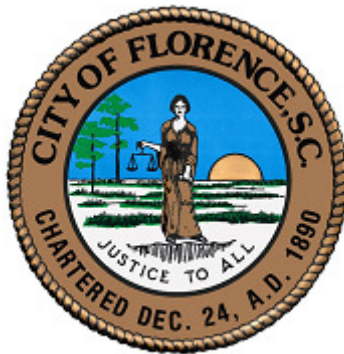


**CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**



**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, 2014

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INTRODUCTORY SECTION

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November 30, 2014

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, 2014.

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 firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of the seven counties known as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of approximately 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 begin developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level. Budget appropriations may be amended by council as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 40 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, and Otis Elevator have contributed significantly to overall capital investments and job creation in the area.

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

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

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

Downtown revitalization serves as a key element in the local economy and growth of Florence. A Downtown Master Redevelopment plan was presented to the public in 2001 as a strategic process for transforming downtown Florence into the cultural and economic heart of the Pee Dee it once was. The focus of the master plan was the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. As part of the master plan implementation process a 501(c) (3) tax-exempt charitable corporation, the Florence Downtown Development Corporation, was formed. City staff works with the Downtown Development Corporation, the Florence Downtown Merchants Association, and others involved with the revitalization effort in support of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence. In 2005, City Council adopted an ordinance that created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. On December 18, 2006 City Council adopted an ordinance creating a Tax Increment Financing (TIF) district incorporating the overlay district for downtown redevelopment as adopted by Council in 2005. Proceeds resulting from the tax increment financing district will be 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.

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

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

Long Term Financial Planning

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

The City's combined water and wastewater system continues to face fiscal challenges related to increasing operational costs and capital improvement needs including the construction of a wastewater treatment facility. In response to these challenges the City performed a comprehensive study of the operating, capital, and long-term debt service requirements to determine revenue sufficiency for these needs. The analysis revealed that rates for the combined water and wastewater system should be revised to meet current and future financial requirements of the system. Based on the recommendations of a comprehensive ten-year rate study City Council approved in 2010 an ordinance incorporating the recommended rates. This ordinance revised and updated the City's water and wastewater rate schedules through fiscal year 2020.

Relevant Financial Policies

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

Major Initiatives

Wastewater Management Facility Construction (Contracts 1 & 2) – In 2006, based on alternatives presented in a regional Water and Sewer System Master Plan (Master Plan), City Council determined that the City's wastewater treatment functions should be completely redesigned and rebuilt at the existing site located off National Cemetery Road to become the Florence Regional Wastewater Management Facility (WWMF). The preliminary engineering report (PER) for the new facility was presented to City Council in January 2008. The report included an implementation schedule and cost estimates for

redevelopment of the plant at the current site. Construction for the project was separated into two contracts. Bids for Contract 1, a project that included influent pumps, headworks, secondary clarifiers, and effluent disinfection facilities, were received in May 2009. Seaside Utilities of Moncks Corner, SC was selected as the contractor for this project. Contract 1 construction, at an approximate cost of \$18 million, was begun in August 2009 and was completed in 2012. Bids for Contract 2, a project that included aeration basins, additional secondary clarifiers, sludge handling facilities, an odor control system, effluent pumping works, and a laboratory and administration building, were received in February 2010. Encore Construction Company of Winter Garden, Florida, was selected as the contractor for this project. Contract 2 construction, at an approximate cost of \$69 million, was begun in July 2010 and was completed in the fall of 2013. Together, the facilities constructed in Contracts 1 and 2, fully replaced the previous wastewater treatment plant and increased the City's treatment capacity from 15 million gallons per day to 18 million gallons per day.

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

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

Town of Timmonsville Water and Sewer Utilities System Acquisition – 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, which was 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 \$12.5 million were identified and were 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. A number of projects to repair and improve the Timmonsville system and provide quality water and sewer service to the Town's customers were begun this fiscal year. The City is currently 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 \$2 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%. Grant funds include approximately \$790,000 from Community Development Block Grant funding, approximately \$1 million from an Economic Development Agency grant, and grants from the United States Department of Agriculture Rural Development in the approximate amount of \$800,000.

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;
- 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 established by the ordinance, the City has until December 2016 to issue a TIF obligation bond to fund public 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.

Since that time, City staff has considered various 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 Section 6-1-730 of the state 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.

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, 2013. 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 2013 marks the sixteenth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Thomas W. Chandler', written over a horizontal line.

Thomas W. Chandler
Finance Director



Government Finance Officers Association

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

Presented to

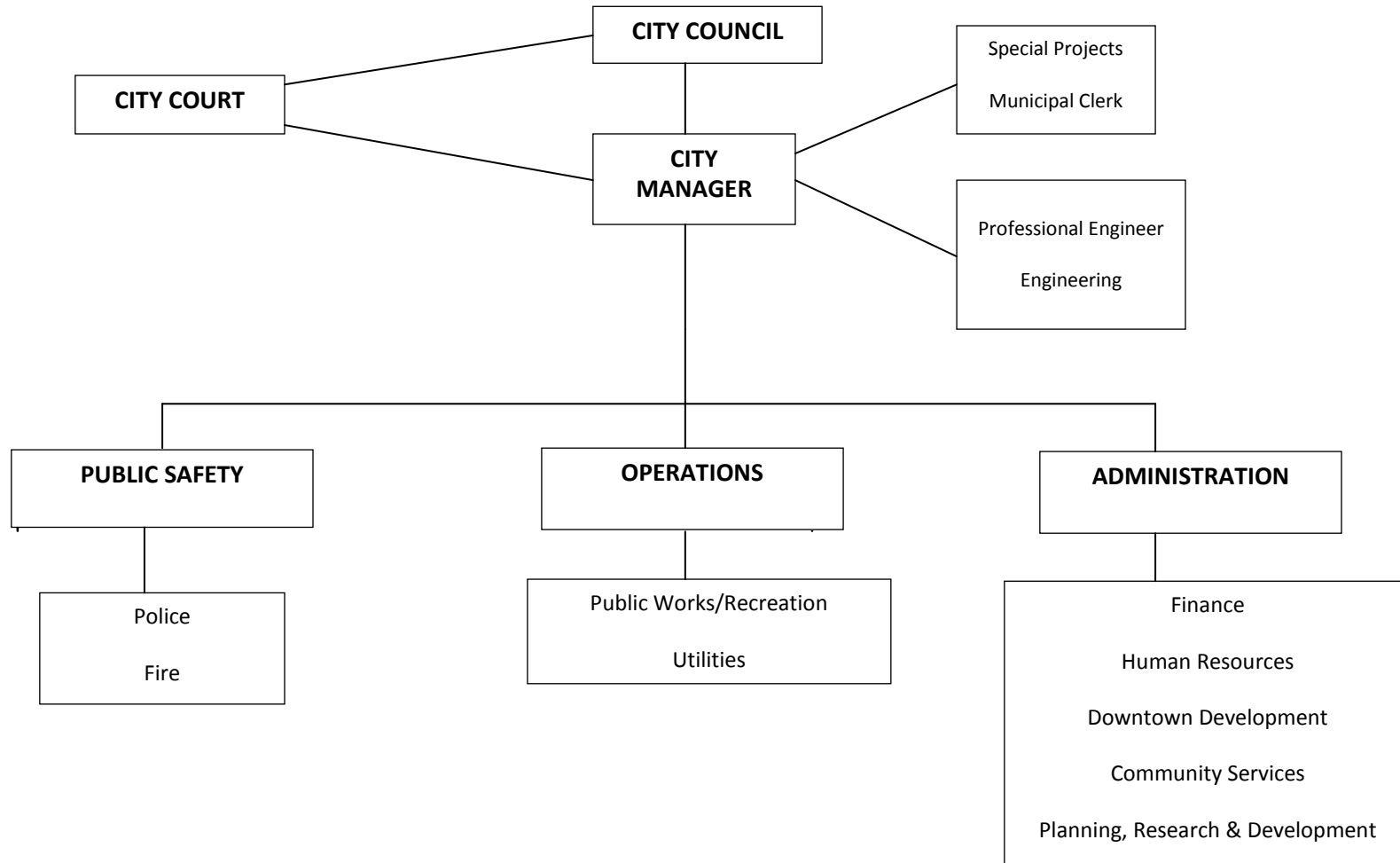
**City of Florence
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**CITY OF FLORENCE
ORGANIZATIONAL CHART
FY 2013-14**



**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2014**

GOVERNING BODY

Stephen J. Wukela, Mayor

Frank J. Brand, II, Mayor Pro Tempore

Edward Robinson

Octavia Williams-Blake

Teresa Myers Ervin

Glynn F. Willis

Robby Hill

ADMINISTRATION

Andrew H. Griffin, City Manager

Thomas W. Chandler, Finance Director

Scotty B. Davis, General Services Director

Allen Heidler, Police Chief

Randall S. Osterman, Fire Chief

Charles E. Pope, Jr., Public Works Director

Phillip M. Lookadoo, Planning, Research and Development Director

Raymond F. Reich, Downtown Development Director

Michael D. Hemingway, Utilities Director

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
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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, 2014, 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, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits on pages 21-30 and 77 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 126, 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 161, 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 November 28, 2014, on our consideration of the City of Florence, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Florence, South Carolina's internal control over financial reporting and compliance.



November 28, 2014

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, 2014. 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 \$163,536,865 (*net position*). Of this amount, \$45,625,923 (*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 \$9,303,795 during the fiscal year ended June 30, 2014, with a \$951,863 decrease resulting from governmental activities and a \$10,255,658 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 \$29,877,706, an increase of \$15,814,959 in comparison with the prior year. Approximately 30.0 percent of this total amount, \$9,081,509 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 \$9,081,509, or 29 percent of the total general fund expenditures.
- The City of Florence had \$169.1 million in bonds and notes outstanding versus \$136.7 million last year, an increase of 32.4 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 33-35 of this report.

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

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 36-39 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 40-41 of this report.

Proprietary funds. The City of Florence maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City of Florence uses enterprise funds to account for its water and sewer activities and 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 42-45 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 46 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-74 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 84-126 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 163,536,865 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (58% percent) reflects its investment in capital assets (e.g. land, building, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position, \$45,625,923, 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 33,945,340	\$ 17,468,983	\$ 46,353,659	\$ 47,208,795	\$ 80,298,999	\$ 64,677,778
Capital assets	39,093,267	39,982,066	232,024,633	211,995,647	271,117,900	251,977,713
Total assets	73,038,607	57,451,049	278,378,292	259,204,442	351,416,899	316,655,491
Long-term liabilities	37,825,104	21,796,069	141,485,795	131,347,105	179,310,899	153,143,174
Other liabilities	3,852,480	3,342,094	4,716,655	5,937,153	8,569,135	9,279,247
Total liabilities	41,677,584	25,138,163	146,202,450	137,284,258	187,880,034	162,422,421
Net Position:						
Net investment in capital assets	3,443,204	20,692,434	91,842,316	89,407,316	95,285,520	110,099,750
Restricted	17,920,988	2,815,762	4,704,434	4,794,542	22,625,422	7,610,304
Unrestricted	9,996,831	8,804,690	35,629,092	27,718,326	45,625,923	36,523,016
Total net position	\$ 31,361,023	\$ 32,312,886	\$ 132,175,842	\$ 121,920,184	\$ 163,536,865	\$ 154,233,070

City of Florence's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 15,232,023	\$ 15,030,057	\$ 32,529,297	\$ 31,260,408	\$ 47,761,320	\$ 46,290,465
Operating grants and contributions	1,611,072	2,362,524	-	119,553	1,611,072	2,482,077
Capital grants and contributions	-	111,430	226,298	82,545	226,298	193,975
General Revenues:						
Property taxes	9,462,898	9,340,283	-	-	9,462,898	9,340,283
Hospitality fees	3,396,306	3,214,470	-	-	3,396,306	3,214,470
Grants and contributions not restricted to specific programs	1,320,504	851,358	-	-	1,320,504	851,358
Other	1,137,964	938,737	928,413	1,029,346	2,066,377	1,968,083
Total Revenues	32,160,767	31,848,859	33,684,008	32,491,852	65,844,775	64,340,711

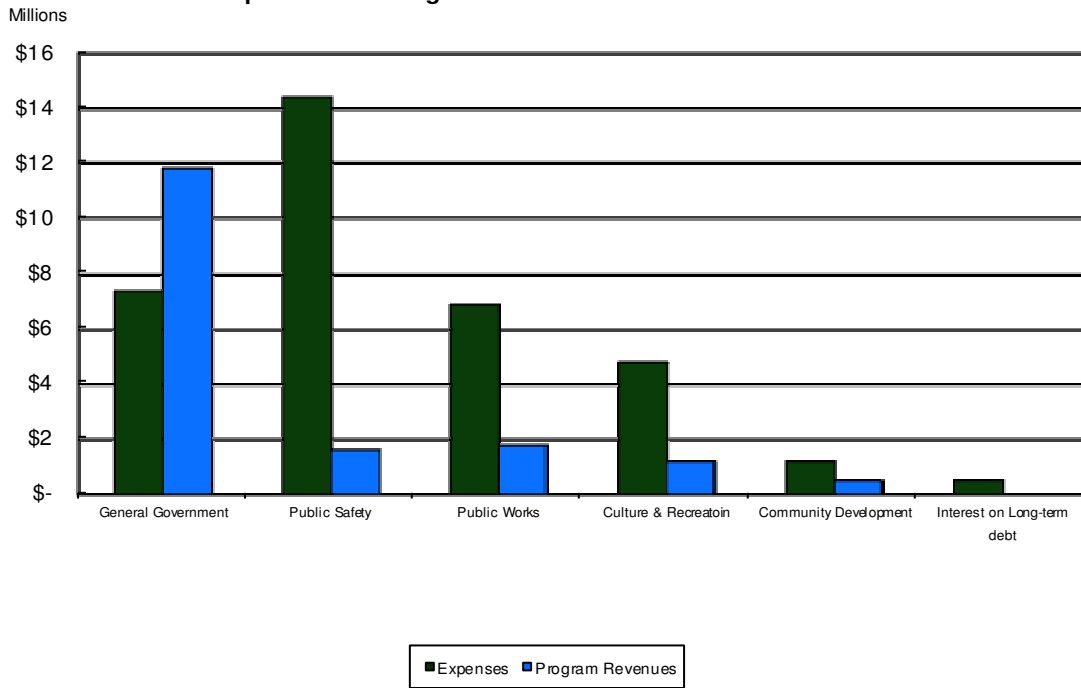
City of Florence's Changes in Net Position - Continued

	Governmental		Business-type		Total	
	activities		activities			
	2014	2013	2014	2013	2014	2013
Expenses:						
General Government	7,448,009	6,224,892	-	-	7,448,009	6,224,892
Public Safety	14,418,964	14,258,623	-	-	14,418,964	14,258,623
Public Works	6,893,527	5,789,957	-	-	6,893,527	5,789,957
Culture and Recreation	4,767,511	4,939,601	-	-	4,767,511	4,939,601
Community Development	1,235,708	730,670	-	-	1,235,708	730,670
Interest on long-term debt	462,255	428,682	-	-	462,255	428,682
Water and Sewer	-	-	20,005,585	18,926,059	20,005,585	18,926,059
Stormwater	-	-	1,309,421	1,197,054	1,309,421	1,197,054
Total Expenses	35,225,974	32,372,425	21,315,006	20,123,113	56,540,980	52,495,538
Increase (decrease) in net position before transfers	(3,065,207)	(523,566)	12,369,002	12,368,739	9,303,795	11,845,173
Transfers	2,113,344	2,956,317	(2,113,344)	(2,956,317)	-	-
Increase (decrease) in net position	(951,863)	2,432,751	10,255,658	9,412,422	9,303,795	11,845,173
Net position - beginning	32,312,886	29,880,135	121,920,184	112,507,762	154,233,070	142,387,897
Net position - ending	<u>\$ 31,361,023</u>	<u>\$ 32,312,886</u>	<u>\$ 132,175,842</u>	<u>\$ 121,920,184</u>	<u>\$ 163,536,865</u>	<u>\$ 154,233,070</u>

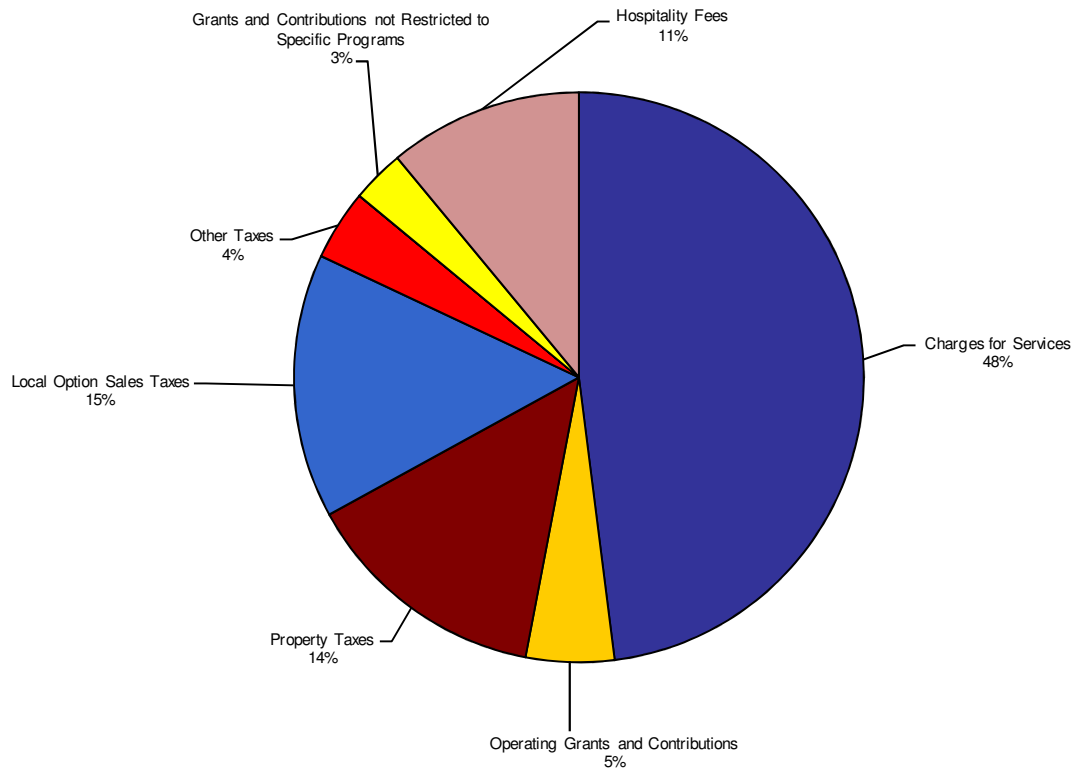
Governmental activities. Governmental activities decreased the City of Florence's net position by \$951,863. Key elements of this decrease are as follows:

There were several factors that contributed to the decrease in the Governmental Net position. The City received approximately \$1,700,000 in grant revenue in fiscal year 2013 from Smoke Free Florence, The Doctors Bruce and Lee Foundation, and the Department of Justice that the City was not eligible for in fiscal year 2014. In fiscal year 2014, the City received approximately \$487,000 from insurance proceeds which was not received in fiscal year 2013 and an increase of approximately \$273,000 in transfers to the General Fund from the Water and Sewer Enterprise Fund over the amount transferred in fiscal year 2013. The City had a total of approximately \$1,850,000 increase in expenses. Attributing to these increases were the change in fiscal year 2014 in annual debt service for the Florence Civic Center, resurfacing roads in Deerfield Subdivision, the first of three \$1,000,000 installments for the Francis Marion University's Health Sciences Building, and employee salaries and benefits.

