

**CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**



**PREPARED BY
CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT**

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents.....	Page 4
Letter of Transmittal	8
GFOA Certificate of Achievement	14
Organizational Chart	15
List of Principal Officials	16

FINANCIAL SECTION

Independent Auditors' Report	19
Management's Discussion and Analysis.....	22

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position	35
Statement of Activities.....	36

Fund Financial Statements

Balance Sheet--Governmental Funds.....	38
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	39
Statement of Revenues, Expenditures, and Changes in Fund Balances-- Governmental Funds.....	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41
Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual--General Fund	42
Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual--Hospitality Fund.....	43
Statement of Net Position--Proprietary Funds	44
Statement of Revenues, Expenses, and Changes in Fund Net Position-- Proprietary Funds.....	45
Statement of Cash Flows--Proprietary Funds	46

FINANCIAL SECTION--Continued

Fund Financial Statements--Continued

Statement of Fiduciary Net Position--Agency Funds 48

Notes to Financial Statements 49

Required Supplementary Information

Schedules of Funding Progress and Employer Contributions--
Other Postemployment Benefits 84

Schedule of the City of Florence's Proportionate Share of the Net Pension Liability
South Carolina Retirement System 85

Schedule of the City of Florence's Contributions - South Carolina Retirement System 86

Schedule of the City of Florence's Proportionate Share of the Net Pension Liability
Police Officers Retirement System 87

Schedule of the City of Florence's Contributions - Police Officers Retirement System 88

OTHER FINANCIAL INFORMATION

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet--Nonmajor Governmental Funds 92

Combining Statement of Revenues, Expenditures and Changes in Fund Balances--
Nonmajor Governmental Funds 96

Schedule of Revenues, Expenses and Changes in Fund Net Position--
Budget and Actual--Proprietary Funds--Water and Sewer Fund 103

Schedule of Revenues, Expenses and Changes in Fund Net Position--
Budget and Actual--Proprietary Funds--Stormwater Utility Fund 104

Combining Statement of Assets and Liabilities--Agency Funds 107

Combining Statement of Changes in Assets and Liabilities--Agency Funds 108

Supplemental Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balance--
Budget and Actual--General Fund 111

Schedule of Revenues, Expenses and Changes in Net Position--
Budget and Actual--Proprietary Fund--Water and Sewer Fund 124

Schedule of Revenues, Expenses and Changes in Net Position--
Budget and Actual--Proprietary Fund--Stormwater Utility Fund 132

Schedule of Fines, Assessments and Surcharges--
Special Revenue Fund--Victims Services Fund 134

STATISTICAL SECTION

Financial Trends

Net Position By Component 137

Changes in Net Position..... 138

Governmental Activities Tax and Fee Revenues By Source – Accrual Basis..... 140

Fund Balances of Governmental Funds..... 141

Changes in Fund Balance of Governmental Funds 142

Changes in Net Position of Enterprise Funds 143

Governmental Activities Tax and Fee Revenues By Source – Modified Accrual Basis 144

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property 145

Direct and Overlapping Governments..... 146

Principal Property Taxpayers 147

Property Tax Levies and Collections..... 148

Debt Capacity

Ratios of Outstanding Debt By Type 149

Ratios of General Bonded Debt Outstanding..... 150

Direct and Overlapping Governmental Activities Debt 151

Legal Debt Margin Information..... 152

Revenue Bond Coverage—Combined Water and Sewer Utility System Bonds 153

Demographic Economic Information

Demographic and Economic Statistics 154

Principal Employers in the City of Florence 155

Principal Water Users in Service Area..... 156

Principal Sewer Users in Service Area 157

Number of Utility Active Customers --By Service and Category 158

Operating Information

Water Rates 159

Sewer Rates..... 160

Full-Time Equivalent City Government Employees By Function 161

STATISTICAL SECTION - - Continued

Operating Information - - Continued

Operating Indicators By Function..... 162

Capital Asset Statistics By Function..... 163

Miscellaneous Statistics..... 164

SINGLE AUDIT SECTION

Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133 167

Schedule of Expenditures of Federal Awards 169

Schedule of Findings and Questioned Costs 171

Summary Schedule of Prior Audit Findings 172

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* 173



November 30, 2015

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

State law requires that all general-purpose local governments annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (the City) for the fiscal year ended June 30, 2015.

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

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a licensed certified public accounting firm. 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, 2015, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

The City's financial statements include government-wide financial statements as well as fund-by-fund financial information. The government-wide financial statements include a Statement of Net Position that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, this report includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. This report provides in the MD&A financial highlights and an interpretation of the financial reports through trend analysis and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of seven counties that comprise what is commonly referred to 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 21 square miles and serves a population in excess of 37,000. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

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

The City provides a full range of services, including: police and fire protection; the construction and maintenance of streets and other infrastructure; sanitation services; parks, recreational, and athletic activities and events; planning and zoning services; water production and distribution services; wastewater collection and treatment services; and storm water collection services.

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

Local Economy

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

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

The healthcare industry in Florence continues to be one of the best in the nation, and the growth in area healthcare continues. Florence boasts two major hospital systems – McLeod Regional Medical System and Carolinas Hospital System. Florence leads the region as a center for health care excellence with numerous healthcare specialists, medical, eye care, and dental practices also located in the City.

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

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

Downtown revitalization serves as a key element in the local economy and growth of Florence. A Downtown Master Redevelopment plan was presented to the public in 2001 as a strategic process for transforming downtown Florence into the cultural and economic heart of the Pee Dee it once was. The focus of the master plan was the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. As part of the master plan implementation process a 501(c) (3) tax-exempt charitable corporation, the Florence Downtown Development Corporation, was formed. City staff works with the Downtown Development Corporation, the Florence Downtown Merchants Association, and others involved with the revitalization effort in support of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence. In 2005, City Council adopted an ordinance that created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. On December 18, 2006 City Council adopted an ordinance creating a Tax Increment Financing (TIF) district incorporating the overlay district for downtown redevelopment as adopted by Council in 2005. Proceeds resulting from the tax increment financing district are now being used for public improvements in support of downtown development. To further encourage downtown redevelopment City Council adopted an ordinance in October 2011 that provided for the establishment of a Downtown Economic Development Incentive Program. The incentives were specifically identified and approved when City Council adopted a resolution in February 2012 authorizing a number of incentives designed to encourage the revitalization of the downtown area. Additional downtown business redevelopment and historical building incentives were approved through a resolution adopted by City Council in February 2015 to encourage the revitalization of downtown Florence by existing property owners, tenants and potential developers.

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

Florence is fortunate to have a diverse economy, and economic development continues in both the City and County of Florence. Florence has been recognized nationally as a prime destination for business and industry because of its accessibility and the availability of land suitable for industrial and commercial development.

Long Term Financial Planning

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

The City's combined water and wastewater system is a costly and highly-regulated enterprise of the City. The system faces increasing operating costs and capital expenses related to its collection system, specifically interceptor sewer lines within Jeffries Creek and Middle Swamp. In response to these challenges the City performed a comprehensive study of the operating, capital, and long-term debt service requirements to determine revenue sufficiency for these needs. The analysis revealed that rates for the combined water and wastewater system should be revised to meet current and future financial requirements of the system. Based on the recommendations of a comprehensive ten-year rate study City Council approved in 2010 an ordinance incorporating the recommended rates. This ordinance revised and updated the City's water and wastewater rate schedules through fiscal year 2020.

Relevant Financial Policies

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

Major Initiatives

Wastewater Management Facility (WWMF) Construction: Contract 3 – The 18 million gallons per day permit capacity achieved with Contracts 1 and 2 construction of the WWMF completed in the fall of 2013 provided for only limited additional system growth in accordance with the South Carolina Department of Health and Environmental Control guidelines. The continued phased expansion of the WWMF was recommended by the regional Water and Sewer System Master Plan and the WWMF preliminary engineering report. The continued phased expansion cost-effectively increases the permit capacity of the wastewater facility from 18 mgd to 22 mgd through the design and construction of additional liquid train treatment. Wastewater treatment capacity expansion to 22 mgd provides for additional marketable sewer service. Bids were opened in December 2012 for Contract 3 construction. Garney Companies of Winter Garden, Florida was selected as the contractor for this project. Contract 3 construction, at an approximate cost of \$10.6 million, was begun in May 2013 and was completed in the spring of 2015. Financing for Contract 3 was provided by a 20-year loan from the South Carolina Water Quality Revolving Fund Authority which closed on April 18, 2013 at an interest rate of 1.9%.

Town of Timmonsville Water and Sewer Utilities System Acquisition – The City of Florence, at the request of the Environmental Protection Agency (EPA) and the South Carolina Department of Health and Environmental Control (SCDHEC), acquired on January 9, 2014 ownership of the Timmonsville water and sewer utility system, a system that was not in compliance with EPA and SCDHEC regulations. As part of the acquisition the City of Florence entered into a consent decree with EPA and SCDHEC, based upon a plan of necessary corrective actions identified by the City's engineers. Capital improvements for both the Timmonsville water and sewer systems in the estimated amount of \$12.7 million were identified and approved by US EPA, SC DHEC, City staff, and a team of consulting engineers.

A number of funding sources, including several grants and SRF loans for the Timmonsville System water and sewer systems, were incorporated into a financial plan developed by the City for the total system repair and upgrade cost. Projects to repair and improve the Timmonsville system and provide quality water and sewer service to the Town's customers continued this fiscal year. The City is in compliance with the consent decree and with the timetables set forth in the plan.

Projected revenues of the Town's Utilities System combined with three State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined State Revolving Fund (SRF) financed funds will total approximately \$10 million with approximately \$3 million of the principal forgiven by SRF. The SRF loans will be financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development in the approximate total amount of \$2.7 million.

In addition to the improvement projects noted above, the acquisition agreement provided that the City would assume the outstanding bonded indebtedness of the Timmonsville system. Upon conveyance of the Timmonsville system to the City on January 9, 2014, an obligation held by BB&T bank in the total principal and interest amount of \$343,751 was paid in full by the City. Also on that date a USDA, Rural Development outstanding indebtedness in the principal amount of \$6,111,310 was assumed by the City through the issuance of a Waterworks and Sewerage System Junior Lien Revenue Bond in an amount not to exceed \$6.2 million to refund all of the Town's revenue bonds held by Rural Development. The outstanding Rural Development debt issued by the City is a 40-year junior lien obligation with an interest rate of 1.875%. Revenues generated by the Timmonsville system will be used to fund the outstanding Rural Development debt and the debt payment to BB&T.

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

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

Tax Increment Financing District Revenue Bond – In December 2006, City Council adopted an ordinance establishing the Downtown Redevelopment District Project Area (the "TIF District") in downtown Florence. As provided by the ordinance, the City has until December 2016 to issue a TIF obligation bond to fund public infrastructure improvements. The City also has until December 2026 to repay the bonds.

On August 13, 2012 City Council adopted a resolution declaring the City's intent to make reimbursement from funds generated by the TIF District to the City's Water and Sewer Enterprise Fund for costs associated with water and sewer improvements and related street repairs in the TIF District.

In further support of downtown redevelopment, the City, in May 2014, issued a Tax Increment Financing (TIF) bond in the approximate amount of \$12.9 million to provide for public infrastructure improvements to include the construction of parking decks, ingress and egress acquisition, surface parking, and utilities upgrades. Following the receipt of competitive bids, the TIF bond was placed with Sun Trust at a 12-year fixed rate of 3.04% with the option of pre-payment anytime. The TIF bond was issued with a junior lien pledge of revenues of the water and sewer utility system. While the City projects that there should be no use of water and sewer utility system revenues to pay debt service on the TIF bond, the projected coverage impact of the junior lien debt on the water and sewer system assuming the full payment of TIF debt service with water and sewer revenues would be minimal.

Regional Gymnasium and Recreation Facility Construction – In February 2010, representatives of the Florence Youth Basketball league, a City sponsored league, requested City Council consider funding the construction of a basketball gym to accommodate the league's present and future needs. In March 2010, the Parks and Beautification Commission presented their annual plan to City Council which included the future construction of a basketball gym in support of the Florence Youth Basketball League. Over the next several years, City staff met with community stakeholders to discuss the purpose, goals, costs, location, financing, and other issues regarding the use and construction of a basketball gym and youth center. In a City Council meeting held on April 9, 2012, Council considered and rejected adoption of a resolution committing the City to fund, with a tax millage increase, the construction and operating expense for a gymnasium and youth activity center.

Following the 2012 action of City Council, City staff considered various alternative funding options for the construction of a regional recreation facility and gymnasium to include the use of Hospitality Fees. In November 2013, the City's financial advisor, bond attorney, and City staff met with City Council to review a financing plan to fund the construction of a regional gymnasium and recreation facility. In May 2014, the City issued a Series 2014 Hospitality Fee Revenue Bond in the amount of \$4,605,000 at an interest of 3.42% for 20 years to finance the construction of a regional gymnasium and recreation facility.

This regional facility will provide recreational and social activities for both residents and non-residents and will include multiple basketball courts designed to allow use for other sports and activities as well. As such, the facility will provide and promote regional programming and services for the City's residents as well as persons visiting the City. In addition, the facility will serve as an inducement to economic redevelopment and private investment in the City's TIF District and will serve as a catalyst for commercial activity by both residents and non-residents. For these and other reasons, the project constitutes a "tourism-related...recreational...facility" as provided in SC Code §6-1-730 of the Local Hospitality Tax Act.

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

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

City Projects Funded with Countywide Capital Projects Sales Tax – In December, 2012 Florence County created the Capital Projects Sales Tax Commission ("the Commission") which was tasked with the responsibility of considering proposals for funding capital projects within the County and formulating a question to appear on the ballot in November 2013 to re-impose an existing one-cent capital project sales tax due to expire in April 2014. The revenues generated by the tax were to be used to fund or defray costs of capital improvements defined in SC Code §4-10-330. The Commission held numerous meetings within the various communities in Florence County allowing public input regarding the projects under consideration by the Commission.

Based on the Commission's findings and recommendations, Florence County Council approved an ordinance at its regular meeting on August 22, 2013 to place the question before the citizens of Florence County in a referendum held on November 5, 2013 to determine if a Capital Project Sales Tax should be re-imposed. The voters approved the countywide referendum for the capital projects proposed by Florence County Council.

The "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage systems and/or bridges, and traffic flow improvements into and through Florence County. The funding also provides for a) economic development, b) public safety, c) the promotion of desirable living conditions and improved recreational facilities, d) public health and safety in the event of fire, emergency, panic, and other dangers, and e) the ability to meet present and future needs of Florence County and its citizens.

In January 2014, County Council passed an ordinance to issue general obligation bonds in an amount not to exceed \$125 million with debt service payments to be funded from the Capital Project Sales Tax to be repaid over seven years – the term of the imposed one-cent sales tax funding. The County began collecting the second Capital Project Sales Tax on May 1, 2014 and will continue to collect the tax until April 30, 2021. The City of Florence was allocated \$21,774,375 for the following projects within the city limits:

- Water & Sewer Improvements \$ 750,000
- Corridor Enhancements 9,216,875
- Intersection Improvements 1,301,250
- Resurfacing 340,625
- Road Widening 9,125,625
- Recreation 1,040,000

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, 2014. 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 2014 marks the seventeenth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,



Thomas W. Chandler
Finance Director



Government Finance Officers Association

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

Presented to

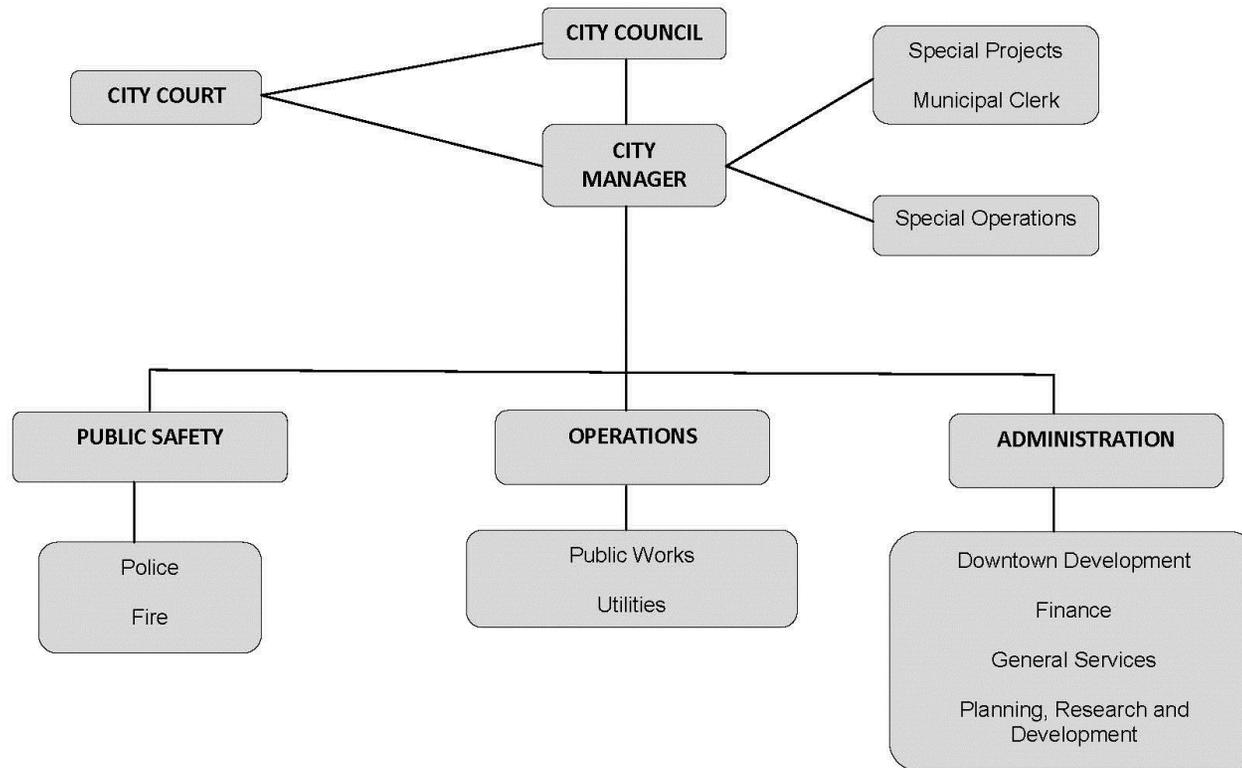
**City of Florence
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**CITY OF FLORENCE
ORGANIZATIONAL CHART
FY 2014-15**



**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2015**

GOVERNING BODY

Stephen J. Wukela, Mayor

Frank J. Brand, II, Mayor Pro Tempore

Edward Robinson

Octavia Williams-Blake

Teresa Myers Ervin

Robby L. Hill

George D. Jebaily

ADMINISTRATION

Andrew H. Griffin, City Manager

Thomas W. Chandler, Finance Director

Scotty B. Davis, General Services Director

Allen L. Heidler, Police Chief

Randall S. Osterman, Fire Chief

Charles E. Pope, Jr., Public Works Director

Phillip M. Lookadoo, Planning, Research and Development Director

Raymond R. Reich, Downtown Development Director

Michael D. Hemingway, Utilities Director

FINANCIAL SECTION

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

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

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FLORENCE, SC 29502
TELEPHONE (843) 669-3142
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hospitality fee fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note VI to the financial statements, in 2015 the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68 *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”* and Governmental Accounting Standards Board Statements No. 71 *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, South Carolina's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Fines, Assessments, and Surcharges – Special Revenue Fund - Victims Services Fund on Page 134, listed in the table of contents under Other Financial Information, is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on Page 169, listed in the table of contents under the Single Audit Section, is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Florence, South Carolina.

The combining and individual fund statements and schedules, the Schedule of Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the Schedule of Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City of Florence, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, South Carolina's internal control over financial reporting and compliance.

Burch, Grier, Heale Co., CPAs, PA

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

As management of the City of Florence (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follows this section, and our letter of transmittal in the preceding Introductory Section.

Financial Highlights

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

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$135,863,746 (*net position*). Of this amount, \$11,251,736 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5,972,399 during the fiscal year ended June 30, 2015, with a \$5,201,592 increase resulting from governmental activities and a \$770,807 increase resulting from business-type activities.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balances of \$28,588,530, a decrease of \$1,214,364 in comparison with the prior year. Approximately 35.4 percent of this total amount, \$10,109,014 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,109,014, or 32.2 percent of the total general fund expenditures.
- The City of Florence had \$169.4 million in bonds and notes outstanding versus \$169.1 million last year, an increase of 1.5 percent.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 35-37 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements utilize the modified accrual basis of accounting, which focuses on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a variety of individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Hospitality Fund, which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 38-41 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Hospitality Fund can be found on page 42-43 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 44-47 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 pages 48 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 49-82 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 92-134 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$135,863,746 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (83% percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position, \$11,251,736, may be used to meet the government's ongoing obligations to citizens and creditors.

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

City of Florence's Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 32,758,846	\$ 33,945,340	\$ 48,303,191	\$ 46,353,659	\$ 81,062,037	\$ 80,298,999
Capital assets	44,696,696	39,093,267	230,096,921	232,024,633	274,793,617	271,117,900
Total assets	77,455,542	73,038,607	278,400,112	278,378,292	355,855,654	351,416,899
Deferred Outflow s	2,343,505	-	741,898	-	3,085,403	-
Long-term liabilities	60,550,646	37,825,104	151,588,614	141,485,795	212,139,260	179,310,899
Other liabilities	4,228,467	3,852,480	3,561,910	4,716,655	7,790,377	8,569,135
Total liabilities	64,779,113	41,677,584	155,150,524	146,202,450	219,929,637	187,880,034
Deferred Inflow s	2,409,407	-	738,267	-	3,147,674	-
Net Position, as restated:						
Net investment in capital assets	23,841,085	19,816,179	88,515,915	91,842,316	112,357,000	111,658,495
Restricted	2,074,462	2,213,701	10,180,548	4,704,434	12,255,010	6,918,135
Unrestricted	(13,305,020)	9,331,143	24,556,756	35,629,092	11,251,736	44,960,235
Total net position	\$ 12,610,527	\$ 31,361,023	\$ 123,253,219	\$ 132,175,842	\$ 135,863,746	\$ 163,536,865

City of Florence's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 15,749,432	\$ 15,232,023	\$ 33,738,224	\$ 32,529,297	\$ 49,487,656	\$ 47,761,320
Operating grants and contributions	2,475,584	1,611,072	-	-	2,475,584	1,611,072
Capital grants and contributions	4,799,532	-	366,838	226,298	5,166,370	226,298
General Revenues:						
Property taxes	9,617,294	9,462,898	-	-	9,617,294	9,462,898
Hospitality fees	3,677,328	3,396,306	-	-	3,677,328	3,396,306
Grants and contributions not restricted to specific programs	2,293,423	1,320,504	-	-	2,293,423	1,320,504
Other	(609,231)	1,137,964	1,168,912	928,413	559,681	2,066,377
Total Revenues	38,003,362	32,160,767	35,273,974	33,684,008	73,277,336	65,844,775

City of Florence's Changes in Net Position - Continued

	Governmental		Business-type		Total	
	activities	activities	activities	activities	activities	activities
	2015	2014	2015	2014	2015	2014
Expenses:						
General Government	7,407,516	7,448,009	-	-	7,407,516	7,448,009
Public Safety	14,941,776	14,418,964	-	-	14,941,776	14,418,964
Public Works	6,875,207	6,893,527	-	-	6,875,207	6,893,527
Culture and Recreation	4,967,947	4,767,511	-	-	4,967,947	4,767,511
Community Development	777,787	1,235,708	-	-	777,787	1,235,708
Interest on long-term debt	1,005,236	462,255	-	-	1,005,236	462,255
Water and Sewer	-	-	30,064,373	20,005,585	30,064,373	20,005,585
Stormwater	-	-	1,265,095	1,309,421	1,265,095	1,309,421
Total Expenses	<u>35,975,469</u>	<u>35,225,974</u>	<u>31,329,468</u>	<u>21,315,006</u>	<u>67,304,937</u>	<u>56,540,980</u>
Increase (decrease) in net position before transfers	2,027,893	(3,065,207)	3,944,506	12,369,002	5,972,399	9,303,795
Transfers	<u>3,173,699</u>	<u>2,113,344</u>	<u>(3,173,699)</u>	<u>(2,113,344)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	5,201,592	(951,863)	770,807	10,255,658	5,972,399	9,303,795
Net position - beginning, as restated	<u>7,408,935</u>	<u>32,312,886</u>	<u>122,482,412</u>	<u>121,920,184</u>	<u>129,891,347</u>	<u>154,233,070</u>
Net position - ending	<u>\$ 12,610,527</u>	<u>\$ 31,361,023</u>	<u>\$ 123,253,219</u>	<u>\$ 132,175,842</u>	<u>\$ 135,863,746</u>	<u>\$ 163,536,865</u>

Governmental activities. Governmental activities operations increased the City of Florence's net position by \$5,201,592, Governmental activities beginning net position decreased by \$23,952,088 and business-type activities beginning net position decreased by \$9,693,430. Key elements of this decrease are as follows:

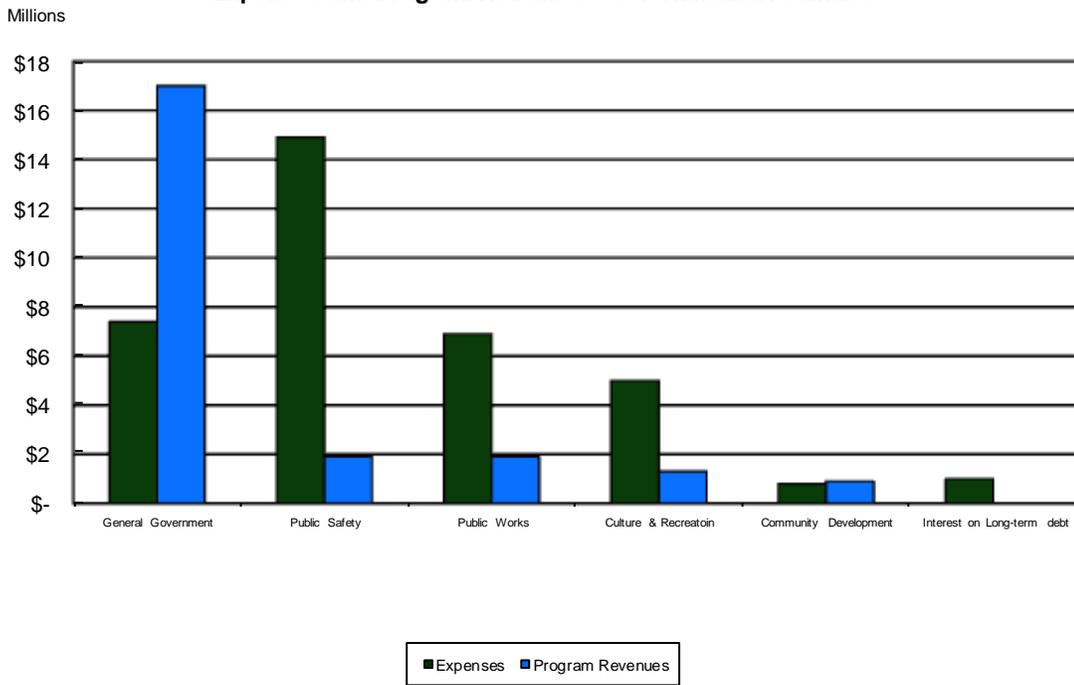
The major factor in the decrease of the City's net position as reported in the Governmental Activities was a result of the restatement of net position to comply with two GASB statements.

