	-
Due from other governments	-	-	89,927	-	-
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 838,054</u>	<u>\$ 108,577</u>	<u>\$ 89,927</u>	<u>\$ 4,223</u>	<u>\$ 4,058</u>
LIABILITIES					
Accounts payable	\$ 12,780	\$ 33,708	\$ -	\$ -	\$ -
Due to other funds	-	74,561	89,927	-	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>12,780</u>	<u>108,269</u>	<u>89,927</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Fund balances	<u>825,274</u>	<u>308</u>	<u>-</u>	<u>4,223</u>	<u>4,058</u>
TOTAL FUND BALANCES	<u>825,274</u>	<u>308</u>	<u>-</u>	<u>4,223</u>	<u>4,058</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 838,054</u>	<u>\$ 108,577</u>	<u>\$ 89,927</u>	<u>\$ 4,223</u>	<u>\$ 4,058</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	E-911	Victim's Rights	Drug Control
\$ 9,112	\$ 23,053	\$ 14,770	\$ 149,311	\$ 87,287	\$ 76,998
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	102,177	26,076
<u>\$ 9,112</u>	<u>\$ 23,053</u>	<u>\$ 14,770</u>	<u>\$ 149,311</u>	<u>\$ 189,464</u>	<u>\$ 103,074</u>
\$ -	\$ 4,230	\$ -	\$ 4,951	\$ -	\$ 141
-	-	-	-	-	-
-	-	-	-	-	-
-	4,230	-	4,951	-	141
<u>9,112</u>	<u>18,823</u>	<u>14,770</u>	<u>144,360</u>	<u>189,464</u>	<u>102,933</u>
<u>9,112</u>	<u>18,823</u>	<u>14,770</u>	<u>144,360</u>	<u>189,464</u>	<u>102,933</u>
<u>\$ 9,112</u>	<u>\$ 23,053</u>	<u>\$ 14,770</u>	<u>\$ 149,311</u>	<u>\$ 189,464</u>	<u>\$ 103,074</u>

(Continued)

City of Florence, South Carolina
Combining Balance Sheet - - Continued
Nonmajor Governmental Funds
June 30, 2005

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	LLEBG	Safety Committee	Street Paving/ Resurfacing
ASSETS					
Cash and cash equivalents	\$ 42,235	\$ 7,041	\$ 44,713	\$ 9,936	\$ -
Receivables	-	-	-	-	-
Due from other governments	-	-	-	-	18,245
Investments	-	-	-	-	-
TOTAL ASSETS	<u>\$ 42,235</u>	<u>\$ 7,041</u>	<u>\$ 44,713</u>	<u>\$ 9,936</u>	<u>\$ 18,245</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,089	\$ -
Due to other funds	-	-	-	-	18,245
Unearned revenue	-	-	43,382	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>43,382</u>	<u>1,089</u>	<u>18,245</u>
FUND BALANCES					
Fund balances	<u>42,235</u>	<u>7,041</u>	<u>1,331</u>	<u>8,847</u>	<u>-</u>
TOTAL FUND BALANCES	<u>42,235</u>	<u>7,041</u>	<u>1,331</u>	<u>8,847</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,235</u>	<u>\$ 7,041</u>	<u>\$ 44,713</u>	<u>\$ 9,936</u>	<u>\$ 18,245</u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Leisure Service Registration	Patriotic Parade	Employee Assistance	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ 25	\$ 2,768	\$ 3,148	\$ 3,059	\$ 1,849	\$ 1,121,305
-	-	-	-	-	-	308,912
1,419	57,422	-	-	-	-	167,013
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,253</u>
<u>\$ 1,419</u>	<u>\$ 57,447</u>	<u>\$ 2,768</u>	<u>\$ 3,148</u>	<u>\$ 3,059</u>	<u>\$ 1,849</u>	<u>\$ 1,725,483</u>
\$ 107	\$ 54,522	\$ -	\$ 350	\$ -	\$ -	\$ 111,878
1,312	-	-	-	-	-	184,045
<u>-</u>	<u>-</u>	<u>2,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,074</u>
<u>1,419</u>	<u>54,522</u>	<u>2,692</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>341,997</u>
<u>-</u>	<u>2,925</u>	<u>76</u>	<u>2,798</u>	<u>3,059</u>	<u>1,849</u>	<u>1,383,486</u>
<u>-</u>	<u>2,925</u>	<u>76</u>	<u>2,798</u>	<u>3,059</u>	<u>1,849</u>	<u>1,383,486</u>
<u>\$ 1,419</u>	<u>\$ 57,447</u>	<u>\$ 2,768</u>	<u>\$ 3,148</u>	<u>\$ 3,059</u>	<u>\$ 1,849</u>	<u>\$ 1,725,483</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, 2005

	Hospitality Fee	Home Program	Community Development Block Grant	Park Commission	All American City
Revenues					
Licenses and fees	\$ 2,283,203	\$ -	\$ -	\$ -	\$ -
Intergovernmental	13,636	-	705,063	-	-
Charges for services	-	-	-	-	-
Investment earnings	10,727	147	-	58	56
Miscellaneous	-	<u>180,691</u>	<u>117,716</u>	<u>125</u>	-
TOTAL REVENUES	<u>2,307,566</u>	<u>180,838</u>	<u>822,779</u>	<u>183</u>	<u>56</u>
Expenditures					
General government	190,713	-	64,341	-	-
Public safety	-	-	-	-	-
Culture and recreation	1,445,844	-	-	-	-
Community development	-	290,354	741,561	-	-
Capital outlay	-	-	<u>16,877</u>	-	-
TOTAL EXPENDITURES	<u>1,636,557</u>	<u>290,354</u>	<u>822,779</u>	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>671,009</u>	<u>(109,516)</u>	-	<u>183</u>	<u>56</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(490,443)</u>	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(490,443)</u>	-	-	-	-
NET CHANGE IN FUND BALANCE	180,566	(109,516)	-	183	56
Fund balance at beginning of year	<u>644,708</u>	<u>109,824</u>	-	<u>4,040</u>	<u>4,002</u>
FUND BALANCE AT END OF YEAR	<u>\$ 825,274</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 4,223</u>	<u>\$ 4,058</u>

SPECIAL REVENUE

Fire	Leisure Service Program	Drug Free Florence	Downtown As a Classroom	E-911	Victim's Rights	Drug Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	24,779	-	-	179,041	-	-
1,043	237	244	-	1,486	3,242	4,187
<u>96,990</u>	<u>-</u>	<u>7,625</u>	<u>-</u>	<u>-</u>	<u>88,892</u>	<u>164,334</u>
<u>98,033</u>	<u>25,016</u>	<u>7,869</u>	<u>-</u>	<u>180,527</u>	<u>92,134</u>	<u>168,521</u>
-	-	-	-	160,114	-	-
92,585	-	10,226	-	-	-	82,545
-	18,084	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,563</u>
<u>92,585</u>	<u>18,084</u>	<u>10,226</u>	<u>-</u>	<u>160,114</u>	<u>-</u>	<u>137,108</u>
<u>5,448</u>	<u>6,932</u>	<u>(2,357)</u>	<u>-</u>	<u>20,413</u>	<u>92,134</u>	<u>31,413</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(845)</u>	<u>-</u>	<u>(107,776)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(845)</u>	<u>-</u>	<u>(107,776)</u>	<u>-</u>
5,448	6,932	(2,357)	(845)	20,413	(15,642)	31,413
<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>\$ 9,112</u>	<u>\$ 18,823</u>	<u>\$ 14,770</u>	<u>\$ -</u>	<u>\$ 144,360</u>	<u>\$ 189,464</u>	<u>\$ 102,933</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, 2005

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	LLEBG	Safety Committee	Street Paving/ Resurfacing
Revenues					
Licenses and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	98,067	-	191,362
Charges for services	-	-	-	-	-
Investment earnings	521	37	1,092	146	-
Miscellaneous	<u>27,417</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>27,938</u>	<u>6,037</u>	<u>99,159</u>	<u>146</u>	<u>191,362</u>
Expenditures					
General government	-	3,796	3,320	1,582	191,362
Public safety	24,787	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>24,787</u>	<u>3,796</u>	<u>3,320</u>	<u>1,582</u>	<u>191,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,151</u>	<u>2,241</u>	<u>95,839</u>	<u>(1,436)</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(98,067)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(98,067)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	3,151	2,241	(2,228)	(1,436)	-
Fund balance at beginning of year	<u>39,084</u>	<u>4,800</u>	<u>3,559</u>	<u>10,283</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 42,235</u>	<u>\$ 7,041</u>	<u>\$ 1,331</u>	<u>\$ 8,847</u>	<u>\$ -</u>