Expenses and Program Revenues - Governmental Activities



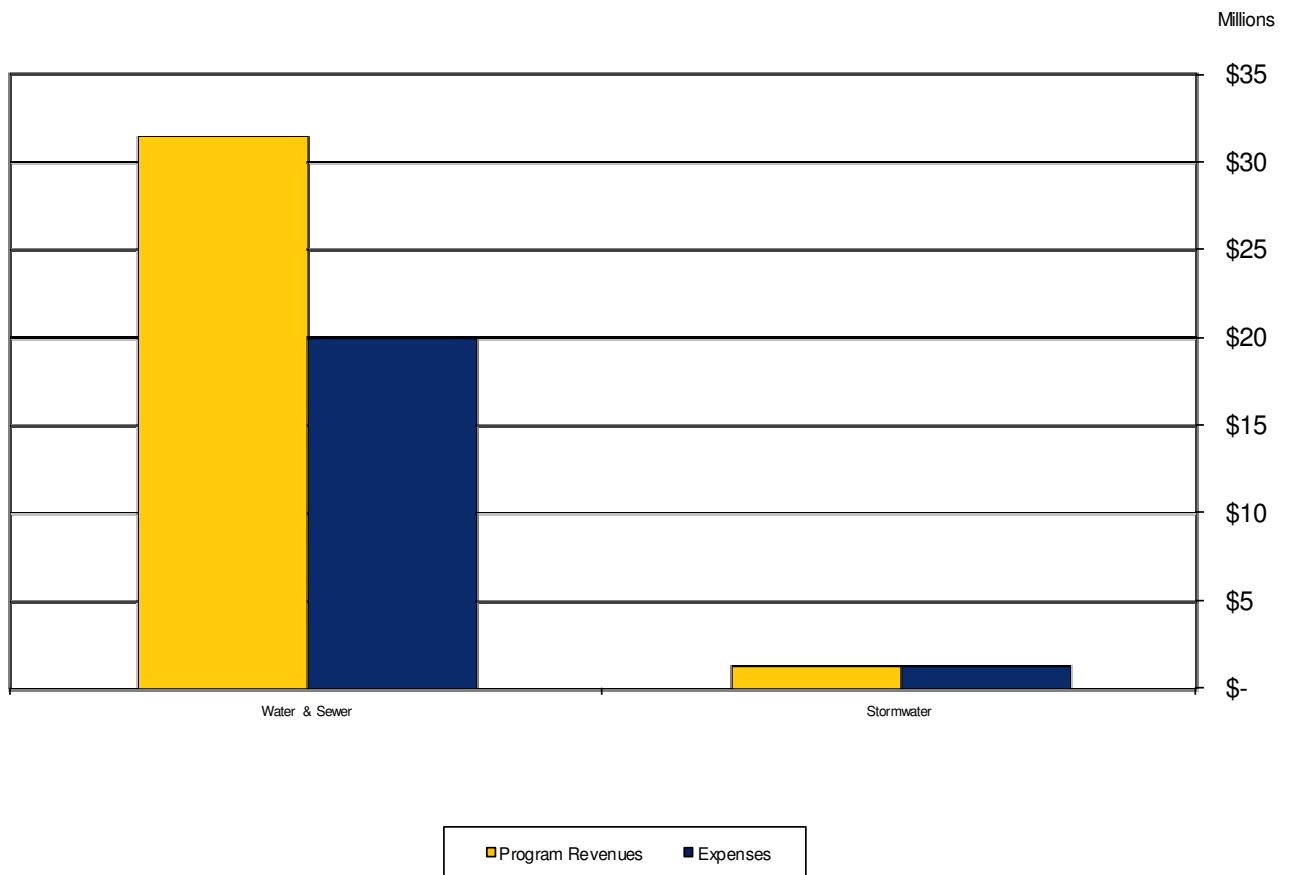
Revenue by Source – Governmental Activities



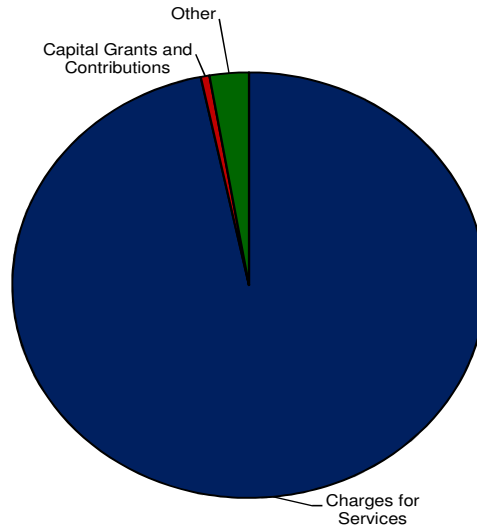
Business-type activities. Business-type activities increased the City of Florence's net position by \$10,255,658, accounting for 110 percent of the total growth in the government's net position. Key elements of this increase are as follows:

Capital Water and Sewer Projects – The first two construction phases of the Florence Regional Wastewater Management Facility have been completed and the third phase, which is currently under construction, is scheduled to be completed in FY 2014-15. To date the City has expended \$14,753,743 in engineering costs with \$1,257,620 being spent in FY 2013-14. The City has expended an additional \$109,094,986 on the construction of the facility, of which \$14,113,036 was expended in FY 2013-14. Additional details regarding the Wastewater Management Facility construction project are 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 \$29,877,706, an increase of \$15,814,959 in comparison with the prior year. Approximately 30 percent of this total amount (\$9,081,509) 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 (\$284,920), 2) restricted for particular purposes (\$17,935,948), 3) committed for particular purposes (\$596,233), or 4) assigned for particular purposes (\$1,979,096). 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 \$9,081,509, while total fund balance was \$11,320,825. 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 29 percent of total general fund expenditures, while total fund balance represents 36 percent of that same amount.

The fund balance of the City's general fund increased by \$386,436 during the current fiscal year. This is a 4% increase. The majority of the growth in Fund Balance is represented by increases of in revenue. The City has aggressively worked to collect delinquent business license fees due to the City resulting in an increase of approximately \$237,000 in delinquent business license revenue over the prior year. The City collected approximately \$331,000 in additional franchise fees. The City also recognized approximately \$59,000 in miscellaneous revenue for a receivable from Hope Health for property the City purchased for which Hope Health has agreed to repay.

The Hospitality Fund has a total fund balance of \$5,301,038, an increase of \$4,292,398 from the prior year. The increase in the Hospitality Fund is largely due to \$4,605,000 in proceeds received from a 2014 series bond issue for the construction of a regional gymnasium and recreation facility. Additional information regarding the bond issue, gymnasium, and recreation facility is provided in the Transmittal Letter.

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 FY 2013-14 debt service millage is 3.0 mills. The entire fund balance of \$527,236 is committed 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 \$35,629,092. The total growth in the net position was \$10,255,658. 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 \$2,575,700 greater than the original budget of \$29,470,000. City Council amended the General Fund budget three times during the fiscal year ended June 30, 2014. The first amendment increased the General Fund budget by of \$1,700,700. This increase included anticipated proceeds from the sale of a fire mini-pumper, anticipated proceeds from an insurance claim for a sanitation vehicle destroyed by fire, and re-appropriated funds to complete projects and purchases not finalized at the end of FY 2012-13.

The second amendment increased the General Fund budget by \$1,056,000. This amendment included an increase in Miscellaneous Grants of \$56,000 to provide funding for several recreation related projects and recognition of \$1,000,000 in Sales Tax Revenue from the designation of 50% of the revenues generated from the "County/Municipality Revenue Fund" portion of the Local Option Sales Tax. The Sales Tax Revenue funds will be used to provide construction assistance funding to Francis Marion University in the amount of \$1 million per year for a three-year period in support of the FMU Health Sciences educational facility to be located downtown. For an additional three years thereafter, these funds will continue to be collected and will be used to support costs related to neighborhood redevelopment.

The third amendment decreased revenue estimates and corresponding expenses by \$181,000 after a mid-year budget review.

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, 2014, amounts to \$271,117,900 (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 \$19,140,187 (a 2.22 percent decrease for governmental activities and a 9.45 percent increase for business-type activities).

The City routinely replaces aging vehicles to maintain a fleet of reliable, cost-efficient vehicles in service. In keeping with this practice, the City purchased a number of vehicles from the General Fund, Water and Sewer Utility Fund, and Stormwater Fund. The City also purchased an electronic operating system for the Surface Water Treatment Plant costing \$239,741. The City completed renovations to the City Center, the City's administrative and operational office facility, and renovations to the building housing the City's new Innovation Center, a small business incubator located in the downtown historic district. The cost of these two renovations totaled \$1,916,345. The City expended \$59,358 to replace the flooring at its Barnes Street Recreational Facility. Construction of various water and sewer projects was also completed for a combined cost of \$1,412,233.

During the fiscal year the City purchased several parcels of property in the Downtown Historic District on the corner of Evans and Irby Streets for a total of \$578,519 with the intent of razing the buildings on these parcels then conveying the property to Francis Marion University. The University will then construct the Francis Marion Health Services Building on the site to house a medical school for the third and fourth year medical students from the University of South Carolina Medical School.

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 is scheduled to be repaid over twenty (20) years with 1.9% interest.

The City's Water and Sewer Utility fund Construction in Process account increased by \$16,511,008, a majority of which is accounted for by the continued construction of the Florence Regional Wastewater Management Facility. Additional information on the Regional Wastewater Management Facility is provided in the Transmittal Letter.

The City has arranged several funding sources to complete approximately \$12.5 million in projects designed to bring the newly acquired Town of Timmons ville 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 \$2 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%. Grant funds include approximately \$790,000 from Community Development Block Grant funding, approximately \$1 million from an Economic Development Agency grant, and grants from the United States Department of Agriculture Rural Development in the approximate amount of \$800,000. As part of the Timmons ville System conveyance agreement, the City assumed, as a junior lien, a \$6.1 million Rural Development Loan from the Town of Timmons ville. Additionally, upon conveyance, the City paid off an obligation of the Timmons ville System held by BB&T in the amount of \$343,751. Additional information on the Town of Timmons ville water and sewer system acquisition is provided in the Transmittal Letter.

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,238,943	\$ 7,030,569	\$ 1,809,242	\$ 1,787,205	\$ 9,048,185	\$ 8,817,774
Buildings and Systems Infrastructure	14,532,642	7,547,595	101,728,143	98,268,728	116,260,785	105,816,323
	13,146,923	14,224,746	-	-	13,146,923	14,224,746
Machinery and Equipment	3,848,657	4,418,426	1,842,895	1,839,790	5,691,552	6,258,216
Construction in Process	326,102	6,760,730	126,644,353	110,099,924	126,970,455	116,860,654
Totals	\$ 39,093,267	\$ 39,982,066	\$ 232,024,633	\$ 211,995,647	\$ 271,117,900	\$ 251,977,713

Additional information on the City's capital assets can be found in note IV.C. beginning on page 59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt outstanding of \$165,193,675. This debt is backed by the full faith and credit of the government or specified revenue sources; the remainder of the Long-term Obligations comprises capital leases and notes payable.

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

	Governmental activities		Business-type activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ 23,734,000	\$ -	\$ 105,069,530	\$ 102,209,789	\$ 128,803,530	\$ 102,209,789
General Obligation Bonds	4,550,124	4,828,098	-	-	4,550,124	4,828,098
Notes Payable	675,000	1,272,204	35,715,145	28,420,215	36,390,145	29,692,419
Capital Leases	6,690,939	13,520,649	-	-	6,690,939	13,520,649
Totals	\$ 35,650,063	\$ 19,620,951	\$ 140,784,675	\$ 130,630,004	\$ 176,434,738	\$ 150,250,955

The City's total debt increased by \$26,183,783 (17 percent) during the current fiscal year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City of \$12,808,077, exceeds the City of Florence's outstanding general obligation debt (net of amount available in the debt service fund) of \$4,028,474 by \$8,779,603.

Additional information on the City of Florence's long-term debt can be found in note IV. E and F beginning on page 62 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 2015 fiscal year:

- Amounts available in FY 2014-15 for appropriation in the General Fund are for \$31.40 million, a decrease of 2% from the FY 2013-14 final revised budget of \$32.05 million. The City's budget amendments were reviewed earlier in this report.
- In FY 2013-14 the City's total millage rate remained the same at 56.7 mills. The total millage includes 53.7 operating mills and 3.0 debt service mills.
- The Florence area unemployment rate fell 36.4% from 9.9 in fiscal year 2013 to 6.3 in fiscal year 2014.

As for the City's business-type activities, we expect that the 2014 results will also improve based on the following:

- In January 2006, a regional water and sewer master plan was completed and presented to City Council for review. Based on the alternatives outlined in the Master Plan, Council decided that the City's wastewater treatment functions should be redeveloped at the existing site located off National Cemetery Road. City Council authorized the preparation of a preliminary engineering report (PER) for the new facility. A financing plan was developed to include the implementation of a three-year phased increase in water and sewer rates and a one-time increase in related fees, including service fees, late charges, and reconnection fees. In June 2007, City Council adopted an ordinance implementing the three-year water and sewer rate increase. Other fees including service fees, late charges, and reconnection fees were also increased. Water and sewer tap fees were increased by an ordinance adopted by City Council in January 2008. Costs related to the facility are being financed through low-interest state revolving fund loans and revenue bonds repaid through these rate and fee increases. The first construction contract for the Florence Regional Wastewater Management Facility project was signed and construction began in FY 2009-10. The financing for this contract was provided by a loan from the South Carolina Water Quality Revolving Fund Authority that was closed on June 25, 2009. The second contract was signed and construction began in FY 2010-11. In May, 2010 the City issued approximately \$68 million in new revenue bonds for the second construction contract on the new facility. The third contract was signed and construction began in FY 2012-13. In April 2013, the City borrowed \$10,626,372 from the South Carolina Revolving Fund Authority for construction of work designated in the third contract. At June 30, 2014, work on the second contract has been completed and approximately 90% of the work designated for contract three has been completed. The City of Florence is anticipating that the work for contract three will be completed by the end of fiscal year 2014-15.
- 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 \$12.5 million. The City will fund the improvement through three State Revolving Fund (SRF) loans, and three Federal grants. 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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,351,360	\$ 5,743,546	\$ 17,094,906
Receivables	3,714,771	4,843,123	8,557,894
Internal balances	(435,253)	435,253	-
Inventories	284,920	521,644	806,564
Investments	18,611,524	23,480,747	42,092,271
Restricted cash and cash equivalents	145,675	10,165,868	10,311,543
Unamortized bond issuance costs	272,343	1,163,478	1,435,821
Capital assets not being depreciated:			
Land	7,238,943	1,809,242	9,048,185
Construction in progress	326,102	126,644,353	126,970,455
Capital assets net of accumulated depreciation:			
Buildings and systems	14,532,642	101,728,143	116,260,785
Machinery and equipment	3,848,657	1,842,895	5,691,552
Infrastructure	13,146,923	-	13,146,923
TOTAL ASSETS	<u>73,038,607</u>	<u>278,378,292</u>	<u>351,416,899</u>
LIABILITIES			
Accounts payable	1,154,567	2,026,915	3,181,482
Retainage payable	18,000	658,388	676,388
Accrued interest payable	117,739	1,835,330	1,953,069
Other liabilities	847,268	196,022	1,043,290
Unearned revenue	1,714,906	-	1,714,906
Noncurrent liabilities			
Due within one year	1,695,486	5,213,680	6,909,166
Due in more than one year	36,129,618	136,272,115	172,401,733
TOTAL LIABILITIES	<u>41,677,584</u>	<u>146,202,450</u>	<u>187,880,034</u>
NET POSITION			
Net investment in capital assets	3,443,204	91,842,316	95,285,520
Restricted			
Debt service	527,236	4,704,434	5,231,670
Community development	430,102	-	430,102
Public safety	565,419	-	565,419
Culture and recreation	50,263	-	50,263
Capital projects	11,007,268	-	11,007,268
Tourism	5,340,700	-	5,340,700
Unrestricted	9,996,831	35,629,092	45,625,923
TOTAL NET POSITION	<u>\$ 31,361,023</u>	<u>\$ 132,175,842</u>	<u>\$ 163,536,865</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 7,448,009	\$ 11,422,228	\$ 383,739	\$ -
Public safety	14,418,964	1,561,566	20,250	-
Public works	6,893,527	1,791,375	-	-
Culture and recreation	4,767,511	456,854	718,790	-
Community development	1,235,708	-	488,293	-
Interest on long-term debt	462,255	-	-	-
Total governmental activities	<u>35,225,974</u>	<u>15,232,023</u>	<u>1,611,072</u>	<u>-</u>
Business-type activities				
Water and sewer	20,005,585	31,256,440	-	226,298
Stormwater	1,309,421	1,272,857	-	-
Total business-type activities	<u>21,315,006</u>	<u>32,529,297</u>	<u>-</u>	<u>226,298</u>
Total primary government	<u>\$ 56,540,980</u>	<u>\$ 47,761,320</u>	<u>\$ 1,611,072</u>	<u>\$ 226,298</u>

General Revenues:

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

Transfers

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 4,357,958	\$ -	\$ 4,357,958
(12,837,148)	-	(12,837,148)
(5,102,152)	-	(5,102,152)
(3,591,867)	-	(3,591,867)
(747,415)	-	(747,415)
<u>(462,255)</u>	<u>-</u>	<u>(462,255)</u>
<u>(18,382,879)</u>	<u>-</u>	<u>(18,382,879)</u>
-	11,477,153	11,477,153
-	(36,564)	(36,564)
<u>-</u>	<u>11,440,589</u>	<u>11,440,589</u>
<u>(18,382,879)</u>	<u>11,440,589</u>	<u>(6,942,290)</u>
9,462,898	-	9,462,898
3,396,306	-	3,396,306
1,320,504	-	1,320,504
25,580	31,401	56,981
1,112,384	897,012	2,009,396
<u>2,113,344</u>	<u>(2,113,344)</u>	<u>-</u>
<u>17,431,016</u>	<u>(1,184,931)</u>	<u>16,246,085</u>
(951,863)	10,255,658	9,303,795
<u>32,312,886</u>	<u>121,920,184</u>	<u>154,233,070</u>
<u>\$ 31,361,023</u>	<u>\$ 132,175,842</u>	<u>\$ 163,536,865</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, 2014

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,141,241	\$ 1,301,193	\$ 2,908,926	\$ 11,351,360
Receivables				
Property taxes, less allowance for doubtful accounts	129,464	-	5,586	135,050
Due from other governmental agencies	2,930,404	-	336,218	3,266,622
Other	8,125	304,974	-	313,099
Investments	4,366,941	4,000,443	10,244,140	18,611,524
Inventories	260,220	-	24,700	284,920
Restricted cash and cash equivalents	-	-	145,675	145,675
TOTAL ASSETS	<u>\$ 14,836,395</u>	<u>\$ 5,606,610</u>	<u>\$ 13,665,245</u>	<u>\$ 34,108,250</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 604,266	\$ 305,572	\$ 244,729	\$ 1,154,567
Retainage payable	18,000	-	-	18,000
Due to other funds	270,592	-	164,661	435,253
Other liabilities	847,256	-	12	847,268
Unearned revenue	1,714,906	-	-	1,714,906
TOTAL LIABILITIES	<u>3,455,020</u>	<u>305,572</u>	<u>409,402</u>	<u>4,169,994</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	60,550	-	-	60,550
Total deferred inflows of resources	60,550	-	-	60,550
Fund balances:				
Nonspendable	260,220	-	24,700	284,920
Restricted	-	5,301,038	12,634,910	17,935,948
Committed	-	-	596,233	596,233
Assigned	1,979,096	-	-	1,979,096
Unassigned	9,081,509	-	-	9,081,509
TOTAL FUND BALANCES	<u>11,320,825</u>	<u>5,301,038</u>	<u>13,255,843</u>	<u>29,877,706</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,836,395</u>	<u>\$ 5,606,610</u>	<u>\$ 13,665,245</u>	<u>\$ 34,108,250</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, 2014

Total fund balances for governmental funds	\$ 29,877,706
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 (\$70,038,632) less accumulated depreciation (\$30,945,365).	39,093,267
Unamortized loan costs used in governmental activities are not financial resources and, therefore, are not recognized in the funds.	272,343
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	60,550
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(37,942,843)</u>
Net position of governmental activities	<u>\$ 31,361,023</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, 2014

	<u>General</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 9,022,641	\$ -	\$ 471,915	\$ 9,494,556
Licenses, permits and fees	11,334,578	3,396,306	179,131	14,910,015
Intergovernmental	3,173,926	-	698,469	3,872,395
Charges for services	2,074,941	-	155,486	2,230,427
Fines and forfeitures	637,171	-	-	637,171
Investment earnings	17,345	1,896	6,339	25,580
Miscellaneous	459,233	-	75,560	534,793
TOTAL REVENUES	<u>26,719,835</u>	<u>3,398,202</u>	<u>1,586,900</u>	<u>31,704,937</u>
Expenditures				
Current:				
General government	6,249,731	1,065,636	-	7,315,367
Public safety	13,817,374	-	183,823	14,001,197
Public works	6,116,375	-	-	6,116,375
Culture and recreation	3,350,217	602,692	8,085	3,960,994
Community development	-	-	1,418,149	1,418,149
Debt service:				
Principal	1,138,826	6,993,396	277,974	8,410,196
Interest	79,173	246,134	148,176	473,483
Capital outlay	1,112,816	39,995	81,545	1,234,356
TOTAL EXPENDITURES	<u>31,864,512</u>	<u>8,947,853</u>	<u>2,117,752</u>	<u>42,930,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,144,677)</u>	<u>(5,549,651)</u>	<u>(530,852)</u>	<u>(11,225,180)</u>
Other Financing Sources (Uses)				
Bonds issued	-	10,798,000	12,936,000	23,734,000
Capital leases	705,308	-	-	705,308
Insurance proceeds	487,488	-	-	487,488
Transfers in	4,338,317	-	-	4,338,317
Transfers out	-	(955,951)	(1,269,022)	(2,224,973)
NET OTHER FINANCING SOURCES (USES)	<u>5,531,113</u>	<u>9,842,049</u>	<u>11,666,978</u>	<u>27,040,140</u>
NET CHANGE IN FUND BALANCES	386,436	4,292,398	11,136,126	15,814,960
Fund balances at beginning of year	10,934,389	1,008,640	2,119,717	14,062,746
FUND BALANCES AT END OF YEAR	<u>\$ 11,320,825</u>	<u>\$ 5,301,038</u>	<u>\$ 13,255,843</u>	<u>\$ 29,877,706</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, 2014