GASB Statement 65 requires that costs associated with the acquisition of debt be expensed in the current year rather than amortized over the life of the debt, which had been the standard prior to GASB Statement 65. This statement requires that the City expense any unamortized costs for debt acquisition in the year of implementation. For the City of Florence the year of implementation was fiscal year ended June 30, 2014. The City did not post the entries to expense the unamortized costs and, must, therefore, restate the net position in FY 2014-15. This restatement results in a decrease in net position in the General Fund by \$272,343, a decrease in net position in the Water and Sewer Fund by \$1,044,588, and a decrease in net position in the Stormwater Fund by \$15,281. The total decrease in net position for implementing GASB Statement 65 is \$1,332,182.

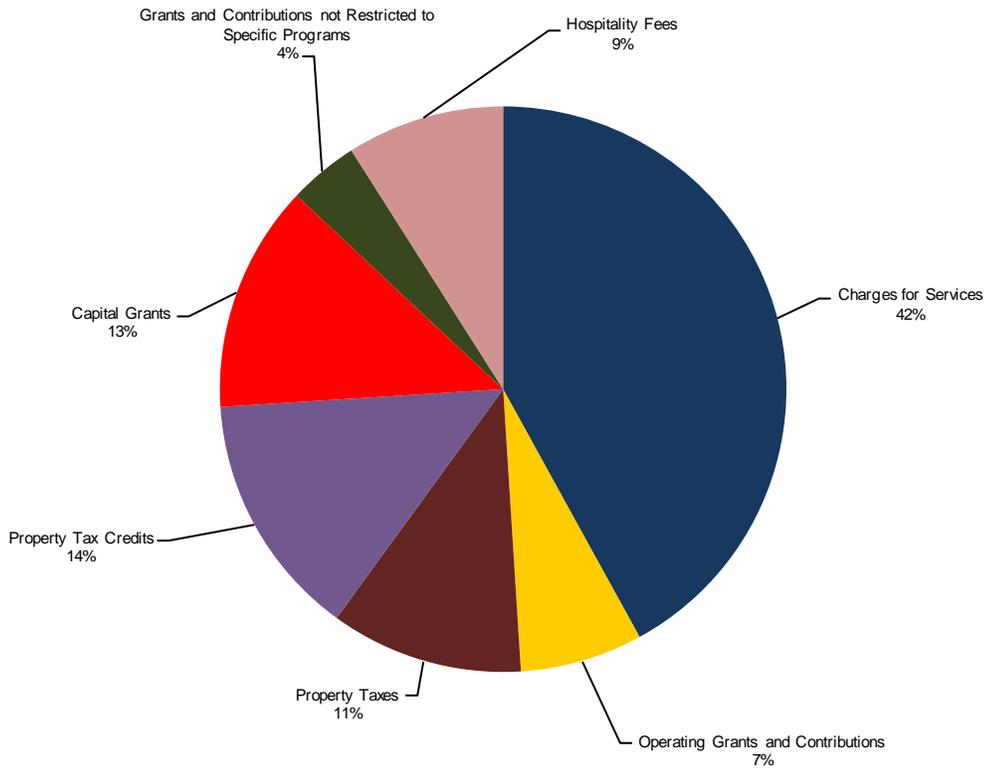
GASB Statement 68 requires that the City report its portion of the net pension liability for South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) Plans. The City's portion is calculated and reported to the City by the South Carolina Public Benefit Authority (PEBA). The City utilizes this information to calculate the annual pension expense and net pension liability. GASB Statement 68 requires that in the year of implementation, before the current year's pension expense and net pension liability is calculated, the City must restate its net position to reflect the net pension liability for the previous fiscal year. This restatement resulted in the decrease of the City's total net position by \$32,238,396. The General Fund decreased by \$23,604,933, the Water and Sewer Fund decreased by \$8,058,025, and the Stormwater Fund decreased by \$575,566.

The General Fund's increased net position discussed above was improved by \$4,799,572 from various properties donated to the City. An additional factor in the decrease in the Water and Sewer Fund's net position was the removal of the City's wastewater plant that was replaced by the new Florence Regional Wastewater Management Facility. The cost the older wastewater plant was \$18,321,422 with only \$8,627,254 in accumulated depreciation. The City recognized a \$9,694,168 loss on the disposal of the older wastewater plant.

Expenses and Program Revenues - Governmental Activities



Revenue by Source – Governmental Activities

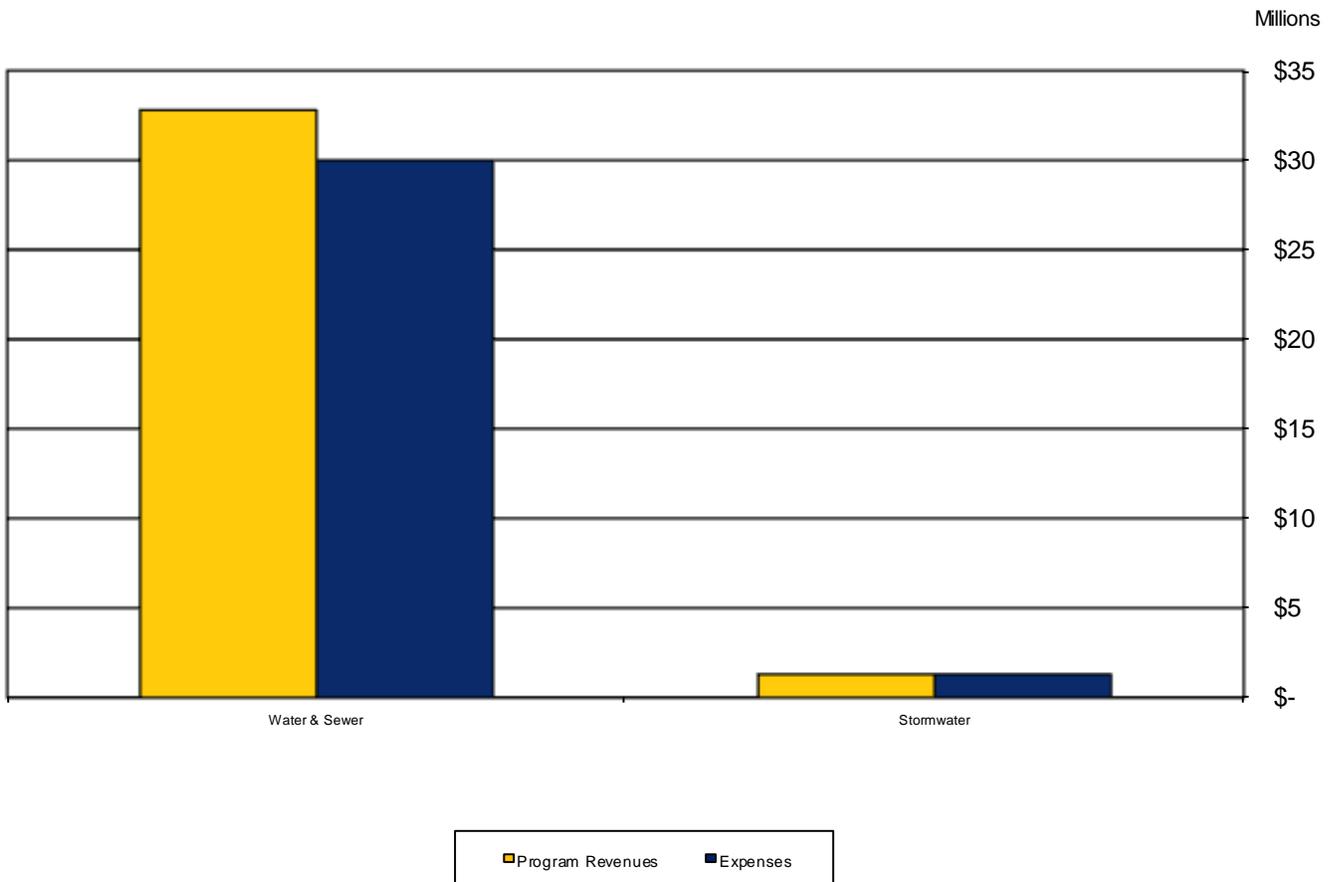


Business-type activities. Business-type activities operations increased the City of Florence's net position by \$770,807, accounting for 12.9 percent of the total growth in the government's net position. Key elements of this increase are as follows:

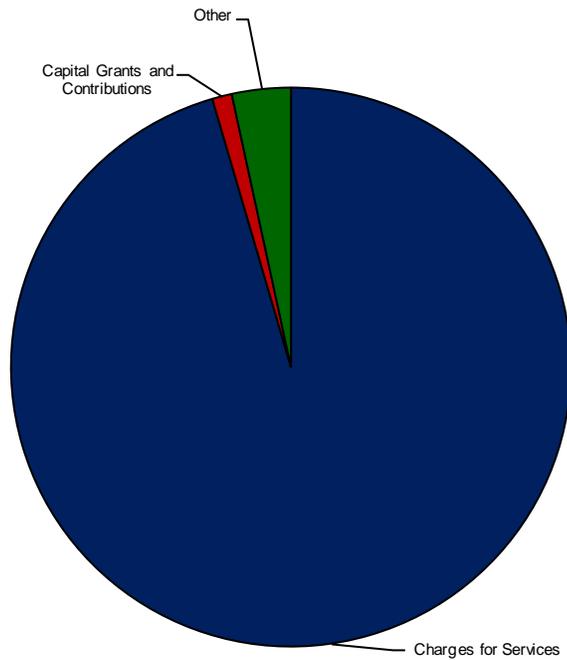
Capital Water and Sewer Projects – In the fiscal year ended June 30, 2015, the City expended \$6,195,042 to complete the final phase of the Florence Regional Wastewater Management Facility. This amount combined with the \$123,950,738 in Construction in Process increased the value of the City's Infrastructure by \$130,145,780.

The second major water and sewer project the City of Florence has undertaken is the upgrade and rehabilitation of the water and sewer system acquired in January 2014 from the Town of Timmons ville to bring the system into compliance with federal and state regulation. Additional information on the Town of Timmons ville water and sewer system acquisition is provided in the Transmittal Letter.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$28,588,530, a decrease of \$1,214,364 in comparison with the prior year. Approximately 35 percent of this total amount (\$10,109,014) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$254,282), 2) restricted for particular purposes (\$15,347,557), 3) committed for particular purposes (\$522,669), or 4) assigned for particular purposes (\$2,355,008). Additional information on the City's fund balances can be found at Note IV.G.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,109,014, while total fund balance was \$12,684,412. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 32.2 percent of total general fund expenditures, while total fund balance represents 40 percent of that same amount.

During the current fiscal year the City's fund balance of the general fund increased by \$1,363,587. This amount represents a 12% increase. The City continued to aggressively work to collect delinquent business license fees due to the City. Additionally, there was an increase in current business license fees and franchise fees collected which totaled \$330,125. In the prior fiscal year the City completed renovations to the new office building that serves as City Hall thereby reducing expenditures in the current fiscal year by \$700,600 in the general fund.

The fund balance for the hospitality fund decreased \$167,284 from the prior year. The majority of this decrease was due to the City expending bond proceeds received in FY 2014 for the construction of a regional gymnasium and recreation facility.

The City of Florence maintains a General Fund Debt Service Fund to manage the collection of the debt service millage and the debt service payment for the City's general obligation debt. The Debt Service millage is 2.8 mills. The entire fund balance of \$551,907 is restricted for the repayment of City's general obligation debt.

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 position of the water and sewer operations and the stormwater operations at the end of the year amounted to \$24,577,273. The total growth in the net position from current year's operations was \$770,807. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

The City's final amended General Fund budget was \$2,067,100 greater than the original budget of \$31,400,000. City Council amended the General Fund budget once during the fiscal year ended June 30, 2015. The amendment increased the General Fund budget for Miscellaneous Grant by \$562,900 from the South Carolina Department of Transportation for street resurfacing projects. The amendment also increased From Unappropriated Reserve revenue by \$1,504,200 for the re-appropriation of funds to fund projects and purchase equipment budgeted in fiscal year 2013-14 but were deferred until fiscal year 2014-15.

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, 2015, amounts to \$274,699,545 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and infrastructure. The total increases in the City's investment in capital assets for the current fiscal year was \$3,581,645 (a 14.33 percent increase for governmental activities and a 0.87 percent decrease for business-type activities).

The City routinely replaces aging vehicles to maintain a fleet of reliable, cost-efficient vehicles in service. In keeping with this practice, the City purchased a number of vehicles from the General Fund, Water and Sewer Utility Fund, and Stormwater Fund.

The City received several properties through donations from individuals or other entities. These donated properties totaled \$3,072,807. The City also purchased an additional \$1,014,277 in properties to be used to meet current needs and long-term goals. The City removed from its capital assets approximately \$1,399,000 in land and buildings that were either donated or sold for the purpose of downtown revitalization.

In connection with the construction of the Florence Regional Wastewater Management Facility, the City secured a Clean Water State Revolving Fund (CWSRF) loan to fund upgrades and repairs to the Middle Swamp Pump Station and force main. This loan for \$3,890,000 will be repaid over twenty (20) years with 1.9% interest.

The City has completed construction of the Florence Regional Wastewater Management Facility with a total capitalized cost of \$130,145,780. The capitalized costs include \$6,195,042 incurred in fiscal year 2014-15 and \$123,950,780 in costs from Construction in Process. In connection with capitalizing the new wastewater facility, the City removed \$18,321,422 from its asset list.

The City has arranged several funding sources to complete approximately \$12.7 million in projects designed to bring the recently acquired Town of Timmonsville water and sewer system into compliance with Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (SCHEC) regulations. Three State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined State Revolving Fund (SRF) financed funds will total approximately \$10 million with approximately \$3 million of the principal forgiven by SRF. The SRF loans will be financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development in the approximate total amount of \$2.7 million. As part of the Timmonsville System conveyance agreement, the City assumed, as a junior lien, a \$6.1 million Rural Development Loan from the Town of Timmonsville. Additionally, upon conveyance, the City paid off an obligation of the Timmonsville System held by BB&T in the amount of \$343,751. Additional information on the Town of Timmonsville water and sewer system acquisition is provided in the Transmittal Letter. During fiscal year 2014-15 the City expended \$3,041,816 to bring the Timmonsville system into compliance. The City capitalized \$1,361,436 with the remaining \$1,680,380 being placed in Construction in Process.

In November 2013 Florence County voters approved a countywide referendum which re-imposed an existing one-cent capital project sales tax that was due to expire in April 2014. The revenues generated by "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage system and/or bridges, and traffic flow improvements into and through Florence County. The funding also provides for a) economic development, b) public safety, c) the promotion of desirable living conditions and improved recreational facilities, d) public health and safety in the event of fire, emergency, panic, and other dangers, and e) the ability to meet present and future needs of Florence County and its citizens.

In January 2014, County Council passed an ordinance to issue general obligation bonds in an amount not to exceed \$125 million with debt service payments to be funded from the Capital Project Sales Tax to be repaid over seven years – the term of the imposed one-cent sales tax funding. The County began collecting the second Capital Project Sales Tax on May 1, 2014 and will continue to collect the tax until April 30, 2021. The City of Florence was allocated \$21,774,375 for the following projects within the city limits:

- Water & Sewer Improvements \$ 750,000
- Corridor Enhancements 9,216,875
- Intersection Improvements 1,301,250
- Resurfacing 340,625
- Road Widening 9,125,625
- Recreation 1,040,000

As of June 30, 2015 the City has expended \$702,358 in Capital Sales Tax funds.

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

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 10,439,845	\$ 7,238,943	\$ 1,793,892	\$ 1,809,242	\$ 12,233,737	\$ 9,048,185
Buildings and Systems	13,738,599	14,532,642	220,524,985	101,728,143	234,263,584	116,260,785
Infrastructure	14,167,076	13,146,923	-	-	14,167,076	13,146,923
Machinery and Equipment	3,706,645	3,848,657	1,980,941	1,842,895	5,687,586	5,691,552
Construction in Process	2,644,531	326,102	5,703,031	126,644,353	8,347,562	126,970,455
Totals	\$ 44,696,696	\$ 39,093,267	\$ 230,002,849	\$ 232,024,633	\$ 274,699,545	\$ 271,117,900

Additional information on the City's capital assets can be found in Note IV.C. beginning on page 61 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total debt outstanding of \$175,958,670. Of this amount, \$4,258,515 comprises debt backed by the full faith and credit of the City; the remainder of the Long-term Obligations comprises capital leases, notes payable, and bonds secured solely by specified revenue sources.

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

	Governmental activities		Business-type activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue Bonds	\$ 23,014,000	\$ 23,734,000	\$ 101,713,084	\$ 105,069,530	\$ 124,727,084	\$ 128,803,530
General Obligation Bonds	4,258,515	4,550,124	-	-	4,258,515	4,550,124
Notes Payable	610,000	675,000	40,347,292	35,715,145	40,957,292	36,390,145
Capital Leases	6,568,705	6,690,939	-	-	6,568,705	6,690,939
Totals	\$ 34,451,220	\$ 35,650,063	\$ 142,060,376	\$ 140,784,675	\$ 176,511,596	\$ 176,434,738

The City's total debt increased by \$76,858 (0.1 percent) during the current fiscal year.

The City of Florence maintains an "A+" rating from Standards & Poor's and an "Aa2" rating from Moody's for revenue obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City of \$13,153,714 exceeds the City of Florence's outstanding general obligation debt (net of amount available in the debt service fund) of \$3,712,674 by \$9,441,040.

Additional information on the City of Florence's long-term debt can be found in note IV. E and F beginning on page 64 of this report.

Economic Factors and Next Year's Budgets and Rates

In addition to the information provided below, a number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2016 fiscal year:

- Amounts available in FY 2015-16 for appropriation in the General Fund are \$32.12 million, a decrease of 4% from the FY 2014-15 final revised budget of \$33.47 million. The City's budget amendments were reviewed earlier in this report.
- In FY 2015-16 the City's total millage rate remained at 56.5 mills. The total millage includes 53.7 operating mills and 2.8 debt service mills.
- The Florence area unemployment rate rose 0.1% from 7.4 in fiscal year 2014 to 7.5 in fiscal year 2015.

As for the City's business-type activities, we expect that the 2016 results will also improve based on the following:

- In January 2014, the City of Florence took ownership of the Town of Timmonsville's water and sewer system. As part of the agreement the City assumed, as a junior lien, an approximately \$6.1 million Rural Development Loan from the Town of Timmonsville. The City, upon conveyance of the Timmonsville System, paid off an obligation of the System held by BB&T in the amount of \$343,751 which included principal and interest. When the City received the System from Timmonsville, the System was not in compliance with Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (SCDHEC) regulations. The City of Florence entered into a consent decree with EPA and SCDHEC. City engineers have developed a plan to repair and upgrade the current Timmonsville water and sewer system. The capital improvement costs are estimated to be \$12.7 million. The City will fund the improvement through three State Revolving Fund (SRF) loans, and through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development. Additional information on the Timmonsville water and sewer acquisition and its funding is provided in the Transmittal Letter.

Requests for Information

This financial report is designed to provide a general overview of the City of Florence's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Florence, 324 West Evans St., Florence South Carolina, 29501-3430.

BASIC FINANCIAL STATEMENTS

City of Florence, South Carolina
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,694,281	\$ 6,809,785	\$ 18,504,066
Receivables	3,594,967	5,399,438	8,994,405
Internal balances	(920,351)	920,351	-
Inventories	250,067	407,388	657,455
Investments	4,620,637	24,536,551	29,157,188
Prepaid expenses	4,215	657	4,872
Restricted cash and cash equivalents	482,322	10,229,021	10,711,343
Restricted investments	13,032,708	-	13,032,708
Unamortized bond issuance costs	-	94,072	94,072
Capital assets not being depreciated:			
Land	10,439,845	1,793,892	12,233,737
Construction in progress	2,644,531	5,703,031	8,347,562
Capital assets net of accumulated depreciation:			
Buildings and systems	13,738,599	220,524,985	234,263,584
Machinery and equipment	3,706,645	1,980,941	5,687,586
Infrastructure	14,167,076	-	14,167,076
TOTAL ASSETS	<u>77,455,542</u>	<u>278,400,112</u>	<u>355,855,654</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	<u>2,343,505</u>	<u>741,898</u>	<u>3,085,403</u>
LIABILITIES			
Accounts payable	1,807,335	1,377,861	3,185,196
Retainage payable	-	107,436	107,436
Accrued interest payable	120,212	1,869,344	1,989,556
Other liabilities	903,280	207,269	1,110,549
Unearned revenue	1,397,640	-	1,397,640
Net pension liability	23,727,762	8,756,854	32,484,616
Noncurrent liabilities			
Due within one year	1,713,515	5,550,692	7,264,207
Due in more than one year	<u>35,109,369</u>	<u>137,281,068</u>	<u>172,390,437</u>
TOTAL LIABILITIES	<u>64,779,113</u>	<u>155,150,524</u>	<u>219,929,637</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	<u>2,409,407</u>	<u>738,267</u>	<u>3,147,674</u>
NET POSITION			
Net investment in capital assets	23,841,085	88,515,915	112,357,000
Restricted			
Debt service	551,907	10,180,548	10,732,455
Community development	397,386	-	397,386
Public safety	606,541	-	606,541
Capital projects	486,960	-	486,960
Tourism	31,668	-	31,668
Unrestricted	<u>(13,305,020)</u>	<u>24,556,756</u>	<u>11,251,736</u>
TOTAL NET POSITION	<u>\$ 12,610,527</u>	<u>\$ 123,253,219</u>	<u>\$ 135,863,746</u>

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

City of Florence, South Carolina
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 7,407,516	\$ 11,606,347	\$ 583,345	\$ 4,799,532
Public safety	14,941,776	1,654,947	272,205	-
Public works	6,875,207	1,909,156	-	-
Culture and recreation	4,967,947	578,982	695,186	-
Community development	777,787	-	924,848	-
Interest on long-term debt	1,005,236	-	-	-
Total governmental activities	<u>35,975,469</u>	<u>15,749,432</u>	<u>2,475,584</u>	<u>4,799,532</u>
Business-type activities				
Water and sewer	30,064,373	32,457,737	-	366,838
Stormwater	1,265,095	1,280,487	-	-
Total business-type activities	<u>31,329,468</u>	<u>33,738,224</u>	<u>-</u>	<u>366,838</u>
Total primary government	<u>\$ 67,304,937</u>	<u>\$ 49,487,656</u>	<u>\$ 2,475,584</u>	<u>\$ 5,166,370</u>

General Revenues:

- Property taxes
- Hospitality taxes
- Unrestricted intergovernmental
- Investment earnings
- Miscellaneous
- Loss on disposal of capital assets

Transfers

- Total general revenues and transfers
- Change in net position
- Net position beginning of year, as restated
- Net position end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 9,581,708	\$ -	\$ 9,581,708
(13,014,624)	-	(13,014,624)
(4,966,051)	-	(4,966,051)
(3,693,779)	-	(3,693,779)
147,061	-	147,061
<u>(1,005,236)</u>	<u>-</u>	<u>(1,005,236)</u>
<u>(12,950,921)</u>	<u>-</u>	<u>(12,950,921)</u>
-	2,760,202	2,760,202
-	15,392	15,392
<u>-</u>	<u>2,775,594</u>	<u>2,775,594</u>
<u>(12,950,921)</u>	<u>2,775,594</u>	<u>(10,175,327)</u>
9,617,294	-	9,617,294
3,677,328	-	3,677,328
2,293,423	-	2,293,423
66,674	77,721	144,395
793,547	1,091,191	1,884,738
(1,469,452)	-	(1,469,452)
<u>3,173,699</u>	<u>(3,173,699)</u>	<u>-</u>
<u>18,152,513</u>	<u>(2,004,787)</u>	<u>16,147,726</u>
5,201,592	770,807	5,972,399
<u>7,408,935</u>	<u>122,482,412</u>	<u>129,891,347</u>
<u>\$ 12,610,527</u>	<u>\$ 123,253,219</u>	<u>\$ 135,863,746</u>

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

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,288,256	\$ 958,301	\$ 2,447,724	\$ 11,694,281
Receivables				
Property taxes, less allowance for doubtful accounts	137,912	-	10,191	148,103
Due from other governmental agencies	2,907,181	-	205,289	3,112,470
Other	5,421	328,973	-	334,394
Investments	4,377,073	-	243,564	4,620,637
Inventories	216,175	-	33,892	250,067
Prepaid expenses	4,215	-	-	4,215
Restricted cash and cash equivalents	-	309,828	172,494	482,322
Restricted investments	-	4,009,724	9,022,984	13,032,708
TOTAL ASSETS	<u>\$ 15,936,233</u>	<u>\$ 5,606,826</u>	<u>\$ 12,136,138</u>	<u>\$ 33,679,197</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 616,552	\$ 166,955	\$ 1,023,828	\$ 1,807,335
Due to other funds	272,833	-	647,518	920,351
Other liabilities	903,280	-	-	903,280
Unearned revenue	1,397,095	545	-	1,397,640
TOTAL LIABILITIES	<u>3,189,760</u>	<u>167,500</u>	<u>1,671,346</u>	<u>5,028,606</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	62,061	-	-	62,061
Total deferred inflows of resources	<u>62,061</u>	<u>-</u>	<u>-</u>	<u>62,061</u>
Fund balances:				
Nonspendable	220,390	-	33,892	254,282
Restricted	-	5,439,326	9,908,231	15,347,557
Committed	-	-	522,669	522,669
Assigned	2,355,008	-	-	2,355,008
Unassigned	10,109,014	-	-	10,109,014
TOTAL FUND BALANCES	<u>12,684,412</u>	<u>5,439,326</u>	<u>10,464,792</u>	<u>28,588,530</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,936,233</u>	<u>\$ 5,606,826</u>	<u>\$ 12,136,138</u>	<u>\$ 33,679,197</u>

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

City of Florence, South Carolina

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2015

Total fund balances for governmental funds	\$ 28,588,530
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, reported at original cost (\$77,347,815) less accumulated depreciation (\$32,651,119).	44,696,696
The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position	(23,793,664)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	62,061
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(36,943,096)</u>
Net position of governmental activities	<u>\$ 12,610,527</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	<u>General</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 9,161,509	\$ -	\$ 454,274	\$ 9,615,783
Licenses, permits and fees	11,528,597	3,677,328	828,748	16,034,673
Intergovernmental	3,701,551	-	1,273,909	4,975,460
Charges for services	2,334,243	-	152,998	2,487,241
Fines and forfeitures	540,934	-	-	540,934
Investment earnings	21,788	13,876	31,010	66,674
Miscellaneous	414,309	-	239,944	654,253
TOTAL REVENUES	<u>27,702,931</u>	<u>3,691,204</u>	<u>2,980,883</u>	<u>34,375,018</u>
Expenditures				
Current:				
General government	6,581,938	329,213	-	6,911,151
Public safety	13,830,586	-	410,361	14,240,947
Public works	5,995,862	-	-	5,995,862
Culture and recreation	3,604,540	627,396	50,868	4,282,804
Community development	-	-	777,787	777,787
Debt service:				
Principal	666,035	720,000	291,609	1,677,644
Interest	180,155	286,899	535,709	1,002,763
Capital outlay	571,705	617,908	3,460,064	4,649,677
TOTAL EXPENDITURES	<u>31,430,821</u>	<u>2,581,416</u>	<u>5,526,398</u>	<u>39,538,635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,727,890)</u>	<u>1,109,788</u>	<u>(2,545,515)</u>	<u>(5,163,617)</u>
Other Financing Sources (Uses)				
Capital leases	478,801	-	-	478,801
Insurance proceeds	296,753	-	-	296,753
Transfers in	4,315,923	-	-	4,315,923
Transfers out	-	(971,500)	(170,724)	(1,142,224)
NET OTHER FINANCING SOURCES (USES)	<u>5,091,477</u>	<u>(971,500)</u>	<u>(170,724)</u>	<u>3,949,253</u>
NET CHANGES IN FUND BALANCES	1,363,587	138,288	(2,716,239)	(1,214,364)
Fund balances at beginning of year, as restated	11,320,825	5,301,038	13,181,031	29,802,894
FUND BALANCES AT END OF YEAR	<u>\$ 12,684,412</u>	<u>\$ 5,439,326</u>	<u>\$ 10,464,792</u>	<u>\$ 28,588,530</u>