SPECIAL REVENUE

Summer Youth Program	Accommodation Tax	Property Demolition	Property Transfer	Leisure Service Registration	Patriotic Parade	Employee Assistance	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,283,203
15,779	225,764	-	-	-	-	-	-	1,249,671
-	-	-	-	-	-	-	-	203,820
-	25	4	26	37	14	40	26	23,395
-	-	<u>300,000</u>	-	<u>1,600</u>	<u>3,750</u>	<u>5,220</u>	-	<u>1,000,360</u>
<u>15,779</u>	<u>225,789</u>	<u>300,004</u>	<u>26</u>	<u>1,637</u>	<u>3,764</u>	<u>5,260</u>	<u>26</u>	<u>4,760,449</u>
15,779	-	7,144	10,321	-	-	6,220	-	654,692
-	-	-	-	-	-	-	-	210,143
-	191,229	-	-	1,600	9,055	-	-	1,665,812
-	-	-	-	-	-	-	-	1,031,915
-	-	<u>328,303</u>	-	-	-	-	-	<u>399,743</u>
<u>15,779</u>	<u>191,229</u>	<u>335,447</u>	<u>10,321</u>	<u>1,600</u>	<u>9,055</u>	<u>6,220</u>	-	<u>3,962,305</u>
-	<u>34,560</u>	<u>(35,443)</u>	<u>(10,295)</u>	<u>37</u>	<u>(5,291)</u>	<u>(960)</u>	<u>26</u>	<u>798,144</u>
-	-	35,443	-	-	-	-	-	35,443
-	<u>(35,038)</u>	-	-	-	-	-	-	<u>(732,169)</u>
-	<u>(35,038)</u>	<u>35,443</u>	-	-	-	-	-	<u>(696,726)</u>
-	(478)	-	(10,295)	37	(5,291)	(960)	26	101,418
-	<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>\$ 2,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ 2,798</u>	<u>\$ 3,059</u>	<u>\$ 1,849</u>	<u>\$ 1,383,486</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, 2005

	<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	\$ 19,344,500	\$ 19,337,900	\$ 19,454,889	\$ 116,989
Miscellaneous	266,000	281,000	464,733	183,733
Water and sewer tap fees	<u>529,500</u>	<u>511,100</u>	<u>610,873</u>	<u>99,773</u>
TOTAL OPERATING REVENUES	<u>20,140,000</u>	<u>20,130,000</u>	<u>20,530,495</u>	<u>400,495</u>
Operating Expenses				
Personnel	3,323,570	3,236,280	3,231,634	4,646
Employee benefits	1,085,230	1,036,930	1,036,384	546
Purchased services	3,525,150	3,668,950	3,900,270	(231,320)
Supplies and materials	816,550	756,140	761,106	(4,966)
Other expenses	613,100	656,500	531,883	124,617
Depreciation and amortization	<u>1,979,200</u>	<u>2,321,000</u>	<u>4,316,873</u>	<u>(1,995,873)</u>
TOTAL OPERATING EXPENSES	<u>11,342,800</u>	<u>11,675,800</u>	<u>13,778,150</u>	<u>(2,102,350)</u>
OPERATING INCOME	<u>8,797,200</u>	<u>8,454,200</u>	<u>6,752,345</u>	<u>(1,701,855)</u>
Non-operating Revenues (Expenses)				
Investment earnings	30,000	40,000	211,626	171,626
Interest expense	<u>(7,367,200)</u>	<u>(7,422,200)</u>	<u>(3,499,472)</u>	<u>3,922,728</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,337,200)</u>	<u>(7,382,200)</u>	<u>(3,287,846)</u>	<u>4,094,354</u>
INCOME BEFORE TRANSFERS	1,460,000	1,072,000	3,464,499	2,392,499
Transfers in	-	-	150,000	150,000
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	(52,000)	(440,000)	2,102,499	2,542,499
Net assets at beginning of year	<u>59,750,874</u>	<u>59,750,874</u>	<u>59,750,874</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 59,698,874</u>	<u>\$ 59,310,874</u>	<u>\$ 61,853,373</u>	<u>\$ 2,542,499</u>

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

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Stormwater Utility Fund
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Stormwater service fees\	\$ 1,040,000	\$ 1,043,000	\$ 1,066,694	\$ 23,694
TOTAL OPERATING REVENUES	<u>1,040,000</u>	<u>1,043,000</u>	<u>1,066,694</u>	<u>23,694</u>
Operating Expenses				
Personnel	314,010	324,530	324,171	359
Employee benefits	104,680	104,560	104,218	342
Purchased services	108,800	118,600	122,332	(3,732)
Supplies and materials	20,500	10,700	9,547	1,153
Other expenses	10,410	7,510	7,370	140
Depreciation and amortization	<u>1,418,600</u>	<u>1,411,100</u>	<u>88,233</u>	<u>1,322,867</u>
TOTAL OPERATING EXPENSES	<u>1,977,000</u>	<u>1,977,000</u>	<u>655,871</u>	<u>1,321,129</u>
OPERATING INCOME (LOSS)	<u>(937,000)</u>	<u>(934,000)</u>	<u>410,823</u>	<u>1,344,823</u>
Non-operating Revenues				
Investment earnings	<u>5,000</u>	<u>2,000</u>	<u>16,401</u>	<u>14,401</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(932,000)</u>	<u>(932,000)</u>	<u>427,224</u>	<u>1,359,224</u>
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Change in net assets	(982,000)	(982,000)	377,224	1,359,224
Net assets at beginning of year	<u>1,617,663</u>	<u>1,617,663</u>	<u>1,617,663</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 635,663</u>	<u>\$ 635,663</u>	<u>\$ 1,994,887</u>	<u>\$ 1,359,224</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 - This fund is used to account for funds received by the human relations council.

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

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

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, 2005

	Keep Florence Beautiful	Human Relations Council
ASSETS		
Cash and cash equivalents	\$ 3,260	\$ 1,771
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,260</u>	<u>\$ 1,771</u>
LIABILITIES		
Due to others	<u>\$ 3,260</u>	<u>\$ 1,771</u>
TOTAL LIABILITIES	<u>\$ 3,260</u>	<u>\$ 1,771</u>

Florence Co. Munci. Assoc.	Pee Dee Continuum of Care	Court Escrow	Narcotics Holding Fund	Totals
\$ 2,720 <u> -</u>	\$ 247 <u> -</u>	\$ 40,507 <u> -</u>	\$ 69,059 <u>50,650</u>	\$ 117,564 <u>50,650</u>
<u>\$ 2,720</u>	<u>\$ 247</u>	<u>\$ 40,507</u>	<u>\$ 119,709</u>	<u>\$ 168,214</u>
<u>\$ 2,720</u>	<u>\$ 247</u>	<u>\$ 40,507</u>	<u>\$ 119,709</u>	<u>\$ 168,214</u>
<u>\$ 2,720</u>	<u>\$ 247</u>	<u>\$ 40,507</u>	<u>\$ 119,709</u>	<u>\$ 168,214</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, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>Keep Florence Beautiful</u>				
Assets				
Cash and cash equivalents	<u>\$ 2,987</u>	<u>\$ 9,386</u>	<u>\$ 9,113</u>	<u>\$ 3,260</u>
Liabilities				
Due to others	<u>\$ 2,987</u>	<u>\$ 9,386</u>	<u>\$ 9,113</u>	<u>\$ 3,260</u>
<u>Human Relations Council</u>				
Assets				
Cash and cash equivalents	<u>\$ 1,747</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,771</u>
Liabilities				
Due to others	<u>\$ 1,747</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,771</u>
<u>Florence Co. Munic. Assoc.</u>				
Assets				
Cash and cash equivalents	<u>\$ 2,683</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 2,720</u>
Liabilities				
Due to others	<u>\$ 2,683</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 2,720</u>
<u>Pee Dee Continuum of Care</u>				
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 461</u>	<u>\$ 214</u>	<u>\$ 247</u>
Liabilities				
Due to others	<u>\$ -</u>	<u>\$ 461</u>	<u>\$ 214</u>	<u>\$ 247</u>
<u>Police Cabin</u>				
Assets				
Cash and cash equivalents	<u>\$ 3,692</u>	<u>\$ 17</u>	<u>\$ 3,709</u>	<u>\$ -</u>
Liabilities				
Due to others	<u>\$ 3,692</u>	<u>\$ 17</u>	<u>\$ 3,709</u>	<u>\$ -</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	<u>\$ 25,506</u>	<u>\$ 15,001</u>	<u>\$ -</u>	<u>\$ 40,507</u>
Liabilities				
Due to others	<u>\$ 25,506</u>	<u>\$ 15,001</u>	<u>\$ -</u>	<u>\$ 40,507</u>
<u>Narcotics Holding Fund</u>				
Assets				
Cash and cash equivalents	\$ 177,957	\$ 56,325	\$ 165,223	\$ 69,059
Investments	<u>49,713</u>	<u>937</u>	<u>-</u>	<u>50,650</u>
Liabilities				
Due to others	<u>\$ 227,670</u>	<u>\$ 57,262</u>	<u>\$ 165,223</u>	<u>\$ 119,709</u>
TOTAL ASSETS	<u>\$ 227,670</u>	<u>\$ 57,262</u>	<u>\$ 165,223</u>	<u>\$ 119,709</u>
Liabilities				
Due to others	<u>\$ 227,670</u>	<u>\$ 57,262</u>	<u>\$ 165,223</u>	<u>\$ 119,709</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities--Continued
Agency Fund
Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 214,572	\$ 81,251	\$ 178,259	\$ 117,564
Investments	<u>49,713</u>	<u>937</u>	<u>-</u>	<u>50,650</u>
TOTAL ASSETS	<u>\$ 264,285</u>	<u>\$ 82,188</u>	<u>\$ 178,259</u>	<u>\$ 168,214</u>
Liabilities				
Due to others	<u>\$ 264,285</u>	<u>\$ 82,188</u>	<u>\$ 178,259</u>	<u>\$ 168,214</u>
TOTAL LIABILITIES	<u>\$ 264,285</u>	<u>\$ 82,188</u>	<u>\$ 178,259</u>	<u>\$ 168,214</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, 2005 and 2004