Net change in fund balances-total governmental funds \$ 15,814,960

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 depreciation (\$2,134,155) exceeded capital outlay (\$1,234,356) in the current period. (899,799)

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. (31,658)

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. (16,029,112)

Governmental funds report debt issuance costs as expenditures. However, in the statement of activities this cost is allocated over the life of the debt and reported as amortization expense. This amount represents current debt issuance cost net of amortization of debt issuance costs. 182,441

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 11,305

Change in net position of governmental activities \$ (951,863)

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 9,219,600	\$ 8,925,100	\$ 9,022,641	\$ 97,541
Licenses, permits and fees	11,051,000	10,956,000	11,334,578	378,578
Intergovernmental	1,963,600	3,145,100	3,173,926	28,826
Charges for services	1,901,800	1,874,300	2,074,941	200,641
Fines and forfeitures	700,000	629,000	637,171	8,171
Investment earnings	21,000	15,000	17,345	2,345
Miscellaneous	355,000	303,000	459,233	156,233
TOTAL REVENUES	<u>25,212,000</u>	<u>25,847,500</u>	<u>26,719,835</u>	<u>872,335</u>
Expenditures				
Current:				
General government	5,982,970	6,433,530	6,249,731	183,799
Public safety	14,563,730	14,210,620	13,817,374	393,246
Public works	5,865,500	5,733,300	6,116,375	(383,075)
Culture and recreation	2,285,300	3,218,660	3,350,217	(131,557)
Debt service:				
Principal	-	-	1,138,826	(1,138,826)
Interest	85,000	85,000	79,173	5,827
Capital outlay	687,500	2,364,590	1,112,816	1,251,774
TOTAL EXPENDITURES	<u>29,470,000</u>	<u>32,045,700</u>	<u>31,864,512</u>	<u>181,188</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(4,258,000)</u>	<u>(6,198,200)</u>	<u>(5,144,677)</u>	<u>1,053,523</u>
Other Financing Sources (Uses)				
Capital leases	-	-	705,308	705,308
Insurance proceeds	-	456,400	487,488	31,088
Transfers in	4,258,000	4,186,000	4,338,317	152,317
Appropriation of fund balance	-	1,555,800	-	(1,555,800)
Net Other Financing Sources (Uses)	<u>4,258,000</u>	<u>6,198,200</u>	<u>5,531,113</u>	<u>(667,087)</u>
NET CHANGE IN FUND BALANCES	-	-	386,436	386,436
Fund balances at beginning of year	10,934,389	10,934,389	10,934,389	-
FUND BALANCES AT END OF YEAR	<u>\$ 10,934,389</u>	<u>\$ 10,934,389</u>	<u>\$ 11,320,825</u>	<u>\$ 386,436</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, 2014

	<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	\$ 3,210,000	\$ 3,210,000	\$ 3,396,306	\$ 186,306
Intergovernmental	240,000	240,000	-	(240,000)
Investment earnings	5,000	5,000	1,896	(3,104)
TOTAL REVENUES	<u>3,455,000</u>	<u>3,455,000</u>	<u>3,398,202</u>	<u>(56,798)</u>
Expenditures				
Current:				
General government	1,518,500	1,693,000	1,065,636	627,364
Culture and recreation	30,000	30,000	602,692	(572,692)
Debt service:				
Principal	1,046,500	1,047,000	6,993,396	(5,946,396)
Interest	-	-	246,134	(246,134)
Capital Outlay	-	-	39,995	(39,995)
TOTAL EXPENDITURES	<u>2,595,000</u>	<u>2,770,000</u>	<u>8,947,853</u>	<u>(6,177,853)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>860,000</u>	<u>685,000</u>	<u>(5,549,651)</u>	<u>(6,234,651)</u>
Other Financing Sources (Uses)				
Bonds issued	-	-	10,798,000	10,798,000
Transfers out	(860,000)	(860,000)	(955,951)	(95,951)
Appropriations of fund balance	-	175,000	-	(175,000)
Net Other Financing Sources (Uses)	<u>(860,000)</u>	<u>(685,000)</u>	<u>9,842,049</u>	<u>10,527,049</u>
NET CHANGE IN FUND BALANCES	-	-	4,292,398	4,292,398
Fund balance at beginning of year	<u>1,008,640</u>	<u>1,008,640</u>	<u>1,008,640</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,008,640</u>	<u>\$ 1,008,640</u>	<u>\$ 5,301,038</u>	<u>\$ 4,292,398</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, 2014

	<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>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,936,859	\$ 806,687	\$ 5,743,546
Accounts receivable, net	4,737,627	104,840	4,842,467
Due from other funds	435,253	-	435,253
Other receivables	656	-	656
Investments	22,836,186	644,561	23,480,747
Inventories	521,644	-	521,644
Restricted cash and cash equivalents	<u>10,138,148</u>	<u>27,720</u>	<u>10,165,868</u>
Total current assets	<u>43,606,373</u>	<u>1,583,808</u>	<u>45,190,181</u>
Noncurrent assets:			
Unamortized bond issue costs	1,148,197	15,281	1,163,478
Capital assets			
Land	1,403,734	405,508	1,809,242
Buildings and system	164,209,482	7,187,489	171,396,971
Construction in progress	126,571,382	72,971	126,644,353
Machinery and equipment	6,622,285	1,019,102	7,641,387
Less accumulated depreciation	<u>(70,428,923)</u>	<u>(5,038,397)</u>	<u>(75,467,320)</u>
Total capital assets (net of accumulated depreciation)	<u>228,377,960</u>	<u>3,646,673</u>	<u>232,024,633</u>
Total noncurrent assets	<u>229,526,157</u>	<u>3,661,954</u>	<u>233,188,111</u>
TOTAL ASSETS	<u>273,132,530</u>	<u>5,245,762</u>	<u>278,378,292</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,987,210	39,705	2,026,915
Retainage payable	648,477	9,911	658,388
Accrued interest	1,830,527	4,803	1,835,330
Other liabilities	182,921	13,101	196,022
Compensated absences - current	30,000	3,000	33,000
Notes payable - current	1,873,665	-	1,873,665
Revenue bonds payable - current	<u>3,032,015</u>	<u>275,000</u>	<u>3,307,015</u>
Total current liabilities	<u>9,584,815</u>	<u>345,520</u>	<u>9,930,335</u>
Noncurrent liabilities			
Accrued compensated absences	611,916	56,205	668,121
Notes payable	33,841,479	-	33,841,479
Revenue bonds payable	99,260,158	1,900,000	101,160,158
Unamortized bond premium	<u>602,357</u>	<u>-</u>	<u>602,357</u>
Total noncurrent liabilities	<u>134,315,910</u>	<u>1,956,205</u>	<u>136,272,115</u>
TOTAL LIABILITIES	<u>143,900,725</u>	<u>2,301,725</u>	<u>146,202,450</u>
NET POSITION			
Net investment in capital assets	90,370,643	1,471,673	91,842,316
Restricted for debt service	4,704,434	-	4,704,434
Unrestricted	<u>34,156,728</u>	<u>1,472,364</u>	<u>35,629,092</u>
TOTAL NET POSITION	<u>\$ 129,231,805</u>	<u>\$ 2,944,037</u>	<u>\$ 132,175,842</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Non-Major Fund</u> <u>Stormwater</u> <u>Utility Fund</u>	<u>Total</u>
Operating Revenues			
Current use charges	\$ 30,687,830	\$ -	\$ 30,687,830
Miscellaneous	859,033	37,979	897,012
Water and sewer tap fees	568,610	-	568,610
Stormwater service fees	-	1,272,857	1,272,857
Total operating revenues	<u>32,115,473</u>	<u>1,310,836</u>	<u>33,426,309</u>
Operating Expenses			
Personnel	4,333,638	311,912	4,645,550
Employee benefits	1,838,724	115,412	1,954,136
Purchased services	4,541,578	139,850	4,681,428
Supplies and materials	1,589,779	9,663	1,599,442
Other operating expenses	1,705,272	33,788	1,739,060
Depreciation and amortization	4,669,117	634,721	5,303,838
Total operating expenses	<u>18,678,108</u>	<u>1,245,346</u>	<u>19,923,454</u>
Operating Income	<u>13,437,365</u>	<u>65,490</u>	<u>13,502,855</u>
Nonoperating Revenues (Expenses)			
Investment earnings	28,596	2,805	31,401
Loss on disposal of assets	(45,399)	-	(45,399)
Interest expense	(1,282,078)	(64,075)	(1,346,153)
Total nonoperating revenues (expenses)	<u>(1,298,881)</u>	<u>(61,270)</u>	<u>(1,360,151)</u>
Income Before Transfers and Capital Contributions	<u>12,138,484</u>	<u>4,220</u>	<u>12,142,704</u>
Capital Contributions	<u>226,298</u>	<u>-</u>	<u>226,298</u>
Income Before Transfers	<u>12,364,782</u>	<u>4,220</u>	<u>12,369,002</u>
Transfers			
Transfers in (out)	(1,988,344)	(125,000)	(2,113,344)
Total transfers	<u>(1,988,344)</u>	<u>(125,000)</u>	<u>(2,113,344)</u>
Change in Net Position	<u>10,376,438</u>	<u>(120,780)</u>	<u>10,255,658</u>
Net position at beginning of year	<u>118,855,367</u>	<u>3,064,817</u>	<u>121,920,184</u>
NET POSITION AT END OF YEAR	<u>\$ 129,231,805</u>	<u>\$ 2,944,037</u>	<u>\$ 132,175,842</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, 2014

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	
	Water and	Stormwater	
	Sewer Fund	Utility Fund	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 30,773,151	\$ 1,287,716	\$ 32,060,867
Payments to employees for services	(4,344,301)	(309,454)	(4,653,755)
Payments to suppliers for goods and services	(11,409,902)	(348,331)	(11,758,233)
Other receipts	859,033	37,979	897,012
	<u>15,877,981</u>	<u>667,910</u>	<u>16,545,891</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities			
Transfers in (out)	(1,988,344)	(125,000)	(2,113,344)
	<u>(1,988,344)</u>	<u>(125,000)</u>	<u>(2,113,344)</u>
Net cash used in noncapital financing activities			
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(25,007,317)	(62,062)	(25,069,379)
Bond issuance cost	(103,426)	-	(103,426)
Principal payments on revenue bonds and notes	(4,384,838)	(265,000)	(4,649,838)
Proceeds from issuance of bonds and notes	14,853,941	-	14,853,941
Interest on bonds and notes	(1,226,839)	(64,660)	(1,291,499)
	<u>(15,868,479)</u>	<u>(391,722)</u>	<u>(16,260,201)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities			
Investment purchases	(1,708,572)	(1,288)	(1,709,860)
Investment income	28,596	2,805	31,401
	<u>(1,679,976)</u>	<u>1,517</u>	<u>(1,678,459)</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	(3,658,818)	152,705	(3,506,113)
Cash and cash equivalents at beginning of year	18,733,825	681,702	19,415,527
Cash and cash equivalents at end of year	<u>\$ 15,075,007</u>	<u>\$ 834,407</u>	<u>\$ 15,909,414</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 4,936,859	\$ 806,687	\$ 5,743,546
Restricted cash and cash equivalents	10,138,148	27,720	10,165,868
	<u>15,075,007</u>	<u>834,407</u>	<u>15,909,414</u>
Total cash and cash equivalents	<u>\$ 15,075,007</u>	<u>\$ 834,407</u>	<u>\$ 15,909,414</u>

	<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>	
Reconciliation of operating income to cash flow provided by operating activities:			
Operating income	\$ 13,437,365	\$ 65,490	\$ 13,502,855
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,588,765	632,528	5,221,293
Amortization	80,352	2,193	82,545
(Increase) decrease in:			
Receivables	(798,989)	14,859	(784,130)
Inventories	(125,068)	-	(125,068)
Increase (decrease) in:			
Accounts payable	103,232	(38,579)	64,653
Retainage payable	(1,397,013)	-	(1,397,013)
Accrued expenses	6,350	1,425	7,775
Due to other fund	-	(11,039)	(11,039)
Compensated absences	(17,013)	1,033	(15,980)
Net cash provided by operating activities	<u>\$ 15,877,981</u>	<u>\$ 667,910</u>	<u>\$ 16,545,891</u>
Non-cash capital and related financing activities:			
Contribution of capital assets	<u>\$ 226,298</u>	<u>\$ -</u>	<u>\$ 226,298</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, 2014

Assets

Cash and cash equivalents	\$ 470,475
Investments	<u>60,236</u>

TOTAL ASSETS	\$ <u>530,711</u>
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Liabilities

Due to others	<u>\$ 530,711</u>
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TOTAL LIABILITIES	\$ <u>530,711</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, 2014

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 \$617,044 as its share of the debt-service of the Civic Center for the fiscal year ended June 30, 2014. 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, 2014

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, HUD EDI Grant, TIF Revenue and Debt Service, TIF Construction Projects, 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, 2014

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, 2014

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. Inventory

Inventory is valued at cost, which approximates market, using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the General Fund and in the Enterprise Fund consist of supplies held for consumption. Inventory in the Rollcart and Equipment Replacement fund consists of rollcarts and recycling bins held for future use.

4. Restricted Assets

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

5. Capital Assets

Governmental Funds

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

Governmental Funds (Continued)

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 \$3,023,913 in interest costs on construction projects during the year ended June 30, 2014. Total interest incurred was \$4,374,345, which was offset by Build America Bonds credits of \$1,328,257 and interest income of \$22,175 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 \$160.1 million for the 2013 tax year. The City's property tax rate for fiscal year 2014 was 56.7 mils (operating 53.7, debt service 3.0). 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, 2014

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

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balance (Continued)

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.

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:

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

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

Accrued interest payable	\$ (117,739)
Capital leases payable	(6,690,939)
Notes payable	(675,000)
General obligation bonds payable	(4,550,124)
Revenue bonds payable	(23,734,000)
Compensated absences	<u>(2,175,041)</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	 <u>\$ (37,942,843)</u>

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 \$31,658 difference are as follows:

Deferred revenue – current year	\$ 60,550
Deferred revenue – prior year	<u>(92,208)</u>
 Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (31,658)</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 \$16,029,112 difference are as follows:

Revenue bond proceeds	\$ (23,734,000)
Capital lease proceeds	(705,308)
Payment of long-term debt principal	<u>8,410,196</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (16,029,112)</u>

Another element of that reconciliation states that "Governmental funds report debt issuance costs as expenditures. However, in the statement of activities this cost is allocated over the term of the debt and reported as amortization expense." The details of this \$(182,441) difference are as follows:

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2014

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

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

Bond issue costs	\$ 195,033
Amortization expense	<u>(12,592)</u>

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 182,441</u>
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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$11,305 difference are as follows:

Compensated absences – current year	\$ (2,175,041)
Compensated absences – prior year	2,175,118
Accrued interest – current year accrual	(117,739)
Accrued interest – prior year accrual	<u>128,967</u>

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 11,305</u>
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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.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the Hospitality Fund by \$6,177,853. The excess expenditures were due to the payoff of two capital leases with a hospitality fee revenue bond in the amount of \$6,193,000. The excess expenditures in the Hospitality Fund were covered by the recording of the bond lease proceeds under other financing sources.

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, 2014, the City's bank balance was \$17,269,075, all of which are collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.

Restricted cash of \$145,675 at June 30, 2014, in the Governmental Funds is grant funds. Restricted cash of \$10,165,868 in the Enterprise Fund includes \$5,433,714 of unspent proceeds of revenue bonds to be used for the purchase and construction of capital assets.

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

Investments

As of June 30, 2014, the city had the following investments.

	Fair Value	Investment Maturities (in years)		Credit Ratings
		Less than 1	1 - 5	
South Carolina Local Government Investment Pool	\$ 42,092,271	\$ 42,092,271	\$ -	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, 2014, none of the City's investments are exposed to custodial credit risk.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

A. Deposits and Investments (Continued)

Investments (Continued)

Concentrations of Credit Risk

The City places no limit on the amount that the City may be invested in any one issuer or type of investment. Credit quality distribution for securities with credit exposure as a percentage of total investments are as follows. As of June 30, 2014, 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 30, 2014, none of the City's investments are exposed to credit risk.

B. Receivables

Receivables as of June 30, 2014, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Hospitality	Non-Major	Water and Sewer	Stormwater Utility
Accounts	\$ -	\$ -	\$ -	\$ 4,810,750	\$ 106,458
Taxes	154,869	-	5,586	-	-
Intergovernmental	2,930,404	-	336,218	-	-
Other	<u>8,125</u>	<u>304,974</u>	<u>-</u>	<u>656</u>	<u>-</u>
Gross receivables	3,093,398	304,974	341,804	4,811,406	106,458
Less allowance for uncollectibles	<u>(25,405)</u>	<u>-</u>	<u>-</u>	<u>(73,123)</u>	<u>(1,618)</u>
	<u>\$ 3,067,993</u>	<u>\$ 304,974</u>	<u>\$ 341,804</u>	<u>\$ 4,738,283</u>	<u>\$ 104,840</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

B. Receivables (Continued)

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, 2014, the various components of deferred inflows and unearned revenue in the governmental funds and activities were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 60,550	\$ -
Grant drawdowns prior to meeting eligibility requirements - recreation	-	14,676
Local option sales tax receivable	-	1,700,230
	<u>\$ 60,550</u>	<u>\$ 1,714,906</u>

C. Capital Assets

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

	Balances June 30, 2013	Increases	Decreases	Transfers	Balances June 30, 2014
Capital assets not being depreciated:					
Land	\$ 7,030,569	\$ 208,374	\$ -	\$ -	\$ 7,238,943
Construction in progress	6,760,730	781,718	-	(7,216,346)	326,102
Total capital assets not being depreciated	<u>13,791,299</u>	<u>990,092</u>	<u>-</u>	<u>(7,216,346)</u>	<u>7,565,045</u>
Capital assets being depreciated:					
Buildings	11,085,477	59,358	-	7,216,346	18,361,181
Infrastructure	26,395,654	-	-	-	26,395,654
Machinery and equipment	17,629,152	195,906	84,655	(23,651)	17,716,752
Total capital assets being depreciated	<u>55,110,283</u>	<u>255,264</u>	<u>84,655</u>	<u>7,192,695</u>	<u>62,473,587</u>
Less accumulated depreciation for:					
Buildings	3,537,882	290,657	-	-	3,828,539
Infrastructure	12,170,908	1,077,823	-	-	13,248,731
Machinery and equipment	13,210,726	765,675	84,655	(23,651)	13,868,095
Total accumulated depreciation	<u>28,919,516</u>	<u>2,134,155</u>	<u>84,655</u>	<u>(23,651)</u>	<u>30,945,365</u>
Total capital assets being depreciated, net	<u>26,190,767</u>	<u>(1,878,891)</u>	<u>-</u>	<u>7,216,346</u>	<u>31,528,222</u>
Governmental activities capital assets, net	<u>\$ 39,982,066</u>	<u>\$ (888,799)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,093,267</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

C. Capital Assets

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

	Balances June 30, 2013	Increases	Decreases	Transfers	Balances June 30, 2014
Capital assets not being depreciated:					
Land	\$ 1,787,205	\$ 22,037	\$ -	\$ -	\$ 1,809,242
Construction in progress	110,099,924	17,956,652	-	(1,412,223)	126,644,353
Total capital assets not being depreciated	<u>111,887,129</u>	<u>17,978,689</u>	<u>-</u>	<u>(1,412,223)</u>	<u>128,453,595</u>
Capital assets being depreciated:					
Buildings and system	163,373,237	6,681,356	69,845	1,412,223	171,396,971
Machinery and equipment	7,217,711	635,633	182,226	(29,731)	7,641,387
Total capital assets being depreciated	<u>170,590,948</u>	<u>7,316,989</u>	<u>252,071</u>	<u>1,382,492</u>	<u>179,038,358</u>
Less accumulated depreciation for:					
Buildings and system	65,104,509	4,588,765	24,446	-	69,668,828
Machinery and equipment	5,377,921	632,528	182,226	(29,731)	5,798,492
Total accumulated depreciation	<u>70,482,430</u>	<u>5,221,293</u>	<u>206,672</u>	<u>(29,731)</u>	<u>75,467,320</u>
Total capital assets being depreciated, net	<u>100,108,518</u>	<u>2,095,696</u>	<u>45,399</u>	<u>1,412,223</u>	<u>103,571,038</u>
Business-type activities capital assets, net	<u>\$ 211,995,647</u>	<u>\$ 20,074,385</u>	<u>\$ 45,399</u>	<u>\$ -</u>	<u>\$ 232,024,633</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government		\$ 132,719
Public safety		417,767
Public works		777,152
Culture and recreation		806,517
Total depreciation - governmental activities		<u>\$ 2,134,155</u>
Business-Type Activities		
Water and sewer		\$ 4,588,765
Stormwater		632,528
Total depreciation - business-type activities		<u>\$ 5,221,293</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

D. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2014 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 270,592
Nonmajor governmental	-	164,661
Water and sewer	<u>435,253</u>	<u>-</u>
Total	<u>\$ 435,253</u>	<u>\$ 435,253</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, 2014, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 4,338,317	\$ -
Hospitality fund	-	955,951
Nonmajor governmental funds	<u>-</u>	<u>1,269,022</u>
Total governmental funds	<u>4,338,317</u>	<u>2,224,973</u>
Water and sewer enterprise fund	-	1,988,344
Nonmajor enterprise funds	<u>-</u>	<u>125,000</u>
Total enterprise funds	<u>-</u>	<u>2,113,344</u>
Total transfers out	<u>\$ 4,338,317</u>	<u>\$ 4,338,317</u>

The transfers consist primarily of \$1,988,344 to General Fund from Water and Sewer Enterprise Fund and \$955,951 to General Fund from Hospitality Fund based on budgetary authorization.