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

City of Florence, South Carolina

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2015

Net change in fund balances-total governmental funds \$ (1,214,364)

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

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. This is the amount by which capital outlay (\$4,649,677) exceeded depreciation (\$2,376,328) in the current period. 2,273,349

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position 3,330,080

Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the Statement of Activities, amounts are recorded as revenue when earned. 1,511

Long-term debt issued provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide Statement of Net Position. 1,198,843

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (188,731)

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 (199,096)

Change in net position of governmental activities \$ 5,201,592

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 9,434,000	\$ 9,153,900	\$ 9,161,509	\$ 7,609
Licenses, permits and fees	11,300,000	11,523,000	11,528,597	5,597
Intergovernmental	2,928,500	3,684,900	3,701,551	16,651
Charges for services	2,014,000	2,033,000	2,334,243	301,243
Fines and forfeitures	718,500	539,400	540,934	1,534
Investment earnings	24,500	19,800	21,788	1,988
Miscellaneous	302,000	326,400	414,309	87,909
TOTAL REVENUES	<u>26,721,500</u>	<u>27,280,400</u>	<u>27,702,931</u>	<u>422,531</u>
Expenditures				
Current:				
General government	5,991,760	7,069,520	6,581,938	487,582
Public safety	15,372,020	14,069,590	13,830,586	239,004
Public works	6,050,750	5,829,990	5,995,862	(165,872)
Culture and recreation	3,364,270	3,875,170	3,604,540	270,630
Debt service:				
Principal	-	-	666,035	(666,035)
Interest	85,000	85,000	180,155	(95,155)
Capital outlay	536,200	2,537,830	571,705	1,966,125
TOTAL EXPENDITURES	<u>31,400,000</u>	<u>33,467,100</u>	<u>31,430,821</u>	<u>2,036,279</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(4,678,500)</u>	<u>(6,186,700)</u>	<u>(3,727,890)</u>	<u>2,458,810</u>
Other Financing Sources (Uses)				
Capital leases	-	-	478,801	478,801
Insurance proceeds	150,000	296,000	296,753	753
Transfers in	4,528,500	4,386,500	4,315,923	(70,577)
Appropriation of fund balance	-	1,504,200	-	(1,504,200)
Net Other Financing Sources (Uses)	<u>4,678,500</u>	<u>6,186,700</u>	<u>5,091,477</u>	<u>(1,095,223)</u>
NET CHANGE IN FUND BALANCES	-	-	1,363,587	1,363,587
Fund balances at beginning of year	<u>11,320,825</u>	<u>11,320,825</u>	<u>11,320,825</u>	-
FUND BALANCES AT END OF YEAR	<u>\$ 11,320,825</u>	<u>\$ 11,320,825</u>	<u>\$ 12,684,412</u>	<u>\$ 1,363,587</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
Hospitality Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses, permits and fees	\$ 3,430,000	\$ 3,433,000	\$ 3,677,328	\$ 244,328
Intergovernmental	-	15,000	-	(15,000)
Investment earnings	5,000	2,000	13,876	11,876
TOTAL REVENUES	<u>3,435,000</u>	<u>3,450,000</u>	<u>3,691,204</u>	<u>241,204</u>
Expenditures				
Current:				
General government	1,500,500	1,515,500	329,213	1,186,287
Culture and recreation	30,000	30,000	627,396	(597,396)
Debt service:				
Principal	1,013,000	1,013,000	720,000	293,000
Interest	-	-	286,899	(286,899)
Capital Outlay	891,500	891,500	617,908	273,592
TOTAL EXPENDITURES	<u>3,435,000</u>	<u>3,450,000</u>	<u>2,581,416</u>	<u>868,584</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,109,788</u>	<u>1,109,788</u>
Other Financing Uses				
Transfers out	-	-	(971,500)	(971,500)
Net Other Financing Uses	<u>-</u>	<u>-</u>	<u>(971,500)</u>	<u>(971,500)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>138,288</u>	<u>138,288</u>
Fund balance at beginning of year	<u>5,301,038</u>	<u>5,301,038</u>	<u>5,301,038</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,301,038</u>	<u>\$ 5,301,038</u>	<u>\$ 5,439,326</u>	<u>\$ 138,288</u>

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

City of Florence, South Carolina
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water and Sewer Fund	Stormwater Utility Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,727,008	\$ 1,082,777	\$ 6,809,785
Accounts receivable, net	5,291,625	107,198	5,398,823
Due from other funds	920,351	-	920,351
Other receivables	615	-	615
Investments	23,890,494	646,057	24,536,551
Prepaid expenses	657	-	657
Inventories	407,388	-	407,388
Restricted cash and cash equivalents	10,201,064	27,957	10,229,021
Total current assets	<u>46,439,202</u>	<u>1,863,989</u>	<u>48,303,191</u>
Noncurrent assets:			
Unamortized bond issue costs	94,072	-	94,072
Capital assets			
Land	1,388,384	405,508	1,793,892
Buildings and system	278,829,251	7,187,489	286,016,740
Construction in progress	5,623,587	79,444	5,703,031
Machinery and equipment	6,255,526	1,145,848	7,401,374
Less accumulated depreciation	<u>(65,306,183)</u>	<u>(5,606,005)</u>	<u>(70,912,188)</u>
Total capital assets (net of accumulated depreciation)	<u>226,790,565</u>	<u>3,212,284</u>	<u>230,002,849</u>
Total noncurrent assets	<u>226,884,637</u>	<u>3,212,284</u>	<u>230,096,921</u>
TOTAL ASSETS	<u>273,323,839</u>	<u>5,076,273</u>	<u>278,400,112</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	692,438	49,460	741,898
LIABILITIES			
Current liabilities:			
Accounts payable	1,353,961	23,900	1,377,861
Retainage payable	107,436	-	107,436
Accrued interest	1,865,148	4,196	1,869,344
Other liabilities	193,096	14,173	207,269
Compensated absences - current	37,049	3,092	40,141
Notes payable - current	2,108,536	-	2,108,536
Revenue bonds payable - current	3,117,015	285,000	3,402,015
Total current liabilities	<u>8,782,241</u>	<u>330,361</u>	<u>9,112,602</u>
Noncurrent liabilities			
Accrued compensated absences	673,917	57,325	731,242
Notes payable	38,238,756	-	38,238,756
Revenue bonds payable	96,143,144	1,615,000	97,758,144
Unamortized bond premium	552,926	-	552,926
Net Pension Liability	<u>8,173,063</u>	<u>583,791</u>	<u>8,756,854</u>
Total noncurrent liabilities	<u>143,781,806</u>	<u>2,256,116</u>	<u>146,037,922</u>
TOTAL LIABILITIES	<u>152,564,047</u>	<u>2,586,477</u>	<u>155,150,524</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	689,049	49,218	738,267
NET POSITION			
Net investment in capital assets	87,203,631	1,312,284	88,515,915
Restricted for debt service	10,180,548	-	10,180,548
Unrestricted	<u>23,379,002</u>	<u>1,177,754</u>	<u>24,556,756</u>
TOTAL NET POSITION	<u>\$ 120,763,181</u>	<u>\$ 2,490,038</u>	<u>\$ 123,253,219</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Stormwater Utility Fund</u>	
Operating Revenues			
Current use charges	\$ 31,750,819	\$ -	\$ 31,750,819
Miscellaneous	1,087,581	3,610	1,091,191
Water and sewer tap fees	706,918	-	706,918
Stormwater service fees	-	1,280,487	1,280,487
Total operating revenues	<u>33,545,318</u>	<u>1,284,097</u>	<u>34,829,415</u>
Operating Expenses			
Personnel	4,326,525	314,865	4,641,390
Employee benefits	1,930,310	118,540	2,048,850
Purchased services	6,453,254	126,190	6,579,444
Supplies and materials	1,960,852	22,221	1,983,073
Other operating expenses	1,499,723	23,901	1,523,624
Depreciation and amortization	4,523,511	602,348	5,125,859
Total operating expenses	<u>20,694,175</u>	<u>1,208,065</u>	<u>21,902,240</u>
Operating Income	<u>12,851,143</u>	<u>76,032</u>	<u>12,927,175</u>
Nonoperating Revenues (Expenses)			
Investment earnings	73,855	3,866	77,721
Miscellaneous revenues	1,959,353	-	1,959,353
Loss on disposal of assets	(10,107,299)	-	(10,107,299)
Interest expense	(1,222,252)	(57,030)	(1,279,282)
Total nonoperating revenues (expenses)	<u>(9,296,343)</u>	<u>(53,164)</u>	<u>(9,349,507)</u>
Income Before Transfers and Capital Contributions	3,554,800	22,868	3,577,668
Capital Contributions	<u>366,838</u>	<u>-</u>	<u>366,838</u>
Income Before Transfers	<u>3,921,638</u>	<u>22,868</u>	<u>3,944,506</u>
Transfers			
Transfers in (out)	(3,287,679)	113,980	(3,173,699)
Total transfers	<u>(3,287,679)</u>	<u>113,980</u>	<u>(3,173,699)</u>
Changes in Net Position	633,959	136,848	770,807
Net position at beginning of year, as restated	<u>120,129,222</u>	<u>2,353,190</u>	<u>122,482,412</u>
NET POSITION AT END OF YEAR	<u>\$ 120,763,181</u>	<u>\$ 2,490,038</u>	<u>\$ 123,253,219</u>

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

City of Florence, South Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water and Sewer Fund	Stormwater Utility Fund	
Cash flows from operating activities			
Receipts from customers and users	\$ 31,903,780	\$ 1,278,129	\$ 33,181,909
Payments to employees for services	(4,254,349)	(312,673)	(4,567,022)
Payments to suppliers for goods and services	(15,229,437)	(309,512)	(15,538,949)
Other receipts	3,046,934	3,610	3,050,544
	<u>15,466,928</u>	<u>659,554</u>	<u>16,126,482</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities			
Transfers in (out)	(3,287,679)	113,980	(3,173,699)
	<u>(3,287,679)</u>	<u>113,980</u>	<u>(3,173,699)</u>
Net cash used in noncapital financing activities			
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(10,708,803)	(166,940)	(10,875,743)
Principal payments on revenue bonds and notes	(4,902,790)	(275,000)	(5,177,790)
Proceeds from issuance of bonds and notes	6,502,924	-	6,502,924
Interest on bonds and notes	(1,237,062)	(57,637)	(1,294,699)
	<u>(10,345,731)</u>	<u>(499,577)</u>	<u>(10,845,308)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities			
Investment purchases	(1,054,308)	(1,496)	(1,055,804)
Investment income	73,855	3,866	77,721
	<u>(980,453)</u>	<u>2,370</u>	<u>(978,083)</u>
Net cash provided by (used in) investing activities			
Net increase in cash and cash equivalents	853,065	276,327	1,129,392
Cash and cash equivalents at beginning of year	15,075,007	834,407	15,909,414
Cash and cash equivalents at end of year	<u>\$ 15,928,072</u>	<u>\$ 1,110,734</u>	<u>\$ 17,038,806</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 5,727,008	\$ 1,082,777	\$ 6,809,785
Restricted cash and cash equivalents	10,201,064	27,957	10,229,021
	<u>15,928,072</u>	<u>1,110,734</u>	<u>17,038,806</u>
Total cash and cash equivalents			

	Business-type Activities - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>Water and Sewer Fund</u>	<u>Stormwater Utility Fund</u>	
Reconciliation of operating income to cash flow provided by operating activities:			
Operating income	\$ 12,851,143	\$ 76,032	\$ 12,927,175
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,513,945	602,348	5,116,293
Amortization	9,566	-	9,566
Non-cash pension expense	112,795	6,964	119,759
(Increase) decrease in:			
Receivables	(1,039,055)	(2,358)	(1,041,413)
Prepaid expenses	(657)	-	(657)
Inventories	114,256	-	114,256
Increase (decrease) in:			
Accounts payable	(633,249)	(15,805)	(649,054)
Retainage payable	(541,041)	(9,911)	(550,952)
Accrued expenses	10,175	1,072	11,247
Compensated absences	69,050	1,212	70,262
	<u>15,466,928</u>	<u>659,554</u>	<u>16,126,482</u>
Net cash provided by operating activities	\$	\$	\$
Non-cash capital and related financing activities:			
Contribution of capital assets	<u>\$ 366,838</u>	<u>\$ -</u>	<u>\$ 366,838</u>

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

City of Florence, South Carolina
Statement of Fiduciary Net Position
Agency Funds
June 30, 2015

Assets

Cash and cash equivalents	\$ 310,362
Investments	<u>60,376</u>

TOTAL ASSETS	\$ <u>370,738</u>
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Liabilities

Due to others	<u>\$ 370,738</u>
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TOTAL LIABILITIES	\$ <u>370,738</u>
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The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Notes To Financial Statements

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Chartered in 1890, the City of Florence operates under a council-manager form of government and provides the following services: public safety, streets, sanitation, culture and recreation, planning and zoning, public improvements, water and sewer, stormwater and general administrative services.

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

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

The City is a participant with Florence County in a joint venture to operate the Florence City-County Civic Center. Both the City and County contributed \$616,774 as its share of the debt-service of the Civic Center for the fiscal year ended June 30, 2015. Any additional funding shortfall is to be paid equally by the City and County. The Civic Center Commission is comprised of nine members, four appointed by the City, four appointed by the County, and one by the members of the Commission. Neither of the participating governments have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements. Complete financial statements for the Florence City-County Civic Center can be obtained from the Director at 3300 West Radio Drive, Florence, South Carolina 29501.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Types

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Hospitality, Rollcart and Equipment Replacement, Housing Partnership, HOME Program, Community Development Block Grant, E-911, Victims Services, Drug Control, Federal Equitable Sharing, NSP Grant, Accommodation Tax, Public Safety Grants, NSP-3, JAG Grant 2013, JAG Grant 2014, HUD EDI Grant, TIF Revenue and Debt Service, TIF Construction Projects, Florence County Penny Tax II and Sunday Local Option Revenue Fund.

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

Proprietary Fund Types

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

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the City as an agent for individuals and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds consist of Court Escrow, Fire Trust, Veterans Park Development, Narcotics Holding Funds and Florence Area Humane Society.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. Interfund services provided and used are not eliminated. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

1. Cash and Investments

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the General Fund and in the Enterprise Fund consist of supplies held for consumption. Inventory in the Rollcart and Equipment Replacement fund consists of rollcarts and recycling bins held for future use. Certain payments made to vendors reflects costs from services applicable to future accounting periods and are recorded as prepaid expenditures in the government-wide and fund financial statements. The consumption method of accounting is used to record prepaid expenditures proportionately over the periods that the services is provided.

4. Restricted Assets

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

5. Capital Assets

Governmental Funds

Capital outlays are recorded as expenditures on the governmental fund financial statements and as assets on the government-wide financial statements to the extent the City's capitalization threshold of \$8,000 for equipment and site improvements, \$15,000 for buildings and building improvements and \$50,000 for

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

Governmental Funds (Continued)

infrastructure is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980.

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

Proprietary Fund Types

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

Interest costs are capitalized as a part of the historical cost of acquiring certain business-type activity assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The City capitalized \$3,458,267 in interest costs on construction projects during the year ended June 30, 2015. Total interest incurred was \$4,730,019, which was offset by Build America Bonds credits of \$1,338,357 and interest income of \$66,605 to arrive at interest capitalized.

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

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

6. Unearned Revenues

Unearned revenues in the General Fund represent local option sales taxes collected in the current year, but used to reduce property taxes in the subsequent year. Unearned revenues in the Special Revenue Fund represent money received in advance for a project or grant in which the expenditure will be made in a subsequent year.

7. Property Taxes

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

Assessed values are established by the Florence County Assessor and the South Carolina Department of Revenue and were approximately \$164.4 million for the 2014 tax year. The City's property tax rate for fiscal year 2015 was 56.5 mils (operating 53.7, debt service 2.8). Property taxes are billed and collected by Florence County under a joint billing and collection agreement.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Property Taxes (Continued)

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

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

8. Compensated Absences

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts, as well as bond insurance, are deferred and amortized over the term of the bonds using the straight-line method which approximates the bonds outstanding method. Bonds payable are reported net of the applicable premium or discount. Bond insurance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

10. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, "Elements of Financial Statements", deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. The City reports *deferred pension charges* in its Statements of Net Position in

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred Outflows/Inflows of Resources (Continued)

connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

11. Net Position/Fund Balance

Government-wide Statements

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

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

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

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

Fund Statements

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

The classifications are as follows:

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balance (Continued)

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

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

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

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

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

12. Estimates

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

13. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (See Note V.A and the required supplementary information immediately following

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

13. Pensions (Continued)

the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

14. Other Post-Employment Benefits

Other Post-employment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note V.B for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GASB Statement No. 45.

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

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

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

Accrued interest payable	\$ (120,212)
Capital leases payable	(6,568,705)
Notes payable	(610,000)
General obligation bonds payable	(4,258,515)
Revenue bonds payable	(23,014,000)
Compensated absences	<u>(2,371,664)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (36,943,096)</u>

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation states that "Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the statement of activities, amounts are recorded as revenue when earned." The details of this \$1,511 difference are as follows:

Deferred revenue – current year	\$ 62,061
Deferred revenue – prior year	<u>(60,550)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,511</u>

Another element of that reconciliation states that "Long-term debt issued provides current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net position." The details of this \$1,198,843 difference are as follows:

Capital lease proceeds	\$ (478,801)
Payment of long-term debt principal	<u>1,677,644</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,198,843</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 \$199,096 difference are as follows:

Compensated absences – current year	\$ (2,371,664)
Compensated absences – prior year	2,175,041
Accrued interest – current year accrual	(120,212)
Accrued interest – prior year accrual	<u>117,739</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (199,096)</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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.

For the fiscal year ended June 30, 2015, the City had no expenditures that exceeded appropriations at the legal level of budgetary control and no fund deficits in its individual funds.

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's policy requires deposits to be secured by collateral, obligations of the U.S. Treasury and U.S. Agencies and instrumentalities, State of South Carolina or South Carolina local governments, valued at market or par, whichever is lower, less the amount of insurance (FDIC).

At June 30, 2015, the City's bank balance was \$19,739,916, all of which was collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.

Restricted cash of \$482,322 at June 30, 2015, in the Governmental Funds is comprised of grant funds. Restricted cash of \$10,229,021 in the Enterprise Fund includes \$20,517 of unspent proceeds of revenue bonds to be used for the purchase and construction of capital assets.

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

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2015, the city had the following investments.

	<u>Fair Value</u>	<u>Investment Maturities</u> (in years)		<u>Credit Ratings</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
South Carolina Local Government Investment Pool	<u>\$ 42,189,896</u>	<u>\$ 42,189,896</u>	<u>\$ -</u>	N/A

Interest Rate Risk

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

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As a result, as of June 30, 2015, none of the City's investments are exposed to custodial credit risk.

Concentrations of Credit Risk

The City places no limit on the amount that the City may be invested in any one issuer or type of investment. Credit quality distribution for securities with credit exposure as a percentage of total investments are as follows. As of June 30, 2015, all of the City's investments were with the South Carolina Local Government Investment Pool which is exempt from risk categorization because third-party custodians take delivery of the investment securities. South Carolina Local Government Investment Pool is exempt from registration with the SEC under 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.

Credit Risk

The City is authorized to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, certificates of deposit, and the state treasurer's investment pool. As of June 2015, none of the City's investments are exposed to credit risk.

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2015, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hospitality</u>	<u>Non-Major</u>	<u>Water and Sewer</u>	<u>Stormwater Utility</u>
Accounts	\$ -	\$ -	\$ -	\$ 5,334,921	\$ 108,172
Taxes	166,095	-	10,191	-	-
Intergovernmental	2,907,181	-	205,289	-	-
Other	<u>5,421</u>	<u>328,973</u>	<u>-</u>	<u>615</u>	<u>-</u>
Gross receivables	3,078,697	328,973	215,480	5,335,536	108,172
Less allowance for uncollectibles	<u>(28,183)</u>	<u>-</u>	<u>-</u>	<u>(43,296)</u>	<u>(974)</u>
	<u>\$ 3,050,514</u>	<u>\$ 328,973</u>	<u>\$ 215,480</u>	<u>\$ 5,292,240</u>	<u>\$ 107,198</u>

Governmental funds report deferred inflows 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, 2015, the various components of deferred inflows and unearned revenue in the governmental funds and activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 62,061	\$ -
Grant drawdowns prior to meeting eligibility requirements - recreation	-	4,309
Local option sales tax receivable	<u>-</u>	<u>1,393,331</u>
	<u>\$ 62,061</u>	<u>\$ 1,397,640</u>

C. Capital Assets

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

	<u>Balances June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balances June 30, 2015</u>
Capital assets not being depreciated:					
Land	\$ 7,238,943	\$ 4,001,071	\$ 800,169	\$ -	\$ 10,439,845
Construction in progress	<u>326,102</u>	<u>2,646,372</u>	<u>126,716</u>	<u>(201,227)</u>	<u>2,644,531</u>
Total capital assets not being depreciated	<u>7,565,045</u>	<u>6,647,443</u>	<u>926,885</u>	<u>(201,227)</u>	<u>13,084,376</u>
Capital assets being depreciated:					
Buildings	18,361,181	-	563,411	113,540	17,911,310
Infrastructure	26,395,654	1,898,325	-	87,687	28,381,666
Machinery and equipment	<u>17,716,752</u>	<u>903,441</u>	<u>725,127</u>	<u>75,397</u>	<u>17,970,463</u>
Total capital assets being depreciated	<u>62,473,587</u>	<u>2,801,766</u>	<u>1,288,538</u>	<u>276,624</u>	<u>64,263,439</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. Capital Assets (Continued)

	Balances June 30, 2014	Increases	Decreases	Transfers	Balances June 30, 2015
Less accumulated depreciation for:					
Buildings	3,828,539	444,723	100,551	-	4,172,711
Infrastructure	13,248,731	965,859	-	-	14,214,590
Machinery and equipment	<u>13,868,095</u>	<u>965,746</u>	<u>645,848</u>	<u>(75,825)</u>	<u>14,263,818</u>
Total accumulated depreciation	<u>30,945,365</u>	<u>2,376,328</u>	<u>746,399</u>	<u>(75,825)</u>	<u>32,651,119</u>
Total capital assets being depreciated, net	<u>31,528,222</u>	<u>425,438</u>	<u>542,139</u>	<u>200,799</u>	<u>31,612,320</u>
Governmental activities capital assets, net	<u>\$ 39,093,267</u>	<u>\$ 7,072,881</u>	<u>\$ 1,469,024</u>	<u>\$ (428)</u>	<u>\$ 44,696,696</u>

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

	Balances June 30, 2014	Increases	Decreases	Transfers	Balances June 30, 2015
Capital assets not being depreciated:					
Land	\$ 1,809,242	\$ -	\$ 15,350	\$ -	\$ 1,793,892
Construction in progress	<u>126,644,353</u>	<u>12,194,361</u>	<u>-</u>	<u>(133,135,683)</u>	<u>5,703,031</u>
Total capital assets not being depreciated	<u>128,453,595</u>	<u>12,194,361</u>	<u>15,350</u>	<u>(133,135,683)</u>	<u>7,496,923</u>
Capital assets being depreciated:					
Buildings and system	171,396,971	366,838	44,455	114,297,386	286,016,740
Machinery and equipment	<u>7,641,387</u>	<u>639,559</u>	<u>993,520</u>	<u>113,948</u>	<u>7,401,374</u>
Total capital assets being depreciated	<u>179,038,358</u>	<u>1,006,397</u>	<u>1,037,975</u>	<u>114,411,334</u>	<u>293,418,114</u>
Less accumulated depreciation for:					
Buildings and system	69,668,828	4,573,730	446,538	(8,304,265)	65,491,755
Machinery and equipment	<u>5,798,492</u>	<u>542,563</u>	<u>425,722</u>	<u>(494,900)</u>	<u>5,420,433</u>
Total accumulated depreciation	<u>75,467,320</u>	<u>5,116,293</u>	<u>872,260</u>	<u>(8,799,165)</u>	<u>70,912,188</u>
Total capital assets being depreciated, net	<u>103,571,038</u>	<u>(4,109,896)</u>	<u>165,715</u>	<u>123,210,499</u>	<u>222,505,926</u>
Business-type activities capital assets, net	<u>\$ 232,024,633</u>	<u>\$ 8,084,465</u>	<u>\$ 181,065</u>	<u>\$ (9,925,184)</u>	<u>\$ 230,002,849</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 274,358
Public safety	583,495
Public works	848,157
Culture and recreation	<u>670,318</u>
Total depreciation - governmental activities	<u>\$ 2,376,328</u>
Business-Type Activities	
Water and sewer	\$ 4,513,945
Stormwater	<u>602,348</u>
Total depreciation - business-type activities	<u>\$ 5,116,293</u>

D. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 272,833
Nonmajor governmental	-	647,518
Water and sewer	<u>920,351</u>	<u>-</u>
Total	<u>\$ 920,351</u>	<u>\$ 920,351</u>

During 2014, the City used funds from the Water and Sewer Fund in the amount of \$453,253 to payoff a governmental loan. The General Fund will repay the Water and Sewer Fund over the life of the original loan in the same amount of \$85,000 per year.

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

Interfund transfers for the year ended June 30, 2015, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 4,315,923	\$ -
Hospitality fund	-	971,500
Nonmajor governmental funds	-	<u>170,724</u>
Total governmental funds	<u>4,315,923</u>	<u>1,142,224</u>
Water and sewer enterprise fund	-	3,287,679
Nonmajor enterprise funds	<u>113,980</u>	<u>-</u>
Total enterprise funds	<u>113,980</u>	<u>3,287,679</u>
Total transfers out	<u>\$ 4,429,903</u>	<u>\$ 4,429,903</u>

The transfers consist primarily of \$3,287,679 to General Fund from Water and Sewer Enterprise Fund and \$971,500 to General Fund from Hospitality Fund based on budgetary authorization.