	<u>2005</u>	June 30, <u>2004</u>
Governmental funds capital assets		
Land	\$ 7,792,522	\$ 5,431,253
Buildings	5,712,931	5,603,338
Infrastructure	14,345,682	14,328,806
Machinery and equipment	11,732,295	11,183,572
Construction in process	<u>108,540</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 39,691,970</u>	<u>\$ 36,546,969</u>
Investment in governmental funds capital assets by source		
General fund	<u>\$ 39,691,970</u>	<u>\$ 36,546,969</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 39,691,970</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--By Function and Activity
June 30, 2005

FUNCTION AND ACTIVITY	Land	Buildings	Infrastructure	Machinery And Equipment	Construction in Process	Total
General government						
Council	\$ 5,154,041	\$ 1,693,069	\$ 10,108,131	\$ 59,777	\$ 108,540	\$ 17,123,558
Justice and law	-	-	-	23,600	-	23,600
Manager	-	-	-	53,679	-	53,679
Finance	-	-	-	34,795	-	34,795
Personnel	-	-	-	21,857	-	21,857
Community services	-	-	-	115,209	-	115,209
TOTAL GENERAL GOVERNMENT	<u>5,154,041</u>	<u>1,693,069</u>	<u>10,108,131</u>	<u>308,917</u>	<u>108,540</u>	<u>17,372,698</u>
Public safety						
Police	105,007	484,680	86,117	3,119,507	-	3,795,311
Fire	<u>158,390</u>	<u>888,845</u>	<u>-</u>	<u>2,782,813</u>	<u>-</u>	<u>3,830,048</u>
TOTAL PUBLIC SAFETY	<u>263,397</u>	<u>1,373,525</u>	<u>86,117</u>	<u>5,902,320</u>	<u>-</u>	<u>7,625,359</u>
Streets and beautification	16,125	-	-	1,406,604	-	1,422,729
Sanitation	-	-	-	3,195,307	-	3,195,307
Equipment maintenance	-	-	-	145,039	-	145,039
Parks & leisure services	<u>2,358,959</u>	<u>2,646,337</u>	<u>4,151,434</u>	<u>774,108</u>	<u>-</u>	<u>9,930,838</u>
TOTAL GOVERNMENTAL FUNDS						
CAPITAL ASSETS	<u>\$ 7,792,522</u>	<u>\$ 5,712,931</u>	<u>\$ 14,345,682</u>	<u>\$ 11,732,295</u>	<u>\$ 108,540</u>	<u>\$ 39,691,970</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, 2005

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2004	Additions	Deductions	June 30, 2005
General government				
Council	\$15,575,749	\$ 1,869,279	\$ 321,470	\$ 17,123,558
Justice and law	23,600	17,159	17,159	23,600
Manager	40,425	13,254	-	53,679
Finance	42,146	-	7,351	34,795
Personnel	13,254	21,857	13,254	21,857
Community services	<u>115,209</u>	<u>-</u>	<u>-</u>	<u>115,209</u>
TOTAL GENERAL GOVERNMENT	<u>15,810,383</u>	<u>1,921,549</u>	<u>359,234</u>	<u>17,372,698</u>
Public safety				
Police	3,555,720	306,172	66,581	3,795,311
Fire	<u>3,570,923</u>	<u>310,761</u>	<u>51,636</u>	<u>3,830,048</u>
TOTAL PUBLIC SAFETY	<u>7,126,643</u>	<u>616,933</u>	<u>118,217</u>	<u>7,625,359</u>
Streets and beautification	1,355,113	142,728	75,112	1,422,729
Sanitation	3,198,309	165,850	168,852	3,195,307
Equipment maintenance	131,425	27,279	13,665	145,039
Parks & leisure services	<u>8,925,096</u>	<u>1,021,655</u>	<u>15,913</u>	<u>9,930,838</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$36,546,969</u>	<u>\$ 3,895,994</u>	<u>\$ 750,993</u>	<u>\$ 39,691,970</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, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes				
Current	\$ 3,106,000	\$ 2,691,000	\$ 2,694,445	\$ 3,445
Local option sales tax	4,565,000	4,550,000	4,596,670	46,670
Penalties	3,600	1,100	1,519	419
Payment in lieu of taxes	60,000	61,000	61,498	498
Delinquent taxes	<u>56,000</u>	<u>56,000</u>	<u>55,329</u>	<u>(671)</u>
TOTAL PROPERTY TAXES	<u>7,790,600</u>	<u>7,359,100</u>	<u>7,409,461</u>	<u>50,361</u>
Licenses and fees				
Business and professional license	5,650,000	5,790,000	6,048,264	258,264
Franchise fees	1,525,000	1,540,000	1,628,666	88,666
Prior year business license	<u>235,000</u>	<u>260,000</u>	<u>262,530</u>	<u>2,530</u>
TOTAL LICENSES AND FEES	<u>7,410,000</u>	<u>7,590,000</u>	<u>7,939,460</u>	<u>349,460</u>
Intergovernmental				
State shared revenue	791,000	795,500	806,944	11,444
Governmental reimbursements	119,000	130,000	134,169	4,169
Community development	81,400	81,400	81,400	-
Grants	<u>213,000</u>	<u>400,000</u>	<u>348,868</u>	<u>(51,132)</u>
TOTAL INTERGOVERNMENTAL	<u>1,204,400</u>	<u>1,406,900</u>	<u>1,371,381</u>	<u>(35,519)</u>
Charges for services				
Refuse--landfill fee	980,000	995,000	999,964	4,964
Refuse--collection fee	<u>275,000</u>	<u>280,000</u>	<u>283,629</u>	<u>3,629</u>
TOTAL CHARGES FOR SERVICES	<u>1,255,000</u>	<u>1,275,000</u>	<u>1,283,593</u>	<u>8,593</u>
Fines and forfeitures				
Criminal fines	185,000	124,000	124,767	767
Traffic fines	515,000	430,000	448,091	18,091
Parking violations fines	18,000	15,000	16,481	1,481
Animal control fines	<u>1,000</u>	<u>2,000</u>	<u>2,585</u>	<u>585</u>
TOTAL FINES AND FORFEITURES	<u>719,000</u>	<u>571,000</u>	<u>591,924</u>	<u>20,924</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, 2005

	<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--Continued				
Miscellaneous				
Investment income	50,000	55,000	93,069	38,069
Miscellaneous	<u>110,000</u>	<u>120,000</u>	<u>680,324</u>	<u>560,324</u>
TOTAL MISCELLANEOUS	<u>160,000</u>	<u>175,000</u>	<u>773,393</u>	<u>598,393</u>
TOTAL REVENUES	<u>18,539,000</u>	<u>18,377,000</u>	<u>19,369,212</u>	<u>992,212</u>
Expenditures				
General Government				
City Council				
Salary and wages	83,270	83,350	83,302	48
Retirement	5,710	5,710	5,706	4
Health insurance	29,660	29,060	28,800	260
Workers' compensation	8,780	9,780	9,722	58
Social security	6,370	6,370	6,234	136
Printing and supplies	5,800	8,350	7,985	365
Postage	600	600	239	361
Membership and dues	16,500	18,500	18,162	338
Travel and conference	30,000	29,800	29,474	326
Telephone and telegraph	300	250	215	35
Telephone related services	400	450	408	42
Maintenance and service contracts	200	100	-	100
Professional services	30,000	42,300	41,989	311
Special departmental supplies	<u>4,000</u>	<u>1,020</u>	<u>667</u>	<u>353</u>
TOTAL CITY COUNCIL	<u>221,590</u>	<u>235,640</u>	<u>232,903</u>	<u>2,737</u>
Legal Services				
Salary and wages	64,200	33,970	33,760	210
Retirement	4,400	2,420	2,358	62
Health insurance	4,280	2,260	2,258	2
Workers' compensation	110	160	114	46
Social security	4,910	2,600	2,525	75
Printing and supplies	600	760	705	55
Postage	170	100	25	75
Membership and dues	450	1,800	1,745	55
Travel and conference	2,000	400	230	170
Telephone and telegraph	250	250	238	12
Telephone related services	140	170	169	1