E. Capital Leases

The City has entered into lease purchase agreements to fund the purchase of vehicles for the police, 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	\$ 2,906,354
Buildings	5,300,000
Less: accumulated depreciation	<u>(354,563)</u>
Total	<u>\$ 7,851,791</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

E. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these lease payments at June 30, 2014, were as follows:

Year Ending June 30,	
2015	\$ 678,651
2016	549,058
2017	499,108
2018	499,108
2019	499,108
2020-2024	1,950,000
2025-2029	1,950,000
2030-2033	<u>1,950,000</u>
	8,575,033
Less amount representing interest	<u>1,884,094</u>
	<u>\$ 6,690,939</u>

F. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<u>Governmental Activities</u>					
General obligations bonds	\$ 4,828,098	\$ -	\$ 277,974	\$ 4,550,124	\$ 291,609
Tax Increment Revenue Bonds	-	12,936,000	-	12,936,000	-
Hospitality Revenue Bonds	-	10,798,000	-	10,798,000	720,000
Capital leases	13,520,649	705,308	7,535,018	6,690,939	518,877
Notes payable	1,272,204	-	597,204	675,000	65,000
Compensated absences	<u>2,175,118</u>	<u>969,790</u>	<u>969,867</u>	<u>2,175,041</u>	<u>100,000</u>
	<u>\$ 21,796,069</u>	<u>\$ 25,409,098</u>	<u>\$ 9,380,063</u>	<u>\$ 37,825,104</u>	<u>\$ 1,695,486</u>
<u>Business-Type Activities</u>					
Revenue Bonds					
Water and sewer	\$ 99,118,000	\$ 6,111,310	\$ 2,937,137	\$ 102,292,173	\$ 3,032,015
Stormwater	2,440,000	-	265,000	2,175,000	275,000
Less deferred amounts					
Bond premium	<u>651,789</u>	<u>-</u>	<u>49,432</u>	<u>602,357</u>	<u>-</u>
Total bonds payable	102,209,789	6,111,310	3,251,569	105,069,530	3,307,015
Notes payable					
Water and sewer	28,420,215	8,742,630	1,447,701	35,715,144	1,873,665
Compensated absences					
Water and sewer	658,929	386,969	403,982	641,916	30,000
Stormwater	<u>58,172</u>	<u>27,522</u>	<u>26,489</u>	<u>59,205</u>	<u>3,000</u>
	<u>\$ 131,347,105</u>	<u>\$ 15,268,431</u>	<u>\$ 5,129,741</u>	<u>\$ 141,485,795</u>	<u>\$ 5,213,680</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

F. Long-Term Debt (Continued)

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

General obligation bonds payable from governmental activities at June 30, 2014 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.

\$ 4,550,124

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.

4,648,000

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.

1,545,000

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.

4,605,000

Total revenue bonds

\$ 23,734,000

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

F. Long-Term Debt (Continued)

Notes payable from governmental activities at June 30, 2014 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.

\$ 675,000

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

Year Ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 291,609	\$ 139,177	\$ 65,000	\$ 30,717
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	19,150
2020-2024	2,010,908	312,164	350,000	47,346
2025-2027	934,870	29,856	-	-
	<u>\$ 4,550,124</u>	<u>\$ 938,901</u>	<u>\$ 675,000</u>	<u>\$ 172,439</u>

Year Ending June 30,	Total Revenue Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2015	\$ 720,000	\$ 682,630	\$ 1,076,609	\$ 852,524
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
2020-2024	9,867,000	2,176,474	12,227,908	2,535,984
2025-2029	6,960,000	663,051	7,894,870	692,908
2030-2034	1,522,000	161,150	1,522,000	161,150
	<u>\$ 23,734,000</u>	<u>\$ 6,245,739</u>	<u>\$ 28,959,124</u>	<u>\$ 7,357,079</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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, 2014</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	\$ 25,420,000
	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	2,866,000
	Series 2014	6,004,585	1.875	3/28/2053	<u>6,011,173</u>
Total Revenue Bonds Secured by Water and Sewer Fund Revenues					102,292,173
<i>Secured by Stormwater Utility Fund Revenues</i>					
Revenue Bonds	Series 2006	\$ 4,000,000	2.65	6/2/2021	<u>2,175,000</u>
Total Revenue Bonds					<u>\$ 104,467,173</u>
<i>Secured by Water and Sewer Fund Revenues</i>					
Notes Payable	May 1999	\$ 2,767,997	2.25	3/1/2020	\$ 985,595
	May 2000	\$ 6,210,343	2.25	7/1/2029	4,276,360
	May 2000	4,062,403	4.25	6/1/2032	3,011,598
	January 2003	2,517,834	2.25	2/1/2030	1,832,828
	June 2009	19,015,957	2.81	4/1/2031	16,479,742
	May 2013*	10,626,372	1.90	4/1/2034	7,332,937
	September 2013**	3,890,000	1.90	9/1/2034	<u>1,796,085</u>
Total Notes Payable					<u>\$ 35,715,145</u>

* The City began drawing down on a note payable from the South Carolina Water Quality Revolving Fund Authority in May 2013. The total loan amount available to the City for the upgrade of the City's wastewater treatment plan is \$10,626,372. As of June 30, 2014, the City had drawn \$7,332,937 of this amount which is included in construction in progress and in notes payable.

** The City began drawing down on a note payable from the South Carolina Water Quality Revolving Fund Authority in September 2013. The total loan amount available to the City for this upgrade/expansion of the City's wastewater treatment plan is \$3,890,000. As of June 30, 2014, the City has drawn \$1,796,085 of this amount which is included in construction in progress and notes payable.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

F. Long-Term Debt (Continued)

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

Year Ending June 30,	Revenue Bonds		Total Notes Payable		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,307,015	\$ 5,142,087	\$ 1,873,667	\$ 848,949	\$ 5,180,682	\$ 5,991,036
2016	3,385,928	5,075,507	2,068,578	874,026	5,454,505	5,949,533
2017	3,215,876	4,998,635	2,114,805	827,799	5,330,681	5,826,434
2018	2,741,861	4,918,049	2,162,249	780,356	4,904,110	5,698,405
2019	2,659,883	4,843,504	2,210,937	731,667	4,870,821	5,575,171
2020-2024	13,521,106	22,884,152	11,016,533	2,917,819	24,537,639	25,801,971
2025-2029	21,677,665	39,376,375	14,268,376	1,506,564	35,946,042	40,882,939
2030-2034	22,764,730	373,889	-	-	22,764,731	373,889
2035-2039	28,397,838	305,782	-	-	28,397,838	305,782
2040-2044	842,573	231,047	-	-	842,573	231,047
2045-2049	924,583	149,038	-	-	924,583	149,038
2050-2053	1,028,115	54,845	-	-	1,028,115	54,845
	<u>\$ 104,467,173</u>	<u>\$ 88,352,910</u>	<u>\$ 35,715,145</u>	<u>\$ 8,487,180</u>	<u>\$ 140,182,320</u>	<u>\$ 96,840,090</u>

G. Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable	\$ 260,220	\$ -	\$ 24,700	\$ 284,920
Restricted for:				
Community Development:				
Housing Partnership	-	-	3,627	3,627
HOME Program	-	-	319,653	319,653
NSP Grant	-	-	95,016	95,016
NSP-3 Grant	-	-	11,806	11,806
Public Safety:				
E-911	-	-	413,752	413,752
Victims Services	-	-	91,441	91,441
Drug Control	-	-	16,906	16,906
Federal Equitable Sharing	-	-	22,260	22,260
Public Safety Grants	-	-	21,060	21,060
Capital Projects:				
TIF Revenue & Debt Services	-	-	586,019	586,019
TIF Construction Projects	-	-	10,421,209	10,421,209
Tourism:				
Sunday Local Option Revenue Fund	-	-	54,662	54,662
Hospitality Fund	-	5,301,038	-	5,301,038
Culture and Recreation:				
Accommodation Tax	-	-	50,263	50,263
Debt Service	-	-	527,236	527,236
	<u>-</u>	<u>5,301,038</u>	<u>12,634,910</u>	<u>17,935,948</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

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

G. Fund Balances – Governmental Funds (Continued)

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Committed to:				
Rollcart and Equipment Replacement	-	-	596,233	596,233
	-	-	596,233	596,233
Assigned to:				
Subsequent Year's Expenditures	1,504,200	-	-	1,504,200
Downtown Redevelopment:				
Incubator Operating Fund	32,779	-	-	32,779
Downtown Revitalization	101,021	-	-	101,021
Capital Projects:				
City Center Reserve Fund	304,569	-	-	304,569
Parks and Athletic Programs:				
Recreation Registration	2,012	-	-	2,012
Recreation Projects	16,956	-	-	16,956
Park Commission	3,800	-	-	3,800
Recreation Programs	11,964	-	-	11,964
Public Safety:				
Drug Free Florence	57	-	-	57
Employee Assistance	1,738	-	-	1,738
	1,979,096	-	-	1,979,096
Unassigned	9,081,509	-	-	9,081,509
Total Fund Balances	<u>\$ 11,320,825</u>	<u>\$ 5,301,038</u>	<u>\$ 13,255,843</u>	<u>\$ 29,877,706</u>

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. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

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

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 10.60%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, 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, 2014, 2013, and 2012 were:

Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
June 30, 2014	10.450%	\$ 1,071,353	0.150%	\$ 15,378
June 30, 2013	10.450%	\$ 1,042,166	0.150%	\$ 14,959
June 30, 2012	9.385%	\$ 921,406	0.150%	\$ 14,727

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).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 12.84%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .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, 2014, 2013, and 2012 were:

Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
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
June 30, 2012	11.363%	\$ 945,198	0.20%	\$ 16,636	0.20%	\$ 16,636

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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.

2. Deferred Compensation Plan

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

B. Postemployment Benefits Other Than Pensions

Plan Description

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

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

As of July 1, 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.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

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 \$429.32 for retirees and \$910.28 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 \$429.32 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%

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.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

For Retirees After July 14, 2008 (Continued)

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	\$ 745,930
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	745,930
Contribution made	<u>(745,930)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ -</u>

Contributions included \$300,152 paid by the City to the Plan to pre-fund benefits and \$445,778 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, 2014	\$ 745,930	100%	\$ -
June 30, 2013	\$ 730,290	100%	\$ -
June 30, 2012	\$ 838,300	100%	\$ -

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%.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress (Continued)

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%

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

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, 2014, the outstanding commitments total approximately \$2,628,955.

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, 2014, 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, 2014 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

F. New Governmental Accounting Standards Board (GASB) Pronouncements

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2014

NOTE V - OTHER INFORMATION (CONTINUED)

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, requires, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement is effective for financial statements for periods beginning after June 15, 2014.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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 June 30, 2014	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%

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.

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.

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, 2014

	<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	\$ 3,627	\$ 319,653	\$ -	\$ 353,202
Restricted cash	-	-	-	-
Receivables				
Property taxes, less allowance for doubtful accounts	-	-	-	-
Due from other governments	-	-	10,092	-
Inventory	-	-	-	24,700
Investments	-	-	-	243,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,627</u>	<u>\$ 319,653</u>	<u>\$ 10,092</u>	<u>\$ 620,933</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	10,092	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>10,092</u>	<u>-</u>
Fund balances:				
Nonspendable				24,700
Restricted	3,627	319,653		-
Committed	-	-	-	596,233
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,627</u>	<u>319,653</u>	<u>-</u>	<u>620,933</u>
Total liabilities and fund balances	<u>\$ 3,627</u>	<u>\$ 319,653</u>	<u>\$ 10,092</u>	<u>\$ 620,933</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>
\$ 413,752	\$ 91,441	\$ 17,023	\$ 22,260	\$ -	\$ -
-	-	-	-	139,070	-
-	-	-	-	-	-
-	-	-	-	71,754	217,310
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 413,752</u>	<u>\$ 91,441</u>	<u>\$ 17,023</u>	<u>\$ 22,260</u>	<u>\$ 210,824</u>	<u>\$ 217,310</u>
\$ -	\$ -	\$ 117	\$ -	\$ 30,689	\$ 147,896
-	-	-	-	-	-
-	-	-	-	85,119	19,151
-	-	117	-	115,808	167,047
413,752	91,441	16,906	22,260	95,016	50,263
-	-	-	-	-	-
<u>413,752</u>	<u>91,441</u>	<u>16,906</u>	<u>22,260</u>	<u>95,016</u>	<u>50,263</u>
<u>\$ 413,752</u>	<u>\$ 91,441</u>	<u>\$ 17,023</u>	<u>\$ 22,260</u>	<u>\$ 210,824</u>	<u>\$ 217,310</u>

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds--Continued
June 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Public Safety Grants</u>	<u>NSP-3 Grant</u>	<u>JAG Grant 2013</u>	<u>HUD EDI Grant</u>
ASSETS				
Cash and cash equivalents	\$ 21,060	\$ 19,730	\$ -	\$ -
Restricted cash	-	6,605	-	-
Receivables				
Property taxes, less allowance for doubtful accounts	-	-	-	-
Due from other governments	-	16,812	20,250	-
Inventory	-	-	-	-
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 21,060</u>	<u>\$ 43,147</u>	<u>\$ 20,250</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 1,280	\$ -	\$ -
Accrued liabilities	-	-	12	-
Due to other funds	-	30,061	20,238	-
	<u>-</u>	<u>30,061</u>	<u>20,238</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>31,341</u>	<u>20,250</u>	<u>-</u>
Fund balances:				
Nonspendable				
Restricted	21,060	11,806		
Committed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>21,060</u>	<u>11,806</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 21,060</u>	<u>\$ 43,147</u>	<u>\$ 20,250</u>	<u>\$ -</u>

Special Revenue Funds				Total
Sunday Local Option Revenue Fund	TIF Revenue & Debt Service	TIF Construction Projects	Debt Service	Nonmajor Governmental Funds
\$ 54,700	\$ 586,019	\$ 484,809	\$ 521,650	\$ 2,908,926
-	-	-	-	145,675
-	-	-	5,586	5,586
-	-	-	-	336,218
-	-	-	-	24,700
-	-	10,001,109	-	10,244,140
<u>\$ 54,700</u>	<u>\$ 586,019</u>	<u>\$ 10,485,918</u>	<u>\$ 527,236</u>	<u>\$ 13,665,245</u>
\$ 38	\$ -	\$ 64,709	\$ -	\$ 244,729
-	-	-	-	12
-	-	-	-	164,661
<u>38</u>	<u>-</u>	<u>64,709</u>	<u>-</u>	<u>409,402</u>
-	-	-	-	24,700
54,662	586,019	10,421,209	527,236	12,634,910
-	-	-	-	596,233
<u>54,662</u>	<u>586,019</u>	<u>10,421,209</u>	<u>527,236</u>	<u>13,255,843</u>
<u>\$ 54,700</u>	<u>\$ 586,019</u>	<u>\$ 10,485,918</u>	<u>\$ 527,236</u>	<u>\$ 13,665,245</u>

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2014

	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	-	-	-	85,777
Intergovernmental	-	-	258,518	-
Charges for services	-	-	-	-
Investment earnings	3	767	-	1,242
Miscellaneous	13,847	-	-	-
Total revenues	<u>13,850</u>	<u>767</u>	<u>258,518</u>	<u>87,019</u>
Expenditures				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community development	13,853	242	191,212	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	67,306	-
Total expenditures	<u>13,853</u>	<u>242</u>	<u>258,518</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3)	525	-	87,019
Other financing sources (uses)				
Revenue bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	(110,000)
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>
Net change in fund balances	(3)	525	-	(22,981)
Fund balances at beginning of year	<u>3,630</u>	<u>319,128</u>	<u>-</u>	<u>643,914</u>
Fund balances at end of year	<u>\$ 3,627</u>	<u>\$ 319,653</u>	<u>\$ -</u>	<u>\$ 620,933</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	93,354	-	-	-	-
-	-	-	74	16,598	50,226
155,486	-	-	-	-	-
825	253	880	69	3	37
-	-	49,138	-	50	-
<u>156,311</u>	<u>93,607</u>	<u>50,018</u>	<u>143</u>	<u>16,651</u>	<u>50,263</u>
69,250	-	87,020	4,350	-	-
-	-	-	-	-	-
-	-	-	-	30,394	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	13,109	-
<u>69,250</u>	<u>-</u>	<u>87,020</u>	<u>4,350</u>	<u>43,503</u>	<u>-</u>
87,061	93,607	(37,002)	(4,207)	(26,852)	50,263
-	-	-	-	-	-
-	(109,022)	-	-	-	-
-	(109,022)	-	-	-	-
87,061	(15,415)	(37,002)	(4,207)	(26,852)	50,263
<u>326,691</u>	<u>106,856</u>	<u>53,908</u>	<u>26,467</u>	<u>121,868</u>	<u>-</u>
<u>\$ 413,752</u>	<u>\$ 91,441</u>	<u>\$ 16,906</u>	<u>\$ 22,260</u>	<u>\$ 95,016</u>	<u>\$ 50,263</u>

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds--Continued Year Ended June 30, 2014

	Special Revenue Funds			
	<u>Public Safety Grants</u>	<u>NSP-3 Grant</u>	<u>JAG Grant 2013</u>	<u>HUD EDI Grant</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-
Intergovernmental	-	199,255	20,250	65,898
Charges for services	-	-	-	-
Investment earnings	29	-	-	-
Miscellaneous	12,500	25	-	-
Total revenues	<u>12,529</u>	<u>199,280</u>	<u>20,250</u>	<u>65,898</u>
Expenditures				
Current:				
Public safety	2,953	-	20,250	-
Culture and recreation	-	-	-	-
Community development	-	187,727	-	65,898
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,953</u>	<u>187,727</u>	<u>20,250</u>	<u>65,898</u>
Excess (deficiency) of revenues over (under) expenditures	9,576	11,553	-	-
Other financing sources (uses)				
Revenue bond proceeds	-	-	-	-
Transfers in (out)	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,576	11,553	-	-
Fund balances at beginning of year	<u>11,484</u>	<u>253</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 21,060</u>	<u>\$ 11,806</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds				Total
Sunday Local Option Revenue Fund	TIF Revenue & Debt Service	TIF Construction Projects	Debt Service	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 471,915	\$ 471,915
-	-	-	-	179,131
87,650	-	-	-	698,469
-	-	-	-	155,486
78	19	1,162	972	6,339
-	-	-	-	75,560
<u>87,728</u>	<u>19</u>	<u>1,162</u>	<u>472,887</u>	<u>1,586,900</u>
-	-	-	-	183,823
8,085	-	-	-	8,085
-	-	928,823	-	1,418,149
-	-	-	277,974	277,974
-	-	-	148,176	148,176
-	-	1,130	-	81,545
<u>8,085</u>	<u>-</u>	<u>929,953</u>	<u>426,150</u>	<u>2,117,752</u>
79,643	19	(928,791)	46,737	(530,852)
-	12,936,000	-	-	12,936,000
<u>(50,000)</u>	<u>(12,350,000)</u>	<u>11,350,000</u>	<u>-</u>	<u>(1,269,022)</u>
<u>(50,000)</u>	<u>586,000</u>	<u>11,350,000</u>	<u>-</u>	<u>11,666,978</u>
29,643	586,019	10,421,209	46,737	11,136,126
<u>25,019</u>	<u>-</u>	<u>-</u>	<u>480,499</u>	<u>2,119,717</u>
<u>\$ 54,662</u>	<u>\$ 586,019</u>	<u>\$ 10,421,209</u>	<u>\$ 527,236</u>	<u>\$ 13,255,843</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Current use charges	\$ 30,255,000	\$ 30,512,000	\$ 30,687,830	\$ 175,830
Miscellaneous	719,000	674,000	859,033	185,033
Water and sewer tap fees	655,000	565,000	568,610	3,610
Total operating revenues	<u>31,629,000</u>	<u>31,751,000</u>	<u>32,115,473</u>	<u>364,473</u>
Operating Expenses				
Personnel	4,450,980	4,367,640	4,333,638	34,002
Employee benefits	1,757,950	1,663,280	1,838,724	(175,444)
Purchased services	5,951,800	6,143,980	4,541,578	1,602,402
Supplies and materials	1,264,420	1,376,000	1,589,779	(213,779)
Other operating expenses	821,550	1,754,800	1,705,272	49,528
Depreciation and amortization	5,300,000	5,300,000	4,669,117	630,883
Total operating expenses	<u>19,546,700</u>	<u>20,605,700</u>	<u>18,678,108</u>	<u>1,927,592</u>
Operating Income	<u>12,082,300</u>	<u>11,145,300</u>	<u>13,437,365</u>	<u>2,292,065</u>
Nonoperating Revenues (Expenses)				
Investment earnings	23,000	15,000	28,596	13,596
Miscellaneous revenues	1,442,000	1,328,000	-	(1,328,000)
Loss on disposal of assets	-	-	(45,399)	(45,399)
Interest expense	-	-	(1,282,078)	(1,282,078)
Appropriation of net position	-	1,550,000	-	(1,550,000)
Total nonoperating revenues (expenses)	<u>1,465,000</u>	<u>2,893,000</u>	<u>(1,298,881)</u>	<u>(4,191,881)</u>
Income Before Transfers and Capital Contributions	<u>13,547,300</u>	<u>14,038,300</u>	<u>12,138,484</u>	<u>(1,899,816)</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>226,298</u>	<u>226,298</u>
Income Before Transfers	<u>13,547,300</u>	<u>14,038,300</u>	<u>12,364,782</u>	<u>(1,673,518)</u>
Transfers				
Transfers in (out)	<u>(13,547,300)</u>	<u>(14,038,300)</u>	<u>(1,988,344)</u>	<u>12,049,956</u>
Change in Net Position	<u>-</u>	<u>-</u>	<u>10,376,438</u>	<u>10,376,438</u>
Net position at beginning of year	<u>118,855,367</u>	<u>118,855,367</u>	<u>118,855,367</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 118,855,367</u>	<u>\$ 118,855,367</u>	<u>\$ 129,231,805</u>	<u>\$ 10,376,438</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, 2014