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

E. Capital Leases

The City has entered into lease purchase agreements to fund the purchase of vehicles for the police, fire and sanitation departments, and the City Center purchase and renovations. The book value of assets acquired under capital leases are as follows:

Machinery & equipment	\$ 2,208,840
Buildings	5,300,000
Less: accumulated depreciation	<u>(1,678,772)</u>
 Total	 <u>\$ 5,830,068</u>

The future minimum lease obligations and the net present value of these lease payments at June 30, 2015, were as follows:

Year Ending	
<u>June 30,</u>	
2016	\$ 641,632
2017	591,682
2018	581,599
2019	581,599
2020	472,491
2021-2025	1,970,775
2026-2030	1,950,000
2031-2033	<u>1,170,000</u>
	7,959,778
Less amount representing interest	<u>1,391,073</u>
	<u>\$ 6,568,705</u>

F. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance			Balance	Due Within
	June 30, 2014	Additions	Reductions	June 30, 2015	One Year
<u>Governmental Activities</u>					
General obligations bonds	\$ 4,550,124	\$ -	\$ 291,609	\$ 4,258,515	\$ 305,730
Tax Increment Revenue Bonds	12,936,000	-	-	12,936,000	-
Hospitality Revenue Bonds	10,798,000	-	720,000	10,078,000	736,000
Capital leases	6,690,939	478,801	601,035	6,568,705	485,185
Notes payable	675,000	-	65,000	610,000	65,000
Compensated absences	<u>2,175,041</u>	<u>1,174,936</u>	<u>978,313</u>	<u>2,371,664</u>	<u>121,600</u>
	<u>\$ 37,825,104</u>	<u>\$ 1,653,737</u>	<u>\$ 2,655,957</u>	<u>\$ 36,822,884</u>	<u>\$ 1,713,515</u>

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

	Balance			Balance	Due Within
	June 30, 2014	Additions	Reductions	June 30, 2015	One Year
<u>Business-Type Activities</u>					
Revenue Bonds					
Water and sewer	\$ 102,292,173	\$ -	\$ 3,032,015	\$ 99,260,158	\$ 3,117,015
Stormwater	2,175,000	-	275,000	1,900,000	285,000
Bond premium	<u>602,357</u>	<u>-</u>	<u>49,431</u>	<u>552,926</u>	<u>-</u>
Total bonds payable	105,069,530	-	3,356,446	101,713,084	3,402,015
Notes payable					
Water and sewer	35,715,144	6,502,923	1,870,775	40,347,292	2,108,536
Compensated absences					
Water and sewer	641,916	361,970	292,920	710,966	37,049
Stormwater	<u>59,205</u>	<u>27,864</u>	<u>26,652</u>	<u>60,417</u>	<u>3,092</u>
	<u>\$ 141,485,795</u>	<u>\$ 6,892,757</u>	<u>\$ 5,546,793</u>	<u>\$ 142,831,759</u>	<u>\$ 5,550,692</u>

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

General obligation bonds payable from governmental activities at June 30, 2015 are as follows:

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

\$ 4,258,515

Revenue bonds payable from governmental activities at June 30, 2014 are as follows:

In May, 2014, the City issued a \$12,936,000 Revenue Bond. The bond is for capital improvements in the downtown area and related issuance costs. The bond has a 3.04% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures December 1, 2026.

\$ 12,936,000

In June 2014, the City issued a \$4,648,000 Refunding Revenue Bond. The bond is for capital improvements at the City's recreation facilities. The bond has 2.60% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures April 1, 2024.

4,217,000

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

In June 2014, the City issued a \$1,545,000 Refunding Revenue Bond. The bond is for capital improvements and related issuance costs. The bond has a 2.05% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures June 1, 2021.

1,340,000

In May 2014, the City issued a \$4,605,000 Revenue Bond. The bond is for recreational facility construction. The bond has a 3.42% interest rate through June 1, 2024 and thereafter a rate to be negotiated between the City and issuer and requires semi-annual interest payments and annual principal payments. The bond matures June 1, 2034.

4,521,000

Total revenue bonds

\$ 23,014,000

Notes payable from governmental activities at June 30, 2015 are as follows:

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

\$ 610,000

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

Year Ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 305,730	\$ 129,739	\$ 65,000	\$ 27,964
2017	320,352	119,846	65,000	25,100
2018	335,491	109,484	65,000	22,162
2019	351,164	98,635	65,000	19,179
2020	367,390	87,282	65,000	16,095
2021-2025	2,100,981	334,478	285,000	31,222
2026-2027	477,407	7,543	-	-
	<u>\$ 4,258,515</u>	<u>\$ 887,007</u>	<u>\$ 610,000</u>	<u>\$ 141,722</u>

Year Ending June 30,	Total Revenue Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2016	\$ 736,000	\$ 684,985	\$ 1,106,730	\$ 842,687
2017	1,136,000	660,563	1,521,352	805,509
2018	1,307,000	627,587	1,707,491	759,233
2019	1,486,000	589,299	1,902,164	707,084
2020	1,676,000	545,466	2,108,390	648,843
2021-2025	10,107,000	1,873,284	12,492,981	2,238,984
2026-2030	5,320,000	472,826	5,797,407	480,369
2031-2034	1,246,000	109,098	1,246,000	109,098
	<u>\$ 23,014,000</u>	<u>\$ 5,563,108</u>	<u>\$ 27,882,515</u>	<u>\$ 6,591,807</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

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

	<u>Date of Issuance</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2015</u>
<i>Secured by Water and Sewer Fund Revenues</i>					
Revenue Bonds	Series 2010A	\$ 31,005,000	2.00 to 4.00	9/1/2024	\$ 23,495,000
	Series 2010B	67,995,000	5.625 to 6.280	9/1/2039	67,995,000
	Series 2011	4,926,000	1.558	9/1/2017	1,861,000
	Series 2014	6,004,585	1.875	3/28/2053	<u>5,909,158</u>
Total Revenue Bonds Secured by Water and Sewer Fund Revenues					99,260,158
<i>Secured by Stormwater Utility Fund Revenues</i>					
Revenue Bonds	Series 2006	4,000,000	2.65	6/2/2021	<u>1,900,000</u>
Total Revenue Bonds					<u>\$ 101,160,158</u>
<i>Secured by Water and Sewer Fund Revenues</i>					
Notes Payable	May 1999	\$ 2,767,997	2.25	3/1/2020	\$ 823,191
	May 2000	6,210,343	2.25	7/1/2029	4,038,529
	May 2000	4,062,403	4.25	6/1/2032	2,897,555
	January 2003	2,517,834	2.25	2/1/2030	1,736,533
	June 2009	19,015,957	2.81	4/1/2031	15,670,529
	May 2013	10,626,372	1.90	4/1/2034	10,096,107
	September 2013	3,890,000	1.90	9/1/2034	3,699,161
	September 2014*	1,750,566	1.00	4/1/2045	<u>1,385,687</u>
Total Notes Payable					<u>\$ 40,347,292</u>

* The City began drawing down on a note from the South Carolina Water Quality Revolving Fund Authority in September 2014. The total loan amount available to the City for the upgrade of the City's wastewater treatment plan is \$1,750,566. As of June 30, 2015, the City had drawn \$1,385,687 of this amount which is included in construction in progress and in notes payable.

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>		<u>Total Notes Payable</u>		<u>Total Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 3,385,927	\$ 5,075,506	\$ 2,108,536	\$ 881,693	\$ 5,494,463	\$ 5,957,199
2017	3,215,876	4,998,636	2,163,635	838,952	5,379,511	5,837,588
2018	2,741,861	4,918,049	2,211,451	791,137	4,953,312	5,709,186
2019	2,659,883	4,843,504	2,260,513	742,073	4,920,396	5,585,577
2020	2,736,944	4,767,888	2,265,060	691,724	5,002,004	5,459,612
2021-2025	13,647,001	22,385,729	11,384,949	2,711,705	25,031,950	25,097,434
2026-2030	18,949,622	39,309,619	14,104,611	1,386,544	33,054,233	40,696,163
2031-2035	22,777,851	360,769	3,848,537	180,348	26,626,388	541,117
2036-2040	28,412,235	291,385	-	-	28,412,235	291,385
2041-2045	858,371	215,249	-	-	858,371	215,249
2046-2050	941,918	131,702	-	-	941,918	131,702
2051-2053	832,669	35,568	-	-	832,669	35,568
	<u>\$ 101,160,158</u>	<u>\$ 87,333,604</u>	<u>\$ 40,347,292</u>	<u>\$ 8,224,176</u>	<u>\$ 141,507,450</u>	<u>\$ 95,557,780</u>

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. Fund Balances – Governmental Funds

As of June 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable	\$ 220,390	\$ -	\$ 33,892	\$ 254,282
Restricted for:				
Community Development:				
Housing Partnership	-	-	14,910	14,910
HOME Program	-	-	321,020	321,020
NSP Grant	-	-	57,820	57,820
Block Grant	-	-	3,636	3,636
Public Safety:				
E-911	-	-	283,593	283,593
Victims Services	-	-	105,674	105,674
Drug Control	-	-	162,439	162,439
Federal Equitable Sharing	-	-	31,971	31,971
Public Safety Grants	-	-	22,864	22,864
Capital Projects:				
TIF Revenue & Debt Services	-	-	486,960	486,960
TIF Construction Projects	-	-	7,833,769	7,833,769
Tourism:				
Sunday Local Option Revenue Fund	-	-	31,668	31,668
Hospitality Fund	-	5,439,326	-	5,439,326
Debt Service	-	-	551,907	551,907
	<u>-</u>	<u>5,439,326</u>	<u>9,908,231</u>	<u>15,347,557</u>
Committed to:				
Rollcart and Equipment Replacement	-	-	522,669	522,669
	<u>-</u>	<u>-</u>	<u>522,669</u>	<u>522,669</u>
Assigned to:				
Subsequent Year's				
Expenditures	1,868,000	-	-	1,868,000
Downtown Redevelopment:				
Incubator Operating Fund	31,832	-	-	31,832
Downtown Revitalization	113,442	-	-	113,442
Capital Projects:				
City Center Reserve Fund	305,442	-	-	305,442
Parks and Athletic Programs:				
Recreation Registration	1,738	-	-	1,738
Recreation Projects	17,004	-	-	17,004
Park Commission	4,612	-	-	4,612
Recreation Programs	10,675	-	-	10,675
Public Safety:				
Drug Free Florence	57	-	-	57
Employee Assistance	2,206	-	-	2,206
	<u>2,355,008</u>	<u>-</u>	<u>-</u>	<u>2,355,008</u>
Unassigned	<u>10,109,014</u>	<u>-</u>	<u>-</u>	<u>10,109,014</u>
Total Fund Balances	<u>\$ 12,684,412</u>	<u>\$ 5,439,326</u>	<u>\$ 10,464,792</u>	<u>\$ 28,588,530</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION

A. Employee Benefits

1. State Retirement Plans

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

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information for the South Carolina Retirement Systems' pension trust funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

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

Effective July 1, 2014, employees participating in the SCRS were required to contribute 8.00% of all earnable compensation. The employer contribution rate for SCRS was 10.90%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.75%, and .15% for the incidental death program. The City's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2015, 2014, and 2013 were:

<u>Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
June 30, 2015	10.750%	\$ 1,097,257	0.150%	\$ 15,311
June 30, 2014	10.450%	\$ 1,071,353	0.150%	\$ 15,378
June 30, 2013	10.450%	\$ 1,042,166	0.150%	\$ 14,959

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Effective July 1, 2014, employees participating in the PORS were required to contribute 8.41% of all earnable compensation. The employer contribution rate for PORS was 14.01%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.01%, .20% for the incidental death program, and .20% for the accidental death program. The City's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2015, 2014, and 2013 were:

Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
June 30, 2015	13.010%	\$ 1,056,675	0.20%	\$ 16,244	0.20%	\$ 16,244
June 30, 2014	12.440%	\$ 1,014,520	0.20%	\$ 16,311	0.20%	\$ 16,311
June 30, 2013	11.900%	\$ 970,681	0.20%	\$ 16,314	0.20%	\$ 16,314

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$19,459,674 for SCRS and \$13,024,941 for PORS for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating Organizations, actuarially determined. At June 30, 2014, the City's proportion was 0.113028 percent for SCRS and 0.68036 percent for PORS, which was the same as its proportion measured as of June 30, 2013.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - - Continued

For the year ended June 30, 2015, the City recognized pension expense of \$1,363,387 for SCRS and \$1,131,522 for PORS. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 551,405	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,640,592
City contributions subsequent to the measurement date	1,097,256	-
Total	<u>\$ 1,648,661</u>	<u>\$ 1,640,592</u>

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 347,578	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,507,081
City contributions subsequent to the measurement date	1,089,163	-
Total	<u>\$ 1,436,741</u>	<u>\$ 1,507,081</u>

\$1,092,726 for SCRS and \$1,089,163 for PORS reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS
2016	\$ 225,499	\$ 286,596
2017	225,499	286,596
2018	225,499	286,596
2019	<u>412,690</u>	<u>299,715</u>
Total	<u>\$ 1,089,187</u>	<u>\$ 1,159,503</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Contributions

The total pension liability in the July 01, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment rate of return	7.50%	7.50%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Inflation	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and judges	RP-2000 males (with White Collar adjustment) multiplied by 110%	RP-2000 females (with White Collar adjustment) multiplied by 95%
General employees and members of the general assembly	RP-2000 males multiplied by 100%	RP-2000 females multiplied by 90%
Public safety, firefighters, and members of the South Carolina National Guard	RP-2000 males (with Blue Collar adjustment) multiplied by 115%	RP-2000 females (with Blue Collar adjustment) multiplied by 115%

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is completed.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Long-term expected rate of return_(Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the actuarial assumptions table above. For actuarial purposes, the 7.5 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Short term		
Cash	2%	0.3
Short duration	3%	0.6
Domestic fixed income		
Core fixed income	7%	1.1
High-yield	2%	3.5
Bank loans	4%	2.8
Global fixed income		
Global fixed income	3%	0.8
Emerging markets debt	6%	4.1
Global public equity	31%	7.8
Global tactical asset allocation	10%	5.1
Alternatives		
Hedge funds (low beta)	8%	4.0
Private debt	7%	10.2
Private equity	9%	10.2
Real estate (broad market)	5%	5.9
Commodities	3%	5.1
Total	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Sensitivity of the Organization's proportionate share of the net pension liability to changes in the discount rate

The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
SCRS	\$ 25,182,023	\$ 19,459,674	\$ 14,685,594
PORS	\$ 18,202,097	\$ 13,024,941	\$ 8,741,380

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR continuing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the pension trust funds is publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

2. Deferred Compensation Plan

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

B. Postemployment Benefits Other Than Pensions

Plan Description

The City's single-employer defined benefit postemployment healthcare plan (the Plan) provides medical and dental insurance to eligible retirees and their beneficiaries. As established by Resolution 98-05, adopted by City Council on May 11, 1998, and as amended by Resolution 2008-09, adopted by City Council on July 14, 2008, an employee becomes eligible when the employee qualifies for retirement benefits under the SCRS or PORS and meets a minimum required number of years of service with the City as defined below. Information regarding the SCRS and PORS eligibility may be obtained from the Comprehensive Annual financial Report of those plans.

The contribution requirements of the City and plan members are established and amended by Council. Council has retained the right to unilaterally modify its payments toward retiree health care benefits. The Plan does not issue a publicly available financial report.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

As of July 1, 2013, the most recent measurement date for the plan, there were 560 covered participants; 87 were retirees and their beneficiaries receiving benefits, and 473 were active participants.

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

Funding Policy

The City contributes a fixed-dollar amount indexed each year by the Consumer Price Index (CPI). The current average monthly premium for coverage until age 65 is approximately \$442.26 for retirees and \$935.90 for retiree and spouse. The cost of coverage for pre-65 retirees is also implicitly subsidized by the City. Spouses are implicitly subsidized until age 65. All coverage ends at the death of the retiree. The current average monthly premium is approximately \$442.26 for retirees after age 65.

For Retirees Before July 14, 2008

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

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

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

For Retirees After July 14, 2008

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

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The Arc represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2014, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 762,990
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>762,990</u>
Contribution made	<u>(762,990)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ -</u>

Contributions included \$292,342 paid by the City to the Plan to pre-fund benefits and \$470,648 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the Net OPEB (obligation) asset for 2014 and the preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2015	\$ 762,990	100%	\$ -
June 30, 2014	\$ 745,930	100%	\$ -
June 30, 2013	\$ 730,290	100%	\$ -

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

At July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits (AAL) was \$10,205,825, with \$2,022,674 in plan assets at actuarial values, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,183,151. The funded ratio (Actuarial value of plan assets/AAL) was 19.82%. The covered payroll (annual payroll of active employees covered by the plan) was \$17,719,423, and the ratio of UAAL to the covered payroll was 46.18%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Significant methods and assumptions used in the actuarial valuation at July 1, 2013, follow:

Valuation date:	July 1, 2013
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay, closed
Remaining amortization period:	25 years
Asset valuation method:	5-year Smoothed Market Value; 80%-120% corridor
Actuarial assumptions:	
Investment rate of return*	5.0%
Medical cost trend rate	
Pre-Medicare trend rate	8.50%-5.00%
Post-Medicare trend rate	6.50%-5.00%
Ultimate trend rate:	5.00%
Year of Ultimate trend rate:	2018
* Includes inflation at:	2.75%

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

C. Risk Management

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

D. Commitments

The City has committed itself on a number of construction and architectural contracts for Hospitality, Special Revenue, Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2015, the outstanding commitments total approximately \$4,966,200.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriated \$1,172,100 for the year ended June 30, 2015, as its share of the operating, capital, and debt service costs of the Civic Center. Per the agreement, the City is annually responsible for its share of the above listed costs. The agreement will remain in effect unless it is terminated by mutual consent of each party to the agreement.

E. Contingencies

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

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2015 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.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

F. Recently Issued and Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27. GASB Statement 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The implementation of this statement resulted in recording the City's proportionate share of the net pension liability for the South Carolina Retirement system.

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. GASB Statement 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, the Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. The Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Disclosures are to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Management anticipates that the adoption of GASB Statement 69 will have no impact on the City's financial statements.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68). GASB Statement 71 amends Statement 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. This Statement is effective for fiscal years beginning after June 15, 2014. The implementation of this statement resulted in the City recording additional pension expense due to pension experiences differences.

G. Recently Issued Accounting Pronouncements

In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. GASB Statement 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

G. Recently Issued Accounting Pronouncements (Continued)

value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This Statement is effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement 73 completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. This Statement is effective for fiscal years beginning after June 15, 2015 (except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016). Management anticipates that the adoption of GASB Statement 73 will have no impact on the City's financial statements.

In June 2015, the GASB issued Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement 74 replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement 74 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

In June 2015, the GASB issued Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB Statement 76 reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. This Statement is effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2015

NOTE V - OTHER INFORMATION (CONTINUED)

G. Recently Issued Accounting Pronouncements (Continued)

In August 2015, the GASB issued Statement 77 Tax Abatement Disclosures. GASB Statement 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. This Statement is effective for fiscal years beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

NOTE VI - RESTATEMENT OF NET POSITION AND FUND BALANCE

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement 37), in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of the contributions made by the City during the measurement period (fiscal year ending June 30, 2014).

The City is also adjusting beginning net position for the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. The implementation of the statement required the City to expense debt issue costs as incurred other than the portion related to prepaid insurance.

The City is reducing both the governmental net position and fund balance for the effects of writing off uncollectible accounts receivable.

The changes to beginning net position and fund balances are as follows:

	<u>Net Position</u>			<u>Fund Balance</u>		
	<u>Governmental</u>	<u>Water and Sewer Fund</u>	<u>Stormwater Utility Fund</u>	<u>General</u>	<u>Hospitality</u>	<u>Other Governmental</u>
Ending balance per fiscal year 2014 audit	\$ 31,361,023	\$ 129,231,805	\$ 2,944,037	\$ 11,320,825	\$ 5,301,038	\$ 13,255,843
Effect of GASB 68 Implementation	(23,604,933)	(8,058,025)	(575,566)	-	-	-
Effect of GASB 65 Correction	(272,343)	(1,044,558)	(15,281)	-	-	-
Write-off of uncollectible receivables	(74,812)	-	-	-	-	(74,812)
Balance, as restated	<u>\$ 7,408,935</u>	<u>\$ 120,129,222</u>	<u>\$ 2,353,190</u>	<u>\$ 11,320,825</u>	<u>\$ 5,301,038</u>	<u>\$ 13,181,031</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- South Carolina Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions
- South Carolina Police Officers Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions
- Schedules of Funding Progress and Employee Contributions
 - Other Post-Employment Benefits

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Proportionate Share
of the Net Pension Liability
South Carolina Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.11%	0.11%
Proportionate share of the net pension liability	\$ 19,459,674	\$ 20,273,191
Covered-employee payroll	\$ 10,252,182	\$ 9,972,880
Proportionate share of the net pension liability as a percentage of covered-employee payroll	189.810%	203.283%
Plan fiduciary net position as a percentage of the total pension liability	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Contributions
South Carolina Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,112,568	\$ 1,086,731
Contributions in relation to the contractually required contribution	<u>1,112,568</u>	<u>1,086,731</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,207,040	\$ 10,252,182
Contributions as a percentage of covered-employee payroll	10.900%	10.600%

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Proportionate Share
of the Net Pension Liability
South Carolina Police Officers Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.680%	0.680%
Proportionate share of the net pension liability	\$ 13,024,941	\$ 14,103,614
Covered-employee payroll	\$ 8,155,305	\$ 8,156,983
Proportionate share of the net pension liability as a percentage of covered-employee payroll	159.71%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	67.549%	62.979%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Contributions
South Carolina Police Officers Retirement System
Last Two Fiscal Years

	Year Ended June 30,	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,089,163	\$ 1,047,142
Contributions in relation to the contractually required contribution	<u>1,089,163</u>	<u>1,047,142</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,122,022	\$ 8,155,305
Contributions as a percentage of covered-employee payroll	13.410%	12.840%

City of Florence, South Carolina

Schedules of Funding Progress and Employer Contributions- Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Primary Government						
7/1/2007	\$ -	\$ 9,126,000	\$ 9,126,000	0.00%	\$ 14,801,000	61.66%
7/1/2009	\$ 454,700	\$ 8,557,200	\$ 8,102,500	5.31%	\$ 15,893,500	50.98%
7/1/2011	\$ 952,489	\$ 8,337,329	\$ 7,384,840	11.42%	\$ 17,064,217	43.28%
7/1/2013	\$ 2,022,674	\$ 10,205,825	\$ 8,183,151	19.82%	\$ 17,719,423	46.18%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Actuarial Required Contribution	Actual Contribution	Net OPEB Liability	Percent Contributed
Primary Government				
2009	\$ 772,000	\$ 772,000	\$ -	100%
2010	\$ 795,000	\$ 795,000	\$ -	100%
2011	\$ 803,200	\$ 803,200	\$ -	100%
2012	\$ 838,300	\$ 838,300	\$ -	100%
2013	\$ 730,290	\$ 730,290	\$ -	100%
2014	\$ 745,930	\$ 745,930	\$ -	100%
2015	\$ 762,990	\$ 762,990	\$ -	100%

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

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

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

Community Development Block Grant - This fund is used to account for the expenditures of community development block grants and HUD Section 108 loan proceeds.

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

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

Victims Services - This fund is used to account for funds received to provide services to victims of crime.

Drug Control - This fund is used to account for funds seized in drug related cases that have been awarded to the City and are available for use.

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

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

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

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

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

JAG Grant 2013 - This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2013.

JAG Grant 2014 - This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2014.

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

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

TIF Revenue & Debt Service - This fund is used to account for revenues received and paid from the TIF bond.

TIF Construction Projects - This fund is used to account for various construction projects with the TIF funds.

Florence County Penny Tax II - This fund is used to account for various construction projects paid from the penny tax collections.