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<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				
General Government--Continued				
Legal Services--Continued				
Employee training	700	10	-	10
Professional services	60,000	89,500	89,063	437
Special departmental supplies	<u>1,700</u>	<u>700</u>	<u>605</u>	<u>95</u>
TOTAL LEGAL SERVICES	<u>143,910</u>	<u>135,100</u>	<u>133,795</u>	<u>1,305</u>
Justice and Law				
Salary and wages	248,110	229,160	228,590	570
Retirement	17,000	15,530	15,452	78
Health insurance	29,590	26,590	26,509	81
Workers' compensation	8,090	8,990	8,979	11
Social security	18,980	15,890	15,851	39
Printing and supplies	6,300	5,000	4,940	60
Postage	3,000	2,300	2,107	193
Membership and dues	400	200	130	70
Travel and conference	2,500	1,200	906	294
Auto operating expenses	3,500	3,800	3,680	120
Telephone and telegraph	1,500	1,500	1,298	202
Telephone related services	700	1,270	1,149	121
Maintenance and service contracts	4,000	5,050	4,775	275
Machine and equipment repairs	400	500	448	52
Employee training	3,000	1,500	784	716
Professional services	20,000	18,800	18,393	407
Special department supplies	<u>1,000</u>	<u>2,990</u>	<u>5,509</u>	<u>(2,519)</u>
TOTAL JUSTICE AND LAW	<u>368,070</u>	<u>340,270</u>	<u>339,500</u>	<u>770</u>
City Manager				
Salary and wages	354,490	374,220	373,565	655
Retirement	24,290	26,200	26,133	67
Health insurance	21,260	31,760	31,590	170
Workers' compensation	11,600	12,900	12,867	33
Social security	23,230	23,950	23,404	546
Printing and supplies	9,000	7,500	6,612	888
Postage	1,300	1,300	1,132	168
Membership and dues	5,500	4,000	3,771	229
Travel and conference	6,000	7,000	6,563	437
Car allowance	7,200	7,200	7,200	-
Auto operating expenses	-	20	15	5
Telephone and telegraph	3,500	5,800	5,430	370
Telephone related services	2,000	4,300	4,248	52
Maintenance and service contracts	400	3,850	3,825	25

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<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				
General Government--Continued				
City Manager--Continued				
Employee training	800	1,600	1,588	12
Professional services	1,000	9,000	8,797	203
Special departmental supplies	5,000	7,000	6,387	613
Gas and oil	-	10	7	3
TOTAL CITY MANAGER	<u>476,570</u>	<u>527,610</u>	<u>523,134</u>	<u>4,476</u>
Finance				
Salary and wages	408,350	394,200	393,789	411
Retirement	28,010	26,730	26,635	95
Health insurance	42,410	41,810	41,722	88
Workers' compensation	11,600	12,950	12,867	83
Social security	31,280	28,310	28,209	101
Printing and supplies	7,000	8,300	7,680	620
Postage	7,400	8,000	7,639	361
Membership and dues	2,000	1,500	1,400	100
Travel and conference	4,000	2,700	2,471	229
Auto operating expenses	250	250	76	174
Telephone and telegraph	5,500	5,500	5,329	171
Telephone related services	3,200	4,500	4,270	230
Maintenance and service contracts	4,000	5,800	5,413	387
Machine and equipment repairs	200	400	322	78
Public notes	1,500	1,500	783	717
Employee training	3,500	2,000	1,970	30
Professional services	5,500	4,100	4,018	82
Special department supplies	56,000	61,100	56,165	4,935
Gas and oil	100	200	110	90
TOTAL FINANCE	<u>621,800</u>	<u>609,850</u>	<u>600,868</u>	<u>8,982</u>
Personnel				
Salary and wages	215,630	206,290	205,780	510
Retirement	14,240	13,730	13,688	42
Health insurance	21,100	19,350	19,286	64
Workers' compensation	7,070	7,920	7,835	85
Social security	16,500	14,820	14,795	25
Printing and supplies	8,000	10,765	10,425	340
Postage	1,400	1,310	1,216	94
Membership and dues	1,400	550	545	5
Travel and conference	1,500	1,240	1,218	22

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<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				
General Government--Continued				
Personnel--Continued				
Auto operating expenses	400	400	259	141
Telephone and telegraph	2,000	1,500	1,282	218
Telephone related services	1,800	2,050	1,924	126
Maintenance and service contracts	2,300	2,700	2,620	80
Machine and equipment repairs	200	200	138	62
Public notices	5,000	6,760	6,759	1
Employee training	1,300	100	-	100
Professional services	20,000	29,500	28,945	555
Medical expenses	35,000	36,800	36,657	143
Special department supplies	3,000	2,525	2,360	165
Gas and oil	500	300	137	163
Capital outlay	-	5,000	-	5,000
TOTAL PERSONNEL	<u>358,340</u>	<u>363,810</u>	<u>355,869</u>	<u>7,941</u>
Community Services				
Salary and wages	234,580	239,330	238,877	453
Retirement	16,070	16,230	16,176	54
Health insurance	25,400	25,350	25,254	96
Workers' compensation	6,950	7,800	7,720	80
Social security	17,950	17,040	16,984	56
Printing and supplies	6,000	5,600	5,520	80
Postage	1,800	1,950	1,872	78
Membership and dues	400	200	185	15
Travel and conference	1,000	800	457	343
Auto operating expenses	800	1,300	985	315
Telephone and telegraph	1,000	1,180	1,116	64
Telephone related services	1,500	2,500	2,427	73
Radio maintenance	200	130	58	72
Maintenance and service contracts	3,300	3,500	3,475	25
Employee training	400	570	557	13
Professional services	1,800	1,350	1,319	31
Special department supplies	4,700	4,100	4,084	16
Gas and oil	1,300	1,620	1,501	119
Capital outlay	-	20,000	-	20,000
TOTAL COMMUNITY SERVICES	<u>325,150</u>	<u>350,550</u>	<u>328,567</u>	<u>21,983</u>
TOTAL GENERAL GOVERNMENT	<u>2,515,430</u>	<u>2,562,830</u>	<u>2,514,636</u>	<u>48,194</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, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Expenditures--Continued				
Public Safety				
Police				
Salary and wages	4,445,000	4,245,620	4,245,153	467
Retirement	448,700	426,220	426,028	192
Health insurance	566,000	475,500	488,162	(12,662)
Workers' compensation	149,320	165,320	165,274	46
Social security	341,600	306,240	305,894	346
Printing and supplies	10,000	8,340	7,823	517
Postage	2,500	3,200	2,993	207
Membership and dues	2,500	1,200	954	246
Travel and conference	6,000	9,900	9,734	166
Auto operating expenses	75,000	75,000	73,832	1,168
Electricity	6,000	8,600	8,462	138
Telephone and telegraph	15,000	11,900	11,483	417
Telephone related services	16,000	26,600	26,357	243
Radio maintenance	5,000	1,500	740	760
Maintenance and service contracts	20,000	17,500	16,869	631
Machine and equipment repairs	3,000	3,000	2,880	120
Building maintenance	7,000	7,000	6,968	32
Uniform and clothing	55,000	51,100	50,638	462
Prisoner housing	180,000	188,400	200,249	(11,849)
Rent payments	12,000	12,000	12,000	-
Employee training	22,000	11,200	10,774	426
Professional services	35,000	32,700	32,413	287
Pal expenses	9,000	8,700	8,462	238
Medical expenses	1,000	-	-	-
Rewards	1,000	-	-	-
Special department supplies	35,000	35,000	38,558	(3,558)
Gas and oil	130,000	159,900	162,070	(2,170)
Water usage	1,000	1,000	778	222
Grant expenditures	114,700	144,600	153,442	(8,842)
Capital outlay	<u>233,000</u>	<u>372,510</u>	<u>136,045</u>	<u>236,465</u>
TOTAL POLICE	<u>6,947,320</u>	<u>6,809,750</u>	<u>6,605,035</u>	<u>204,715</u>
Fire				
Salary and wages	2,477,000	2,500,260	2,500,024	236
Retirement	244,940	258,950	258,930	20
Health insurance	290,000	296,500	303,950	(7,450)
Workers' compensation	84,460	93,560	93,503	57
Social security	189,000	182,290	182,273	17
Printing and supplies	14,000	18,070	18,263	(193)
Postage	1,300	1,210	1,121	89
Membership and dues	500	450	427	23

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<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 Safety--Continued				
Fire--Continued				
Travel and conference	1,500	550	450	100
Auto operating expenses	40,000	52,500	53,279	(779)
Electricity	30,500	24,360	24,318	42
Telephone and telegraph	8,000	8,830	8,740	90
Telephone related services	9,500	11,610	11,540	70
Heating fuel	15,000	19,970	19,920	50
Fire prevention	11,000	12,600	12,593	7
Radio maintenance	4,500	2,550	2,522	28
Maintenance and service contracts	6,000	4,300	4,213	87
Machine and equipment repairs	10,500	11,800	12,070	(270)
Building maintenance	12,000	12,050	12,411	(361)
Uniform and clothing	34,280	65,220	40,923	24,297
Employee training	27,000	16,950	17,946	(996)
Professional services	8,100	5,150	5,037	113
Special department supplies	29,900	30,400	34,101	(3,701)
Gas and oil	18,550	27,800	27,722	78
Water usage	8,400	10,000	9,971	29
Capital outlay	<u>539,000</u>	<u>290,290</u>	<u>248,320</u>	<u>41,970</u>
TOTAL FIRE	<u>4,114,930</u>	<u>3,958,220</u>	<u>3,904,567</u>	<u>53,653</u>
TOTAL PUBLIC SAFETY	<u>11,062,250</u>	<u>10,767,970</u>	<u>10,509,602</u>	<u>258,368</u>
Public Works				
Streets and Beautification				
Salary and wages	668,850	695,240	695,054	186
Retirement	46,000	46,920	46,841	79
Health insurance	117,670	114,970	117,143	(2,173)
Workers' compensation	26,570	28,920	28,859	61
Social security	51,400	50,150	50,123	27
Printing and supplies	600	600	463	137
Postage	100	100	34	66
Membership and dues	500	300	195	105
Travel and conference	500	725	722	3
Auto operating expenses	23,000	19,800	20,077	(277)
Electricity	11,000	12,100	11,998	102
Telephone related services	1,300	1,150	1,065	85
Radio maintenance	1,000	1,225	1,199	26
Machine and equipment repairs	34,000	44,200	43,884	316
Tree beautification	15,000	24,500	24,325	175
Sign shop supplies	10,000	10,000	9,522	478
Uniform and clothing	11,000	11,800	11,510	290
Chemicals	14,000	10,200	9,912	288