	<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	\$ 1,271,000	\$ 1,272,857	\$ 1,857
Miscellaneous	4,000	18,000	37,979	19,979
Total operating revenues	<u>1,289,000</u>	<u>1,289,000</u>	<u>1,310,836</u>	<u>21,836</u>
Operating Expenses				
Personnel	306,300	313,150	311,912	1,238
Employee benefits	119,710	117,060	115,412	1,648
Purchased services	121,180	137,180	139,850	(2,670)
Supplies and materials	18,500	10,500	9,663	837
Other operating expenses	22,310	26,110	33,788	(7,678)
Depreciation and amortization	<u>622,000</u>	<u>622,000</u>	<u>634,721</u>	<u>(12,721)</u>
Total operating expenses	<u>1,210,000</u>	<u>1,226,000</u>	<u>1,245,346</u>	<u>(19,346)</u>
Operating Income	<u>79,000</u>	<u>63,000</u>	<u>65,490</u>	<u>2,490</u>
Nonoperating Revenues (Expenses)				
Investment earnings	6,000	6,000	2,805	(3,195)
Interest expense	-	-	(64,075)	(64,075)
Appropriation of net position	<u>485,000</u>	<u>525,000</u>	<u>-</u>	<u>(525,000)</u>
Total nonoperating revenues (expenses)	<u>491,000</u>	<u>531,000</u>	<u>(61,270)</u>	<u>(592,270)</u>
Income Before Transfers	570,000	594,000	4,220	(589,780)
Transfers Out	<u>(570,000)</u>	<u>(594,000)</u>	<u>(125,000)</u>	<u>469,000</u>
Change in Net Position	-	-	(120,780)	(120,780)
Net position at beginning of year	<u>3,064,817</u>	<u>3,064,817</u>	<u>3,064,817</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 3,064,817</u>	<u>\$ 3,064,817</u>	<u>\$ 2,944,037</u>	<u>\$ (120,780)</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, 2014

	<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	\$ 17,730	\$ 102,962	\$ 20,599	\$ 328,227	\$ 957	\$ 470,475
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,236</u>	<u>-</u>	<u>60,236</u>
Total assets	<u>\$ 17,730</u>	<u>\$ 102,962</u>	<u>\$ 20,599</u>	<u>\$ 388,463</u>	<u>\$ 957</u>	<u>\$ 530,711</u>
LIABILITIES						
Due to others	<u>\$ 17,730</u>	<u>\$ 102,962</u>	<u>\$ 20,599</u>	<u>\$ 388,463</u>	<u>\$ 957</u>	<u>\$ 530,711</u>
Total liabilities	<u>\$ 17,730</u>	<u>\$ 102,962</u>	<u>\$ 20,599</u>	<u>\$ 388,463</u>	<u>\$ 957</u>	<u>\$ 530,711</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2014

	<u>Balance at</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2014</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 26,877	\$ 17,266	\$ 26,413	\$ 17,730
Liabilities				
Due to others	\$ 26,877	\$ 17,266	\$ 26,413	\$ 17,730
<u>Fire Trust</u>				
Assets				
Cash and cash equivalents	\$ 7,909	\$ 110,009	\$ 14,956	\$ 102,962
Liabilities				
Due to others	\$ 7,909	\$ 110,009	\$ 14,956	\$ 102,962
<u>Veterans Park Development</u>				
Assets				
Cash and cash equivalents	\$ 48,056	\$ 43,907	\$ 71,364	\$ 20,599
Liabilities				
Due to others	\$ 48,056	\$ 43,907	\$ 71,364	\$ 20,599
<u>Narcotics Holding Funds</u>				
Assets				
Cash and cash equivalents	\$ 295,477	\$ 67,379	\$ 34,629	\$ 328,227
Investments	60,138	98	-	60,236
	<u>\$ 355,615</u>	<u>\$ 67,477</u>	<u>\$ 34,629</u>	<u>\$ 388,463</u>
Liabilities				
Due to others	\$ 355,615	\$ 67,477	\$ 34,629	\$ 388,463
<u>Florence Area Humane Society</u>				
Assets				
Cash and cash equivalents	\$ 11,203	\$ 5,518	\$ 15,764	\$ 957
Liabilities				
Due to others	\$ 11,203	\$ 5,518	\$ 15,764	\$ 957
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 389,522	\$ 244,079	\$ 163,126	\$ 470,475
Investments	60,138	98	-	60,236
Total Assets	<u>\$ 449,660</u>	<u>\$ 244,177</u>	<u>\$ 163,126</u>	<u>\$ 530,711</u>
Liabilities				
Due to others	\$ 449,660	\$ 244,177	\$ 163,126	\$ 530,711
Total Liabilities	<u>\$ 449,660</u>	<u>\$ 244,177</u>	<u>\$ 163,126</u>	<u>\$ 530,711</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes				
Current	\$ 3,364,600	\$ 3,872,600	\$ 3,878,253	\$ 5,653
Local option sales tax	5,600,000	4,800,000	4,899,552	99,552
Penalties	8,000	5,500	5,981	481
Payment in lieu of taxes	112,000	112,000	113,845	1,845
Delinquent taxes	135,000	135,000	125,010	(9,990)
Total Property Taxes	<u>9,219,600</u>	<u>8,925,100</u>	<u>9,022,641</u>	<u>97,541</u>
Licenses and Fees				
Business and professional license	7,530,000	7,140,000	7,372,717	232,717
Franchise fees	3,300,000	3,390,000	3,535,788	145,788
Prior year business licenses	221,000	426,000	426,073	73
Total Licenses and Fees	<u>11,051,000</u>	<u>10,956,000</u>	<u>11,334,578</u>	<u>378,578</u>
Intergovernmental				
Sales tax revenue	-	1,260,000	1,264,409	4,409
State shared revenue	685,000	799,000	804,094	5,094
Governmental reimbursements	673,000	625,000	626,343	1,343
State A tax funds	50,000	53,000	56,094	3,094
Grants	445,600	317,000	317,842	842
Marketing and promotion	110,000	91,100	105,144	14,044
Total Intergovernmental	<u>1,963,600</u>	<u>3,145,100</u>	<u>3,173,926</u>	<u>28,826</u>
Charges for Services				
Refuse - landfill fee	1,340,000	1,357,000	1,357,347	347
Refuse - collection fee	320,000	321,000	322,118	1,118
Planning and zoning fees	29,000	18,500	18,539	39
Recreation fees	212,800	177,800	376,937	199,137
Total Charges for Services	<u>1,901,800</u>	<u>1,874,300</u>	<u>2,074,941</u>	<u>200,641</u>
Fines and Forfeitures				
Criminal fines	167,000	135,000	138,334	3,334
Traffic fines	510,000	480,000	482,446	2,446
Parking violations fines	13,000	10,000	11,145	1,145
Animal control fines	5,000	3,000	3,975	975
Livability court fines	5,000	1,000	1,271	271
Total Fines and Forfeitures	<u>700,000</u>	<u>629,000</u>	<u>637,171</u>	<u>8,171</u>
Miscellaneous				
Investment income	21,000	15,000	17,345	2,345
Miscellaneous	285,000	249,000	405,417	156,417
Concessions	70,000	54,000	53,816	(184)
Total Miscellaneous	<u>376,000</u>	<u>318,000</u>	<u>476,578</u>	<u>158,578</u>
TOTAL REVENUES	<u>25,212,000</u>	<u>25,847,500</u>	<u>26,719,835</u>	<u>872,335</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, 2014

	<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	12,350	12,400	12,359	41
Health insurance	50,990	44,920	44,741	179
Workers' compensation	8,660	6,110	5,759	351
Social security	8,020	7,830	7,781	49
Printing and supplies	2,500	2,150	1,652	498
Postage	100	100	22	78
Membership and dues	19,000	21,500	20,968	532
Travel and conferences	17,000	15,500	15,278	222
Telephone related services	6,000	5,300	5,150	150
Professional services	25,000	27,000	26,878	122
Special departmental supplies	6,000	3,500	3,431	69
Total City Council	268,750	259,440	257,145	2,295
Justice and Law				
Salary and wages	390,170	366,820	319,193	47,627
Retirement	36,470	32,040	30,140	1,900
Health insurance	45,480	44,580	43,648	932
Workers' compensation	12,400	9,400	8,248	1,152
Social security	29,040	27,050	23,126	3,924
Printing and supplies	1,000	1,500	1,346	154
Postage	3,000	3,100	3,010	90
Membership and dues	500	500	-	500
Travel and conferences	2,500	3,840	3,515	325
Auto operating expenses	5,000	5,700	5,558	142
Telephone related services	2,500	3,000	2,762	238
Maintenance and service contracts	5,000	6,700	6,702	(2)
Machine and equipment repairs	400	400	-	400
Employee training	2,000	4,400	4,186	214
Professional services	2,000	17,610	15,987	1,623
Jury vouchers	8,000	4,060	3,990	70
Office supplies	5,000	8,000	7,911	89
Special departmental supplies	4,000	600	520	80
Total Justice and Law	554,460	539,300	479,842	59,458

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	254,360	257,590	250,955	6,635
Retirement	26,970	27,630	27,144	486
Health insurance	33,200	32,820	32,046	774
Workers' compensation	7,500	6,500	4,978	1,522
Social security	18,990	19,200	18,887	313
Printing and supplies	5,500	3,300	1,652	1,648
Postage	1,000	1,000	637	363
Membership and dues	2,000	2,000	610	1,390
Travel and conferences	2,000	4,700	4,556	144
Car allowance	6,000	6,000	6,000	-
Auto operating expenses	500	500	31	469
Telephone related services	4,900	5,900	5,781	119
Maintenance and service contracts	1,000	1,000	586	414
Employee training	4,000	1,900	585	1,315
Professional services	7,500	3,500	1,145	2,355
Office supplies	-	1,000	85	915
Special departmental supplies	2,500	2,500	1,061	1,439
Gas and oil	500	200	43	157
Total City Manager	378,420	377,240	356,782	20,458
Finance				
Salary and wages	507,790	543,700	535,322	8,378
Retirement	53,830	56,900	56,425	475
Health insurance	70,320	68,470	68,067	403
Workers' compensation	12,400	9,300	8,248	1,052
Social security	37,340	38,620	38,083	537
Printing and supplies	7,000	8,700	8,378	322
Postage	10,000	10,800	10,614	186
Membership and dues	2,500	2,500	2,131	369
Travel and conferences	3,000	2,600	2,376	224
Auto operating expenses	200	200	-	200
Telephone related services	5,200	8,000	7,941	59
Maintenance and service contracts	11,000	11,500	11,005	495
Machine and equipment repairs	1,500	2,000	4,421	(2,421)
Public notices	1,000	1,000	624	376
Employee training	2,000	2,000	1,455	545
Professional services	600	800	748	52
Tax billing and collections	56,000	51,000	50,833	167
Office supplies	10,000	13,000	12,639	361
Special departmental supplies	-	200	195	5
Gas and oil	500	300	288	12
Total Finance	792,180	831,590	819,793	11,797

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	257,260	288,030	287,501	529
Retirement	27,270	30,440	30,162	278
Health insurance	29,120	34,900	34,620	280
Workers' compensation	7,500	5,500	4,978	522
Social security	19,110	21,320	21,182	138
Printing and supplies	5,000	500	-	500
Postage	3,000	2,500	2,116	384
Membership and dues	1,400	1,400	1,340	60
Travel and conferences	2,500	2,000	1,663	337
Auto operating expenses	500	1,000	1,097	(97)
Telephone related services	2,000	5,500	5,340	160
Cable and related services	100	100	95	5
Maintenance and service contracts	4,100	7,100	6,952	148
Public notices	15,000	13,800	14,194	(394)
Employee training	2,500	2,500	1,968	532
Professional services	38,000	43,260	42,157	1,103
Medical expenses	35,000	36,000	35,791	209
Office supplies	4,000	6,500	6,264	236
Special departmental supplies	-	200	37	163
Gas and oil	500	800	762	38
Total Personnel	453,860	503,350	498,219	5,131
Community Service				
Salary and wages	303,050	216,780	196,457	20,323
Retirement	33,050	21,650	21,209	441
Health insurance	48,860	41,830	41,277	553
Workers' compensation	9,900	6,900	6,589	311
Social security	22,540	15,750	14,541	1,209
Printing and supplies	2,500	2,100	940	1,160
Postage	1,100	800	609	191
Membership and dues	500	1,500	952	548
Travel and conferences	800	1,500	737	763
Auto operating expenses	1,700	1,900	2,047	(147)
Telephone related services	4,800	6,100	5,895	205
Radio maintenance	250	-	-	-
Maintenance and service contracts	3,500	3,000	2,035	965
Public notices	3,000	1,300	1,132	168
Uniform and clothing	1,000	1,000	679	321
Employee training	600	1,200	919	281
Professional services	6,500	7,500	4,735	2,765
Office supplies	2,000	200	(24)	224
Special departmental supplies	3,500	3,500	217	3,283
Gas and oil	7,500	6,000	5,919	81
Total Community Service	456,650	340,510	306,865	33,645

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	224,730	231,420	225,821	5,599
Retirement	23,830	24,530	23,931	599
Health insurance	33,000	34,240	33,603	637
Workers' compensation	5,150	5,150	3,417	1,733
Social security	16,570	16,990	16,569	421
Postage	1,000	1,000	789	211
Membership and dues	4,200	4,050	3,954	96
Travel and conferences	3,000	2,420	2,086	334
Auto operating expenses	1,000	400	344	56
Electricity	-	-	(29)	29
Telephone related services	2,400	2,180	2,085	95
Maintenance and service contracts	19,000	14,700	12,393	2,307
Maintenance and equipment repairs	500	370	-	370
Building maintenance	1,000	-	-	-
Public notices	2,000	3,930	3,743	187
Employee training	1,800	1,300	1,182	118
Professional services	5,000	49,000	48,731	269
Office supplies	3,200	5,200	4,543	657
Special departmental supplies	1,000	1,000	2,845	(1,845)
Gas and oil	1,500	1,050	1,126	(76)
Capital outlay	-	2,190	-	2,190
Total Urban Planning & Development	349,880	401,120	387,133	13,987
Total General Government	3,254,200	3,252,550	3,105,779	146,771
Public safety				
Police				
Salary and wages	5,862,160	5,779,560	5,610,597	168,963
Retirement	729,490	696,120	692,981	3,139
Health insurance	956,900	902,850	915,234	(12,384)
Workers' compensation	197,200	197,200	131,236	65,964
Social security	434,720	410,710	409,189	1,521
Printing and supplies	9,000	9,000	8,897	103
Postage	4,500	4,500	3,534	966
Membership and dues	2,100	2,100	1,155	945
Travel and conferences	4,300	4,300	1,879	2,421
Auto operating expenses	80,000	89,900	101,281	(11,381)
Electricity	20,000	20,000	18,491	1,509
Telephone related services	50,000	44,200	43,888	312
Radio maintenance	7,000	7,000	6,982	18

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	36,300	36,027	273
Maintenance and equipment repairs	8,500	7,000	6,270	730
Building and maintenance	4,000	3,000	2,661	339
Uniform and clothing	75,000	75,400	69,613	5,787
Prisoner housing	300,000	367,500	324,079	43,421
Inmate services	2,500	3,100	3,030	70
Rent payments	33,600	33,600	33,600	-
Employee training	15,000	15,000	14,919	81
Professional services	14,400	11,400	8,689	2,711
Pal expenses	6,000	6,000	4,285	1,715
Medical expenses	1,000	1,000	-	1,000
Rewards	1,000	1,000	-	1,000
Special departmental supplies	65,000	57,500	52,317	5,183
Gas and oil	365,000	362,900	356,949	5,951
Water usage	4,000	5,500	5,232	268
Grant expenditures	10,000	10,000	7,528	2,472
Capital outlay	117,000	218,200	34,610	183,590
Total Police	9,410,870	9,381,840	8,905,153	476,687
Fire				
Salary and wages	3,471,750	3,337,160	3,203,655	133,505
Retirement	443,480	410,340	405,686	4,654
Health insurance	565,370	536,270	542,913	(6,643)
Workers' compensation	106,670	72,670	71,012	1,658
Social security	252,440	236,790	235,146	1,644
Printing and supplies	1,500	1,500	960	540
Janitorial/sanitary supplies	12,000	11,000	9,955	1,045
Postage	150	100	93	7
Membership and dues	1,000	850	459	391
Travel and conferences	-	900	674	226
Auto operating expenses	35,000	35,000	38,105	(3,105)
Electricity	45,000	40,000	32,667	7,333
Telephone related services	27,000	28,200	28,023	177
Heating fuel	22,000	22,000	15,995	6,005
Fire prevention	13,000	12,000	9,103	2,897
Risk management	5,000	5,000	3,181	1,819
Radio maintenance	5,000	5,000	4,908	92
Maintenance and service contracts	23,000	25,600	24,543	1,057
Maintenance and equipment repairs	9,000	9,000	8,801	199
Building and maintenance	21,000	17,000	11,398	5,602
Uniform and clothing	60,000	60,000	54,607	5,393

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	20,000	17,000	12,147	4,853
Professional services	8,500	10,500	10,010	490
Special departmental supplies	38,000	71,100	145,406	(74,306)
Gas and oil	66,000	65,000	63,660	1,340
Water usage	18,000	17,000	13,724	3,276
Capital outlay	196,500	240,500	111,111	129,389
Total Fire	5,466,360	5,287,480	5,057,942	229,538
Total Public Safety	14,877,230	14,669,320	13,963,095	706,225
Public works				
Streets and Beautification				
Salary and wages	1,433,470	1,331,330	1,325,545	5,785
Retirement	148,580	141,620	141,001	619
Health insurance	300,425	272,550	271,081	1,469
Workers' compensation	44,650	30,650	29,722	928
Social security	107,205	99,170	98,460	710
Printing and supplies	500	470	468	2
Office supplies	3,000	3,000	2,270	730
Janitorial supplies	8,000	12,000	9,575	2,425
Safety supplies	2,000	2,000	1,557	443
Postage	100	100	1	99
Membership and dues	500	500	365	135
Auto operating expenses	30,000	33,000	37,153	(4,153)
Electricity	30,000	35,600	35,356	244
Telephone related services	2,000	4,000	3,764	236
Heating fuel	-	500	303	197
Radio maintenance	1,500	1,500	1,421	79
Maintenance and service contracts	26,500	55,400	54,830	570
Maintenance and equipment repairs	38,000	45,010	44,612	398
Building and maintenance	10,000	4,900	4,150	750
Tree beautification	6,000	6,250	6,235	15
Sign shop supplies	12,000	14,000	13,336	664
Safety equipment	4,000	4,000	1,720	2,280
Medical expenses	60,000	38,500	36,158	2,342
Uniform and clothing	15,000	20,000	17,395	2,605
Inmate services	32,000	24,600	24,150	450
Chemicals	6,000	2,490	2,235	255
Paving materials and supplies	10,000	6,000	5,971	29
Irrigation materials and supplies	5,000	3,500	656	2,844
Employee training	3,000	750	604	146