DEBT SERVICE FUND

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

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>			
	<u>Housing Partnership</u>	<u>HOME Program</u>	<u>Community Development Block Grants</u>	<u>Rollcart and Equipment Replacement</u>
ASSETS				
Cash and cash equivalents	\$ 14,910	\$ 321,020	\$ 348	\$ 279,105
Restricted cash	-	-	-	-
Receivables				
Property taxes, less allowance for doubtful accounts	-	-	-	-
Due from other governments	-	-	5,127	-
Inventory	-	-	-	33,892
Investments	-	-	-	243,564
Restricted investments	-	-	-	-
Total assets	<u>\$ 14,910</u>	<u>\$ 321,020</u>	<u>\$ 5,475</u>	<u>\$ 556,561</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,839	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,839</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	33,892
Restricted	14,910	321,020	3,636	-
Committed	-	-	-	522,669
Total fund balances	<u>14,910</u>	<u>321,020</u>	<u>3,636</u>	<u>556,561</u>
Total liabilities and fund balances	<u>\$ 14,910</u>	<u>\$ 321,020</u>	<u>\$ 5,475</u>	<u>\$ 556,561</u>

Special Revenue Funds

<u>E-911</u>	<u>Victms Services</u>	<u>Drug Control</u>	<u>Federal Equitable Sharing</u>	<u>NSP Grant</u>	<u>Accommodation Tax</u>
\$ 326,403	\$ 105,674	\$ 162,794	\$ 31,971	\$ -	\$ -
-	-	-	-	99,161	-
-	-	-	-	-	-
-	-	-	-	-	189,475
-	-	-	-	-	-
-	-	-	-	-	-
<u>326,403</u>	<u>105,674</u>	<u>162,794</u>	<u>31,971</u>	<u>99,161</u>	<u>189,475</u>
\$ 42,810	\$ -	\$ 355	\$ -	\$ 5,630	\$ 171,569
-	-	-	-	-	-
-	-	-	-	35,711	17,906
<u>42,810</u>	<u>-</u>	<u>355</u>	<u>-</u>	<u>41,341</u>	<u>189,475</u>
-	-	-	-	-	-
283,593	105,674	162,439	31,971	57,820	-
-	-	-	-	-	-
<u>283,593</u>	<u>105,674</u>	<u>162,439</u>	<u>31,971</u>	<u>57,820</u>	<u>-</u>
<u>\$ 326,403</u>	<u>\$ 105,674</u>	<u>\$ 162,794</u>	<u>\$ 31,971</u>	<u>\$ 99,161</u>	<u>\$ 189,475</u>

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds--Continued
June 30, 2015

	<u>Special Revenue Funds</u>			
	<u>Public Safety Grants</u>	<u>NSP-3 Grant</u>	<u>JAG Grant 2013</u>	<u>JAG Grant 2014</u>
ASSETS				
Cash and cash equivalents	\$ 22,901	\$ 9,556	\$ -	\$ -
Restricted cash	-	22,463	-	-
Receivables				
Property taxes, less allowance for doubtful accounts	-	-	-	1,153
Due from other governments	-	-	938	-
Inventory	-	-	-	-
Investments	-	-	-	-
Restricted investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 22,901</u>	<u>\$ 32,019</u>	<u>\$ 938</u>	<u>\$ 1,153</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 37	\$ 1,958	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	30,061	938	1,153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>37</u>	<u>32,019</u>	<u>938</u>	<u>1,153</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	22,864	-	-	-
Committed	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>22,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 22,901</u>	<u>\$ 32,019</u>	<u>\$ 938</u>	<u>\$ 1,153</u>

Special Revenue Funds							Total
HUD EDI Grant	Sunday Local Option Revenue Fund	TIF Revenue & Debt Service	TIF Construction Projects	Florence County Penny Tax II	Debt Service	Total Nonmajor Governmental Funds	
\$ -	\$ 31,546	\$ 483,988	\$ -	\$ 111,667	\$ 545,841	\$ 2,447,724	
-	-	-	50,870	-	-	172,494	
-	-	2,972	-	-	6,066	10,191	
9,749	-	-	-	-	-	205,289	
-	-	-	-	-	-	33,892	
-	-	-	-	-	-	243,564	
-	-	-	9,022,984	-	-	9,022,984	
<u>\$ 9,749</u>	<u>\$ 31,546</u>	<u>\$ 486,960</u>	<u>\$ 9,073,854</u>	<u>\$ 111,667</u>	<u>\$ 551,907</u>	<u>\$ 12,136,138</u>	
\$ -	\$ (122)	\$ -	\$ 688,085	\$ 111,667	\$ -	\$ 1,023,828	
-	-	-	-	-	-	-	
9,749	-	-	552,000	-	-	647,518	
9,749	(122)	-	1,240,085	111,667	-	1,671,346	
-	-	-	-	-	-	33,892	
-	31,668	486,960	7,833,769	-	551,907	9,908,231	
-	-	-	-	-	-	522,669	
-	31,668	486,960	7,833,769	-	551,907	10,464,792	
<u>\$ 9,749</u>	<u>\$ 31,546</u>	<u>\$ 486,960</u>	<u>\$ 9,073,854</u>	<u>\$ 111,667</u>	<u>\$ 551,907</u>	<u>\$ 12,136,138</u>	

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue Funds			
	<u>Housing Partnership</u>	<u>HOME Program</u>	<u>Community Development Block Grants</u>	<u>Rollcart and Equipment Replacement</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	450	-	85,184
Intergovernmental	-	-	203,046	-
Charges for services	-	-	-	-
Investment earnings	33	917	-	1,444
Miscellaneous	-	-	-	-
Total revenues	<u>33</u>	<u>1,367</u>	<u>203,046</u>	<u>86,628</u>
Expenditures				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community development	(11,250)	-	36,717	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	162,693	-
Total expenditures	<u>(11,250)</u>	<u>-</u>	<u>199,410</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	11,283	1,367	3,636	86,628
Other financing sources (uses)				
Transfers in (out)	-	-	-	(151,000)
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,000)</u>
Net changes in fund balances	11,283	1,367	3,636	(64,372)
Fund balances at beginning of year, as restated	<u>3,627</u>	<u>319,653</u>	<u>-</u>	<u>620,933</u>
Fund balances at end of year	<u>\$ 14,910</u>	<u>\$ 321,020</u>	<u>\$ 3,636</u>	<u>\$ 556,561</u>

Special Revenue Funds

<u>E-911</u>	<u>Victims Services</u>	<u>Drug Control</u>	<u>Federal Equitable Sharing</u>	<u>NSP Grant</u>	<u>Accommodation Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	83,864	-	-	-	-
-	-	-	17,477	19,401	566,766
152,998	-	-	-	-	-
1,223	260	1,167	72	-	86
-	<u>7,500</u>	<u>226,740</u>	-	<u>199</u>	-
<u>154,221</u>	<u>91,624</u>	<u>227,907</u>	<u>17,549</u>	<u>19,600</u>	<u>566,852</u>
284,380	-	82,374	7,838	-	-
-	-	-	-	-	-
-	-	-	-	(3,085)	617,115
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,881	-
<u>284,380</u>	<u>-</u>	<u>82,374</u>	<u>7,838</u>	<u>(1,204)</u>	<u>617,115</u>
(130,159)	91,624	145,533	9,711	20,804	(50,263)
-	<u>(77,391)</u>	-	-	-	-
-	<u>(77,391)</u>	-	-	-	-
(130,159)	14,233	145,533	9,711	20,804	(50,263)
<u>413,752</u>	<u>91,441</u>	<u>16,906</u>	<u>22,260</u>	<u>37,016</u>	<u>50,263</u>
<u>\$ 283,593</u>	<u>\$ 105,674</u>	<u>\$ 162,439</u>	<u>\$ 31,971</u>	<u>\$ 57,820</u>	<u>\$ -</u>

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds--Continued Year Ended June 30, 2015

	Special Revenue Funds			
	Public Safety Grants	NSP-3 Grant	JAG Grant 2013	JAG Grant 2014
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-
Intergovernmental	-	27,640	5,316	27,201
Charges for services	-	-	-	-
Investment earnings	56	-	-	-
Miscellaneous	5,000	505	-	-
Total revenues	<u>5,056</u>	<u>28,145</u>	<u>5,316</u>	<u>27,201</u>
Expenditures				
Current:				
Public safety	3,252	-	5,316	27,201
Culture and recreation	-	-	-	-
Community development	-	29,575	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>3,252</u>	<u>29,575</u>	<u>5,316</u>	<u>27,201</u>
Excess (deficiency) of revenues over (under) expenditures	1,804	(1,430)	-	-
Other financing sources (uses)				
Transfers in (out)	-	6,436	-	-
Total financing sources (uses)	<u>-</u>	<u>6,436</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,804	5,006	-	-
Fund balances at beginning of year, as restated	<u>21,060</u>	<u>(5,006)</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 22,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						Total
HUD EDI Grant	Sunday Local Option Revenue Fund	TIF Revenue & Debt Service	TIF Construction Projects	Florence County Penny Tax II	Debt Service	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,274	\$ 454,274
-	-	-	-	659,250	-	828,748
33,510	77,750	295,802	-	-	-	1,273,909
-	-	-	-	-	-	152,998
-	124	1,671	22,774	-	1,183	31,010
-	-	-	-	-	-	239,944
<u>33,510</u>	<u>77,874</u>	<u>297,473</u>	<u>22,774</u>	<u>659,250</u>	<u>455,457</u>	<u>2,980,883</u>
-	-	-	-	-	-	410,361
-	50,868	-	-	-	-	50,868
34,066	-	-	9,084	65,565	-	777,787
-	-	-	-	-	291,609	291,609
-	-	396,532	-	-	139,177	535,709
-	-	-	2,601,130	694,360	-	3,460,064
<u>34,066</u>	<u>50,868</u>	<u>396,532</u>	<u>2,610,214</u>	<u>759,925</u>	<u>430,786</u>	<u>5,526,398</u>
(556)	27,006	(99,059)	(2,587,440)	(100,675)	24,671	(2,545,515)
<u>556</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>100,675</u>	<u>-</u>	<u>(170,724)</u>
<u>556</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>100,675</u>	<u>-</u>	<u>(170,724)</u>
-	(22,994)	(99,059)	(2,587,440)	-	24,671	(2,716,239)
-	54,662	586,019	10,421,209	-	527,236	13,181,031
<u>\$ -</u>	<u>\$ 31,668</u>	<u>\$ 486,960</u>	<u>\$ 7,833,769</u>	<u>\$ -</u>	<u>\$ 551,907</u>	<u>\$ 10,464,792</u>

**PROPRIETARY FUNDS -
ENTERPRISE FUNDS**

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

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

Stormwater Utility Fund - This fund is used to account for transactions relating to the operations of the stormwater system.

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual
Proprietary Funds--Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Current use charges	\$ 32,155,000	\$ 31,862,000	\$ 31,750,819	\$ (111,181)
Miscellaneous	660,000	880,000	1,087,381	207,381
Water and sewer tap fees	550,000	625,000	707,118	82,118
Total operating revenues	<u>33,365,000</u>	<u>33,367,000</u>	<u>33,545,318</u>	<u>178,318</u>
Operating Expenses				
Personnel	4,752,410	4,352,680	4,326,525	26,155
Employee benefits	1,843,540	1,673,950	1,930,310	(256,360)
Purchased services	11,096,330	12,374,650	6,453,254	5,921,396
Supplies and materials	1,308,370	1,510,670	1,960,852	(450,182)
Other operating expenses	944,350	1,180,450	1,499,723	(319,273)
Depreciation and amortization	5,300,000	5,300,000	4,523,511	776,489
Total operating expenses	<u>25,245,000</u>	<u>26,392,400</u>	<u>20,694,175</u>	<u>5,698,225</u>
Operating Income	<u>8,120,000</u>	<u>6,974,600</u>	<u>12,851,143</u>	<u>5,876,543</u>
Nonoperating Revenues (Expenses)				
Investment earnings	48,000	47,000	73,855	26,855
Miscellaneous revenues	1,501,000	1,501,000	1,959,353	458,353
Loss on disposal of assets	-	-	(10,107,299)	(10,107,299)
Interest expense	-	-	(1,222,252)	(1,222,252)
Appropriation of net position	-	1,150,000	-	(1,150,000)
Total nonoperating revenues (expenses)	<u>1,549,000</u>	<u>2,698,000</u>	<u>(9,296,343)</u>	<u>(11,994,343)</u>
Income Before Transfers and Capital Contributions	9,669,000	9,672,600	3,554,800	(6,117,800)
Capital Contributions	-	-	366,838	366,838
Income Before Transfers	<u>9,669,000</u>	<u>9,672,600</u>	<u>3,921,638</u>	<u>(5,750,962)</u>
Transfers				
Transfers out	(10,094,100)	(10,097,700)	(3,287,679)	6,810,021
Changes in Net Position	(425,100)	(425,100)	633,959	1,059,059
Net position at beginning of year, as restated	<u>120,129,222</u>	<u>120,129,222</u>	<u>120,129,222</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 119,704,122</u>	<u>\$ 119,704,122</u>	<u>\$ 120,763,181</u>	<u>\$ 1,059,059</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual
Proprietary Funds--Stormwater Utility Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Stormwater service fees	\$ 1,285,000	\$ 1,285,000	\$ 1,280,487	\$ (4,513)
Miscellaneous	3,500	3,500	3,610	110
Total operating revenues	<u>1,288,500</u>	<u>1,288,500</u>	<u>1,284,097</u>	<u>(4,403)</u>
Operating Expenses				
Personnel	324,410	318,370	314,865	3,505
Employee benefits	125,480	119,830	118,540	1,290
Purchased services	123,000	125,000	126,190	(1,190)
Supplies and materials	18,500	18,000	22,221	(4,221)
Other operating expenses	28,210	28,300	23,901	4,399
Depreciation and amortization	705,000	705,000	602,348	102,652
Total operating expenses	<u>1,324,600</u>	<u>1,314,500</u>	<u>1,208,065</u>	<u>106,435</u>
Operating Income	<u>(36,100)</u>	<u>(26,000)</u>	<u>76,032</u>	<u>102,032</u>
Nonoperating Revenues (Expenses)				
Investment earnings	6,500	6,500	3,866	(2,634)
Interest expense	-	-	(57,030)	(57,030)
Total nonoperating revenues (expenses)	<u>6,500</u>	<u>6,500</u>	<u>(53,164)</u>	<u>(59,664)</u>
Income Before Transfers	(29,600)	(19,500)	22,868	42,368
Transfers Out	<u>(18,400)</u>	<u>(28,500)</u>	<u>113,980</u>	<u>142,480</u>
Changes in Net Position	(48,000)	(48,000)	136,848	184,848
Net position at beginning of year, as restated	<u>2,353,190</u>	<u>2,353,190</u>	<u>2,353,190</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 2,305,190</u>	<u>\$ 2,305,190</u>	<u>\$ 2,490,038</u>	<u>\$ 184,848</u>

AGENCY FUNDS

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

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

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

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

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

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

City of Florence, South Carolina
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	<u>Court Escrow</u>	<u>Fire Trust</u>	<u>Veterans Park Development</u>	<u>Narcotics Holding Funds</u>	<u>Florence Area Humane Society</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 15,618	\$ 106,446	\$ 19,540	\$ 165,436	\$ 3,322	\$ 310,362
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,376</u>	<u>-</u>	<u>60,376</u>
Total assets	<u>\$ 15,618</u>	<u>\$ 106,446</u>	<u>\$ 19,540</u>	<u>\$ 225,812</u>	<u>\$ 3,322</u>	<u>\$ 370,738</u>
LIABILITIES						
Due to others	<u>\$ 15,618</u>	<u>\$ 106,446</u>	<u>\$ 19,540</u>	<u>\$ 225,812</u>	<u>\$ 3,322</u>	<u>\$ 370,738</u>
Total liabilities	<u>\$ 15,618</u>	<u>\$ 106,446</u>	<u>\$ 19,540</u>	<u>\$ 225,812</u>	<u>\$ 3,322</u>	<u>\$ 370,738</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

	<u>Balance at</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2015</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 17,730	\$ 11,314	\$ 13,426	\$ 15,618
Liabilities				
Due to others	\$ 17,730	\$ 11,314	\$ 13,426	\$ 15,618
<u>Fire Trust</u>				
Assets				
Cash and cash equivalents	\$ 102,962	\$ 3,484	-	\$ 106,446
Liabilities				
Due to others	\$ 102,962	\$ 3,484	-	\$ 106,446
<u>Veterans Park Development</u>				
Assets				
Cash and cash equivalents	\$ 20,599	\$ 18,796	\$ 19,855	\$ 19,540
Liabilities				
Due to others	\$ 20,599	\$ 18,796	\$ 19,855	\$ 19,540
<u>Narcotics Holding Funds</u>				
Assets				
Cash and cash equivalents	\$ 328,227	\$ 62,589	\$ 225,380	\$ 165,436
Investments	60,236	140	-	60,376
	<u>\$ 388,463</u>	<u>\$ 62,729</u>	<u>\$ 225,380</u>	<u>\$ 225,812</u>
Liabilities				
Due to others	\$ 388,463	\$ 62,729	\$ 225,380	\$ 225,812
<u>Florence Area Humane Society</u>				
Assets				
Cash and cash equivalents	\$ 957	\$ 5,881	\$ 3,516	\$ 3,322
Liabilities				
Due to others	\$ 957	\$ 5,881	\$ 3,516	\$ 3,322
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 470,475	\$ 102,064	\$ 262,177	\$ 310,362
Investments	60,236	140	-	60,376
Total Assets	<u>\$ 530,711</u>	<u>\$ 102,204</u>	<u>\$ 262,177</u>	<u>\$ 370,738</u>
Liabilities				
Due to others	\$ 530,711	\$ 102,204	\$ 262,177	\$ 370,738
Total Liabilities	<u>\$ 530,711</u>	<u>\$ 102,204</u>	<u>\$ 262,177</u>	<u>\$ 370,738</u>

SUPPLEMENTAL SCHEDULES

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes				
Current	\$ 4,123,600	\$ 3,755,600	\$ 3,758,394	\$ 2,794
Property tax credits	5,075,000	5,164,000	5,164,227	227
Penalties	8,000	5,000	5,400	400
Payment in lieu of taxes	114,400	113,900	113,909	9
Delinquent taxes	113,000	115,400	119,579	4,179
Total Property Taxes	<u>9,434,000</u>	<u>9,153,900</u>	<u>9,161,509</u>	<u>7,609</u>
Licenses and Fees				
Business and professional license	7,540,000	7,321,000	7,326,121	5,121
Franchise fees	3,450,000	3,690,000	3,690,292	292
Prior year business licenses	310,000	512,000	512,184	184
Total Licenses and Fees	<u>11,300,000</u>	<u>11,523,000</u>	<u>11,528,597</u>	<u>5,597</u>
Intergovernmental				
Community development	56,500	56,500	56,490	(10)
Sales tax revenue	1,000,000	1,225,000	1,227,051	2,051
State shared revenue	799,000	807,000	811,143	4,143
Governmental reimbursements	660,000	632,500	632,933	433
State A tax funds	54,000	54,000	54,830	830
Grants	127,000	562,900	563,454	554
FEMA reimbursements	120,000	226,000	226,070	70
Marketing and promotion	112,000	121,000	129,580	8,580
Total Intergovernmental	<u>2,928,500</u>	<u>3,684,900</u>	<u>3,701,551</u>	<u>16,651</u>
Charges for Services				
Refuse - landfill fee	1,460,000	1,491,000	1,491,441	441
Refuse - collection fee	325,000	321,000	324,738	3,738
Planning and zoning fees	20,000	22,000	22,075	75
Recreation fees	209,000	199,000	495,989	296,989
Total Charges for Services	<u>2,014,000</u>	<u>2,033,000</u>	<u>2,334,243</u>	<u>301,243</u>
Fines and Forfeitures				
Criminal fines	165,000	103,000	103,901	901
Traffic fines	530,000	429,000	429,438	438
Parking violations fines	15,000	2,900	2,995	95
Animal control fines	3,500	4,200	4,221	21
Livability court fines	5,000	300	379	79
Total Fines and Forfeitures	<u>718,500</u>	<u>539,400</u>	<u>540,934</u>	<u>1,534</u>
Miscellaneous				
Investment income	24,500	19,800	21,788	1,988
Miscellaneous	247,000	255,400	343,257	87,857
Concessions	55,000	71,000	71,052	52
Total Miscellaneous	<u>326,500</u>	<u>346,200</u>	<u>436,097</u>	<u>89,897</u>
TOTAL REVENUES	<u>26,721,500</u>	<u>27,280,400</u>	<u>27,702,931</u>	<u>422,531</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General Government				
City Council				
Salary and wages	113,130	113,130	113,126	4
Retirement	12,740	12,490	12,480	10
Health insurance	46,620	46,880	46,269	611
Workers' compensation	8,660	5,660	5,299	361
Social security	7,740	7,920	7,809	111
Printing and supplies	1,000	1,000	45	955
Office supplies	1,500	1,500	478	1,022
Postage	100	100	12	88
Membership and dues	19,000	19,000	20,950	(1,950)
Travel and conferences	17,000	31,000	9,325	21,675
Telephone related services	5,500	5,800	5,602	198
Professional services	25,000	25,200	25,100	100
Special departmental supplies	6,000	6,000	3,000	3,000
Total City Council	263,990	275,680	249,495	26,185
Justice and Law				
Salary and wages	423,130	372,180	336,585	35,595
Retirement	34,280	45,410	41,492	3,918
Health insurance	63,900	60,100	56,392	3,708
Workers' compensation	12,400	8,100	7,589	511
Social security	30,220	28,690	24,495	4,195
Printing and supplies	1,000	1,000	546	454
Postage	3,000	3,700	3,298	402
Membership and dues	500	1,200	1,095	105
Travel and conferences	7,500	6,100	6,031	69
Auto operating expenses	-	300	85	215
Telephone related services	2,500	2,600	2,545	55
Maintenance and service contracts	7,000	8,000	6,226	1,774
Gas and oil	-	420	-	420
Employee training	2,500	4,500	2,305	2,195
Professional services	2,000	9,000	8,916	84
Jury vouchers	7,000	3,380	3,200	180
Office supplies	5,000	6,000	5,304	696
Special departmental supplies	2,500	3,000	2,511	489
Capital outlay	-	2,500	-	2,500
Total Justice and Law	604,430	566,180	508,615	57,565

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
General Government--Continued				
City Manager				
Salary and wages	267,870	257,940	257,156	784
Retirement	28,420	28,620	28,542	78
Health insurance	34,790	34,070	33,218	852
Workers' compensation	7,500	4,890	4,580	310
Social security	19,330	19,340	19,285	55
Printing and supplies	2,000	1,000	97	903
Postage	1,000	1,000	280	720
Membership and dues	2,000	1,000	-	1,000
Travel and conferences	2,000	2,000	-	2,000
Car allowance	6,000	6,000	6,000	-
Auto operating expenses	500	500	151	349
Telephone related services	4,900	7,500	7,311	189
Maintenance and service contracts	1,000	1,000	660	340
Employee training	4,000	4,000	637	3,363
Professional services	3,500	3,500	1,806	1,694
Office supplies	3,500	700	536	164
Special departmental supplies	2,500	2,500	1,089	1,411
Gas and oil	500	500	-	500
Total City Manager	391,310	376,060	361,348	14,712
Finance				
Salary and wages	536,800	504,030	503,250	780
Retirement	57,400	54,280	53,848	432
Health insurance	74,320	65,930	65,804	126
Workers' compensation	12,400	8,100	7,589	511
Social security	38,140	37,000	36,819	181
Printing and supplies	5,500	7,500	6,607	893
Postage	10,000	10,500	9,983	517
Membership and dues	2,500	2,000	1,874	126
Travel and conferences	2,000	3,300	3,259	41
Auto operating expenses	100	500	327	173
Telephone related services	9,000	8,200	7,925	275
Maintenance and service contracts	11,500	10,500	9,501	999
Machine and equipment repairs	1,500	500	1,815	(1,315)
Public notices	1,000	850	799	51
Employee training	2,000	1,400	1,280	120
Professional services	3,000	1,600	1,525	75
Tax billing and collections	51,000	56,500	55,881	619
Office supplies	11,000	11,000	10,587	413
Special departmental supplies	-	200	138	62
Gas and oil	300	250	226	24
Total Finance	829,460	784,140	779,037	5,103

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
General Government--Continued				
Personnel				
Salary and wages	298,100	307,200	306,421	779
Retirement	31,630	33,430	33,134	296
Health insurance	43,170	34,590	34,248	342
Workers' compensation	7,500	4,890	4,580	310
Social security	21,340	22,850	22,723	127
Printing and supplies	4,000	4,600	4,595	5
Postage	3,000	1,480	1,474	6
Membership and dues	1,500	470	465	5
Travel and conferences	2,500	1,020	765	255
Auto operating expenses	1,000	350	171	179
Telephone related services	3,000	2,840	2,723	117
Maintenance and service contracts	7,000	6,750	6,769	(19)
Public notices	15,000	20,020	19,872	148
Employee training	2,500	850	492	358
Professional services	47,000	46,250	46,229	21
Medical expenses	29,000	31,810	31,631	179
Office supplies	4,500	4,290	4,281	9
Special departmental supplies	-	150	146	4
Gas and oil	500	900	878	22
Total Personnel	522,240	524,740	521,597	3,143
Community Service				
Salary and wages	176,810	167,470	159,407	8,063
Retirement	18,760	16,880	16,825	55
Health insurance	36,550	33,010	32,368	642
Workers' compensation	9,900	6,470	6,062	408
Social security	12,560	11,420	11,102	318
Printing and supplies	1,000	690	686	4
Postage	400	510	501	9
Membership and dues	1,000	840	460	380
Travel and conferences	1,500	500	485	15
Auto operating expenses	700	1,300	1,281	19
Telephone related services	1,500	5,420	5,249	171
Maintenance and service contracts	3,500	970	994	(24)
Public notices	1,000	1,600	1,592	8
Uniform and clothing	1,000	640	459	181
Employee training	1,000	830	689	141
Professional services	6,500	4,700	5,232	(532)
Office supplies	1,000	640	482	158
Special departmental supplies	1,500	2,180	1,980	200
Gas and oil	3,000	5,330	4,928	402
Total Community Service	279,180	261,400	250,782	10,618

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
General Government--Continued				
Urban Planning & Development				
Salary and wages	237,200	237,650	236,838	812
Retirement	25,170	25,690	25,643	47
Health insurance	37,020	34,530	34,299	231
Workers' compensation	5,150	3,360	3,143	217
Social security	17,010	17,890	17,734	156
Postage	1,000	1,000	993	7
Membership and dues	4,200	2,400	1,898	502
Travel and conferences	3,000	1,000	973	27
Auto operating expenses	1,000	1,010	821	189
Electricity	-	2,700	2,416	284
Telephone related services	2,400	3,600	3,524	76
Maintenance and service contracts	13,000	19,600	19,528	72
Maintenance and equipment repairs	500	300	245	55
Public notices	3,000	4,700	3,897	803
Employee training	1,800	2,100	1,971	129
Professional services	5,000	6,900	5,032	1,868
Office supplies	4,700	4,690	4,483	207
Special departmental supplies	1,000	1,000	1,263	(263)
Gas and oil	1,000	1,000	765	235
Capital outlay	-	500	-	500
Total Urban Planning & Development	363,150	371,620	365,466	6,154
Total General Government	3,253,760	3,159,820	3,036,340	123,480
Public safety				
Police				
Salary and wages	6,175,050	5,656,220	5,654,675	1,545
Retirement	776,220	755,390	754,401	989
Health insurance	1,056,030	931,510	930,610	900
Workers' compensation	197,200	121,610	121,061	549
Social security	440,570	416,440	415,774	666
Printing and supplies	9,000	9,000	5,987	3,013
Postage	5,000	5,000	3,116	1,884
Membership and dues	2,100	2,100	1,625	475
Travel and conferences	3,300	3,300	2,150	1,150
Auto operating expenses	90,000	110,270	109,403	867
Electricity	19,000	19,000	18,115	885
Telephone related services	44,000	60,000	59,800	200
Radio maintenance	7,000	7,000	6,309	691

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Public safety--continued				
Police--continued				
Maintenance and service contracts	31,500	36,000	36,499	(499)
Maintenance and equipment repairs	6,500	6,000	16,364	(10,364)
Building and maintenance	1,000	1,000	562	438
Uniform and clothing	76,000	70,600	61,689	8,911
Prisoner housing	405,000	393,300	324,120	69,180
Inmate services	2,500	4,100	4,050	50
Rent payments	25,300	25,300	24,000	1,300
Employee training	14,000	16,500	15,217	1,283
Professional services	11,000	10,000	7,307	2,693
Pal expenses	5,000	5,000	4,984	16
Medical expenses	500	500	-	500
Rewards	500	500	-	500
Special departmental supplies	62,000	55,100	129,760	(74,660)
Gas and oil	365,000	285,500	271,139	14,361
Water usage	4,000	5,400	5,085	315
Grant expenditures	10,000	10,000	9,046	954
Capital outlay	132,000	270,900	58,409	212,491
Total Police	9,976,270	9,292,540	9,051,257	241,283
Fire				
Salary and wages	3,681,460	3,330,420	3,183,183	147,237
Retirement	478,420	429,780	424,242	5,538
Health insurance	607,930	551,390	549,185	2,205
Workers' compensation	106,670	69,780	65,425	4,355
Social security	253,120	235,800	233,747	2,053
Printing and supplies	1,000	500	97	403
Janitorial/sanitary supplies	11,000	10,000	9,565	435
Postage	150	150	98	52
Membership and dues	1,000	900	389	511
Auto operating expenses	35,000	58,500	56,963	1,537
Electricity	44,000	44,000	35,674	8,326
Telephone related services	27,000	29,000	28,695	305
Heating fuel	20,000	20,000	15,087	4,913
Fire prevention	10,000	11,500	11,291	209
Risk management	6,500	6,500	4,152	2,348
Radio maintenance	4,500	2,500	634	1,866
Maintenance and service contracts	24,500	24,500	24,658	(158)
Maintenance and equipment repairs	9,000	5,000	3,074	1,926
Building and maintenance	28,000	25,500	14,022	11,478
Uniform and clothing	34,000	31,000	28,251	2,749