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Works--Continued				
Streets and Beautification--Continued				
Paving materials and supplies	8,000	9,200	9,928	(728)
Employee training	500	500	430	70
Professional services	12,500	14,000	13,870	130
Special department supplies	20,000	32,700	35,416	(2,716)
Gas and oil	35,000	38,750	38,620	130
Water usage	11,000	12,100	12,056	44
Capital outlay	<u>110,000</u>	<u>218,000</u>	<u>131,047</u>	<u>86,953</u>
TOTAL STREETS AND BEAUTIFICATION	<u>1,229,490</u>	<u>1,398,150</u>	<u>1,314,293</u>	<u>83,857</u>
Sanitation				
Salary and wages	563,160	592,750	592,563	187
Retirement	38,580	39,930	39,869	61
Health insurance	96,530	96,730	96,638	92
Workers' compensation	26,600	29,500	29,452	48
Social security	43,080	42,740	42,659	81
Printing and supplies	600	300	260	40
Postage	100	100	26	74
Membership and dues	200	150	141	9
Travel and conference	100	-	-	-
Auto operating expenses	60,000	79,200	77,973	1,227
Telephone related services	200	300	207	93
Radio maintenance	2,000	2,600	2,508	92
Maintenance and service contracts	299,000	116,000	115,968	32
Machine and equipment repairs	56,000	73,640	32,832	40,808
Landfill services	970,000	1,018,200	1,018,120	80
Uniform and clothing	9,000	8,700	8,307	393
Compost supplies	1,500	-	-	-
Public notices	6,500	5,600	5,824	(224)
Employee training	200	20	-	20
Professional services	100	3,600	3,600	-
Special department supplies	7,000	23,530	23,853	(323)
Gas and oil	105,000	110,400	111,858	(1,458)
Capital outlay	<u>-</u>	<u>222,960</u>	<u>152,185</u>	<u>70,775</u>
TOTAL SANITATION	<u>2,285,450</u>	<u>2,466,950</u>	<u>2,354,843</u>	<u>112,107</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, 2005

	<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				
Equipment Maintenance				
Salary and wages	253,730	253,790	253,516	274
Retirement	17,380	17,180	17,100	80
Health insurance	33,780	33,680	33,639	41
Workers' compensation	9,260	10,260	10,237	23
Social security	19,410	17,910	17,857	53
Printing and supplies	200	150	18	132
Auto operating expenses	3,900	3,900	3,493	407
Telephone related services	300	300	-	300
Heating fuel	4,800	4,800	4,723	77
Radio maintenance	300	50	-	50
Maintenance and service contracts	4,000	3,000	2,911	89
Machine and equipment repairs	3,000	6,000	5,650	350
Uniform and clothing	3,500	3,700	3,606	94
Employee training	500	300	300	-
Special department supplies	6,000	4,940	4,599	341
Gas and oil	5,500	4,100	3,851	249
TOTAL EQUIPMENT MAINTENANCE	<u>365,560</u>	<u>364,060</u>	<u>361,500</u>	<u>2,560</u>
TOTAL PUBLIC WORKS	<u>3,880,500</u>	<u>4,229,160</u>	<u>4,030,636</u>	<u>198,524</u>
Culture and Recreation				
Parks and Leisure Services				
Salary and wages	594,000	596,400	596,186	214
Retirement	40,500	37,840	37,785	55
Health insurance	90,000	90,050	90,002	48
Workers' compensation	22,620	25,120	25,049	71
Social security	45,400	43,700	43,649	51
Printing and supplies	2,900	3,050	3,041	9
Postage	1,500	1,100	1,016	84
Membership and dues	1,000	1,000	910	90
Travel and conference	2,000	2,900	2,839	61
Auto operating expenses	7,500	9,350	9,409	(59)
Electricity	46,000	43,400	43,384	16
Telephone and telegraph	4,000	3,600	3,514	86
Telephone related services	1,500	1,200	1,193	7
Radio maintenance	1,000	200	175	25
Maintenance and service contracts	5,000	6,900	6,826	74
Machine and equipment repairs	12,000	10,500	10,447	53
Building maintenance	25,000	29,300	23,037	6,263
Tree beautification	3,000	975	847	128
Uniform and clothing	4,000	3,300	3,258	42

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2005

	<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	2,100	2,031	69
Professional services	23,500	24,500	24,408	92
Special department supplies	52,000	55,000	64,287	(9,287)
Gas and oil	14,000	18,700	18,594	106
Water usage	8,000	9,200	9,053	147
Boys and girls club's	28,000	28,000	27,385	615
Tournaments	1,000	50	-	50
Grant expenditures	20,000	1,100	1,087	13
Capital outlay	-	<u>125,725</u>	<u>82,778</u>	<u>42,947</u>
TOTAL PARKS AND LEISURE SERVICES	<u>1,058,420</u>	<u>1,174,260</u>	<u>1,132,190</u>	<u>42,070</u>
TOTAL CULTURE AND RECREATION	<u>1,058,420</u>	<u>1,174,260</u>	<u>1,132,190</u>	<u>42,070</u>
Non-Departmental				
Employee relations	20,000	21,700	21,601	99
Special employee projects	-	14,000	13,783	217
Unemployment compensation	14,000	9,000	8,962	38
Property & liability insurance	280,000	274,500	274,385	115
Small claims	19,000	10,800	10,591	209
Employee W/C small claims	9,000	72,700	72,594	106
Boys' and Girls' club	20,000	20,000	20,000	-
Transit system	35,000	35,000	35,000	-
Florence Area Humane Society	50,000	50,000	50,000	-
City-County Complex operations	194,100	197,100	181,849	15,251
Contingency	100,000	-	-	-
Street lights	510,000	525,300	525,083	217
Brownfields grant	-	106,900	106,788	112
Property acquisitions	-	1,118,600	1,356,216	(237,616)
Rail to trail project	-	51,400	51,361	39
Boards and commissions	300	300	175	125
Land grant match	-	150,000	28,200	121,800
Community services land acquisition	-	97,800	108,540	(10,740)
IT Upgrade	250,000	100,000	3,491	96,509
Gateway and beautification	250,000	250,000	36,656	213,344
Special projects	92,000	276,980	237,158	39,822
Recreation transfer Florence County	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>-</u>
TOTAL NON-DEPARTMENTAL	<u>2,083,400</u>	<u>3,622,080</u>	<u>3,382,433</u>	<u>239,647</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, 2005

	<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	-	-	240,921	(240,921)
Interest	-	-	9,998	(9,998)
TOTAL DEBT SERVICE	-	-	250,919	(250,919)
TOTAL EXPENDITURES	<u>20,600,000</u>	<u>22,356,300</u>	<u>21,820,416</u>	<u>535,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,061,000)</u>	<u>(3,979,300)</u>	<u>(2,451,204)</u>	<u>1,528,096</u>
Other Financing Sources (Uses)				
Transfers in	2,134,000	2,107,000	2,208,726	101,726
Transfers out	(100,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,034,000</u>	<u>2,007,000</u>	<u>2,108,726</u>	<u>101,726</u>
NET CHANGE IN FUND BALANCE	<u>(27,000)</u>	<u>(1,972,300)</u>	<u>(342,478)</u>	<u>1,629,822</u>
Fund balance at beginning of year	<u>8,548,666</u>	<u>8,548,666</u>	<u>8,548,666</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 8,521,666</u>	<u>\$ 6,576,366</u>	<u>\$ 8,206,188</u>	<u>\$ 1,629,822</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, 2005

	<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				
Water and sewer service fees	\$ 19,115,000	\$ 19,134,000	\$ 19,247,289	\$ 113,289
Sewer surcharges	147,500	143,400	144,525	1,125
Cut on fees	82,000	60,500	63,075	2,575
Water and sewer tap fees	529,500	511,100	610,873	99,773
Service charges	116,000	125,000	127,780	2,780
Late fees	75,000	76,000	77,990	1,990
Miscellaneous income	<u>75,000</u>	<u>80,000</u>	<u>258,963</u>	<u>178,963</u>
TOTAL OPERATING REVENUES	<u>20,140,000</u>	<u>20,130,000</u>	<u>20,530,495</u>	<u>400,495</u>
Operating Expenses				
Engineering				
Personnel services	410,000	436,660	436,440	220
Retirement	28,100	29,160	29,140	20
Health insurance	36,000	37,200	37,059	141
Workers' compensation	10,440	11,740	11,552	188
Social security	31,370	30,760	30,438	322
Printing and supplies	2,500	2,500	2,531	(31)
Postage	350	450	444	6
Membership and dues	300	100	65	35
Travel and conference	1,500	1,050	889	161
Auto operating expense	1,000	1,400	1,386	14
Electricity	17,000	15,000	14,971	29
Telephone and telegraph	4,500	5,500	5,486	14
Telephone related services	5,500	6,850	6,689	161
Heating fuel	4,500	4,800	4,723	77
Radio maintenance	1,000	500	70	430
Maintenance and service contracts	13,500	15,100	14,950	150
Building maintenance	7,500	6,400	6,359	41
Uniforms & clothing	2,500	2,400	2,242	158
Public notices	150	50	43	7
Employee training	1,250	350	320	30
Professional service	83,600	102,990	83,408	19,582
Special departmental supplies	7,000	6,100	9,441	(3,341)
Gas and oil	4,000	5,100	4,786	314
Water usage	<u>9,000</u>	<u>10,100</u>	<u>9,836</u>	<u>264</u>
TOTAL ENGINEERING	<u>682,560</u>	<u>732,260</u>	<u>713,268</u>	<u>18,992</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, 2005