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	1,000	-	-	-
Special departmental supplies	25,000	33,500	32,406	1,094
Gas and oil	100,000	90,000	88,139	1,861
Water usage	12,000	12,030	12,090	(60)
Capital outlay	-	111,500	-	111,500
Total Streets and Beautification	2,477,430	2,440,420	2,302,729	137,691
Sanitation				
Salary and wages	819,410	850,450	828,440	22,010
Retirement	86,855	89,210	87,573	1,637
Health insurance	166,605	157,910	156,159	1,751
Workers' compensation	33,510	23,510	22,304	1,206
Social security	60,770	62,280	61,122	1,158
Printing and supplies	300	300	158	142
Postage	100	100	7	93
Membership and dues	100	100	-	100
Auto operating expenses	295,000	298,250	181,859	116,391
Telephone related services	200	100	1	99
Radio maintenance	2,500	3,100	2,829	271
Maintenance and service contracts	12,000	8,000	7,941	59
Maintenance and equipment repairs	70,000	91,300	91,152	148
Landfill services	1,100,000	1,100,400	1,100,217	183
Uniform and clothing	11,500	11,500	10,852	648
Office supplies	200	100	-	100
Compost supplies	1,000	500	-	500
Safety supplies	1,000	800	272	528
Public notices	7,000	7,000	5,538	1,462
Employee training	100	50	-	50
Professional services	200	100	-	100
Special departmental supplies	7,000	7,500	7,223	277
Gas and oil	285,000	265,000	234,390	30,610
Capital outlay	-	-	594,197	(594,197)
Total Sanitation	2,960,350	2,977,560	3,392,234	(414,674)

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	290,060	292,480	290,902	1,578
Retirement	30,750	31,220	30,722	498
Health insurance	51,400	50,200	49,826	374
Workers' compensation	8,660	6,160	5,759	401
Social security	21,450	21,860	21,385	475
Printing and supplies	100	100	-	100
Auto operating expenses	1,000	1,700	1,425	275
Telephone related services	-	150	112	38
Heating fuel	5,000	5,000	4,957	43
Radio maintenance	500	400	49	351
Maintenance and service contracts	3,000	2,050	1,478	572
Maintenance and equipment repairs	800	300	151	149
Uniform and clothing	4,500	4,100	3,846	254
Office supplies	100	100	-	100
Janitorial supplies	200	200	-	200
Safety supplies	300	200	-	200
Employee training	300	300	260	40
Special departmental supplies	5,000	5,000	4,798	202
Gas and oil	4,600	5,300	5,742	(442)
Capital outlay	-	28,200	-	28,200
Total Equipment Maintenance	427,720	455,020	421,412	33,608
Total Public Works	5,865,500	5,873,000	6,116,375	(243,375)
Culture and recreation				
Parks and Leisure Services				
Salary and wages	614,970	631,820	629,201	2,619
Retirement	57,765	60,020	59,462	558
Health insurance	103,615	92,370	91,586	784
Workers' compensation	45,900	30,900	30,552	348
Social security	45,360	46,700	46,591	109
Printing and supplies	2,000	2,000	2,000	-
Postage	500	200	143	57
Membership and dues	1,500	1,300	1,180	120
Travel and conferences	1,000	50	41	9
Auto operating expenses	8,000	7,000	7,209	(209)
Electricity	75,000	77,150	76,931	219
Telephone related services	12,000	14,400	14,286	114
Cable and related services	1,500	1,300	1,170	130
Radio maintenance	1,000	150	112	38

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	16,000	11,100	9,732	1,368
Maintenance and equipment repairs	3,000	6,200	6,041	159
Building maintenance	16,000	11,100	10,293	807
Facility and park maintenance	6,000	5,000	3,708	1,292
Tree beautification	4,000	650	626	24
Uniforms and clothing	1,000	9,000	8,262	738
Office supplies	3,000	3,500	3,415	85
Safety supplies	1,000	500	408	92
Janitorial services and supplies	6,000	6,000	5,997	3
Athletic field supplies	2,000	2,000	1,530	470
Irrigation supplies	2,000	1,500	1,370	130
Inmate services	3,600	7,800	7,500	300
Food and supplies	5,000	3,000	2,972	28
Employee training	1,000	1,000	850	150
Professional services	5,000	1,000	720	280
Contracted instructors	6,000	6,000	5,490	510
Special departmental supplies	20,000	18,900	24,201	(5,301)
Gas and oil	30,000	30,000	33,713	(3,713)
Water usage	21,000	21,000	19,585	1,415
Boys and Girls Club	21,000	21,000	21,000	-
Tournaments	1,000	1,000	700	300
Grant expenditures	10,000	10,000	9,823	177
Capital outlay	32,000	184,900	23,830	161,070
Total Parks and Leisure Services	1,185,710	1,327,510	1,162,230	165,280
Athletic Programs				
Salary and wages	436,710	413,330	411,628	1,702
Retirement	30,930	30,990	30,862	128
Health insurance	48,810	46,920	46,426	494
Workers' compensation	76,910	51,910	51,197	713
Social security	31,430	31,200	30,646	554
Printing and supplies	500	500	434	66
Postage	200	200	70	130
Membership and dues	1,500	1,500	1,055	445
Travel and conferences	2,000	2,000	1,200	800
Auto operating expenses	3,000	3,000	2,228	772
Electricity	150,000	130,000	120,256	9,744
Telephone related services	3,000	3,750	3,630	120
Cable and related services	1,500	1,800	1,769	31
Maintenance and service contracts	16,000	16,000	14,345	1,655

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<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	7,000	6,000	2,590	3,410
Radio repairs and maintenance	500	700	559	141
Building maintenance	2,000	2,000	1,892	108
Facility and park maintenance	18,000	16,450	16,337	113
Tree beautification	2,000	1,000	-	1,000
Uniforms and clothing	1,500	3,150	3,149	1
Inmate services	10,000	14,200	13,455	745
Office supplies	500	500	451	49
Safety supplies	500	500	459	41
Janitorial services and supplies	9,000	9,000	8,718	282
Athletic field supplies	9,000	7,000	6,970	30
Food and supplies	40,000	35,000	34,984	16
Employee training	1,000	1,000	832	168
Professional services	5,000	10,000	8,889	1,111
Special departmental supplies	5,500	4,200	27,129	(22,929)
Irrigation parts and supplies	5,500	4,500	4,437	63
Pro shop supplies	15,000	8,000	5,227	2,773
Stadium commission	5,100	5,100	5,100	-
Athletic expenses	7,000	5,000	4,987	13
Gymnastic expenses	5,000	5,000	4,683	317
Tennis center expenses	12,000	11,300	11,122	178
Gas and oil	5,000	10,000	9,324	676
Water usage	38,000	38,000	35,676	2,324
Marketing and promotion	120,000	140,350	73,594	66,756
Tournaments	5,000	5,000	4,018	982
Capital outlay	70,000	201,400	-	201,400
Total Athletic Programs	1,201,590	1,277,450	1,000,328	277,122
Total Culture and Recreation	2,387,300	2,604,960	2,162,558	442,402
Non-Departmental				
Employee relations	31,000	59,000	63,833	(4,833)
Unemployment compensation	15,000	12,000	6,221	5,779
OPEB expense	461,570	461,570	461,570	-
Employee benefit program	-	-	-	-
Employee assistance	-	-	21,828	(21,828)
Property and liability insurance	297,000	322,000	321,214	786
Small claims	60,000	96,000	95,424	576
Employee W/C small claims	40,000	56,000	54,950	1,050
Bank charges	21,000	35,500	34,974	526
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, 2014

	<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	206,000	206,000	-
Pee Dee Chapter Red Cross	10,000	10,000	10,000	-
Neighborhood redevelopment	-	191,500	76,120	115,380
Contingency	150,000	117,000	-	117,000
Street lights	765,000	758,600	758,318	282
Rail to trail project	-	14,400	1,398	13,002
Blue trail project	-	13,000	2,080	10,920
Deerfield resurfacing	318,600	303,100	301,865	1,235
Management software expenditures	25,600	71,500	41,767	29,733
Health services	-	3,000	560	2,440
Fire district tax reimbursement	28,000	10,000	8,674	1,326
IT Support Services	216,000	238,000	226,325	11,675
Legal services	55,000	70,000	69,418	582
Downtown revitalization	-	-	153,722	(153,722)
Incubator project	-	-	26,481	(26,481)
Special projects	60,000	110,000	118,204	(8,204)
Other recreation programs	-	-	211,489	(211,489)
City Center expenditures	-	-	58,006	(58,006)
FMU Health Sciences Bldg	-	1,000,000	1,000,000	-
Capital Outlay	272,000	1,377,700	943,265	434,435
Keep Florence Beautiful	5,000	5,000	5,000	-
Total Non-Departmental	3,000,770	5,560,870	5,298,706	262,164
Debt Service				
Principal	-	-	1,138,826	(1,138,826)
Interest	85,000	85,000	79,173	5,827
Total Debt Service	85,000	85,000	1,217,999	(1,132,999)
TOTAL EXPENDITURES	29,470,000	32,045,700	31,864,512	181,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,258,000)	(6,198,200)	(5,144,677)	1,053,523
Other Financing Sources (Uses)				
Capital leases	-	-	705,308	705,308
Proceeds from insurance settlements	-	456,400	487,488	31,088
Transfers in	4,258,000	4,186,000	4,338,317	152,317
Appropriation of fund balance	-	1,555,800	-	(1,555,800)
Total Other Financing Sources (Uses)	4,258,000	6,198,200	5,531,113	(667,087)

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
NET CHANGES IN FUND BALANCES	-	-	386,436	386,436
Fund balances at beginning of year	<u>10,934,389</u>	<u>10,934,389</u>	<u>10,934,389</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,934,389</u>	<u>\$ 10,934,389</u>	<u>\$ 11,320,825</u>	<u>\$ 386,436</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Water service fees	\$ 14,520,000	\$ 14,914,100	\$ 15,054,053	\$ 139,953
Sewer service fees	15,525,000	15,360,900	15,583,112	222,212
Sewer surcharge	45,000	50,000	50,664	664
Cut on fees	165,000	187,000	187,447	447
Water tap fees	435,000	390,000	392,223	2,223
Sewer tap fees	220,000	175,000	176,388	1,388
Service charges	259,000	230,000	226,691	(3,309)
Late fees	400,000	404,000	404,942	942
Miscellaneous	60,000	40,000	39,953	(47)
Total Operating Revenues	<u>31,629,000</u>	<u>31,751,000</u>	<u>32,115,473</u>	<u>364,473</u>
Operating Expenses				
Engineering				
Salary and wages	687,570	599,110	593,552	5,558
Retirement	72,940	63,370	62,727	643
Health insurance	96,340	74,670	74,508	162
Workers' compensation	13,650	9,650	9,078	572
Social security	49,200	43,040	42,468	572
Printing and supplies	6,000	6,000	2,029	3,971
Postage	300	300	6	294
Membership and dues	1,000	1,000	805	195
Auto operating expenses	3,500	3,500	2,802	698
Electricity	25,000	25,200	25,024	176
Travel and conferences	1,000	1,000	403	597
Telephone related services	8,000	11,700	11,394	306
Radio maintenance	500	500	92	408
Other maintenance and repairs	-	200	32	168
Maintenance and service contracts	30,000	47,100	46,759	341
Building maintenance	5,000	5,000	1,825	3,175
Uniforms and clothing	3,000	3,000	2,093	907
Public notices	200	200	-	200
Employee training	1,500	1,500	525	975
Professional services	74,500	105,000	38,083	66,917
Special departmental supplies	10,000	10,000	1,268	8,732
Gas and oil	13,500	11,600	9,365	2,235
Total Engineering	<u>1,102,700</u>	<u>1,022,640</u>	<u>924,838</u>	<u>97,802</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, 2014

	<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	855,130	825,360	823,253	2,107
Retirement	92,980	87,660	87,071	589
Health insurance	155,080	140,100	139,421	679
Workers' compensation	32,300	22,300	21,524	776
Social security	65,800	61,220	61,045	175
Printing and supplies	1,500	4,000	3,750	250
Office supplies	25,200	20,900	16,805	4,095
Janitorial supplies	750	100	90	10
Postage	4,800	4,800	4,599	201
Membership and dues	1,300	1,300	775	525
Electricity	6,300	8,300	8,007	293
Travel and conferences	2,000	1,500	1,064	436
Auto operating expenses	17,500	18,000	18,569	(569)
Radio maintenance	500	500	95	405
Other maintenance and repairs	3,000	3,000	(1,337)	4,337
Telephone related services	3,600	5,100	4,486	614
Maintenance and service contracts	29,800	24,600	23,494	1,106
Building maintenance	1,500	850	777	73
Rent payments	44,000	13,600	13,455	145
Employee training	1,750	1,750	890	860
Professional services	-	26,000	25,928	72
Utility billing	176,000	197,500	195,714	1,786
Special departmental supplies	4,100	4,100	37,599	(33,499)
Meters, parts and supplies	175,000	210,000	167,253	42,747
Uniforms and clothing	4,500	5,900	5,394	506
Gas and oil	53,000	43,000	33,912	9,088
Water usage	600	1,400	1,295	105
Building and fixed equipment	-	23,700	-	23,700
Other equipment	6,000	39,100	-	39,100
Total Utility Finance	<u>1,763,990</u>	<u>1,795,640</u>	<u>1,694,928</u>	<u>100,712</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, 2014

	<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	1,167,270	1,198,620	1,197,698	922
Retirement	123,730	126,810	126,352	458
Health insurance	217,390	212,440	215,662	(3,222)
Workers' compensation	36,000	24,500	23,963	537
Social security	85,490	87,050	86,960	90
Printing and supplies	1,400	2,600	2,510	90
Postage	1,200	1,670	1,608	62
Membership and dues	7,200	7,200	6,640	560
Travel and conferences	-	200	32	168
Auto operating expenses	10,000	12,050	14,697	(2,647)
Electricity	866,000	966,910	966,681	229
Heating fuel	15,000	25,130	24,954	176
Telephone related services	9,000	11,310	11,084	226
Radio maintenance	500	1,400	1,246	154
Maintenance and service contracts	10,000	9,860	9,415	445
Machine and equipment repairs	250,000	223,000	239,505	(16,505)
Building maintenance	5,000	1,100	1,006	94
Landfill services	320,000	350,720	358,977	(8,257)
Uniforms and clothing	9,000	16,300	16,058	242
Chemicals	120,000	197,430	198,525	(1,095)
Lab supplies	29,000	18,200	18,278	(78)
Employee training	7,000	4,790	4,515	275
Professional services	25,000	30,400	51,606	(21,206)
Special departmental supplies	122,000	79,570	112,125	(32,555)
Gas and oil	65,000	61,650	68,686	(7,036)
Water usage	28,000	16,820	16,817	3
Upgrade and painting	250,000	435,000	-	435,000
Total Wastewater Treatment	3,780,180	4,122,730	3,775,600	347,130

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, 2014

	<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	349,430	346,020	345,263	757
Retirement	37,040	36,740	36,476	264
Health insurance	50,350	48,930	48,576	354
Workers' compensation	11,160	7,660	7,418	242
Social security	26,090	26,460	25,625	835
Printing and supplies	1,200	1,400	1,318	82
Postage	100	110	104	6
Membership and dues	650	650	615	35
Auto operating expenses	2,000	2,000	2,161	(161)
Electricity	310,000	330,400	330,126	274
Telephone related services	5,000	5,000	4,926	74
Heating fuel	20,000	20,310	20,517	(207)
Radio maintenance	500	70	-	70
Maintenance and service contracts	6,500	9,000	8,969	31
Machine and equipment repairs	43,000	54,300	54,129	171
Building maintenance	26,000	32,370	32,112	258
Uniform and clothing	4,700	4,700	4,433	267
Chemicals	235,000	274,320	274,033	287
Lab supplies	40,000	46,940	44,868	2,072
Employee training	2,000	300	300	-
Professional services	9,000	7,000	4,549	2,451
Special departmental supplies	20,000	22,500	21,723	777
Gas and oil	6,600	18,100	19,307	(1,207)
Water usage	1,800	1,800	1,105	695
Upgrade and painting	450,000	656,590	-	656,590
Total Water Production - Surface Water	1,658,120	1,953,670	1,288,653	665,017

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, 2014

	<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	276,770	270,240	268,259	1,981
Retirement	29,340	28,420	28,189	231
Health insurance	60,240	57,180	56,968	212
Workers' compensation	9,910	6,910	6,589	321
Social security	20,200	20,030	19,545	485
Printing and supplies	300	240	-	240
Postage	170	170	97	73
Membership and dues	600	1,180	1,175	5
Auto operating expenses	3,500	6,800	7,514	(714)
Electricity	798,000	643,200	642,961	239
Telephone related services	40,000	41,000	40,709	291
Heating fuel	200	260	259	1
Radio maintenance	400	400	377	23
Machine and equipment repairs	48,000	68,500	68,258	242
Building maintenance	3,000	5,500	4,257	1,243
Uniform and clothing	3,000	3,300	3,122	178
Chemicals	140,000	98,500	97,605	895
Lab supplies	12,000	6,500	6,014	486
Employee training	2,000	320	235	85
Professional services	60,000	48,200	135,038	(86,838)
Well repairs	82,000	112,000	110,496	1,504
Special departmental supplies	2,500	3,600	3,377	223
Gas and oil	25,000	26,280	29,504	(3,224)
Water usage	8,500	8,500	7,064	1,436
Upgrade and painting	100,000	161,700	-	161,700
Total Water Production - Ground Water	1,725,630	1,618,930	1,537,612	81,318

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, 2014

	<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	666,240	640,330	619,680	20,650
Retirement	70,630	71,750	65,059	6,691
Health insurance	141,630	141,120	137,593	3,527
Workers' compensation	26,030	26,030	17,326	8,704
Social security	49,250	46,220	45,055	1,165
Printing and supplies	3,800	4,900	4,759	141
Postage	150	150	23	127
Membership and dues	300	170	(5)	175
Auto operating expenses	20,000	16,000	20,679	(4,679)
Electricity	15,000	8,200	8,181	19
Telephone related services	6,000	4,870	4,595	275
Heating fuel	10,000	5,000	4,957	43
Radio maintenance	300	490	482	8
Maintenance and service contracts	4,400	7,100	6,942	158
Maintenance and equipment repairs	17,000	15,000	14,846	154
Building maintenance	12,000	11,100	11,007	93
Uniform and clothing	11,300	13,000	10,744	2,256
Meters, parts and supplies	175,000	90,000	48,730	41,270
Pipe fittings and hydrants	200,000	256,600	167,975	88,625
Paving materials and supplies	7,000	3,700	3,636	64
Employee training	1,000	1,000	250	750
Professional services	13,000	15,010	13,038	1,972
Special departmental supplies	19,000	26,200	433,049	(406,849)
Gas and oil	75,000	77,600	88,650	(11,050)
Water usage	9,200	9,920	9,912	8
Machines and equipment	-	100	-	100
Total Distribution Operations	<u>1,553,230</u>	<u>1,491,560</u>	<u>1,737,163</u>	<u>(245,603)</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, 2014

	<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	448,570	487,960	485,932	2,028
Retirement	47,550	52,180	50,946	1,234
Health insurance	86,980	91,910	91,134	776
Workers' compensation	17,380	12,380	11,567	813
Social security	33,270	36,550	35,388	1,162
Printing and supplies	100	100	-	100
Postage	50	50	1	49
Membership and dues	200	200	75	125
Travel and conferences	200	200	-	200
Auto operating expenses	11,000	16,820	18,985	(2,165)
Telephone related services	500	1,000	989	11
Radio maintenance	500	500	72	428
Maintenance and equipment repairs	18,000	13,210	12,902	308
Uniform and clothing	5,500	7,000	6,057	943
Pipe fittings and hydrants	50,000	188,570	123,800	64,770
Paving materials and supplies	35,000	31,200	31,091	109
Employee training	150	150	110	40
Professional services	250	250	29,908	(29,658)
Special departmental supplies	10,000	19,000	17,551	1,449
Gas and oil	48,000	48,000	54,626	(6,626)
Machines and equipment	12,000	10,500	-	10,500
Total Collection Operations	825,200	1,017,730	971,134	46,596
Non-Departmental				
Depreciation and amortization	5,300,000	5,300,000	4,669,117	630,883
Bank charges	62,500	109,000	135,124	(26,124)
Employee relations	20,000	50,800	56,268	(5,468)
Unemployment compensation	3,000	6,800	6,672	128
Other post employment benefits	141,550	141,600	141,550	50
Property and liability insurance	160,000	174,000	173,871	129
Small claims	17,000	73,500	73,074	426
Employee W/C small claims	20,000	4,500	4,023	477
Legal services	65,000	70,000	69,418	582
City Center operations	245,000	995,000	856,073	138,927
Contingency	750,000	183,000	-	183,000
IT support services	216,000	216,000	188,264	27,736
IT upgrade	-	12,000	4,136	7,864