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Public safety--continued				
Fire--continued				
Employee training	15,000	15,000	14,443	557
Professional services	7,500	7,500	6,430	1,070
Personal protective equipment	-	33,500	30,568	2,932
Special departmental supplies	36,000	34,230	32,481	1,749
Gas and oil	69,000	55,000	50,399	4,601
Water usage	17,000	16,000	14,985	1,015
Capital outlay	74,000	317,030	39,726	277,304
Total Fire	5,601,750	5,364,980	4,877,464	487,516
Total Public Safety	15,578,020	14,657,520	13,928,721	728,799
Public works				
Streets and Beautification				
Salary and wages	1,490,810	1,314,560	1,311,709	2,851
Retirement	158,030	142,640	141,558	1,082
Health insurance	326,350	265,030	264,695	335
Workers' compensation	44,650	28,220	27,392	828
Social security	106,640	96,960	96,636	324
Printing and supplies	1,500	1,000	762	238
Office supplies	3,000	3,000	2,599	401
Janitorial supplies	10,000	11,500	11,431	69
Safety supplies	3,000	3,000	2,593	407
Postage	100	100	21	79
Membership and dues	500	500	200	300
Auto operating expenses	30,000	33,000	31,481	1,519
Electricity	35,000	34,000	33,766	234
Telephone related services	3,000	5,500	5,207	293
Heating fuel	500	500	312	188
Radio maintenance	1,500	2,000	1,928	72
Maintenance and service contracts	4,500	5,300	5,139	161
Maintenance and equipment repairs	33,000	36,400	35,290	1,110
Building and maintenance	11,000	9,250	8,842	408
Tree beautification	5,000	2,250	2,214	36
Sign shop supplies	9,000	7,550	7,540	10
Medical expenses	48,000	34,000	31,361	2,639
Uniform and clothing	16,000	19,350	18,759	591
Inmate services	30,000	33,000	32,250	750
Chemicals	5,000	4,000	3,618	382
Paving materials and supplies	9,000	7,250	6,734	516
Irrigation materials and supplies	4,000	1,150	758	392
Employee training	1,000	1,000	220	780

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Public works--continued				
Streets and Beautification--continued				
Professional services	35,000	49,000	48,683	317
Special departmental supplies	30,000	33,000	35,335	(2,335)
Gas and oil	80,000	76,500	73,706	2,794
Water usage	13,000	13,000	12,434	566
Capital outlay	-	218,500	45,144	173,356
Total Streets and Beautification	2,548,080	2,492,010	2,300,317	191,693
Sanitation				
Salary and wages	858,510	791,230	790,300	930
Retirement	91,050	86,030	84,843	1,187
Health insurance	176,690	161,060	160,482	578
Workers' compensation	33,510	20,940	20,566	374
Social security	61,290	58,420	57,795	625
Printing and supplies	300	200	182	18
Postage	100	100	24	76
Membership and dues	100	100	-	100
Auto operating expenses	100,000	235,000	235,156	(156)
Telephone related services	200	1,400	1,312	88
Radio maintenance	2,500	2,600	2,509	91
Maintenance and service contracts	10,000	14,000	14,007	(7)
Maintenance and equipment repairs	70,000	103,000	106,044	(3,044)
Landfill services	1,100,000	1,246,700	1,246,650	50
Uniform and clothing	11,500	11,500	10,588	912
Office supplies	200	100	-	100
Compost supplies	500	400	-	400
Safety supplies	500	100	-	100
Public notices	6,500	6,000	5,448	552
Employee training	100	100	-	100
Professional services	200	200	-	200
Special departmental supplies	7,000	7,200	7,478	(278)
Gas and oil	265,000	178,900	174,132	4,768
Capital outlay	260,000	222,300	450,402	(228,102)
Total Sanitation	3,055,750	3,147,580	3,367,918	(220,338)

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Public works--continued				
Equipment Maintenance				
Salary and wages	303,850	277,350	247,291	30,059
Retirement	32,240	28,180	27,347	833
Health insurance	54,370	48,830	48,729	101
Workers' compensation	8,240	5,420	5,074	346
Social security	21,720	18,520	18,459	61
Auto operating expenses	1,500	6,600	5,488	1,112
Telephone related services	100	500	288	212
Heating fuel	5,000	5,250	5,247	3
Radio maintenance	500	200	-	200
Maintenance and service contracts	3,000	4,000	3,288	712
Maintenance and equipment repairs	500	200	-	200
Uniform and clothing	4,500	4,500	3,713	787
Office supplies	100	100	24	76
Janitorial supplies	200	100	-	100
Safety supplies	300	200	-	200
Employee training	300	300	149	151
Professional services	500	100	-	100
Special departmental supplies	5,000	4,800	4,392	408
Gas and oil	5,000	3,750	3,282	468
Capital outlay	-	73,200	-	73,200
Total Equipment Maintenance	446,920	482,100	372,771	109,329
Total Public Works	6,050,750	6,121,690	6,041,006	80,684
Culture and recreation				
Parks and Leisure Services				
Salary and wages	669,510	656,470	618,373	38,097
Retirement	60,320	64,120	63,758	362
Health insurance	108,550	95,540	95,087	453
Workers' compensation	45,900	29,030	28,155	875
Social security	48,080	45,910	45,745	165
Printing and supplies	2,000	2,000	2,000	-
Postage	500	500	268	232
Membership and dues	1,500	1,500	879	621
Travel and conferences	1,500	600	545	55
Auto operating expenses	8,000	10,700	9,752	948
Electricity	77,000	74,900	74,898	2
Telephone related services	12,000	11,850	9,412	2,438
Cable and related services	1,500	1,500	1,304	196
Radio maintenance	500	350	-	350

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Culture and recreation--continued				
Parks and Leisure Services--continued				
Maintenance and service contracts	12,000	10,350	9,573	777
Maintenance and equipment repairs	3,000	1,350	827	523
Building maintenance	14,500	12,750	11,359	1,391
Facility and park maintenance	5,500	4,350	3,459	891
Tree beautification	2,000	1,500	1,272	228
Uniforms and clothing	1,000	1,600	1,517	83
Office supplies	3,500	3,500	3,102	398
Safety supplies	500	500	454	46
Janitorial services and supplies	6,500	6,250	6,127	123
Athletic field supplies	2,500	2,500	1,508	992
Irrigation supplies	1,500	500	278	222
Inmate services	4,100	100	-	100
Food and supplies	3,000	3,000	3,000	-
Employee training	1,000	500	500	-
Professional services	1,000	400	-	400
Contracted instructors	6,000	6,000	5,408	592
Special departmental supplies	19,000	18,000	30,808	(12,808)
Gas and oil	30,000	26,750	26,044	706
Water usage	21,000	18,200	18,128	72
Boys and Girls Club	21,000	21,000	21,000	-
Tournaments	1,500	1,000	1,000	-
Grant expenditures	11,000	11,500	10,964	536
Capital outlay	5,200	243,300	98,388	144,912
Total Parks and Leisure Services	1,213,160	1,389,870	1,204,892	184,978
Athletic Programs				
Salary and wages	462,050	500,970	498,033	2,937
Retirement	33,700	35,240	35,007	233
Health insurance	56,690	54,870	54,291	579
Workers' compensation	76,910	47,340	47,195	145
Social security	32,160	37,380	37,269	111
Printing and supplies	500	500	252	248
Postage	200	200	122	78
Membership and dues	1,000	1,000	925	75
Travel and conferences	1,500	500	475	25
Auto operating expenses	3,000	4,800	4,196	604
Electricity	130,000	127,500	125,225	2,275
Telephone related services	3,000	5,000	4,902	98
Cable and related services	1,500	1,950	1,768	182
Maintenance and service contracts	20,000	19,800	18,360	1,440

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Culture and recreation--continued				
Athletic Programs--continued				
Maintenance and equipment repairs	5,000	6,800	5,763	1,037
Radio repairs and maintenance	500	250	(30)	280
Building maintenance	2,000	2,000	2,000	-
Facility and park maintenance	15,500	34,600	34,262	338
Tree beautification	1,000	1,000	875	125
Uniforms and clothing	1,500	6,700	6,479	221
Inmate services	14,000	21,800	20,925	875
Office supplies	500	500	499	1
Safety supplies	500	500	500	-
Janitorial services and supplies	9,000	7,200	6,783	417
Athletic field supplies	6,500	9,400	8,718	682
Food and supplies	35,000	39,000	38,890	110
Employee training	1,500	1,500	1,500	-
Professional services	4,000	2,200	1,718	482
Special departmental supplies	4,500	4,500	52,303	(47,803)
Irrigation parts and supplies	4,500	5,500	5,496	4
Pro shop supplies	10,000	10,000	9,803	197
Stadium commission	5,100	5,100	5,100	-
Athletic expenses	5,000	9,000	8,808	192
Gymnastic expenses	5,000	9,000	8,945	55
Tennis center expenses	11,000	10,000	10,000	-
Gas and oil	5,000	6,800	5,803	997
Water usage	38,000	38,700	38,625	75
Marketing and promotion	145,000	164,600	70,034	94,566
Tournaments	4,500	3,500	3,200	300
Capital outlay	-	327,500	64,901	262,599
Total Athletic Programs	1,156,310	1,564,700	1,239,920	324,780
Total Culture and Recreation	2,369,470	2,954,570	2,444,812	509,758
Non-Departmental				
Employee relations	27,000	47,000	46,484	516
Unemployment compensation	12,000	9,500	9,243	257
OPEB expense	484,500	484,000	484,000	-
Employee assistance	-	-	20,905	(20,905)
Property and liability insurance	384,000	390,000	389,124	876
Small claims	55,000	75,500	75,278	222
Employee W/C small claims	30,000	128,000	127,755	245
Bank charges	32,000	30,000	29,949	51
Credit card fees	-	9,200	9,083	117
Boys' and Girls' Club	20,000	20,000	20,000	-

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
Non-Departmental--continued				
Transit system	150,000	150,000	150,000	-
Pee Dee Chapter Red Cross	10,000	10,000	10,000	-
PDCAP boxing program	10,000	10,000	10,000	-
Weed & seed program	50,000	50,000	50,000	-
Neighborhood redevelopment	56,500	211,500	211,490	10
Contingency	122,000	302,000	-	302,000
Street lights	770,000	787,000	786,652	348
Rail to trail project	-	13,100	2,869	10,231
Blue trial project	-	38,000	37,679	321
Ivanhoe Dr resurfacing	-	220,000	126,716	93,284
Street resurfacing P027439	-	305,900	305,029	871
No Name creek trail	135,000	27,000	26,848	152
Management software expenditures	22,000	61,000	48,527	12,473
Health services	-	29,000	28,933	67
Fire district tax reimbursement	31,000	12,000	11,265	735
Economic development	-	60,000	56,930	3,070
IT Support Services	222,000	233,000	218,110	14,890
Legal services	70,000	78,000	77,548	452
Downtown revitalization	-	-	67,943	(67,943)
Incubator project	-	-	37,040	(37,040)
Special projects	40,000	92,000	40,948	51,052
Other recreation programs	-	-	323,017	(323,017)
Downtown promotions	-	25,000	24,250	750
FMU Health Sciences Bldg	1,000,000	1,491,400	1,000,000	491,400
Capital Outlay	325,000	1,084,400	265,137	819,263
Keep Florence Beautiful	5,000	5,000	5,000	-
Total Non-Departmental	4,063,000	6,488,500	5,133,752	1,354,748
Debt Service				
Principal	-	-	666,035	(666,035)
Interest	85,000	85,000	180,155	(95,155)
Total Debt Service	85,000	85,000	846,190	(761,190)
TOTAL EXPENDITURES	31,400,000	33,467,100	31,430,821	2,036,279
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,678,500)	(6,186,700)	(3,727,890)	2,458,810

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Capital leases	-	-	478,801	478,801
Proceeds from insurance settlements	150,000	296,000	296,753	753
Transfers in	4,528,500	4,386,500	4,315,923	(70,577)
Appropriation of fund balance	-	1,504,200	-	(1,504,200)
Total Other Financing Sources (Uses)	<u>4,678,500</u>	<u>6,186,700</u>	<u>5,091,477</u>	<u>(1,095,223)</u>
NET CHANGES IN FUND BALANCE	-	-	1,363,587	1,363,587
Fund balance at beginning of year	<u>11,320,825</u>	<u>11,320,825</u>	<u>11,320,825</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 11,320,825</u>	<u>\$ 11,320,825</u>	<u>\$ 12,684,412</u>	<u>\$ 1,363,587</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Water service fees	\$ 15,610,000	\$ 15,372,000	\$ 15,409,256	\$ 37,256
Sewer service fees	16,310,000	16,295,000	16,319,620	24,620
Sewer surcharge	50,000	20,000	21,944	1,944
Cut on fees	185,000	175,000	190,132	15,132
Water tap fees	310,000	460,000	538,430	78,430
Sewer tap fees	240,000	165,000	168,488	3,488
Service charges	230,000	235,000	246,082	11,082
Late fees	390,000	470,000	472,545	2,545
Miscellaneous	40,000	175,000	178,821	3,821
Total Operating Revenues	<u>33,365,000</u>	<u>33,367,000</u>	<u>33,545,318</u>	<u>178,318</u>
Operating Expenses				
Engineering				
Salary and wages	686,760	611,290	596,112	15,178
Retirement	72,930	71,390	66,628	4,762
Health insurance	87,710	86,290	78,265	8,025
Workers' compensation	13,650	8,910	8,352	558
Social security	47,260	43,670	41,802	1,868
Printing and supplies	5,000	5,500	541	4,959
Postage	300	300	187	113
Membership and dues	1,000	1,000	500	500
Auto operating expenses	3,500	4,500	3,926	574
Electricity	25,000	25,000	24,832	168
Travel and conferences	1,000	1,000	488	512
Telephone related services	11,000	13,000	12,714	286
Radio maintenance	500	500	-	500
Maintenance and service contracts	50,000	22,000	6,022	15,978
Building maintenance	5,000	5,000	-	5,000
Uniforms and clothing	3,000	3,000	1,559	1,441
Public notices	200	200	-	200
Employee training	1,500	1,500	700	800
Professional services	60,000	105,000	103,515	1,485
Special departmental supplies	8,000	8,000	5,398	2,602
Gas and oil	13,500	13,500	6,593	6,907
Total Engineering	<u>1,096,810</u>	<u>1,030,550</u>	<u>958,134</u>	<u>72,416</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Finance				
Salary and wages	896,550	812,940	810,448	2,492
Retirement	95,170	89,060	88,318	742
Health insurance	158,280	138,520	137,183	1,337
Workers' compensation	32,300	20,120	19,803	317
Social security	64,960	61,300	60,577	723
Printing and supplies	4,000	2,500	1,821	679
Office supplies	20,000	18,000	16,939	1,061
Postage	4,800	4,800	3,357	1,443
Membership and dues	1,800	1,300	775	525
Travel and conferences	2,000	1,500	1,008	492
Auto operating expenses	20,000	16,000	15,202	798
Radio maintenance	500	500	-	500
Other maintenance and repairs	3,000	4,500	4,288	212
Telephone related services	4,100	6,500	6,335	165
Maintenance and service contracts	26,000	20,500	15,417	5,083
Employee training	1,750	1,250	215	1,035
Professional services	-	61,000	60,405	595
Utility billing	204,000	170,500	168,262	2,238
Special departmental supplies	4,500	12,500	55,215	(42,715)
Meters, parts and supplies	175,000	252,500	230,218	22,282
Uniforms and clothing	7,500	5,500	5,039	461
Gas and oil	50,000	35,000	31,274	3,726
Building and fixed equipment	6,000	14,400	-	14,400
Other equipment	-	21,400	-	21,400
Total Utility Finance	<u>1,782,210</u>	<u>1,772,090</u>	<u>1,732,099</u>	<u>39,991</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Wastewater Treatment				
Salary and wages	1,237,200	1,147,570	1,145,386	2,184
Retirement	131,290	126,430	125,131	1,299
Health insurance	229,280	200,710	200,278	432
Workers' compensation	36,000	22,570	22,093	477
Social security	87,640	85,770	83,922	1,848
Printing and supplies	1,400	3,400	2,172	1,228
Postage	1,200	2,300	1,842	458
Membership and dues	7,200	9,200	9,195	5
Auto operating expenses	10,000	19,500	18,313	1,187
Electricity	925,000	1,080,000	1,079,423	577
Heating fuel	15,000	28,700	28,653	47
Telephone related services	9,000	12,000	11,414	586
Radio maintenance	500	500	312	188
Maintenance and service contracts	10,000	9,500	1,677	7,823
Machine and equipment repairs	315,000	340,000	334,747	5,253
Building maintenance	5,000	5,000	4,172	828
Landfill services	339,000	299,000	297,111	1,889
Uniforms and clothing	9,000	17,500	16,300	1,200
Chemicals	130,000	232,000	231,102	898
Lab supplies	34,000	29,000	28,776	224
Employee training	7,000	2,200	835	1,365
Professional services	35,000	69,000	80,470	(11,470)
Special departmental supplies	67,000	63,000	58,724	4,276
Gas and oil	75,000	46,500	45,332	1,168
Water usage	28,000	16,000	14,368	1,632
Upgrade and painting	250,000	420,000	-	420,000
Total Wastewater Treatment	3,994,710	4,287,350	3,841,748	445,602

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Water Production - Surface Water				
Salary and wages	365,200	355,110	354,795	315
Retirement	38,760	39,280	38,711	569
Health insurance	52,790	53,230	52,625	605
Workers' compensation	11,160	7,280	6,825	455
Social security	26,440	26,580	26,347	233
Printing and supplies	1,200	1,700	1,428	272
Postage	100	200	102	98
Membership and dues	650	650	650	-
Auto operating expenses	2,000	3,660	3,410	250
Electricity	310,000	272,830	272,462	368
Travel and conference	-	20	18	2
Telephone related services	5,000	6,600	6,375	225
Heating fuel	20,000	15,500	11,312	4,188
Radio maintenance	500	-	-	-
Maintenance and service contracts	6,500	9,500	9,499	1
Machine and equipment repairs	43,000	58,850	58,253	597
Building maintenance	26,000	37,000	36,302	698
Uniform and clothing	4,700	4,700	4,349	351
Chemicals	262,000	311,960	311,223	737
Lab supplies	45,000	36,900	36,508	392
Employee training	2,000	1,000	678	322
Professional services	9,000	11,000	10,883	117
Special departmental supplies	20,000	35,100	388,211	(353,111)
Gas and oil	6,600	6,600	4,323	2,277
Water usage	1,800	1,440	1,045	395
Upgrade and painting	450,000	859,000	-	859,000
Total Water Production - Surface Water	1,710,400	2,155,690	1,636,334	519,356

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Water Production - Ground Water				
Salary and wages	289,300	238,190	236,949	1,241
Retirement	30,720	26,920	25,861	1,059
Health insurance	63,610	57,120	56,220	900
Workers' compensation	9,910	6,470	6,062	408
Social security	20,360	17,900	16,991	909
Printing and supplies	300	300	-	300
Postage	170	170	30	140
Membership and dues	600	600	290	310
Auto operating expenses	3,500	7,500	6,988	512
Electricity	798,000	703,000	697,030	5,970
Telephone related services	40,000	44,200	43,941	259
Heating fuel	200	100	(1,629)	1,729
Radio maintenance	400	400	92	308
Machine and equipment repairs	63,000	23,000	15,868	7,132
Building maintenance	3,000	3,000	2	2,998
Uniform and clothing	3,000	3,000	2,981	19
Chemicals	140,000	100,040	90,544	9,496
Lab supplies	14,500	12,000	7,142	4,858
Employee training	2,000	2,000	253	1,747
Professional services	60,000	64,200	355,161	(290,961)
Well repairs	89,500	78,900	72,036	6,864
Special departmental supplies	4,500	16,000	136,156	(120,156)
Gas and oil	35,000	19,500	18,748	752
Water usage	8,500	8,500	7,643	857
Upgrade and painting	115,000	181,000	-	181,000
Total Water Production - Ground Water	1,795,070	1,614,010	1,795,359	(181,349)

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Distribution Operations				
Salary and wages	687,940	625,390	622,730	2,660
Retirement	73,050	68,840	67,613	1,227
Health insurance	150,930	136,370	132,880	3,490
Workers' compensation	26,030	17,050	15,986	1,064
Social security	48,630	45,740	45,236	504
Printing and supplies	4,000	6,600	6,343	257
Postage	150	150	13	137
Membership and dues	300	300	235	65
Auto operating expenses	20,000	20,500	20,229	271
Electricity	15,000	15,000	7,965	7,035
Telephone related services	6,000	5,400	4,608	792
Heating fuel	10,000	10,000	5,247	4,753
Radio maintenance	500	500	446	54
Maintenance and service contracts	4,500	5,100	5,005	95
Maintenance and equipment repairs	17,500	21,500	19,889	1,611
Building maintenance	12,000	38,000	37,030	970
Uniform and clothing	12,500	12,500	10,399	2,101
Meters, parts and supplies	175,000	143,000	142,659	341
Pipe fittings and hydrants	200,000	255,000	268,138	(13,138)
Paving materials and supplies	7,000	8,500	7,997	503
Employee training	1,000	1,000	585	415
Professional services	14,000	2,400	-	2,400
Special departmental supplies	21,000	24,000	20,982	3,018
Gas and oil	80,000	76,500	70,952	5,548
Water usage	9,500	11,000	10,904	96
Machines and equipment	-	20,000	-	20,000
Total Distribution Operations	<u>1,596,530</u>	<u>1,570,340</u>	<u>1,524,071</u>	<u>46,269</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Collection Operations				
Salary and wages	589,460	562,190	560,105	2,085
Retirement	62,560	61,400	60,797	603
Health insurance	113,180	102,850	102,073	777
Workers' compensation	16,550	10,830	10,148	682
Social security	42,390	41,350	41,270	80
Printing and supplies	700	700	-	700
Postage	50	50	-	50
Membership and dues	500	500	75	425
Travel and conferences	300	300	-	300
Auto operating expenses	21,000	37,800	15,193	22,607
Telephone related services	800	1,700	1,583	117
Radio maintenance	500	500	46	454
Maintenance and equipment repairs	28,000	23,170	22,504	666
Uniform and clothing	7,000	8,000	7,077	923
Pipe fittings and hydrants	70,000	231,000	229,085	1,915
Paving materials and supplies	45,000	39,500	37,815	1,685
Employee training	500	500	495	5
Professional services	200	-	-	-
Special departmental supplies	20,000	9,500	12,194	(2,694)
Gas and oil	66,000	62,500	56,846	5,654
Machines and equipment	8,000	11,830	-	11,830
Total Collection Operations	1,092,690	1,206,170	1,157,306	48,864
Non-Departmental				
Depreciation and amortization	5,300,000	5,300,000	4,523,511	776,489
Bank charges	95,000	90,000	118,859	(28,859)
Credit card fees	-	112,000	111,526	474
Employee relations	21,000	31,500	31,117	383
Unemployment compensation	6,000	2,000	-	2,000
Other post employment benefits	148,580	148,400	148,400	-
GASB 68 pension expense	-	-	112,795	(112,795)
Property and liability insurance	213,000	230,000	227,149	2,851
Small claims	30,000	60,000	59,806	194
Employee W/C small claims	10,000	12,000	11,165	835
Legal services	70,000	78,500	77,548	952
City Center operations	325,000	335,600	312,824	22,776
Contingency	208,000	297,200	-	297,200

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Non-Departmental--continued				
IT support services	222,000	222,000	212,410	9,590
IT upgrade	-	21,000	9,104	11,896
Management system software	32,000	123,000	39,023	83,977
Health services	-	31,000	28,933	2,067
Economic development	-	120,000	57,755	62,245
Special projects	145,000	191,000	190,469	531
Other equipment	25,000	25,000	17,385	7,615
Redevelopment expenses	5,326,000	5,326,000	1,759,345	3,566,655
Total Non-Departmental	<u>12,176,580</u>	<u>12,756,200</u>	<u>8,049,124</u>	<u>4,707,076</u>
TOTAL OPERATING EXPENSES	<u>25,245,000</u>	<u>26,392,400</u>	<u>20,694,175</u>	<u>5,698,225</u>
OPERATING INCOME	<u>8,120,000</u>	<u>6,974,600</u>	<u>12,851,143</u>	<u>5,876,543</u>
Non-Operating Revenues (Expenses)				
Investment earnings	48,000	47,000	73,855	26,855
Miscellaneous revenues	1,501,000	1,501,000	1,959,353	458,353
Loss on disposal of assets	-	-	(10,107,299)	(10,107,299)
Interest expense	-	-	(1,222,252)	(1,222,252)
Appropriation of net position	-	1,150,000	-	(1,150,000)
Total Non-Operating (Expenses)	<u>1,549,000</u>	<u>2,698,000</u>	<u>(9,296,343)</u>	<u>(11,994,343)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>9,669,000</u>	<u>9,672,600</u>	<u>3,554,800</u>	<u>(6,117,800)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>366,838</u>	<u>366,838</u>
INCOME BEFORE TRANSFERS AND TRANSFERS OUT	<u>9,669,000</u> <u>(10,094,100)</u>	<u>9,672,600</u> <u>(10,097,700)</u>	<u>3,921,638</u> <u>(3,287,679)</u>	<u>(5,750,962)</u> <u>6,810,021</u>
CHANGES IN NET POSITION	<u>(425,100)</u>	<u>(425,100)</u>	<u>633,959</u>	<u>1,059,059</u>
Net position at beginning of year, as restated	<u>120,129,222</u>	<u>120,129,222</u>	<u>120,129,222</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 119,704,122</u>	<u>\$ 119,704,122</u>	<u>\$ 120,763,181</u>	<u>\$ 1,059,059</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
Proprietary Fund - Stormwater Utility Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Stormwater service fees	\$ 1,285,000	\$ 1,285,000	\$ 1,280,487	\$ (4,513)
Miscellaneous	3,500	3,500	3,610	110
Total Operating Revenues	<u>1,288,500</u>	<u>1,288,500</u>	<u>1,284,097</u>	<u>(4,403)</u>
Operating Expenses				
Salary and wages	324,410	318,370	314,865	3,505
Retirement	34,430	35,070	34,914	156
Health insurance	58,080	54,920	54,354	566
Workers' compensation	9,900	6,470	6,062	408
Social security	23,070	23,370	23,209	161
Printing and supplies	500	500	-	500
Membership and dues	800	900	695	205
Postage	200	200	9	191
Travel and conferences	500	500	-	500
Auto operating expenses	12,000	14,000	13,323	677
Electricity	5,000	5,000	3,153	1,847
Telephone related services	500	1,500	1,407	93
Radio maintenance	500	500	68	432
Maintenance and equipment repairs	18,500	18,500	1,532	16,968
Uniforms and clothing	4,500	4,500	3,004	1,496
Pipe fittings and hydrants	10,000	10,000	7,609	2,391
Employee training	1,500	1,500	466	1,034
Professional services	38,000	38,000	67,669	(29,669)
Special departmental supplies	8,000	7,500	14,613	(7,113)
Gas and oil	40,000	39,400	27,532	11,868
Depreciation	705,000	705,000	602,348	102,652
Bank charges	3,300	3,400	3,405	(5)
Employee relations	4,000	4,000	632	3,368
Unemployment compensation	500	500	-	500
Property and liability insurance	7,500	7,500	7,332	168
Other post employment benefits	12,910	12,900	12,900	-
GASB 68 pension expense	-	-	6,964	(6,964)
Small claims	1,000	500	-	500
TOTAL OPERATING EXPENSES	<u>1,324,600</u>	<u>1,314,500</u>	<u>1,208,065</u>	<u>106,435</u>
OPERATING INCOME (LOSS)	<u>(36,100)</u>	<u>(26,000)</u>	<u>76,032</u>	<u>102,032</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Stormwater Utility Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Non-Operating Revenues (Expenses)				
Investment earnings	6,500	6,500	3,866	(2,634)
Interest expense	<u>-</u>	<u>-</u>	<u>(57,030)</u>	<u>(57,030)</u>
Total Non-Operating Revenues (Expenses)	<u>6,500</u>	<u>6,500</u>	<u>(53,164)</u>	<u>(59,664)</u>
INCOME (LOSS) BEFORE TRANSFERS	(29,600)	(19,500)	22,868	42,368
TRANSFERS IN (OUT)	<u>(18,400)</u>	<u>(28,500)</u>	<u>113,980</u>	<u>142,480</u>
CHANGES IN NET POSITION	(48,000)	(48,000)	136,848	184,848
Net position at beginning of year, as restated	<u>2,353,190</u>	<u>2,353,190</u>	<u>2,353,190</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 2,305,190</u>	<u>\$ 2,305,190</u>	<u>\$ 2,490,038</u>	<u>\$ 184,848</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund - Victims Services Fund
Year Ended June 30, 2015