	<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 Finance				
Personnel services	308,000	307,900	307,047	853
Retirement	21,100	20,900	20,661	239
Health insurance	50,420	48,720	48,504	216
Workers' compensation	15,100	16,800	16,699	101
Social security	23,570	22,670	22,340	330
Printing and supplies	2,250	2,900	2,835	65
Postage	95,000	100,500	99,537	963
Membership and dues	100	50	40	10
Travel and conference	800	800	771	29
Auto operating expense	250	250	144	106
Electricity	7,000	6,100	5,975	125
Telephone and telegraph	6,000	6,400	6,234	166
Telephone related services	2,500	3,000	2,798	202
Maintenance and service contracts	34,000	30,050	29,677	373
Building maintenance	1,250	1,000	695	305
Employee training	1,500	200	-	200
Professional service	2,250	500	220	280
Special departmental supplies	28,000	26,850	18,835	8,015
Gas and oil	100	200	127	73
Water usage	500	500	471	29
TOTAL UTILITY FINANCE	599,690	596,290	583,610	12,680
Wastewater Treatment				
Personnel services	688,000	691,170	690,810	360
Retirement	47,130	46,830	46,570	260
Health insurance	93,000	88,800	90,564	(1,764)
Workers' compensation	26,600	29,600	29,452	148
Social security	52,620	49,460	49,343	117
Printing and supplies	1,000	500	454	46
Postage	400	400	374	26
Membership and dues	7,800	6,800	11,590	(4,790)
Travel and conference	250	-	-	-
Auto operating expense	9,000	11,000	10,815	185
Electricity	680,000	673,250	671,387	1,863
Telephone and telegraph	2,500	2,700	2,387	313
Telephone related services	2,500	3,050	2,766	284
Heating fuel	150	50	36	14
Radio maintenance	300	300	199	101
Maintenance and service contracts	5,000	2,000	1,898	102
Machine and equipment repairs	342,000	394,100	374,526	19,574
Building maintenance	6,000	6,000	5,061	939
Landfill service	250,000	316,000	315,115	885

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, 2005

	<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				
Wastewater Treatment--Continued				
Uniforms and clothing	10,050	8,850	8,628	222
Compost supplies	30,000	31,640	31,515	125
Chemicals	50,000	49,560	49,250	310
Lab supplies	18,000	11,100	10,764	336
Public notices	500	500	-	500
Employee training	5,000	3,000	2,730	270
Professional services	45,000	49,500	57,096	(7,596)
Special departmental supplies	120,000	68,300	44,702	23,598
Gas and oil	19,000	36,500	35,271	1,229
Water usage	14,000	11,500	11,300	200
TOTAL WASTEWATER TREATMENT	<u>2,525,800</u>	<u>2,592,460</u>	<u>2,554,603</u>	<u>37,857</u>
Water Production--Surface Water				
Personnel services	368,000	316,540	316,103	437
Retirement	25,200	21,240	21,145	95
Health insurance	48,640	38,140	38,082	58
Workers' compensation	12,750	14,150	14,126	24
Social security	28,150	23,500	23,437	63
Printing and supplies	1,700	1,500	1,245	255
Postage	250	7,050	6,283	767
Membership and dues	900	900	590	310
Travel and conference	800	800	-	800
Auto operating expense	1,500	2,800	2,204	596
Electricity	325,000	286,900	285,478	1,422
Telephone and telegraph	4,000	4,500	4,218	282
Telephone related services	1,000	1,000	236	764
Heating fuel	10,000	15,000	14,266	734
Radio maintenance	100	100	-	100
Maintenance and service contracts	4,000	2,500	2,485	15
Machine and equipment repairs	25,000	25,000	24,881	119
Building maintenance	3,500	26,600	26,097	503
Uniforms and clothing	4,700	4,700	4,411	289
Chemicals	325,000	227,700	225,578	2,122
Lab supplies	60,000	44,000	43,459	541
Public notices	500	500	72	428
Employee training	700	700	420	280
Professional services	25,000	4,400	1,236	3,164
Special departmental supplies	60,000	61,050	42,218	18,832
Gas and oil	4,500	6,000	5,816	184

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, 2005

	<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	1,250	894	356
Upgrade and painting	-	68,000	6,571	61,429
TOTAL WATER				
PRODUCTION--SURFACE WATER	<u>1,341,640</u>	<u>1,206,520</u>	<u>1,111,551</u>	<u>94,969</u>
Water Production--Ground Water				
Personnel services	289,570	285,570	284,235	1,335
Retirement	19,980	19,330	19,141	189
Health insurance	38,000	36,800	36,681	119
Workers' compensation	10,440	11,740	11,552	188
Social security	22,300	21,170	20,871	299
Printing and supplies	400	300	253	47
Postage	100	100	71	29
Membership and dues	1,000	1,000	790	210
Travel and conference	450	250	40	210
Auto operating expense	7,000	7,500	7,210	290
Electricity	520,000	466,000	465,604	396
Telephone and telegraph	2,600	2,600	2,047	553
Telephone related services	15,600	20,700	20,406	294
Heating fuel	150	150	111	39
Radio maintenance	500	500	63	437
Machine and equipment repairs	60,000	74,500	74,243	257
Building maintenance	9,000	3,500	3,367	133
Uniforms and clothing	4,200	3,900	3,797	103
Chemicals	65,000	75,000	74,240	760
Lab supplies	5,000	7,000	6,799	201
Employee training	500	500	100	400
Professional services	40,000	49,000	49,316	(316)
Well repairs	75,000	109,000	118,800	(9,800)
Special departmental supplies	16,000	13,500	8,903	4,597
Gas and oil	12,000	15,300	14,924	376
Water usage	14,000	5,500	5,125	375
Upgrade and painting	-	29,000	11,000	18,000
TOTAL WATER				
PRODUCTION--GROUND WATER	<u>1,228,790</u>	<u>1,259,410</u>	<u>1,239,689</u>	<u>19,721</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, 2005

	<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	1,170,000	1,108,090	1,107,052	1,038
Retirement	80,150	74,260	73,870	390
Health insurance	189,330	171,330	174,105	(2,775)
Workers' compensation	50,910	56,910	56,330	580
Social security	89,500	80,780	80,463	317
Printing and supplies	1,700	1,700	1,615	85
Postage	900	900	822	78
Membership and dues	450	450	165	285
Travel and conference	1,200	600	162	438
Auto operating expense	35,500	39,000	39,134	(134)
Electricity	11,500	10,000	9,038	962
Telephone and telegraph	750	750	645	105
Telephone related services	2,800	2,300	2,188	112
Radio maintenance	1,000	700	414	286
Maintenance and service contracts	1,200	1,000	867	133
Machine and equipment repairs	28,000	28,000	26,297	1,703
Building maintenance	2,000	1,600	1,345	255
Traffic lights	12,000	8,100	8,059	41
Uniforms and clothing	22,000	23,200	23,061	139
Meters, parts and supplies	130,000	135,500	142,529	(7,029)
Pipe fittings and hydrants	210,000	217,500	215,958	1,542
Paving materials and supplies	18,000	23,000	22,241	759
Employee training	1,500	500	120	380
Professional services	7,000	13,500	13,002	498
Special departmental supplies	45,000	40,000	25,470	14,530
Gas and oil	68,000	80,500	78,872	1,628
TOTAL UTILITY OPERATIONS	<u>2,180,390</u>	<u>2,120,170</u>	<u>2,103,824</u>	<u>16,346</u>
Utility Construction				
Personnel services	90,000	90,350	89,946	404
Retirement	6,170	6,120	6,020	100
Health insurance	16,770	16,770	16,693	77
Workers' compensation	4,600	5,200	5,090	110
Social security	6,890	6,850	6,456	394
Auto operating expense	1,000	1,000	510	490
Radio maintenance	200	200	-	200
Machine and equipment repairs	2,000	500	129	371
Uniforms and clothing	1,500	500	255	245
Pipe fittings and hydrants	55,000	55,000	54,639	361
Paving materials and supplies	2,500	5,400	5,302	98
Special departmental supplies	2,500	800	213	587