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, 2014

	<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				
Management system software	30,600	141,600	37,632	103,968
Health services	-	3,000	560	2,440
Special projects	107,000	102,000	107,398	(5,398)
Redevelopment expenses	-	-	225,000	(225,000)
Total Non-Departmental	<u>7,137,650</u>	<u>7,582,800</u>	<u>6,748,180</u>	<u>834,620</u>
TOTAL OPERATING EXPENSES	<u>19,546,700</u>	<u>20,605,700</u>	<u>18,678,108</u>	<u>1,927,592</u>
OPERATING INCOME	<u>12,082,300</u>	<u>11,145,300</u>	<u>13,437,365</u>	<u>2,292,065</u>
Non-Operating Revenues (Expenses)				
Investment earnings	23,000	15,000	28,596	13,596
Miscellaneous revenues	1,442,000	1,328,000	-	(1,328,000)
Loss on disposal of assets	-	-	(45,399)	(45,399)
Interest expense	-	-	(1,282,078)	(1,282,078)
Appropriation of net position	-	1,550,000	-	(1,550,000)
Total Non-Operating (Expenses)	<u>1,465,000</u>	<u>2,893,000</u>	<u>(1,298,881)</u>	<u>(4,191,881)</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>13,547,300</u>	<u>14,038,300</u>	<u>12,138,484</u>	<u>(1,899,816)</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>226,298</u>	<u>226,298</u>
INCOME BEFORE TRANSFERS TRANSFERS OUT	<u>13,547,300</u> <u>(13,547,300)</u>	<u>14,038,300</u> <u>(14,038,300)</u>	<u>12,364,782</u> <u>(1,988,344)</u>	<u>(1,673,518)</u> <u>12,049,956</u>
CHANGE IN NET POSITION	<u>-</u>	<u>-</u>	<u>10,376,438</u>	<u>10,376,438</u>
Net position at beginning of year	<u>118,855,367</u>	<u>118,855,367</u>	<u>118,855,367</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 118,855,367</u>	<u>\$ 118,855,367</u>	<u>\$ 129,231,805</u>	<u>\$ 10,376,438</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, 2014

	<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	\$ 1,271,000	\$ 1,272,857	\$ 1,857
Miscellaneous	4,000	18,000	37,979	19,979
Total Operating Revenues	<u>1,289,000</u>	<u>1,289,000</u>	<u>1,310,836</u>	<u>21,836</u>
Operating Expenses				
Salary and wages	306,300	313,150	311,912	1,238
Retirement	32,440	33,600	32,954	646
Health insurance	54,740	53,230	52,951	279
Workers' compensation	9,900	6,900	6,589	311
Social security	22,630	23,330	22,918	412
Printing and supplies	500	500	321	179
Membership and dues	800	800	180	620
Postage	200	200	1	199
Travel and conferences	300	300	-	300
Auto operating expenses	12,000	12,000	11,956	44
Electricity	5,000	5,000	3,190	1,810
Telephone related services	500	2,500	1,375	1,125
Radio maintenance	580	580	-	580
Maintenance and equipment repairs	18,500	26,100	25,852	248
Uniforms and clothing	4,000	4,000	3,387	613
Pipe fittings and hydrants	10,000	4,000	3,047	953
Employee training	800	1,800	1,256	544
Professional services	38,000	30,000	52,575	(22,575)
Special departmental supplies	8,000	6,000	6,296	(296)
Gas and oil	40,000	38,200	34,107	4,093
Depreciation	622,000	622,000	632,528	(10,528)
Bank charges	3,300	3,300	3,115	185
Employee relations	500	4,000	3,107	893
Unemployment compensation	500	500	16	484
Property and liability insurance	5,700	6,000	5,971	29
Other post employment benefits	12,310	12,310	12,310	-
Amortization of bond issue costs	-	-	2,192	(2,192)
Small claims	500	15,700	15,240	460
TOTAL OPERATING EXPENSES	<u>1,210,000</u>	<u>1,226,000</u>	<u>1,245,346</u>	<u>(19,346)</u>
OPERATING INCOME	<u>79,000</u>	<u>63,000</u>	<u>65,490</u>	<u>2,490</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, 2014

	<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	6,000	6,000	2,805	(3,195)
Interest expense	-	-	(64,075)	(64,075)
Appropriation of net position	<u>485,000</u>	<u>525,000</u>	<u>-</u>	<u>(525,000)</u>
Total Non-Operating Revenues (Expenses)	<u>491,000</u>	<u>531,000</u>	<u>(61,270)</u>	<u>(592,270)</u>
INCOME BEFORE TRANSFERS	570,000	594,000	4,220	(589,780)
TRANSFERS OUT	<u>(570,000)</u>	<u>(594,000)</u>	<u>(125,000)</u>	<u>469,000</u>
CHANGE IN NET POSITION	-	-	(120,780)	(120,780)
Net position at beginning of year	<u>3,064,817</u>	<u>3,064,817</u>	<u>3,064,817</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 3,064,817</u>	<u>\$ 3,064,817</u>	<u>\$ 2,944,037</u>	<u>\$ (120,780)</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund - Victims Services Fund
Year Ended June 30, 2014

Court fines	
Court fines collected	\$ 601,099
Court fines retained by City	<u>(601,099)</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>
Court Assessments, Surcharges and Pullout	
Court assessments collected	\$ 571,536
Court surcharges collected	192,050
Court pullout collected	20,851
Court assessments, surcharges and pullout retained by City	<u>(93,354)</u>
Court assessments, surcharges and pullout remitted to the State Treasurer	<u>\$ 691,083</u>
Victims Services	
Court assessments allocated to Victims Services	\$ 72,079
Court surcharges allocated to Victims Services	21,275
Investment income	<u>253</u>
Funds allocated to Victims Services	93,607
Victims Services expenditures	<u>(109,022)</u>
Funds used in the current year	(15,415)
Funds available for carryforward from prior year	<u>106,856</u>
Funds available for carryforward at end of year	<u><u>\$ 91,441</u></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.	129
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	137
<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.	141
<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.	146
<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.	151

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in										
capital assets	\$ 23,053,142	\$ 22,624,824	\$ 20,703,754	\$ 21,001,938	\$ 17,499,606	\$ 13,851,778	\$ 17,158,331	\$ 19,429,425	\$ 20,692,434	\$ 3,443,204
Restricted	-	-	167,439	20,000	30,000	30,000	5,029,732	1,279,834	2,815,762	17,920,988
Unrestricted	9,426,872	9,759,013	9,853,296	11,745,471	10,298,441	14,712,000	8,484,126	8,596,543	8,804,690	9,996,831
Total governmental activities net position	\$ 32,480,014	\$ 32,383,837	\$ 30,724,489	\$ 32,767,409	\$ 27,828,047	\$ 28,593,778	\$ 30,672,189	\$ 29,305,802	\$ 32,312,886	\$ 31,361,023
Business-type activities										
Net investment in										
capital assets	\$ 49,295,162	\$ 53,017,659	\$ 54,491,789	\$ 55,854,407	\$ 63,684,875	\$ 64,156,673	\$ 79,843,049	\$ 82,021,447	\$ 89,407,316	\$ 91,842,316
Restricted	-	-	280,988	-	2,473,850	5,075,799	6,323,412	4,899,688	4,794,542	4,704,434
Unrestricted	14,553,098	13,696,663	16,365,953	22,494,732	17,791,955	23,296,181	16,707,215	25,586,627	27,718,326	35,629,092
Total business-type activities net position	\$ 63,848,260	\$ 66,714,322	\$ 71,138,730	\$ 78,349,139	\$ 83,950,680	\$ 92,528,653	\$ 102,873,676	\$ 112,507,762	\$ 121,920,184	\$ 132,175,842
Primary government totals										
Net investment in										
capital assets	\$ 72,348,304	\$ 75,642,483	\$ 75,195,543	\$ 76,856,345	\$ 81,184,481	\$ 78,008,451	\$ 97,001,380	\$ 101,450,872	\$ 110,099,750	\$ 95,285,520
Restricted	-	-	448,427	20,000	2,503,850	5,105,799	11,353,144	6,179,522	7,610,304	22,625,422
Unrestricted	23,979,970	23,455,676	26,219,249	34,240,203	28,090,396	38,008,181	25,191,341	34,183,170	36,523,016	45,625,923
Total primary government net position	\$ 96,328,274	\$ 99,098,159	\$ 101,863,219	\$ 111,116,548	\$ 111,778,727	\$ 121,122,431	\$ 133,545,865	\$ 141,813,564	\$ 154,233,070	\$ 163,536,865

Table 02

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 5,502,778	\$ 6,008,887	\$ 5,988,907	\$ 7,903,075	\$ 8,068,970	\$ 7,128,772	\$ 6,910,887	\$ 6,884,773	\$ 6,224,892	\$ 7,448,009
Public safety	10,982,959	11,683,483	12,365,574	12,733,887	13,323,884	13,409,835	14,139,828	15,342,743	14,258,623	14,418,964
Public works	4,191,109	4,449,471	4,451,755	4,579,662	4,933,597	5,172,572	4,868,876	5,527,026	5,789,957	6,893,527
Culture and recreation	3,029,951	3,282,275	7,588,055	4,407,663	6,765,323	4,318,364	4,030,009	5,223,822	4,939,601	4,767,511
Community development	1,031,915	363,629	477,068	216,096	328,207	1,696,760	502,885	1,097,686	730,670	1,235,708
Interest on debt	2,083	21,608	165,107	147,403	273,148	364,234	525,463	672,883	428,682	462,255
Total governmental activities expenses	24,740,795	25,809,353	31,036,466	29,987,786	33,693,129	32,090,537	30,977,948	34,748,933	32,372,425	35,225,974
Business-type activities:										
Water & Sewer	17,277,622	17,786,812	17,674,784	18,350,029	20,480,653	19,290,233	17,974,450	18,376,996	18,926,059	20,005,585
Stormwater	655,871	877,543	1,050,567	1,074,366	1,070,200	1,159,819	1,210,596	1,295,628	1,197,054	1,309,421
Total business-type activities expenses	17,933,493	18,664,355	18,725,351	19,424,395	21,550,853	20,450,052	19,185,046	19,672,624	20,123,113	21,315,006
Total primary government expenses	42,674,288	44,473,708	49,761,817	49,412,181	55,243,982	52,540,589	50,162,994	54,421,557	52,495,538	56,540,980
Program Revenues										
Governmental activities:										
Charges for services	12,689,299	12,948,872	13,966,132	16,289,368	16,560,571	17,373,754	13,867,188	13,786,297	15,030,057	15,232,023
Operating grants and contributions	1,906,380	1,182,273	2,655,129	2,761,350	1,552,503	3,313,504	4,073,237	2,971,633	2,362,524	1,611,072
Capital grants and contributions	1,294,186	564,662	723,680	697,194	736,431	274,763	51,000	356,500	111,430	-
Total governmental activities program revenues	15,889,865	14,695,807	17,344,941	19,747,912	18,849,505	20,962,021	17,991,425	17,114,430	17,504,011	16,843,095
Business-type activities:										
Charges for services:										
Water & Sewer	20,530,495	21,416,515	22,679,541	26,030,858	25,476,228	27,616,193	28,554,598	29,557,415	29,988,906	31,256,440
Stormwater	1,066,694	1,090,893	1,124,063	1,213,130	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857
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
Total business-type activities revenues	21,597,189	22,528,408	24,031,664	27,501,654	27,510,335	29,424,764	30,544,339	30,810,314	31,462,506	32,755,595
Total primary government revenues	37,487,054	37,224,215	41,376,605	47,249,566	46,359,840	50,386,785	48,535,764	47,924,744	48,966,517	49,598,690
Net (expense)/revenue										
Governmental activities	(8,850,930)	(11,113,546)	(13,691,525)	(10,239,874)	(14,843,624)	(11,128,516)	(12,986,523)	(17,634,503)	(14,868,414)	(18,382,879)
Business-type activities	3,663,696	3,864,053	5,306,313	8,077,259	5,959,482	8,974,712	11,359,293	11,137,690	11,339,393	11,440,589
Total primary government net expense	(5,187,234)	(7,249,493)	(8,385,212)	(2,162,615)	(8,884,142)	(2,153,804)	(1,627,230)	(6,496,813)	(3,529,021)	(6,942,290)

(Accrual Basis of Accounting)
(Continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and fees										
Property taxes	7,507,436	7,956,478	8,193,634	8,360,565	8,594,436	8,766,376	9,375,114	9,401,312	9,340,283	9,462,898
Hospitality Fees ⁽¹⁾	2,283,203	2,371,249	2,661,073	2,799,149	2,800,739	2,841,585	2,926,340	3,092,529	3,214,470	3,396,306
Unrestricted grants and contributions	941,113	1,006,529	1,143,389	987,666	942,306	790,254	711,684	728,643	851,358	1,320,504
Investment earnings	116,464	255,196	479,844	439,199	186,869	45,791	22,815	20,686	42,800	25,580
Gain on sale of assets	-	-	-	-	-	-	-	355,108	-	-
Miscellaneous	435,721	344,108	603,307	869,250	514,233	167,826	158,122	149,837	895,937	1,112,384
Transfers	1,412,000	1,455,058	1,612,000	1,626,117	1,637,000	2,124,000	2,019,569	2,520,001	2,956,317	2,113,344
Total governmental activities	<u>12,695,937</u>	<u>13,388,618</u>	<u>14,693,247</u>	<u>15,081,946</u>	<u>14,675,583</u>	<u>14,735,832</u>	<u>15,213,644</u>	<u>16,268,116</u>	<u>17,301,165</u>	<u>17,431,016</u>
Business-type activities										
Investment earnings	228,027	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185	31,401
Miscellaneous	-	-	-	-	913,528	1,495,506	928,575	965,858	977,161	897,012
Transfers	(1,412,000)	(1,455,058)	(1,612,000)	(1,626,117)	(1,637,000)	(2,124,000)	(2,019,569)	(2,520,001)	(2,956,317)	(2,113,344)
Total business-type activities	<u>(1,183,973)</u>	<u>(997,991)</u>	<u>(881,905)</u>	<u>(866,850)</u>	<u>(357,941)</u>	<u>(396,739)</u>	<u>(1,037,490)</u>	<u>(1,503,604)</u>	<u>(1,926,971)</u>	<u>(1,184,931)</u>
Total Primary government	<u>11,511,964</u>	<u>12,390,627</u>	<u>13,811,342</u>	<u>14,215,096</u>	<u>14,317,642</u>	<u>14,339,093</u>	<u>14,176,154</u>	<u>14,764,512</u>	<u>15,374,194</u>	<u>16,246,085</u>
Changes in Net Position										
Governmental activities	1,561,804	(96,177)	(1,659,351)	2,042,923	(2,968,780)	3,607,316	2,227,121	(1,366,387)	2,432,751	(951,863)
Business-type activities	2,479,723	2,866,062	4,424,408	7,210,409	5,601,541	8,577,973	10,321,803	9,634,086	9,412,422	10,255,658
Total primary government	<u>4,041,527</u>	<u>2,769,885</u>	<u>2,765,057</u>	<u>9,253,332</u>	<u>2,632,761</u>	<u>12,185,289</u>	<u>12,548,924</u>	<u>8,267,699</u>	<u>11,845,173</u>	<u>9,303,795</u>

(1) Effective 1/1/2004

Table 03

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

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee	Fines and Forfeitures	Total
2005	\$ 7,507,436	\$ 7,939,460	\$ 2,283,203	\$ 591,924	\$ 18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389
2007	8,193,634	8,566,956	2,661,073	825,692	20,247,355
2008	8,360,565	10,212,766	2,799,149	827,954	22,200,434
2009	8,594,436	10,332,888	2,800,739	725,808	22,453,871
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,375,114	10,347,941	2,926,340	695,789	23,345,184
2012	9,401,312	10,318,699	3,092,529	692,526	23,505,066
2013	9,340,283	11,085,979	3,214,470	644,920	24,285,652
2014	9,462,898	11,334,578	3,396,306	637,171	24,830,953

Table 04

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255,201	\$ 265,745	\$ 253,173	\$ 260,220
Restricted	-	-	-	-	-	-	210,000	-	331,319	-
Reserved	-	-	-	300,000	27,000	240,000	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	693,523	781,179	1,934,688	1,979,096
Unreserved	8,206,188	8,004,650	8,187,370	8,128,515	9,022,785	9,510,270	8,740,538	8,291,180	8,415,209	9,081,509
Total General Fund	\$ 8,206,188	\$ 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
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,730	\$ 25,063	\$ 47,381	\$ 24,700
Restricted	-	-	-	-	-	-	1,733,579	1,279,834	2,484,443	17,920,948
Reserved	-	-	2,988,084	1,151,487	-	-	-	-	-	-
Committed	-	-	-	-	-	-	3,141,642	1,409,480	596,533	596,233
Assigned	-	-	-	-	-	-	1,194,567	675,914	-	15,000
Unreserved	1,383,486	2,023,353	1,691,698	3,750,499	8,889,745	7,169,422	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,383,486	\$ 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

Table 05

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Property Taxes	\$ 7,409,461	\$ 7,813,788	\$ 7,954,442	\$8,172,899	\$8,577,341	\$8,766,376	\$9,345,471	\$ 9,399,509	\$ 9,356,801	\$ 9,494,556
Licenses and fees	10,222,663	10,499,074	11,228,029	13,011,915	13,133,627	13,322,031	13,274,281	13,411,228	14,510,042	14,910,015
Intergovernmental	2,621,052	2,448,800	4,099,227	3,609,493	2,529,952	4,290,958	2,715,256	3,790,156	3,772,655	3,872,395
Charges for services	1,487,413	1,615,327	1,787,838	1,980,238	2,047,613	2,211,833	2,128,982	2,159,166	2,387,117	2,230,427
Fines and forfeitures	591,924	688,837	825,692	827,954	725,808	784,380	695,789	692,526	644,920	637,171
Investment earnings	116,464	255,196	479,844	439,199	186,869	45,791	30,006	20,689	40,298	25,580
Miscellaneous	1,680,684	450,306	956,527	2,165,312	1,132,615	1,036,131	3,001,651	675,859	1,042,119	534,793
Total revenues	<u>24,129,661</u>	<u>23,771,328</u>	<u>27,331,599</u>	<u>30,207,010</u>	<u>28,333,825</u>	<u>30,457,500</u>	<u>31,191,436</u>	<u>30,149,133</u>	<u>31,753,952</u>	<u>31,704,937</u>
Expenditures										
Current										
General government	4,967,408	5,439,557	5,446,156	7,389,797	7,407,872	6,995,675	6,765,865	6,776,184	6,072,413	7,315,367
Public safety	10,335,380	10,774,687	11,587,658	11,921,922	12,417,086	12,392,972	12,947,045	14,132,035	13,552,531	14,001,197
Public works	3,747,404	3,970,308	4,024,636	4,251,485	4,290,955	4,479,662	4,254,787	4,699,514	4,909,427	6,116,375
Culture and recreation	2,715,224	2,940,458	5,242,151	4,072,780	6,408,020	3,865,643	3,637,061	4,801,637	4,331,993	3,960,994
Community development	1,031,915	363,629	477,068	216,096	328,207	1,696,760	502,885	1,097,686	730,670	1,418,149
Debt Service										
Principal	240,921	272,252	505,051	543,977	670,369	1,069,978	1,162,813	2,358,462	1,763,799	8,410,196
Interest	9,998	-	162,476	154,483	142,569	390,440	537,190	612,332	459,469	473,483
Capital Outlay	<u>2,734,471</u>	<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>
Total expenditures	<u>25,782,721</u>	<u>25,542,535</u>	<u>29,865,450</u>	<u>32,706,060</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>
Excess of revenues over (under) expenditures	<u>(1,653,060)</u>	<u>(1,771,207)</u>	<u>(2,533,851)</u>	<u>(2,499,050)</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>(11,225,180)</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	-	487,488
Operating transfers in	2,244,169	1,850,987	2,320,701	2,337,842	2,460,915	3,062,440	2,851,048	3,353,864	4,100,888	4,338,317
Operating transfers out	(832,169)	(426,829)	(708,701)	(700,842)	(823,915)	(938,440)	(669,189)	(833,863)	(1,155,163)	(2,224,973)
Proceeds of capital lease	-	785,378	3,761,000	1,325,402	9,558,117	-	47,025	395,606	6,610,362	705,308
Total other financing sources (uses)	<u>1,412,000</u>	<u>2,209,536</u>	<u>5,373,000</u>	<u>2,962,402</u>	<u>11,195,117</u>	<u>2,124,000</u>	<u>7,536,884</u>	<u>2,987,709</u>	<u>9,556,087</u>	<u>27,040,140</u>
Net change in governmental fund balance	<u>\$ (241,060)</u>	<u>\$ 438,329</u>	<u>\$ 2,839,149</u>	<u>\$ 463,352</u>	<u>\$4,747,650</u>	<u>\$ (921,990)</u>	<u>\$ (843,481)</u>	<u>\$ (3,261,385)</u>	<u>\$ 1,334,351</u>	<u>\$ 15,814,960</u>
Debt service as a percentage of non-capital expenditures	1.1%	1.0%	1.1%	2.3%	2.2%	5.0%	5.9%	9.4%	7.5%	5.2%