Court fines	
Court fines collected	\$ 533,400
Court fines retained by City	<u>(533,400)</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>
Court Assessments, Surcharges and Pullout	
Court assessments collected	\$ 506,981
Court surcharges collected	187,368
Court pullout collected	19,990
Court assessments, surcharges and pullout retained by City	<u>(83,864)</u>
Court assessments, surcharges and pullout remitted to the State Treasurer	<u>\$ 630,475</u>
Victims Services	
Court assessments allocated to Victims Services	\$ 63,953
Court surcharges allocated to Victims Services	27,411
Investment income	<u>260</u>
Funds allocated to Victims Services	91,624
Victims Services expenditures	<u>(77,391)</u>
Funds provided in the current year	14,233
Funds available for carryforward from prior year	<u>91,441</u>
Funds available for carryforward at end of year	<u>\$ 105,674</u>

STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	137
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	145
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	149
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	154
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relate to the services the city provides and the activities it performs.	159

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

Table 01

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in										
capital assets	\$ 22,624,824	\$ 20,703,754	\$ 21,001,938	\$ 17,499,606	\$ 13,871,015	\$ 17,158,331	\$ 19,429,425	\$ 20,692,434	\$ 19,816,179	\$ 23,841,085
Restricted	-	167,439	20,000	30,000	30,000	5,029,732	1,279,834	2,815,762	2,213,701	2,074,462
Unrestricted	9,759,013	9,853,296	11,745,471	10,298,441	14,544,052	8,484,126	8,596,543	8,804,690	9,331,143	(13,305,020)
Total governmental activities net position	\$ 32,383,837	\$ 30,724,489	\$ 32,767,409	\$ 27,828,047	\$ 28,445,067	\$ 30,672,189	\$ 29,305,802	\$ 32,312,886	\$ 31,361,023	\$ 12,610,527
Business-type activities										
Net investment in										
capital assets	\$ 53,017,659	\$ 54,491,789	\$ 55,854,407	\$ 63,684,875	\$ 63,713,249	\$ 79,843,049	\$ 82,021,447	\$ 89,407,316	\$ 91,842,316	\$ 88,515,915
Restricted	-	280,988	-	2,473,850	5,075,799	6,323,412	4,899,688	4,794,542	4,704,434	10,180,548
Unrestricted	13,696,663	16,365,953	22,494,732	17,791,955	23,762,825	16,707,215	25,586,627	27,718,326	35,629,092	24,556,756
Total business-type activities net position	\$ 66,714,322	\$ 71,138,730	\$ 78,349,139	\$ 83,950,680	\$ 92,551,873	\$ 102,873,676	\$ 112,507,762	\$ 121,920,184	\$ 132,175,842	\$ 123,253,219
Primary government totals										
Net investment in										
capital assets	\$ 75,642,483	\$ 75,195,543	\$ 76,856,345	\$ 81,184,481	\$ 77,584,264	\$ 97,001,380	\$ 101,450,872	\$ 110,099,750	\$ 111,658,495	\$ 112,357,000
Restricted	-	448,427	20,000	2,503,850	5,105,799	11,353,144	6,179,522	7,610,304	6,918,135	12,255,010
Unrestricted	23,455,676	26,219,249	34,240,203	28,090,396	38,306,877	25,191,341	34,183,170	36,523,016	44,960,235	11,251,736
Total primary government net position	\$ 99,098,159	\$ 101,863,219	\$ 111,116,548	\$ 111,778,727	\$ 120,996,940	\$ 133,545,865	\$ 141,813,564	\$ 154,233,070	\$ 163,536,865	\$ 135,863,746

Table 02

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 6,008,887	\$ 5,988,907	\$ 7,903,075	\$ 8,068,970	\$ 7,307,747	\$ 6,910,887	\$ 6,884,773	\$ 6,224,892	\$ 7,448,009	\$ 7,407,516
Public safety	11,683,483	12,365,574	12,733,887	13,323,884	13,409,835	14,139,828	15,342,743	14,258,623	14,418,964	14,941,776
Public works	4,449,471	4,451,755	4,579,662	4,933,597	5,172,572	4,868,876	5,527,026	5,789,957	6,893,527	6,875,207
Culture and recreation	3,282,275	7,588,055	4,407,663	6,765,323	4,318,364	4,030,009	5,223,822	4,939,601	4,767,511	4,967,947
Community development	363,629	477,068	216,096	328,207	1,697,060	502,885	1,097,686	730,670	1,235,708	777,787
Interest on debt	21,608	165,107	147,403	273,148	365,197	525,463	672,883	428,682	462,255	1,005,236
Total governmental activities expenses	<u>25,809,353</u>	<u>31,036,466</u>	<u>29,987,786</u>	<u>33,693,129</u>	<u>32,270,775</u>	<u>30,977,948</u>	<u>34,748,933</u>	<u>32,372,425</u>	<u>35,225,974</u>	<u>35,975,469</u>
Business-type activities:										
Water & Sewer	17,786,812	17,674,784	18,350,029	20,480,653	19,267,013	17,974,450	18,376,996	18,926,059	20,005,585	30,064,373
Stormwater	877,543	1,050,567	1,074,366	1,070,200	1,159,819	1,210,596	1,295,628	1,197,054	1,309,421	1,265,095
Total business-type activities expenses	<u>18,664,355</u>	<u>18,725,351</u>	<u>19,424,395</u>	<u>21,550,853</u>	<u>20,426,832</u>	<u>19,185,046</u>	<u>19,672,624</u>	<u>20,123,113</u>	<u>21,315,006</u>	<u>31,329,468</u>
Total primary government expenses	<u>44,473,708</u>	<u>49,761,817</u>	<u>49,412,181</u>	<u>55,243,982</u>	<u>52,697,607</u>	<u>50,162,994</u>	<u>54,421,557</u>	<u>52,495,538</u>	<u>56,540,980</u>	<u>67,304,937</u>
Program Revenues										
Governmental activities:										
Charges for services	12,948,872	13,966,132	16,289,368	16,560,571	14,532,169	13,867,188	13,786,297	15,030,057	15,232,023	15,749,432
Operating grants and contributions	1,182,273	2,655,129	2,761,350	1,552,503	3,313,840	4,073,237	2,971,633	2,362,524	1,611,072	2,475,584
Capital grants and contributions	564,662	723,680	697,194	736,431	285,763	51,000	356,500	111,430	-	4,799,532
Total governmental activities program revenues	<u>14,695,807</u>	<u>17,344,941</u>	<u>19,747,912</u>	<u>18,849,505</u>	<u>18,131,772</u>	<u>17,991,425</u>	<u>17,114,430</u>	<u>17,504,011</u>	<u>16,843,095</u>	<u>23,024,548</u>
Business-type activities:										
Charges for services:										
Water & Sewer	21,416,515	22,679,541	26,030,858	25,476,228	27,616,193	28,554,598	29,557,415	29,988,906	31,256,440	32,457,737
Stormwater	1,090,893	1,124,063	1,213,130	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857	1,280,487
Operating grants and contributions	-	-	-	-	-	-	-	119,553	-	-
Capital grants and contributions	21,000	228,060	257,666	814,663	574,568	741,858	-	82,545	226,298	366,838
Total business-type activities revenues	<u>22,528,408</u>	<u>24,031,664</u>	<u>27,501,654</u>	<u>27,510,335</u>	<u>29,424,764</u>	<u>30,544,339</u>	<u>30,810,314</u>	<u>31,462,506</u>	<u>32,755,595</u>	<u>34,105,062</u>
Total primary government revenues	<u>37,224,215</u>	<u>41,376,605</u>	<u>47,249,566</u>	<u>46,359,840</u>	<u>47,556,536</u>	<u>48,535,764</u>	<u>47,924,744</u>	<u>48,966,517</u>	<u>49,598,690</u>	<u>57,129,610</u>
Net (expense)/revenue										
Governmental activities	(11,113,546)	(13,691,525)	(10,239,874)	(14,843,624)	(14,139,003)	(12,986,523)	(17,634,503)	(14,868,414)	(18,382,879)	(12,950,921)
Business-type activities	3,864,053	5,306,313	8,077,259	5,959,482	8,997,932	11,359,293	11,137,690	11,339,393	11,440,589	2,775,594
Total primary government net expense	<u>(7,249,493)</u>	<u>(8,385,212)</u>	<u>(2,162,615)</u>	<u>(8,884,142)</u>	<u>(5,141,071)</u>	<u>(1,627,230)</u>	<u>(6,496,813)</u>	<u>(3,529,021)</u>	<u>(6,942,290)</u>	<u>(10,175,327)</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and fees										
Property taxes	7,956,478	8,193,634	8,360,565	8,594,436	8,766,376	9,375,114	9,401,312	9,340,283	9,462,898	9,617,294
Hospitality Fees	2,371,249	2,661,073	2,799,149	2,800,739	2,841,585	2,926,340	3,092,529	3,214,470	3,396,306	3,677,328
Unrestricted grants and contributions	1,006,529	1,143,389	987,666	942,306	790,254	711,684	728,643	851,358	1,320,504	2,293,423
Investment earnings	255,196	479,844	439,199	186,869	45,791	22,815	20,686	42,800	25,579	66,673
Gain (loss) on sale of assets	-	-	-	-	-	-	355,108	-	-	(1,469,452)
Miscellaneous	344,108	603,307	869,250	514,233	188,017	158,122	149,837	895,937	1,112,385	793,547
Transfers	1,455,058	1,612,000	1,626,117	1,637,000	2,124,000	2,019,569	2,520,001	2,956,317	2,113,344	3,173,699
Total governmental activities	<u>13,388,618</u>	<u>14,693,247</u>	<u>15,081,946</u>	<u>14,675,583</u>	<u>14,756,023</u>	<u>15,213,644</u>	<u>16,268,116</u>	<u>17,301,165</u>	<u>17,431,016</u>	<u>18,152,512</u>
Business-type activities										
Investment earnings	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185	31,401	77,721
Miscellaneous	-	-	-	913,528	1,495,506	928,575	965,858	977,161	897,012	1,091,191
Transfers	(1,455,058)	(1,612,000)	(1,626,117)	(1,637,000)	(2,124,000)	(2,019,569)	(2,520,001)	(2,956,317)	(2,113,344)	(3,173,699)
Total business-type activities	<u>(997,991)</u>	<u>(881,905)</u>	<u>(866,850)</u>	<u>(357,941)</u>	<u>(396,739)</u>	<u>(1,037,490)</u>	<u>(1,503,604)</u>	<u>(1,926,971)</u>	<u>(1,184,931)</u>	<u>(2,004,787)</u>
Total primary government	<u><u>12,390,627</u></u>	<u><u>13,811,342</u></u>	<u><u>14,215,096</u></u>	<u><u>14,317,642</u></u>	<u><u>14,359,284</u></u>	<u><u>14,176,154</u></u>	<u><u>14,764,512</u></u>	<u><u>15,374,194</u></u>	<u><u>16,246,085</u></u>	<u><u>16,147,725</u></u>
Changes in Net Position										
Governmental activities	(96,177)	(1,659,351)	2,042,923	(2,968,780)	617,020	2,227,121	(1,366,387)	2,432,751	(951,863)	5,201,592
Business-type activities	2,866,062	4,424,408	7,210,409	5,601,541	8,601,193	10,321,803	9,634,086	9,412,422	10,255,658	770,807
Total primary government	<u><u>2,769,885</u></u>	<u><u>2,765,057</u></u>	<u><u>9,253,332</u></u>	<u><u>2,632,761</u></u>	<u><u>9,218,213</u></u>	<u><u>12,548,924</u></u>	<u><u>8,267,699</u></u>	<u><u>11,845,173</u></u>	<u><u>9,303,795</u></u>	<u><u>5,972,399</u></u>

Table 03

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

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee	Fines and Forfeitures	Total
2006	\$ 7,956,478	\$ 8,127,825	\$ 2,371,249	\$ 688,837	\$ 19,144,389
2007	8,193,634	8,566,956	2,661,073	825,692	20,247,355
2008	8,360,565	10,212,766	2,799,149	827,954	22,200,434
2009	8,594,436	10,332,888	2,800,739	725,808	22,453,871
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,375,114	10,347,941	2,926,340	695,789	23,345,184
2012	9,401,312	10,318,699	3,092,529	692,526	23,505,066
2013	9,340,283	11,085,979	3,214,470	644,920	24,285,652
2014	9,462,898	11,334,578	3,396,306	637,172	24,830,954
2015	9,617,294	11,528,597	3,677,328	540,934	25,364,153

Table 04

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,201	\$ 265,745	\$ 253,173	\$ 260,220	\$ 220,390
Restricted	-	-	-	-	-	210,000	-	331,319	-	-
Reserved	-	-	300,000	27,000	240,000	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	693,523	781,179	1,934,688	1,979,096	2,355,008
Unreserved	8,004,650	8,187,370	8,128,515	9,022,785	9,510,270	-	-	-	-	-
Unassigned	-	-	-	-	-	8,740,538	8,291,180	8,415,209	9,081,509	10,109,014
Total General Fund	\$ 8,004,650	\$ 8,187,370	\$ 8,428,515	\$ 9,049,785	\$ 9,750,270	\$ 9,899,262	\$ 9,338,104	\$ 10,934,389	\$ 11,320,825	\$ 12,684,412
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,730	\$ 25,063	\$ 47,381	\$ 24,700	\$ 33,892
Restricted	-	-	-	-	-	1,733,579	1,279,834	2,484,443	17,920,948	15,347,557
Reserved	-	2,988,084	1,151,487	-	-	-	-	-	-	-
Committed	-	-	-	-	-	3,141,642	1,409,480	596,533	596,233	522,669
Assigned	-	-	-	-	-	1,194,567	675,914	-	15,000	-
Unreserved	2,023,353	1,691,698	3,750,499	8,889,745	7,169,422	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 2,023,353	\$ 4,679,782	\$ 4,901,986	\$ 8,889,745	\$ 7,169,422	\$ 6,090,518	\$ 3,390,291	\$ 3,128,357	\$ 18,556,881	\$ 15,904,118

Table 05

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Property Taxes	\$ 7,813,788	\$ 7,954,442	\$ 8,172,899	\$8,577,341	\$8,766,376	\$9,345,471	\$ 9,399,509	\$ 9,356,801	\$ 9,494,556	\$ 9,615,783
Licenses and fees	10,499,074	11,228,029	13,011,915	13,133,627	13,322,031	13,274,281	13,411,228	14,510,042	14,910,015	16,034,673
Intergovernmental	2,448,800	4,099,227	3,609,493	2,529,952	4,290,958	2,715,256	3,790,156	3,772,655	3,872,395	4,975,460
Charges for services	1,615,327	1,787,838	1,980,238	2,047,613	2,211,833	2,128,982	2,159,166	2,387,117	2,230,427	2,487,241
Fines and forfeitures	688,837	825,692	827,954	725,808	784,380	695,789	692,526	644,920	637,171	540,934
Investment earnings	255,196	479,844	439,199	186,869	45,791	30,006	20,689	40,298	25,579	66,674
Miscellaneous	450,306	956,527	2,165,312	1,132,615	1,036,131	3,001,651	675,859	1,042,119	534,793	654,253
Total revenues	<u>23,771,328</u>	<u>27,331,599</u>	<u>30,207,010</u>	<u>28,333,825</u>	<u>30,457,500</u>	<u>31,191,436</u>	<u>30,149,133</u>	<u>31,753,952</u>	<u>31,704,936</u>	<u>34,375,018</u>
Expenditures										
Current										
General government	5,439,557	5,446,156	7,389,797	7,407,872	6,995,675	6,765,865	6,776,184	6,072,413	7,315,367	6,911,151
Public safety	10,774,687	11,587,658	11,921,922	12,417,086	12,392,972	12,947,045	14,132,035	13,552,531	14,001,197	14,240,947
Public works	3,970,308	4,024,636	4,251,485	4,290,955	4,479,662	4,254,787	4,699,514	4,909,427	6,116,375	5,995,862
Culture and recreation	2,940,458	5,242,151	4,072,780	6,408,020	3,865,643	3,637,061	4,801,637	4,331,993	3,960,994	4,282,804
Community development	363,629	477,068	216,096	328,207	1,696,760	502,885	1,097,686	730,670	1,418,149	777,787
Debt Service										
Principal	272,252	505,051	543,977	670,369	1,069,978	1,162,813	2,358,462	1,763,799	8,410,196	1,677,644
Interest	-	162,476	154,483	142,569	390,440	537,190	612,332	459,469	473,483	1,002,763
Capital Outlay	<u>1,781,644</u>	<u>2,384,387</u>	<u>4,147,936</u>	<u>3,116,214</u>	<u>2,612,360</u>	<u>9,764,155</u>	<u>1,920,377</u>	<u>8,155,386</u>	<u>1,234,356</u>	<u>4,649,677</u>
Total expenditures	<u>25,542,535</u>	<u>29,829,583</u>	<u>32,698,476</u>	<u>34,781,292</u>	<u>33,503,490</u>	<u>39,571,801</u>	<u>36,398,227</u>	<u>39,975,688</u>	<u>42,930,117</u>	<u>39,538,635</u>
Excess of revenues under expenditures	<u>(1,771,207)</u>	<u>(2,497,984)</u>	<u>(2,491,466)</u>	<u>(6,447,467)</u>	<u>(3,045,990)</u>	<u>(8,380,365)</u>	<u>(6,249,094)</u>	<u>(8,221,736)</u>	<u>(11,225,181)</u>	<u>(5,163,617)</u>
Other financing sources (uses)										
Bond proceeds	-	-	-	-	-	5,345,000	-	-	23,734,000	-
Debt issuance cost	-	(35,867)	(7,584)	(52,305)	-	(37,000)	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	72,102	-	487,788	296,753
Transfers in	1,850,987	2,320,701	2,337,842	2,460,915	3,062,440	2,851,048	3,353,864	4,100,888	4,338,317	4,315,923
Transfers out	(426,829)	(708,701)	(700,842)	(823,915)	(938,440)	(669,189)	(833,863)	(1,155,163)	(2,224,973)	(1,142,224)
Proceeds of capital lease	785,378	3,761,000	1,325,402	9,558,117	-	47,025	395,606	6,610,362	705,308	478,801
Total other financing sources (uses)	<u>2,209,536</u>	<u>5,337,133</u>	<u>2,954,818</u>	<u>11,142,812</u>	<u>2,124,000</u>	<u>7,536,884</u>	<u>2,987,709</u>	<u>9,556,087</u>	<u>27,040,440</u>	<u>3,949,253</u>
Net changes in governmental fund balance	<u>\$ 438,329</u>	<u>\$ 2,839,149</u>	<u>\$ 463,352</u>	<u>\$4,695,345</u>	<u>\$ (921,990)</u>	<u>\$ (843,481)</u>	<u>\$ (3,261,385)</u>	<u>\$ 1,334,351</u>	<u>\$15,815,259</u>	<u>\$ (1,214,364)</u>
Debt service as a percentage of non-capital expenditures	1.1%	2.4%	2.4%	2.6%	4.7%	5.7%	8.6%	7.0%	21.3%	7.7%

Table 06

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Water & Sewer										
Service Fees	\$20,289,696	\$21,368,185	\$24,202,597	\$24,796,610	\$27,163,915	\$28,151,177	\$28,975,273	\$29,431,296	\$30,637,166	\$ 31,728,876
Sewer Surcharges	78,501	97,078	59,654	68,766	69,589	96,440	35,156	40,594	50,664	21,944
Cut on Fees	65,245	74,325	178,735	157,812	163,132	162,648	147,414	193,597	187,447	190,132
Water & Sewer										
Tap Fees	671,204	835,823	1,030,488	453,040	382,689	403,421	546,986	517,016	568,610	706,918
Service Charges	129,788	125,372	290,606	255,388	265,134	226,186	240,778	269,065	226,691	246,082
Late Fees	81,019	87,053	164,823	285,028	418,462	422,020	430,468	390,401	404,942	472,545
Stormwater Fees	1,089,301	1,121,916	1,198,218	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857	1,280,487
Investment earnings	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185	31,401	77,721
Intergovernmental revenues	-	-	-	-	-	-	-	119,553	-	-
Miscellaneous	123,654	321,912	376,533	1,187,775	1,223,346	928,575	152,512	206,643	304,230	2,508,622
Total revenues	<u>22,985,475</u>	<u>24,761,759</u>	<u>28,260,921</u>	<u>28,789,394</u>	<u>31,152,025</u>	<u>31,691,854</u>	<u>31,832,025</u>	<u>32,491,852</u>	<u>33,684,008</u>	<u>37,233,327</u>
Expenditures										
Current										
Engineering	776,610	809,866	906,622	869,298	911,246	974,177	1,032,580	987,846	924,838	958,134
Utility Finance	678,718	727,049	741,982	851,037	818,791	932,884	1,411,815	1,939,902	1,694,928	1,732,099
Wastewater Treatment	2,668,538	2,596,617	2,661,429	2,984,387	3,201,419	3,255,574	3,239,314	3,581,179	3,775,600	3,841,748
Water Production	2,492,365	2,742,980	3,046,488	2,882,349	2,963,361	2,668,762	3,302,963	2,881,285	2,826,265	3,431,693
Distribution Operations	2,299,328	2,424,662	2,690,956	2,914,425	2,091,324	2,275,930	1,731,542	1,837,213	1,737,163	1,524,071
Collection Operations	194,431	109,020	190,226	263,678	755,176	768,601	732,536	787,045	971,134	1,157,306
Stormwater	877,543	883,581	916,032	920,469	1,019,210	1,079,309	1,198,115	1,126,321	1,245,346	1,208,065
Non-departmental	8,676,822	8,431,576	8,270,660	9,865,212	8,689,525	7,289,814	7,029,073	6,992,914	8,139,732	19,435,705
Net Interdepartmental										
Transfer	1,455,058	1,612,000	1,626,117	1,637,000	2,124,000	2,125,000	2,520,001	2,945,725	2,113,344	3,173,699
Total expense	<u>20,119,413</u>	<u>20,337,351</u>	<u>21,050,512</u>	<u>23,187,855</u>	<u>22,574,052</u>	<u>21,370,051</u>	<u>22,197,939</u>	<u>23,079,430</u>	<u>23,428,350</u>	<u>36,462,520</u>
Net change in net position	<u>\$ 2,866,062</u>	<u>\$ 4,424,408</u>	<u>\$ 7,210,409</u>	<u>\$ 5,601,539</u>	<u>\$ 8,577,973</u>	<u>\$10,321,803</u>	<u>\$ 9,634,086</u>	<u>\$ 9,412,422</u>	<u>\$10,255,658</u>	<u>\$ 770,807</u>

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Business License/ Franchise Fees</u>	<u>Hospitality Fee</u>	<u>Fines and Forfeitures</u>	<u>Total</u>
2006	\$ 7,956,478	\$ 8,127,825	\$ 2,371,249	\$ 688,837	\$ 19,144,389
2007	7,954,442	8,566,956	2,661,073	825,692	20,008,163
2008	8,172,899	10,212,766	2,799,149	827,954	22,012,768
2009	8,577,341	10,332,888	2,800,739	725,808	22,436,776
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,345,471	10,347,941	2,926,340	695,789	23,315,541
2012	9,399,509	10,318,699	3,092,529	692,526	23,503,263
2013	9,356,801	11,085,979	3,214,470	644,920	24,302,170
2014	9,494,556	11,334,578	3,396,306	637,172	24,862,612
2015	9,615,783	11,528,597	3,677,328	540,934	25,362,642

Table 08

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

Fiscal Year	Tax Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
		Residential Property	Commercial Property	Motor Vehicles	Other					
2006	2005	\$ 39,049,201	\$ 59,067,023	\$ 16,839,936	\$ 22,146,872	\$ 4,173,248	\$ 132,929,784	54.9	\$ 2,396,889,288	5.55%
2007	2006	41,046,491	60,601,586	15,664,410	21,288,733	4,255,786	134,345,434	54.9	2,472,593,261	5.43
2008	2007	43,624,088	63,334,142	15,510,400	20,406,476	4,262,629	138,612,477	54.9	2,577,078,442	5.38
2009	2008	46,591,593	67,302,466	14,886,860	22,118,529	4,282,034	146,617,414	54.9	2,728,131,590	5.37
2010	2009	48,563,854	68,919,960	13,671,060	21,327,503	4,434,172	148,048,205	54.9	2,777,562,487	5.33
2011	2010	53,718,182	70,501,984	14,093,880	20,772,127	4,553,707	154,532,466	56.7	2,930,483,528	5.27
2012	2011	54,714,285	71,085,672	14,523,690	19,183,573	4,591,064	154,916,156	56.7	2,960,477,579	5.23
2013	2012	54,937,686	69,773,408	15,291,980	18,778,579	4,687,925	154,093,728	56.7	2,957,895,007	5.21
2014	2013	55,007,595	71,270,577	16,326,470	17,496,320	4,737,361	155,363,601	56.7	2,990,280,434	5.20
2015	2014	55,965,147	72,424,916	17,531,340	18,490,006	4,881,047	159,530,362	56.5	3,062,438,917	5.21

Source: Florence County

Table 09

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

Fiscal Year	Tax Year	Overlapping Rates ⁽¹⁾										
		City of Florence			Florence County			School District One			Technical College Millage	Total Direct & Overlapping Rates
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2006	2005	54.9	0.0	54.9	66.3	1.5	67.8	140.2	16.4	156.6	3.4	282.7
2007	2006	54.9	0.0	54.9	67.9	9.0	76.9	151.0	15.0	166.0	3.4	301.2
2008	2007	54.9	0.0	54.9	67.9	9.0	76.9	157.5	19.0	176.5	4.9	313.2
2009	2008	54.9	0.0	54.9	67.9	9.0	76.9	163.7	19.0	182.7	4.9	319.4
2010	2009	54.9	0.0	54.9	67.9	9.0	76.9	171.7	34.3	206.0	4.9	342.7
2011	2010	53.7	3.0	56.7	67.9	9.0	76.9	173.2	32.0	205.2	4.9	343.7
2012	2011	53.7	3.0	56.7	68.9	8.0	76.9	177.5	30.0	207.5	4.9	346.0
2013	2012	53.7	3.0	56.7	71.9	8.0	79.9	184.5	35.6	220.1	4.9	361.6
2014	2013	53.7	3.0	56.7	75.4	9.0	84.4	189.3	31.7	221.0	4.9	367.0
2015	2014	53.7	2.8	56.5	73.0	8.5	81.5	192.7	29.4	222.1	4.9	365.0