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Construction--Continued				
Gas and oil	<u>2,500</u>	<u>2,500</u>	<u>1,978</u>	<u>522</u>
TOTAL UTILITY CONSTRUCTION	<u>191,630</u>	<u>191,190</u>	<u>187,231</u>	<u>3,959</u>
Non-departmental				
Depreciation	1,979,200	2,321,000	4,236,317	(1,915,317)
Bank charges	20,000	22,500	22,182	318
Employee relations	15,000	17,500	17,225	275
Special employee projects	-	14,000	13,783	217
Unemployment compensation	12,500	1,500	520	980
Property & liability insurance	182,000	179,500	179,103	397
Amortization of bond issue costs	-	-	80,556	(80,556)
Small claims	5,000	18,800	16,487	2,313
Employee W/C small claims	500	8,000	6,703	1,297
City-County complex operations	194,100	197,100	181,849	15,251
Contingency	100,000	-	-	-
Special projects	<u>84,000</u>	<u>197,600</u>	<u>529,649</u>	<u>(332,049)</u>
TOTAL NON-DEPARTMENTAL	<u>2,592,300</u>	<u>2,977,500</u>	<u>5,284,374</u>	<u>(2,306,874)</u>
TOTAL OPERATING EXPENSES	<u>11,342,800</u>	<u>11,675,800</u>	<u>13,778,150</u>	<u>(2,102,350)</u>
OPERATING INCOME	<u>8,797,200</u>	<u>8,454,200</u>	<u>6,752,345</u>	<u>(1,701,855)</u>
Non-Operating Revenues (Expenses)				
Investment earnings	30,000	40,000	211,626	171,626
Interest expense	<u>(7,367,200)</u>	<u>(7,422,200)</u>	<u>(3,499,472)</u>	<u>3,922,728</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,337,200)</u>	<u>(7,382,200)</u>	<u>(3,287,846)</u>	<u>4,094,354</u>
INCOME BEFORE TRANSFERS	1,460,000	1,072,000	3,464,499	2,392,499
Transfers in	-	-	150,000	150,000
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>-</u>
Change in net assets	(52,000)	(440,000)	2,102,499	2,542,499
Net assets at beginning of year	<u>59,750,874</u>	<u>59,750,874</u>	<u>59,750,874</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 59,698,874</u>	<u>\$ 59,310,874</u>	<u>\$ 61,853,373</u>	<u>\$ 2,542,499</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, 2005

	<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	\$ 1,040,000	\$ 1,043,000	\$ 1,066,694	\$ 23,694
TOTAL OPERATING REVENUES	<u>1,040,000</u>	<u>1,043,000</u>	<u>1,066,694</u>	<u>23,694</u>
Operating Expenses				
Personnel services	314,010	324,530	324,171	359
Retirement	21,540	21,850	21,776	74
Health insurance	46,350	45,050	44,906	144
Workers' compensation	12,740	14,140	14,068	72
Social security	24,050	23,520	23,467	53
Printing and supplies	500	500	216	284
Postage	200	200	9	191
Travel and conference	700	-	-	-
Auto operating expense	12,000	16,300	16,483	(183)
Electricity	-	1,250	1,205	45
Telephone related services	200	150	-	150
Radio maintenance	500	400	55	345
Machine and equipment repairs	18,000	21,800	20,775	1,025
Uniforms and clothing	5,000	3,600	3,431	169
Pipe fittings and hydrants	10,000	4,000	3,774	226
Employee training	1,200	1,900	1,705	195
Professional services	55,000	55,500	55,326	174
Special departmental supplies	10,000	6,200	5,558	642
Gas and oil	16,000	17,500	17,063	437
Depreciation	1,418,600	1,411,100	88,234	1,322,866
Employee relations	300	2,500	2,449	51
Unemployment compensation	100	100	60	40
Property & liability insurance	5,000	4,900	4,861	39
Small claims	10	10	-	10
Contingency fund	5,000	-	-	-
Special projects	-	-	6,279	(6,279)
TOTAL OPERATING EXPENSES	<u>1,977,000</u>	<u>1,977,000</u>	<u>655,871</u>	<u>1,321,129</u>
OPERATING INCOME (LOSS)	<u>(937,000)</u>	<u>(934,000)</u>	<u>410,823</u>	<u>1,344,823</u>
Non-operating revenues				
Investment income	5,000	2,000	16,401	14,401
TOTAL NON-OPERATING REVENUES	<u>5,000</u>	<u>2,000</u>	<u>16,401</u>	<u>14,401</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(932,000)</u>	<u>(932,000)</u>	<u>427,224</u>	<u>1,359,224</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual - - Continued
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	-
Change in net assets	(982,000)	(982,000)	377,224	1,359,224
Net assets at beginning of year	<u>1,617,663</u>	<u>1,617,663</u>	<u>1,617,663</u>	-
NET ASSETS AT END OF YEAR	<u>\$ 635,663</u>	<u>\$ 635,663</u>	<u>\$ 1,994,887</u>	<u>\$ 1,359,224</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund--Victim's Rights Fund
Year Ended June 30, 2005

Court Fines	
Court fines collected	\$ 543,501
Court fines retained by City	<u>543,501</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>
Court Assessments	
Court assessments collected	\$ 576,611
Court assessments retained by City	<u>(65,058)</u>
Court assessments remitted to the State Treasurer	<u>\$ 511,553</u>
Court Surcharges	
Court surcharges collected	<u>\$ 23,834</u>
Court surcharges retained by City	<u>\$ 23,834</u>
Victims Services	
Court assessments allocated to Victim Services	\$ 65,058
Court surcharges allocated to Victim Services	23,834
Investment income	<u>3,242</u>
Funds allocated to Victim Services	92,134
Victim Services expenditures	<u>(107,776)</u>
Funds used in current year	(15,642)
Funds available for carryforward from prior year	<u>205,106</u>
Funds available for carryforward at end of year	<u>\$ 189,464</u>

STATISTICAL SECTION

Table 01

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
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
2005	7,409,461	10,222,663	2,621,052	1,487,413	591,924	1,797,148	24,129,661

(1) Includes General and Special Revenue Funds.

Table 02

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

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Non-Departmental	Debt Service	Capital Outlay	Community Development	Totals
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
2005	3,169,328	10,335,380	3,747,404	2,715,224	1,798,080	250,919	2,734,471	1,031,915	25,782,721

(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>
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
2005	2004	7,127,180	6,993,031	98.1	56,777	7,049,808	98.9	196,733	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>
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
2005	2004	60.8	70.0	162.0	3.5	296.3

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

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

Fiscal Year	Real Property			Personal Property			Total	Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
1996	\$44,295,476	\$880,418,481	\$26,082,029	\$248,598,317	\$70,377,505	\$1,129,016,798	6.23%	
1997	47,933,236	946,352,106	30,487,208	290,551,851	78,420,444	1,236,903,957	6.34	
1998	49,613,639	981,822,347	31,709,330	302,207,380	81,322,969	1,284,029,727	6.33	
1999	50,676,839	1,005,551,085	31,223,672	297,594,527	81,900,511	1,303,145,612	6.28	
2000	69,307,253	1,379,603,123	37,911,045	361,279,030	107,218,298	1,740,882,153	6.16	
2001	70,302,656	1,402,504,091	44,511,290	424,138,286	114,813,946	1,826,642,377	6.29	
2002	73,289,662	1,462,076,536	38,211,207	370,109,090	111,500,869	1,832,185,626	6.09	
2003	75,378,877	1,505,744,318	39,088,646	390,686,269	114,467,523	1,896,430,587	6.04	
2004	79,213,497	1,579,518,729	38,018,894	394,471,074	117,232,391	1,973,989,803	5.90	
2005	81,381,384	1,627,191,937	35,841,968	385,166,234	117,223,352	2,012,358,171	5.82	

(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.

**CITY OF FLORENCE, SOUTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005**

Total Assessed Value - 2004 Tax Levy	\$ 117,223,352
Debt Limit - 8 Percent of Total Assessed Value Without Referendum	\$ 9,377,868
Amount of Debt Applicable to Debt Limit Total Bonded Debt	\$0
Less Deductions Allowed by Law	0
Legal Debt Margin	\$ 9,377,868

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>
		\$	\$	\$	\$	\$	0.00%	\$
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
2005	31,287 (2)	117,223,352	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

Table 08

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	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
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
2005	0	0	0	25,782,721	0.00

(1) Includes General and Special Revenue Funds.