Source: Florence County Auditor's Office

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

Table 10

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

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
Carolinas Hospital System	\$ 8,711,980	1	5.30%	\$ 8,297,990	1	6.05%
Magnolia, LLC	3,251,990	2	1.98	-		
Duke Energy Progress ⁽³⁾	3,312,680	3	2.01	2,892,386	5	2.11
McLeod Regional Medical Center	2,613,350	4	1.59	4,442,550	2	3.24
Florence Mall	1,797,550	5	1.09	-		
BellSouth Telecommunications	1,832,250	6	1.11	2,937,770	4	2.14
Wal-Mart	1,803,570	7	1.10	-		
Raldex, Inc.	1,665,740	8	1.01	-		
CSX Transportation	1,394,346	9	0.85	-		
Holcombe Land Development	1,375,220	10	0.84	1,276,400	6	0.93
Byrd Properties, Inc.				2,983,050	3	2.18
Cingular Wireless				1,002,030	7	0.73
Edens & Avant Fin. Ltd. Partnership				976,770	8	0.71
South Carolina Electric and Gas				712,260	9	0.52
Richburg's Rentals				590,390	10	0.43

Source: Florence County

(1) Total Assessed Value for 2015 was \$164,411,409

(2) Total Assessed Value for 2006 was \$137,103,032

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

Table 11

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

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Original Tax Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections of Prior Tax Year's Levy in Subsequent Fiscal Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Collected</u>	<u>Percentage of Original Levy</u>
2006	2005	\$7,526,956	\$7,382,948	98.1%	\$ 59,144	\$7,442,092	98.9%
2007	2006	7,609,207	7,526,794	98.9	66,144	7,592,938	99.8
2008	2007	7,843,843	7,733,752	98.6	73,648	7,807,400	99.5
2009	2008	8,284,380	8,125,465	98.1	82,930	8,208,395	99.1
2010	2009	8,371,282	8,260,672	98.7	63,861	8,324,533	99.4
2011	2010	9,020,186	8,793,288	97.5	80,586	8,873,874	98.4
2012	2011	9,044,059	8,846,137	97.8	117,181	8,963,318	99.1
2013	2012	9,002,920	8,831,673	98.1	56,274	8,887,947	98.7
2014	2013	9,077,725	8,950,117	98.6	57,871	9,007,988	99.2
2015	2014	9,289,810	9,077,292	97.7	-	9,077,292	97.7

Source: Florence County

Table 12

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

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2006	\$ -	\$ -	\$ -	\$ 4,274,126	\$ 39,670,000	\$ 29,111,139	\$ 73,055,265	1.35%	\$2,288
2007	-	-	-	3,769,075	37,090,000	27,028,107	67,887,182	1.16	2,120
2008	-	-	1,280,000	3,270,500	36,265,000	24,873,896	65,689,396	1.08	2,049
2009	-	-	2,235,000	11,363,248	34,555,000	22,645,511	70,798,759	1.08	2,200
2010	-	-	2,060,675	10,466,595	111,040,082	17,419,572	140,986,924	2.15	3,805
2011	5,345,000	-	1,829,137	9,563,108	109,375,650	27,950,456	154,063,351	2.24	4,135
2012	5,092,905	-	1,416,062	8,265,421	105,252,219	28,815,589	148,842,196	2.10	3,964
2013	4,828,098	-	1,272,204	13,520,649	102,209,789	28,420,215	150,250,955	2.10	3,986
2014	4,550,124	23,734,000	675,000	6,690,939	105,069,530	35,715,144	176,434,737	*	4,648
2015	4,258,515	23,014,000	610,000	6,568,705	101,713,084	40,347,292	176,511,596	*	4,604

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

* Personal Income Tax Data is not currently available

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

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Per Capita</u>
2006	31,930	\$137,103,032 ⁽²⁾	\$ -	\$ -	\$ -	0.00%	\$ -
2007	32,015	138,601,220	-	-	-	0.00	-
2008	32,063	142,875,106	-	-	-	0.00	-
2009	32,180	150,899,448	-	-	-	0.00	-
2010	37,056	152,482,377	-	-	-	0.00	-
2011	37,254	159,086,173 ⁽²⁾	5,345,000	-	5,345,000	3.36	143
2012	37,550	159,507,220	5,092,905	431,975	4,660,930	2.92	124
2013	37,695	159,781,653	4,828,098	475,412	4,352,686	2.72	115
2014	37,961	160,100,962	4,550,124	521,650	4,028,474	2.52	106
2015	38,340	164,411,409	4,258,515	545,841	3,712,674	2.26	97

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

(2) Reassessment

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City⁽¹⁾</u>	<u>Amount Applicable to the City</u>
Direct:			
City of Florence	\$ 34,451,220	100.00%	\$ 34,451,220
Overlapping:⁽²⁾			
Florence County	202,789,160	35.86%	72,720,192
Florence School District 1	32,195,000	44.41%	14,297,800
Total Overlapping Debt	<u>\$ 234,984,160</u>		<u>\$ 87,017,992</u>
 Total Direct & Overlapping Debt	 <u><u>\$ 269,435,380</u></u>		 <u><u>\$ 121,469,212</u></u>

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

(2) Source: Florence County Finance Department

Table 15

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$10,968,243	\$11,088,098	\$11,430,008	\$12,071,956	\$12,198,590	\$12,726,894	\$12,760,578	\$12,702,532	\$12,808,077	\$13,153,714
Total net debt applicable to limit	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>5,345,000.00</u>	<u>4,660,930.00</u>	<u>\$4,352,686</u>	<u>\$4,028,474</u>	<u>\$3,712,674</u>
Legal Debt Margin	<u>\$10,968,243</u>	<u>\$11,088,098</u>	<u>\$11,430,008</u>	<u>\$12,071,956</u>	<u>\$12,198,590</u>	<u>\$7,381,894</u>	<u>\$8,099,648</u>	<u>\$8,349,846</u>	<u>\$8,779,603</u>	<u>\$9,441,040</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	42.00%	36.53%	34.27%	31.45%	28.23%

Legal Debt Margin Calculation for Fiscal Year 2015

Taxable Assessed Value - 2014 Levy	\$159,540,372
Add back: exempt real property	4,881,047
Total Assessed Value	<u>\$164,421,419</u>
Debt Limit (8% of Total Assessed Value Without Referendum)	\$13,153,714
Debt applicable to limit:	
Total Bonded Debt	\$4,258,515
Less Amounts Available in Debt Service Fund	(545,841)
Less Deductions Allowed by Law	
Total Net Debt Applicable to Limit	<u>3,712,674</u>
Legal Debt Margin	<u>\$9,441,040</u>

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

<u>Fiscal Year</u>	<u>Gross Revenue⁽¹⁾</u>	<u>Less: Operating Expenses⁽²⁾</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage⁽³⁾</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	21,837,986	10,087,728	11,750,258	3,902,590	3,181,807	7,084,397	1.66
2007	23,213,857	10,240,322	12,973,535	4,085,899	2,987,178	7,073,077	1.83
2008	26,654,167	11,204,841	15,449,326	2,392,078	2,782,452	5,174,530	2.99
2009	26,712,674	12,292,031	14,420,643	3,341,252	2,650,041	5,991,293	2.41
2010	29,199,368	12,087,177	17,112,191	3,447,196	2,497,453	5,944,649	2.88
2011	30,665,248	11,751,584	18,913,664	1,973,833	4,923,927	6,897,760	2.74
2012	31,924,606	12,439,583	19,485,023	3,879,607	6,082,235	9,961,842	1.96
2013	32,422,779	13,158,988	19,263,791	3,822,469	6,136,072	9,958,541	1.93
2014	33,472,326	14,008,991	19,463,335	4,131,881	5,639,266	9,771,147	1.99
2015	34,957,530	16,170,664	18,786,866	4,800,775	5,819,375	10,620,150	1.77

(1) Total Operating Revenues (including interest and Build America Bond Interest Subsidy) exclusive of grants.

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

(3) The City's Waterworks & Sewerage System Bond Ordinance requires that annual Net Earnings be equal to at least 100% of debt service requirements for all Junior Lien Bonds. Debt service requirements for FY 2014-15 for the \$6,111,310.18 Waterworks & Sewerage System Junior Lien Revenue Bond of the City of Florence, SC dated January 9, 2014, and amended on May 12, 2014, was \$214,724. Debt service requirements for FY 2014-15 for the \$12,936,000 Tax Increment Revenue Bond, which is additionally secured by a junior lien pledge of Waterworks & Sewerage System revenues, was \$396,532 in interest only payments. Net earnings of the system exceed the debt service amounts described above required by the City's Waterworks & Sewerage System Bond Ordinance. Debt service on these junior lien debts is not included under Debt Service Requirements in the above table.

Table 17

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

Fiscal Year	Population⁽¹⁾	Personal Income (in millions)⁽²⁾	Per Capita Personal Income⁽²⁾	Public School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾
2006	31,930	5,395	27,449	14,715	7.5
2007	32,015	5,861	29,661	15,510	6.1
2008	32,063	6,093	30,690	15,490	6.7
2009	32,180	6,528	30,542	15,783	12.1
2010	37,056	6,546	31,883	16,017	11.0
2011	37,254	6,889	33,491	16,081	11.6
2012	37,550	7,099	34,445	16,176	10.2
2013	37,695	7,146	34,646	16,305	9.9
2014	37,961	*	*	16,579	7.4
2015	38,341	*	*	16,694	7.5

* Information not yet available

(1) 2010 is the U.S. Census population, all other estimates by the South Carolina Revenue and Fiscal Affairs Office or City of Florence Finance Department.

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

(3) Florence School District One

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

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

<u>Employer</u>	<u>2015</u>			<u>2006⁽²⁾</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment⁽¹⁾</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment⁽¹⁾</u>
McLeod Regional Medical Center	6,500	1	11.0%	4,375	1	7.4%
Florence School District One	2,281	2	3.9	1,718	2	2.9
Carolinas Hospital System	1,330	3	2.2	1,400	4	2.4
The Assurant Group	1,178	4	2.0	425	10	0.7
Administrators/TRICARE (BCBS)	1,010	5	1.7	1,600	3	2.7
Florence County	808	6	1.4	898	6	1.5
Wal-Mart	630	7	1.1	620	7	1.0
Nightingales Nursing Services	600	8	1.0	-	-	-
City of Florence	541	9	0.9	456	9	0.8
Florence Co. Disabilities & Spec. Needs	279	10	0.5	-	-	-
Washington Mutual				1,150	5	1.9
SC DHEC				600	8	1.0

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

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

Table 19

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

Customer	Type of Business	2015			2006		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$356,267	2.15%	1	\$166,242	1.70%
Francis Marion University	University	2	254,210	1.54	4	113,302	1.16
Johnson Controls	Manufacturing	3	168,753	1.02			
Koppers	Manufacturing	4	153,487	0.93	2	148,074	1.52
Darlington County	Government	5	141,702	0.86	7	104,100	1.06
Roche Carolina	Manufacturing	6	122,837	0.74	6	104,491	1.07
ESAB	Manufacturing	7	115,472	0.70	5	108,029	1.11
Forrest Lake Apartments	Appartments	8	110,690	0.67			
Unifirst	Industrial	9	90,561	0.55			
Carolina Hospital Systems	Medical Services	10	84,634	0.51	9	60,758	0.62
PET Dairy	Manufacturing				3	129,861	1.33
Rental Uniforms	Industrial				8	91,742	0.94
Florence County Jail	Government				10	59,189	0.61
TOTALS			<u>\$1,598,613</u>	<u>9.67%</u>		<u>\$1,085,788</u>	<u>11.12%</u>

2015 Total Billed Revenues: \$16,532,673

2006 Total Billed Revenues: \$9,764,281

Table 20

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

Customer	Type of Business	2015			2006		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$356,267	2.15%	1	\$166,242	1.70%
Francis Marion University	University	2	254,210	1.54	4	113,302	1.16
Johnson Controls	Manufacturing	3	168,753	1.02		-	0.00
Koppers	Manufacturing	4	153,487	0.93	2	148,074	1.52
Darlington County	Government	5	141,702	0.86	7	104,100	1.06
Roche Carolina	Manufacturing	6	122,837	0.74	6	104,491	1.07
ESAB	Manufacturing	7	115,472	0.70	5	108,029	1.11
Forrest Lake Apartments	Appartments	8	110,690	0.67		-	0.00
Unifirst	Industrial	9	90,561	0.55		-	0.00
Carolina Hospital Systems	Medical Services	10	84,634	0.51	9	60,758	0.62
PET Dairy	Manufacturing				3	129,861	1.33
Rental Uniforms	Industrial				8	91,742	0.94
Florence County Jail	Government				10	59,189	0.61
TOTALS			<u>\$1,598,613</u>	<u>9.67%</u>		<u>\$1,085,788</u>	<u>11.12%</u>

2015 Total Billed Revenues: \$16,532,673

2006 Total Billed Revenues: \$9,764,281

Table 21

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

	Fiscal Year									
	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014 ⁽²⁾	2015
Water Customers:										
Residential	25,957	26,610	27,189	27,139	27,299	27,333	27,561	27,760	28,931	29,320
Commercial	2,802	2,849	2,970	2,958	2,983	2,977	3,006	3,027	3,160	3,162
Industrial				7	5	3	2	2	2	2
Total	<u>28,759</u>	<u>29,459</u>	<u>30,159</u>	<u>30,104</u>	<u>30,287</u>	<u>30,313</u>	<u>30,569</u>	<u>30,789</u>	<u>32,093</u>	<u>32,484</u>
Sewer Customers:										
Residential	16,241	16,761	17,190	17,143	17,340	17,344	17,517	17,689	18,815	19,118
Commercial	2,119	2,157	2,247	2,234	2,241	2,228	2,263	2,275	2,383	2,365
Industrial				7	6	5	4	4	4	4
Total	<u>18,360</u>	<u>18,918</u>	<u>19,437</u>	<u>19,384</u>	<u>19,587</u>	<u>19,577</u>	<u>19,784</u>	<u>19,968</u>	<u>21,202</u>	<u>21,487</u>
Total Utility Active Customers:	<u><u>47,119</u></u>	<u><u>48,377</u></u>	<u><u>49,596</u></u>	<u><u>49,488</u></u>	<u><u>49,874</u></u>	<u><u>49,890</u></u>	<u><u>50,353</u></u>	<u><u>50,757</u></u>	<u><u>53,295</u></u>	<u><u>53,971</u></u>

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

(2) In FY 2013-14 the City of Florence took ownership of the Town of Timmonsville Water and Sewer System

Table 22

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Minimum Rates ⁽¹⁾										
Inside City Rates										
3/4"	\$ 10.02	\$ 10.27	\$ 11.10	\$ 11.77	\$ 12.47	\$ 12.00	\$ 12.25	\$ 12.50	\$ 12.75	\$ 13.00
1"	15.26	15.67	16.92	17.94	19.01	25.50	26.05	26.60	27.15	37.70
1 1/4"	16.58	17.02	18.37	19.47	20.63	36.75	37.55	38.35	39.15	39.95
1 1/2"	29.70	30.52	32.92	34.90	36.99	48.00	49.05	50.10	51.15	52.20
2"	50.04	51.45	55.46	58.79	62.31	75.00	76.65	78.30	79.95	81.60
3"	108.42	111.52	120.18	127.39	135.03	147.00	150.25	153.50	156.75	159.90
4"	189.76	195.22	210.34	222.96	236.33	228.00	233.05	238.10	243.15	248.20
6"	422.64	434.85	468.48	496.59	526.38	453.00	463.05	470.10	480.15	493.20
8"	748.68	770.32	829.89	879.68	932.46	723.00	739.05	755.10	771.15	787.20
Volume Rate (per 1,000 gallons)	1.41	1.43	1.55	1.64	1.74	1.75	1.79	1.83	1.87	1.91
Minimum Rates ⁽¹⁾										
Outside City Rates										
3/4"	13.30	13.65	15.15	16.51	18.00	17.40	17.77	18.14	18.51	18.88
1"	21.17	21.75	24.12	26.29	28.66	39.00	39.85	40.70	41.55	42.40
1 1/4"	23.14	23.77	26.36	28.73	31.32	57.00	58.25	59.50	60.75	62.00
1 1/2"	42.82	44.02	48.79	53.18	57.97	75.00	76.65	78.30	79.95	81.60
2"	73.32	75.41	83.57	91.09	99.29	118.20	120.81	123.42	126.03	128.64
3"	160.90	165.52	183.39	199.89	217.88	233.40	238.57	243.74	248.91	254.08
4"	282.92	291.07	322.47	351.49	383.13	363.00	371.05	379.10	387.15	395.20
6"	632.24	650.51	720.64	785.49	856.19	723.00	739.05	755.10	771.15	787.20
8"	1,121.28	1,153.72	1,278.07	1,393.09	1,518.47	1,153.00	1,180.65	1,206.30	1,231.95	1,257.60
Volume Rate (per 1,000 gallons)	2.12	2.15	2.39	2.61	2.84	2.80	2.86	2.93	2.99	3.06

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

Table 23

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Minimum Rates ⁽¹⁾										
Inside City Rates										
3/4"	\$ 16.41	\$ 16.82	\$ 18.28	\$ 19.38	\$ 20.54	\$ 20.60	\$ 21.20	\$ 21.85	\$ 22.50	\$ 23.15
1"	26.23	26.92	29.28	31.04	32.90	46.85	48.20	50.68	51.15	52.63
1 1/4"	28.69	29.45	32.03	33.95	35.99	68.73	70.70	72.86	75.03	77.19
1 1/2"	53.25	54.71	59.52	63.09	66.88	90.60	93.20	96.05	98.90	101.75
2"	91.32	93.86	102.15	108.28	114.78	143.10	147.20	151.70	156.20	167.70
3"	200.61	206.27	224.50	237.97	252.25	283.10	291.20	300.10	309.00	317.90
4"	352.88	362.88	395.30	419.02	444.16	440.60	453.20	467.05	480.90	494.75
6"	788.82	811.25	883.04	936.02	992.18	878.10	903.20	930.80	958.40	986.00
8"	1,399.14	1,438.96	1,566.32	1,660.30	1,759.95	1,403.10	1,443.20	1,487.30	1,531.40	1,575.50
Volume Rate (per 1,000 gallons)	1.75	1.77	1.90	2.01	2.13	2.48	2.55	2.63	2.71	2.79
Minimum Rates ⁽¹⁾										
Outside City Rates										
3/4"	22.55	23.14	25.86	28.19	30.73	31.10	32.00	32.98	33.96	34.94
1"	37.29	38.29	42.82	46.68	50.88	73.10	75.20	77.51	79.80	82.11
1 1/4"	40.97	42.08	47.06	51.30	55.92	108.11	111.20	114.60	118.01	121.40
1 1/2"	77.81	79.97	89.47	97.52	106.30	143.10	147.20	151.70	156.20	160.70
2"	134.91	138.70	155.21	169.18	184.41	227.10	233.60	240.74	247.88	255.02
3"	298.85	307.31	343.95	374.91	408.66	451.10	464.00	478.18	492.36	506.54
4"	527.26	542.23	606.90	661.52	721.06	703.10	723.20	745.30	767.40	789.50
6"	1,181.17	1,214.78	1,359.71	1,482.09	1,615.48	1,403.10	1,443.20	1,487.30	1,531.40	1,575.50
8"	2,096.64	2,156.34	2,413.65	2,630.88	2,867.66	2,243.10	2,307.20	2,448.10	2,448.20	2,518.70
Volume Rate (per 1,000 gallons)	2.63	2.66	2.93	3.19	3.48	3.97	4.08	4.21	4.34	4.46

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

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

Function	Full-time Equivalent City Government Positions ⁽¹⁾									
	2006	2007 ⁽²⁾	2008	2009	2010	2011	2012	2013	2014	2015
General Government Admin.	13	11	12	12	12	13	14	12	12	11
Finance Department	10	10	10	10	10	10	10	9	9	9
Personnel Department	4	4	5	5	5	5	6	6	5	6
Community Services Department	5	7	8	8	8	8	8	8	8	5
Public Safety										
Police	140	138	138	140	143	153	153	154	146	150
Fire	71	70	70	71	72	85	85	85	86	85
Total Public Safety	211	208	208	211	215	238	238	239	232	235
Public Works Department										
Streets and Beautification	30	30	30	30	30	30	30	36	50	50
Sanitation	24	24	25	27	27	27	27	27	27	27
Equipment Maintenance	8	8	8	7	7	7	7	7	7	7
Total Public Works	62	62	63	64	64	64	64	70	84	84
Parks and Recreation	23	23	35	39	39	41	41	41	26	26
Urban Planning & Development	0	4	4	8	8	8	7	5	4	4
Water and Sewer	116	117	117	117	118	119	120	122	118	120
Stormwater	12	11	11	11	10	9	9	9	8	8
Total Employees	456	457	473	485	489	515	517	521	506	508

Source: City of Florence Budget

(1) Full-Time Equivalents are budgeted positions whether filled or vacant.

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

Table 25

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical Arrests	2,881	3,003	3,523	3,787	3,633	2,740	2,965	3,570	3,386	3,009
Traffic Violations	8,876	9,323	9,598	8,692	8,775	12,697	7,728	7,923	6,693	9,758
Parking Violations	1,153	757	623	924	770	546	514	430	355	148
Fire										
Calls Answered	2,324	2,413	2,236	2,177	2,565	2,709	2,492	2,557	2,520	2,923
Inspections	974	1,021	837	1,286	1,040	1,797	1,992	1,735	1,744	1,341
Water System										
Service Connections	28,759	29,459	30,238	30,240	30,814	30,396	30,546	30,789	31,949	32,179
Average daily production (in millions of gallons)	12.50	13.00	14.00	13.00	13.00	13.00	13.00	12.17	12.65	13.62
Maximum daily capacity (in millions of gallons)	37.00	37.00	37.00	37.00	26.00	26.00	26.00	25.60	26.46	26.46
Wastewater System										
Service connections	18,360	18,918	19,486	19,530	19,954	19,641	19,780	19,954	21,070	21,259
Average daily treatment (in millions of gallons)	8.90	10.00	9.82	11.00	12.00	10.00	8.50	8.63	12.21	11.14
Maximum daily capacity (in millions of gallons)	15.00	15.00	15.00	18.00	18.00	18.00	18.00	18.00	24.00	24.00

Table 26

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	2	3	2	3	3	3	2
Resource Centers	3	3	3	4	6	9	5	6	4	3
Patrol units	125	157	127	135	100	133	159	165	168	164
Fire Stations	4	4	4	4	4	5	5	5	5	5
Highways and Streets										
Streets (in miles) ⁽¹⁾	246	241	241	283	283	96	97	99	103	103
Streetlights (Leased)	5,816	6,052	6,075	6,235	6,375	6,670	6,722	6,722	6,756	6,996
Culture and Recreation										
Community centers	4	3	4	4	4	6	6	4	5	5
Parks	15	16	16	17	19	19	19	18	18	18
Park acreage	500	530	605	624	660	660	660	655	655	655
Tennis courts	24	22	24	24	48	54	50	49	50	50
Water System										
Water mains (in miles)	730	730	741	718	718	724	733	748	796	806
Fire hydrants	1,786	1,801	1,882	2,334	2,213	2,229	2,259	2,317	2,547	2,577
Wastewater System										
Sanitary sewers (in miles)	375	375	390	388	425	448	456	462	507	507
Treatment plants	1	1	1	1	1	1	1	1	2	2
Stormwater System										
Storm sewers (in miles) ⁽²⁾	105	109	110	115	115	75	76	76	76	76

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

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

**CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30 2015**

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	508
Area in square miles	21.94
Facilities and services not included in the primary government	
Cable Television System	
Miles of service (Florence County)	1,350
Education	
Number of elementary schools	14
Number of elementary school instructors	606
Number of secondary schools	6
Number of secondary school instructors	635
Facilities and services not included in the reporting entity	
Hospitals	
Number of hospitals	3
Number of patient beds	913
Other data	
Business Licenses issued for fiscal year 2014-2015	3,594
New Business Licenses issued for fiscal year 2014-2015	574
Business License Receipts	\$ 7,838,305
Percent change in Business License receipts from prior year	0.51%
Franchise Fee Receipts	\$ 3,690,292
Percent change in Franchise Fee receipts from prior year	4.37%
Population (estimated population)	38,341
City of Florence gross retail sales for calendar year 2014	\$ 2,679,839,630
Per Capita spending for calendar year 2014	\$ 69,895
Outstanding General Obligation Debt	\$ 10,827,220
Outstanding Revenue Debt	\$ 164,521,450
City of Florence Bond Rating	
Moody's Investor's Service	Aa2
Standards and Poor's	A+
Residential construction permits issued	259
Construction value	\$ 16,782,440
Commercial construction permits issued	167
Construction value	\$ 46,033,774

SINGLE AUDIT 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

1341 W. ALICE DRIVE, 29505
P.O. DRAWER 4707
FLORENCE, SC 29502
TELEPHONE (843) 669-3142
TELECOPIER (843) 662-9255

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor
City of Florence, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Florence, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Florence, South Carolina's major federal programs for the year ended June 30, 2015. City of Florence, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, City of Florence, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Florence, South Carolina

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs			
Community Development Block Grants	14.218	N/A	\$ 197,071
Economic Development Initiative	14.251	N/A	<u>76,408</u>
Total Direct Department of Housing and Urban Development			<u>273,479</u>
Passed through S.C. State Housing Finance and Development Authority			
Neighborhood Stabilization Program	14.228	08-NSP-116	410,480
Neighborhood Stabilization Program	14.228	11-NSP-116	<u>411,017</u>
Subtotal CFDA 14.228			<u>821,497</u>
Total Department of Housing and Urban Development			<u>1,094,976</u>
U.S. Department of Justice			
Direct Programs			
Bureau of Justice Assistance Grant	16.580	N/A	5,541
Bureau of Justice Assistance Grant	16.738	N/A	<u>27,601</u>
Total Department of Justice			<u>33,142</u>
U.S. Environmental Protection Agency			
Passed through S.C. Department of Health and Environmental Control			
Capitalization Grants for Clean Water State Revolving Funds	66.458	1-165-14-378-23	<u>1,385,687</u>
Total Environmental Protection Agency			<u>1,385,687</u>
Total Expenditures of Federal Awards			<u>\$ 2,513,805</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2015

1. Significant Accounting Policies

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

2. Outstanding Loans

At June 30, 2015, the City had the following outstanding loans:

	<u>CFDA #</u>	<u>Amount</u>
U.S. Department of Housing and Urban Development		
CDBG Section 108 Loan Guarantees	14.248	\$ <u>610,000</u>
U.S. Environmental Protection Agency		
Water Supply Improvements	66.468	823,191
Pee Dee Regional Water System/Finished Water Main	66.468	4,038,529
Rain Water Storage	66.468	1,736,533
Regional Wastewater Treatment Plan Upgrade - Phase I	66.458	15,670,529
Timmonsville Sewer System Rehabilitation - Phase I	66.458	<u>1,385,687</u>
Total Environmental Protection Agency		<u>23,654,469</u>
Total Loans Outstanding		<u>\$ 24,264,469</u>

3. Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants	\$ 40,144

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of City of Florence, South Carolina.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of City of Florence, South Carolina were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for City of Florence, South Carolina expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for City of Florence, South Carolina are reported in this schedule.
7. The programs tested as major programs include: Neighbor Stabilization Program - CFDA No. 14.228 and Capitalization Grants for Clean Water State Revolving Funds - CFDA No. 66.458.
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

City of Florence, South Carolina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

None

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

-MEMBERS OF-
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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Florence, South Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Florence, South Carolina's basic financial statements and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Burch, Oxner, Seale Co., CPAs, PA

Florence, South Carolina