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2005**

<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	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2005	20,742,121	9,461,277	11,280,844	3,616,634	3,363,546	6,980,180	1.62

(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
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
2005	713,268	583,610	2,554,603	2,351,240	2,103,824	187,231	0	655,871	8,783,846	1,412,000	19,345,493

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

Table 12

CITY OF FLORENCE, SOUTH CAROLINA
 ENTERPRISE FUND REVENUE BY SOURCE (1)

LAST TEN FISCAL YEARS

Fiscal Year	Investment Income	Water and Sewer		Cut on Fees	Water and Sewer		Service Charges	Late Fees	Miscellaneous Income (Loss)	Concessions Sales	Stormwater	
		Service Fees	Surcharges		Tap Fees	Fees					Fees	Totals
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	
2005	228,027	19,247,289	144,525	63,075	610,873	127,780	77,990	258,963	0	1,066,694	21,825,216	

(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**

Fiscal Year	Population	Public School Enrollment (1)	Unemployment Rate (2)
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
2005	31,287 (3)	13,905	8.4

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	New Construction			Additions and Renovations			Bank Deposits (2) (In Millions)		
	Number of Residential Permits	Construction Cost	Number of Commercial Permits	Construction Costs	Number of Residential Permits	Construction Cost		Number of Commercial Permits	Construction Costs
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
2005 (3)	341	45,227,835	30	12,460,163	178	2,501,272	91	72,084,384	2,108

(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, 2005

<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	\$ 7,113,140	\$ 432,479	6.07%
McLeod Regional Medical Center	Medical Services	4,293,270	260,522	3.66
BellSouth Telecommunications	Telephone & Related Services	3,081,490	187,355	2.63
Carolina Power and Light	Electrical Power	2,850,624	173,317	2.43
Byrd Properties Inc. Etal	Real Estate Management	2,416,850	146,757	2.06
Lowe's Home Improvement	Retail & Construction Contractor Svs.	1,145,640	69,655	0.98
Holcombe Land Development	Real Estate Management	1,034,850	56,420	0.88
South Carolina Electric and Gas	Electric and Natural Gas Utility	696,280	42,334	0.59
Edens & Avant Fin Ltd. Partnership	Real Estate Management	672,780	40,905	0.57
Time Warner Entertainment	Cable Television	<u>474,840</u>	<u>28,870</u>	<u>0.41</u>
TOTALS		<u>\$ 23,779,764</u>	<u>\$ 1,438,614</u>	<u>20.28%</u>

(1) Total Assessed Valuation is \$117,223,352.

Table 16

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL EMPLOYERS IN WATER & SEWER SERVICE AREA
JUNE 30, 2005**

<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	4,645	25
Carolina Hospital Systems	Medical Services	1,555	117
Florence County	Government	908	117
The ESAB Group	Manufacturer	642	45
Francis Marion University	University	527	35
Roche Carolina	Manufacturer	283	13
Amana, Inc.	Manufacturer	260	17
Pepsi Cola	Manufacturer	236	68
PET Dairy	Manufacturer	175	55
Rental Uniforms	Manufacturer	173	59

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL WATER USERS IN SERVICE AREA
JUNE 30, 2005**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
General Electric	Manufacturing	\$ 211,362	2.04%
Francis Marion University	University	111,930	1.08
Roche Carolina	Manufacturing	97,965	.95
McLeod Regional Hospital	Medical Services	94,657	.92
PET Dairy	Manufacturing	57,505	.56
Rental Uniforms	Manufacturing	53,976	.52
Pepsi Cola	Manufacturing	52,387	.51
Carolina Hospital Systems	Medical Services	46,485	.45
ESAB	Manufacturing	45,977	.44
Forrest Lake	Real Estate	<u>45,624</u>	<u>.44</u>
	TOTALS	<u>\$ 817,868</u>	<u>7.91%</u>

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL SEWER USERS IN SERVICE AREA
JUNE 30, 2005**

<u>User</u>	<u>Type of Business</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
Koppers	Manufacturing	\$ 385,338	3.93%
Pet Dairy	Manufacturing	167,167	1.70
Francis Marion University	University	147,260	1.50
ESAB	Manufacturing	117,635	1.20
McLeod Regional Hospital	Medical Services	113,674	1.16
Roche Carolina	Manufacturing	106,360	1.08
Rental Uniforms	Manufacturing	96,514	0.98
Darlington County	Government	82,564	0.84
Florence County Jail	Government	62,460	0.64
Carolina Hospital	Medical Services	<u>62,109</u>	<u>0.63</u>
	TOTALS	<u>\$1,341,081</u>	<u>13.66%</u>

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

	2005	2004	2003 (1)	2002	2001	2000	1999	1998	1997	1996
Water Customers:										
Residential	25,259	24,647	23,902	19,133	18,716	18,307	17,563	16,925	16,690	16,385
Commercial	<u>2,763</u>	<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>
Total	<u>28,022</u>	<u>27,386</u>	<u>26,596</u>	<u>22,002</u>	<u>21,513</u>	<u>21,173</u>	<u>20,566</u>	<u>19,765</u>	<u>19,451</u>	<u>19,090</u>
Sewer Customers:										
Residential	15,421	14,989	14,375	13,752	13,421	13,094	12,671	12,476	12,339	12,187
Commercial	<u>2,086</u>	<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>
Total	<u>17,507</u>	<u>17,057</u>	<u>16,406</u>	<u>15,823</u>	<u>15,427</u>	<u>15,138</u>	<u>14,812</u>	<u>14,523</u>	<u>14,338</u>	<u>14,142</u>
Total Utility Customers:	<u>45,529</u>	<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>

(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, 2005

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	
Exempt	40
Non-Exempt	423
Area in square miles	20.29
City of Florence facilities and services	
Miles of streets	241
Miles of storm sewers	100
Number of street lights	5,572
Culture and Recreation	
Community centers	3
Parks	14
Park acreage	530
Tennis courts	24
Fire Protection	
Number of stations	4
Number of fire personnel and officers	72
Number of calls answered	2,162
Number of inspections conducted	941
Police Protection	
Number of stations	3
Number of Substations	1
Number of Resource Centers	3
Number of police personnel and officers	140
Number of patrol units	115
Number of law violations	
Physical arrests	2,918
Traffic violations	6,345
Parking violations	1,020
Wastewater System	
Miles of sanitary sewers	368
Number of treatment plants	1
Number of service connections	17,632
Daily average treatment in gallons	10.10 mgd
Maximum daily capacity of treatment plant in gallons	15.00 mgd

Table 20
(Cont.)

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS

June 30, 2005

City of Florence facilities and services (Cont.)

Water System

Miles of water mains	730
Number of service connections	28,166
Number of fire hydrants	1,524
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	507
Number of secondary schools	6
Number of secondary school instructors	302

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 2004	\$1,987,347,336
City of Florence Business Licenses Issued for fiscal year 2005	3,588
City of Florence New Business Licenses Issued for fiscal year 2005	525
City of Florence Population (estimated population)	31,287
City of Florence Per Capita spending for calendar year 2004	\$63,520
City of Florence Outstanding General Obligation Debt	\$0.00
City of Florence Outstanding Revenue Debt	\$69,065,861
City of Florence Bond Rating	
Moody's Investors Service	A1
Standard and Poor's	A
Business License Receipts	\$6,298,055
Percent Change In Business License Receipts over Prior Year	11.43%
Franchise Fee Receipts	\$1,578,378
Percent Change in Franchise Fee Receipts from Prior Year	(14.50%)

(Continued)

Table 20
(Cont.)

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
June 30, 2005

Other data (Cont.)

FY 2004-05 General Fund Balance	\$	8,206,188
FY 2004-05 Water and Sewer Enterprise Fund Change in Net Assets	\$	2,102,499
Appraised Property Value	\$	2,012,358,171
Change in Property Value from prior year		1.94%
Residential and Commercial New Construction Permits Issued		371
New Construction Value	\$	57,687,998

SINGLE AUDIT SECTION

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

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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, 2005. 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, 2005.

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, 2005, and have issued our report thereon dated September 15, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Florence, South Carolina's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Butch, Gyner, Seale Co., CPAs, PA

September 15, 2005

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

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	\$ 5,082,000	<u>\$ 705,063</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>705,063</u>
<u>U. S. Department of Transportation</u>				
Passed through S.C. Dept. of Transportation				
Urban Youth Corps Program	20.511	-	20,000	14,359
Urban Youth Corps Program	20.511	-	15,030	<u>1,420</u>
				<u>15,779</u>
Florence Rail/Trail Project	20.205	ENH 02-02-PIN21647	324,424	<u>41,757</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>57,536</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0019	96,507	96,507
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1425	44,942	<u>1,560</u>
				<u>98,067</u>
Bulletproof Vest Partnership Program	16.607	-	-	<u>7,235</u>
Passed through S. C. Dept. of Juvenile Justice				
Alternatives to Incarcerations/ Alternatives to Expulsion	16.549	IQ03003	30,000	6,946
Alternatives to Incarcerations	16.540	II04002	30,000	<u>30,000</u>
				<u>36,946</u>
TOTAL DEPARTMENT OF JUSTICE				<u>142,248</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U. S. Department of Agriculture</u>				
Passed through S. C. Forestry Comm.	10.661	2003U6	7,315	1,716
Passed through S. C. Forestry Comm.	10.661	2004U3	10,000	<u>10,000</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>11,716</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-97493303	200,000	111,149
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	1,322,378 *****	<u>86,004</u>
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY				<u>197,153</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,113,716</u>

- * - Loan balance \$13,811,120 at June 30, 2005.
- ** - Loan balance \$385,581 at June 30, 2005.
- *** - Loan balance \$2,216,515 at June 30, 2005.
- **** - Loan balance \$5,773,623 at June 30, 2005.
- ***** - Loan balance \$2,416,710 at June 30, 2005.

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, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Florence, South Carolina.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of City of Florence, South Carolina were disclosed during the audit.
4. No 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 on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for City of Florence, South Carolina expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for City of Florence are reported in this schedule.
7. The programs tested as major programs include: Community Development Block Grant - CFDA 14.218 and Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds - CFDA 66.468.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Florence, South Carolina was determined to be a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

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

None

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, South Carolina, as of and for the year ended June 30, 2005, which collectively comprise City of Florence, South Carolina's basic financial statements and have issued our report thereon dated September 15, 2005. 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 opinions 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.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Florence, South Carolina in a separate letter dated September 15, 2005.

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 15, 2005