Table 06

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Water & Sewer										
Service Fees	\$ 19,247,289	\$ 20,289,696	\$ 21,368,185	\$ 24,202,597	\$ 24,796,610	\$ 27,163,915	\$ 28,151,177	\$ 28,975,273	\$ 29,431,296	\$ 30,637,166
Sewer Surcharges	144,525	78,501	97,078	59,654	68,766	69,589	96,440	35,156	40,594	50,664
Cut on Fees	63,075	65,245	74,325	178,735	157,812	163,132	162,648	147,414	193,597	187,447
Water & Sewer										
Tap Fees	610,873	671,204	835,823	1,030,488	453,040	382,689	403,421	546,986	517,016	568,610
Service Charges	127,780	129,788	125,372	290,606	255,388	265,134	226,186	240,778	269,065	226,691
Late Fees	77,990	81,019	87,053	164,823	285,028	418,462	422,020	430,468	390,401	404,942
Stormwater Fees	1,066,694	1,089,301	1,121,916	1,198,218	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857
Investment earnings	228,027	457,067	730,095	759,267	365,531	231,755	53,504	50,539	52,185	31,401
Intergovernmental revenues	-	-	-	-	-	-	-	-	119,553	-
Miscellaneous	258,963	123,654	321,912	376,533	1,187,775	1,223,346	928,575	152,512	206,643	304,230
Total revenues	<u>21,825,216</u>	<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>
Expenditures										
Current										
Engineering	713,268	776,610	809,866	906,622	869,298	911,246	974,177	1,032,580	987,846	924,838
Utility Finance	583,610	678,718	727,049	741,982	851,037	818,791	932,884	1,411,815	1,939,902	1,694,928
Wastewater Treatment	2,554,603	2,668,538	2,596,617	2,661,429	2,984,387	3,201,419	3,255,574	3,239,314	3,581,179	3,775,600
Water Production	2,351,240	2,492,365	2,742,980	3,046,488	2,882,349	2,963,361	2,668,762	3,302,963	2,881,285	2,826,265
Distribution Operations	2,103,824	2,299,328	2,424,662	2,690,956	2,914,425	2,091,324	2,275,930	1,731,542	1,837,213	1,737,163
Collection Operations	187,231	194,431	109,020	190,226	263,678	755,176	768,601	732,536	787,045	971,134
Stormwater	655,871	877,543	883,581	916,032	920,469	1,019,210	1,079,309	1,198,115	1,126,321	1,245,346
Non-departmental	8,783,846	8,676,822	8,431,576	8,270,660	9,865,212	8,689,525	7,289,814	7,029,073	6,992,914	8,139,732
Net Interdepartmental Transfer										
	<u>1,412,000</u>	<u>1,455,058</u>	<u>1,612,000</u>	<u>1,626,117</u>	<u>1,637,000</u>	<u>2,124,000</u>	<u>2,125,000</u>	<u>2,520,001</u>	<u>2,945,725</u>	<u>2,113,344</u>
Total expense	<u>19,345,493</u>	<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>
Net change in net position	<u>\$ 2,479,723</u>	<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>

**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>
2005	\$ 7,507,436	\$ 7,939,460	\$ 2,283,203	\$ 591,924	\$ 18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389
2007	7,954,442	8,566,956	2,661,073	825,692	20,008,163
2008	8,172,899	10,212,766	2,799,149	827,954	22,012,768
2009	8,577,341	10,332,888	2,800,739	725,808	22,436,776
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,345,471	10,347,941	2,926,340	695,789	23,315,541
2012	9,399,509	10,318,699	3,092,529	692,526	23,503,263
2013	9,356,801	11,085,979	3,214,470	644,920	24,302,170
2014	9,494,556	11,334,578	3,396,306	637,172	24,862,612

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					
2005	2004	\$ 32,500,494	\$ 48,880,890	\$ 16,116,529	\$ 19,725,439	\$ 3,885,174	\$ 113,338,178	60.8	\$ 2,012,358,171	5.63%
2006	2005	39,049,201	59,067,023	16,839,936	22,146,872	4,173,248	132,929,784	54.9	2,396,889,288	5.55
2007	2006	41,046,491	60,601,586	15,664,410	21,288,733	4,255,786	134,345,434	54.9	2,472,593,261	5.43
2008	2007	43,624,088	63,334,142	15,510,400	20,406,476	4,262,629	138,612,477	54.9	2,577,078,442	5.38
2009	2008	46,591,593	67,302,466	14,886,860	22,118,529	4,282,034	146,617,414	54.9	2,728,131,590	5.37
2010	2009	48,563,854	68,919,960	13,671,060	21,327,503	4,434,172	148,048,205	54.9	2,777,562,487	5.33
2011	2010	53,718,182	70,501,984	14,093,880	20,772,127	4,553,707	154,532,466	56.7	2,930,483,528	5.27
2012	2011	54,714,285	71,085,672	14,523,690	19,183,573	4,591,064	154,916,156	56.7	2,960,477,579	5.23
2013	2012	54,937,686	69,773,408	15,291,980	18,778,579	4,687,925	154,093,728	56.7	2,957,895,007	5.21
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

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		
2005	2004	60.8	0.0	60.8	68.5	1.5	70.0	145.7	16.3	162.0	3.5	296.3
2006	2005	54.9	0.0	54.9	66.3	1.5	67.8	140.2	16.4	156.6	3.4	282.7
2007	2006	54.9	0.0	54.9	67.9	9.0	76.9	151.0	15.0	166.0	3.4	301.2
2008	2007	54.9	0.0	54.9	67.9	9.0	76.9	157.5	19.0	176.5	4.9	313.2
2009	2008	54.9	0.0	54.9	67.9	9.0	76.9	163.7	19.0	182.7	4.9	319.4
2010	2009	54.9	0.0	54.9	67.9	9.0	76.9	171.7	34.3	206.0	4.9	342.7
2011	2010	53.7	3.0	56.7	67.9	9.0	76.9	173.2	32.0	205.2	4.9	343.7
2012	2011	53.7	3.0	56.7	68.9	8.0	76.9	177.5	30.0	207.5	4.9	346.0
2013	2012	53.7	3.0	56.7	71.9	8.0	79.9	184.5	35.6	220.1	4.9	361.6
2014	2013	53.7	3.0	56.7	75.4	9.0	84.4	189.3	31.7	221.0	4.9	367.0

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	2014			2005		
	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	\$ 17,931,580	1	11.20%	\$ 7,113,140	1	6.07%
Magnolia, LLC	3,239,410	2	2.02	-		
Duke Energy Progress ⁽³⁾	3,105,930	3	1.94	2,850,624	4	2.43
McLeod Regional Medical Center	2,642,810	4	1.65	4,293,270	2	3.66
Florence Mall	1,797,550	5	1.12			
BellSouth Telecommunications	1,774,630	6	1.11	3,081,490	3	2.63
Raldex, Inc.	1,635,250	7	1.02	-		
Wal-Mart	1,542,070	8	0.96			
Holcombe Land Development	1,408,870	9	0.88	1,034,850	7	0.88
South Carolina Electric and Gas	886,700	10	0.55	696,280	8	0.59
Byrd Properties, Inc.				2,416,850	5	2.06
Lowe's Home Improvement				1,145,640	6	0.98
Edens & Avant Fin. Ltd. Partnership				672,780	9	0.57
Time Warner Cable				474,840	10	0.41

Source: Florence County

(1) Total Assessed Value for 2014 was \$160,100,962

(2) Total Assessed Value for 2005 was \$117,223,352

(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>
2005	2004	\$ 7,127,180	\$ 6,993,031	9811.8%	\$ 77,415	\$ 7,070,446	99.2%
2006	2005	7,526,956	7,382,948	98.1	59,141	7,442,089	98.9
2007	2006	7,609,207	7,526,794	98.9	66,140	7,592,934	99.8
2008	2007	7,843,843	7,733,752	98.6	73,267	7,807,019	99.5
2009	2008	8,284,380	8,125,465	98.1	82,911	8,208,376	99.1
2010	2009	8,371,282	8,260,672	98.7	63,628	8,324,300	99.4
2011	2010	9,020,186	8,793,288	97.5	77,249	8,870,537	98.3
2012	2011	9,044,059	8,846,137	97.8	116,514	8,962,651	99.1
2013	2012	9,002,920	8,831,673	98.1	53,845	8,885,518	98.7
2014	2013	9,077,725	8,950,117	98.6	-	8,950,117	98.6

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			
2005	\$ -	\$ -	\$ -	\$ -	\$ 37,641,122	\$ 31,125,861	\$ 68,766,983	1.32%	\$ 2,163
2006	-	-	-	4,274,126	39,670,000	29,111,139	73,055,265	1.35	2,288
2007	-	-	-	3,769,075	37,090,000	27,028,107	67,887,182	1.16	2,120
2008	-	-	1,280,000	3,270,500	36,265,000	24,873,896	65,689,396	1.08	2,049
2009	-	-	2,235,000	11,363,248	34,555,000	22,645,511	70,798,759	1.08	2,200
2010	-	-	2,060,675	10,466,595	111,040,082	17,419,572	140,986,924	2.15	3,805
2011	5,345,000	-	1,829,137	9,563,108	109,375,650	27,950,456	154,063,351	2.24	4,128
2012	5,092,905	-	1,416,062	8,265,421	105,252,219	28,815,589	148,842,196	2.10	3,959
2013	4,828,098	-	1,272,204	13,520,649	102,209,789	28,420,215	150,250,955	*	3,977
2014	4,550,124	23,734,000	675,000	6,690,939	105,069,530	35,715,144	176,434,737	*	*

(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**

Fiscal Year	Population⁽¹⁾	Assessed Value	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2005	31,787	\$117,223,352	\$ -	\$ -	\$ -	0.00%	\$ -
2006	31,930	137,103,032 ⁽²⁾	0	0	0	0.00	0
2007	32,015	138,601,220	0	0	0	0.00	0
2008	32,063	142,875,106	0	0	0	0.00	0
2009	32,180	150,899,448	0	0	0	0.00	0
2010	37,056	152,482,377	0	0	0	0.00	0
2011	37,326	159,086,173 ⁽²⁾	5,345,000	0	5,345,000	3.36	143
2012	37,498	159,507,220	5,092,905	431,975	4,660,930	2.92	124
2013	37,947	159,781,653	4,828,098	475,412	4,352,686	2.72	115
2014	38,326	160,100,962	4,550,124	521,650	4,028,474	2.52	105

(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, 2014**

<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	\$35,650,063	100.00%	\$35,650,063
Overlapping:⁽²⁾			
Florence County	173,228,984	35.86%	62,119,914
Florence School District 1	29,795,000	44.41%	13,231,960
Total Overlapping Debt	<u>\$203,023,984</u>		<u>\$75,351,874</u>
 Total Direct & Overlapping Debt	 <u>\$238,674,047</u>		 <u>\$111,001,937</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$9,377,868	\$10,968,243	\$11,088,098	\$11,430,008	\$12,071,956	\$12,198,590	\$12,726,894	\$12,760,578	\$12,702,532	\$12,808,077
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>0.00</u>	<u>5,345,000</u>	<u>4,660,930</u>	<u>4,352,686</u>	<u>4,028,474</u>
Legal Debt Margin	<u>\$9,377,868</u>	<u>\$10,968,243</u>	<u>\$11,088,098</u>	<u>\$11,430,008</u>	<u>\$12,071,956</u>	<u>\$12,198,590</u>	<u>\$7,381,894</u>	<u>\$8,099,648</u>	<u>\$8,349,846</u>	<u>\$8,779,603</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	42.00%	36.53%	34.27%	31.45%

Legal Debt Margin Calculation for Fiscal Year 2013

Taxable Assessed Value - 2013 Levy	\$155,363,601
Add back: exempt real property	<u>4,737,361</u>
Total Assessed Value	<u>\$160,100,962</u>
Debt Limit (8% of Total Assessed Value Without Referendum)	\$12,808,077
Debt applicable to limit:	
Total Bonded Debt	\$4,550,124
Less Amounts Available in Debt Service Fu	(521,650)
Less Deductions Allow ed by Law	_____
Total Net Debt Applicable to Limit	<u>4,028,474</u>
Legal Debt Margin	<u>\$8,779,603</u>

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

<u>Fiscal Year</u>	<u>Gross Revenue⁽¹⁾</u>	<u>Less: Operating Expenses⁽²⁾</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage⁽³⁾</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	20,742,121	9,461,277	11,280,844	3,616,634	3,363,546	6,980,180	1.62
2006	21,837,986	10,087,728	11,750,258	3,902,590	3,181,807	7,084,397	1.66
2007	23,213,857	10,240,322	12,973,535	4,085,899	2,987,178	7,073,077	1.83
2008	26,654,167	11,204,841	15,449,326	2,392,078	2,782,452	5,174,530	2.99
2009	26,712,674	12,292,031	14,420,643	3,341,252	2,650,041	5,991,293	2.41
2010	29,199,368	12,087,177	17,112,191	3,447,196	2,497,453	5,944,649	2.88
2011	30,665,248	11,751,584	18,913,664	1,973,833	4,923,927	6,897,760	2.74
2012	31,924,606	12,439,583	19,485,023	3,879,607	6,082,235	9,961,842	1.96
2013	32,422,779	13,158,988	19,263,791	3,822,469	6,136,072	9,958,541	1.93
2014	33,472,326	14,008,991	19,463,335	4,131,881	5,639,266	9,771,147	1.99

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

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

(3) The City's 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 2013-14 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. Net earnings of the system exceed the amount required by the Bond Ordinance described above. Debt service on this Junior Lien Bond is not included under Debt Service Requirements in the above table.

**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⁾
2005	31,787	5,208	26,399	13,905	8.4
2006	31,930	5,395	27,449	14,715	7.5
2007	32,015	5,861	29,661	15,510	6.1
2008	32,063	6,093	30,690	15,490	6.7
2009	32,180	6,528	30,542	15,783	12.1
2010	37,056	6,546	31,883	16,017	11.0
2011	37,326	6,889	33,491	16,081	11.6
2012	37,498	7,099	34,445	16,176	10.2
2013	37,947	*	*	16,305	9.9
2014	38,326	*	*	16,579	6.3

* Information not yet available

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

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

(3) Florence School District One

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

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

Employer	2014			2005⁽²⁾		
	Number of Employees	Rank	Percentage of Total County Employment⁽¹⁾	Number of Employees	Rank	Percentage of Total County Employment⁽¹⁾
McLeod Regional Medical Center	6,650	1	11.2%	4,645	1	NA
Florence School District One	2,282	2	3.9	-	-	-
Administrators/TRICARE (BCBS)	1,358	3	2.3	-	-	-
Carolinas Hospital System	1,300	4	2.2	1,555	2	NA
The Assurant Group	1,274	5	2.2	-	-	NA
Florence County	840	6	1.4	908	3	-
Wal-Mart	652	7	1.1	-	-	-
Nightingales Nursing Services	600	8	1.0	-	-	-
City of Florence	485	9	0.8	-	-	-
Florence Co. Disabilities & Spec. Needs	270	10	0.5	-	-	-
The ESAB Group				642	4	NA
Francis Marion University				527	5	NA
Roche Carolina				283	6	NA
Amana, Inc				260	7	NA
Pepsi Cola				236	8	
Pet Dairy				175	9	NA
Rental Uniforms				173	10	NA

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

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

NA - This information is not available

Table 19

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

Customer	Type of Business	2014			2005		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$232,064	1.57%	4	\$94,657	0.92%
Johnson Controls	Manufacturing	2	211,806	1.43			
Francis Marion University	University	3	166,573	1.12	2	111,930	1.08
Heinz	Manufacturing	4	121,610	0.82			
Roche Carolina	Manufacturing	5	112,600	0.76	3	97,965	0.95
Carolinas Hospital System	Medical Services	6	80,933	0.55	8	46,485	0.45
Forrest Lake Apartments	Apartments	7	70,581	0.48	10	45,624	0.44
Habitat 2000	Apartments	8	50,037	0.34			
International Food House	Manufacturing	9	47,108	0.32			
Connander Nursing Home	Medical Services	10	46,560	0.31			
Rental Uniforms	Industrial				6	53,976	0.52
General Electric	Manufacturing				1	211,362	2.04
PET Dairy	Manufacturing				5	57,505	0.56
Pepsi Cola	Manufacturing				7	52,387	0.51
ESAB	Manufacturing				9	45,977	0.44
TOTALS			<u>\$1,139,873</u>	<u>8.01%</u>		<u>\$817,868</u>	<u>7.91%</u>

Total Billed Revenue: \$14,817,013

Table 20

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

Customer	Type of Business	2014			2005		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$287,507	1.83%	5	\$113,674	1.16%
Francis Marion University	University	2	254,647	1.62	3	147,260	1.50
Heinz	Manufacturing	3	209,550	1.34			
Koppers	Manufacturing	4	185,185	1.18	1	385,338	3.93
ESAB	Manufacturing	5	159,557	1.02	4	117,635	1.20
Johnson Controls	Manufacturing	6	132,214	0.84			
Darlington County	Government	7	131,739	0.84	8	82,564	0.84
Roche Carolina	Manufacturing	8	118,908	0.76	6	106,360	1.08
Forrest Lake Apartments	Appartments	9	105,693	0.67			
Carolina Hospital Systems	Medical Services	10	99,707	0.64	10	62,109	0.63
Rental Uniforms	Industrial				7	96,514	0.98
PET Dairy	Manufacturing				2	167,167	1.70
Florence County Jail	Government				9	62,460	0.64
TOTALS			<u>\$1,684,707</u>	<u>10.91%</u>		<u>\$1,341,081</u>	<u>13.66%</u>

Total Billed Revenues: \$15,678,565

Table 21

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

	Fiscal Year									
	2005	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014 ⁽²⁾
Water Customers:										
Residential	25,259	25,957	26,610	27,189	27,139	27,299	27,333	27,561	27,760	28,931
Commercial	2,763	2,802	2,849	2,970	2,958	2,983	2,977	3,006	3,027	3,160
Industrial					7	5	3	2	2	2
Total	<u>28,022</u>	<u>28,759</u>	<u>29,459</u>	<u>30,159</u>	<u>30,104</u>	<u>30,287</u>	<u>30,313</u>	<u>30,569</u>	<u>30,789</u>	<u>32,093</u>
Sewer Customers:										
Residential	15,421	16,241	16,761	17,190	17,143	17,340	17,344	17,517	17,689	18,815
Commercial	2,086	2,119	2,157	2,247	2,234	2,241	2,228	2,263	2,275	2,383
Industrial					7	6	5	4	4	4
Total	<u>17,507</u>	<u>18,360</u>	<u>18,918</u>	<u>19,437</u>	<u>19,384</u>	<u>19,587</u>	<u>19,577</u>	<u>19,784</u>	<u>19,968</u>	<u>21,202</u>
Total Utility Customers:	<u>45,529</u>	<u>47,119</u>	<u>48,377</u>	<u>49,596</u>	<u>49,488</u>	<u>49,874</u>	<u>49,890</u>	<u>50,353</u>	<u>50,757</u>	<u>53,295</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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Minimum Rates⁽¹⁾										
Inside City Rates										
3/4"	\$ 9.83	\$ 10.02	\$ 10.27	\$ 11.10	\$ 11.77	\$ 12.47	\$ 12.00	\$ 12.25	\$ 12.50	\$ 12.75
1"	14.97	15.26	15.67	16.92	17.94	19.01	25.50	26.05	26.60	27.15
1 1/4"	16.26	16.58	17.02	18.37	19.47	20.63	36.75	37.55	38.35	39.15
1 1/2"	29.12	29.70	30.52	32.92	34.90	36.99	48.00	49.05	50.10	51.15
2"	49.05	50.04	51.45	55.46	58.79	62.31	75.00	76.65	78.30	79.95
3"	106.28	108.42	111.52	120.18	127.39	135.03	147.00	150.25	153.50	156.75
4"	186.01	189.76	195.22	210.34	222.96	236.33	228.00	233.05	238.10	243.15
6"	414.28	422.64	434.85	468.48	496.59	526.38	453.00	463.05	470.10	480.15
8"	733.85	748.68	770.32	829.89	879.68	932.46	723.00	739.05	755.10	771.15
Volume Rate (per 1,000 gallons)	1.38	1.41	1.43	1.55	1.64	1.74	1.75	1.79	1.83	1.87
Minimum Rates⁽¹⁾										
Outside City Rates										
3/4"	13.05	13.30	13.65	15.15	16.51	18.00	17.40	17.77	18.14	18.51
1"	20.76	21.17	21.75	24.12	26.29	28.66	39.00	39.85	40.70	41.55
1 1/4"	22.69	23.14	23.77	26.36	28.73	31.32	57.00	58.25	59.50	60.75
1 1/2"	41.98	42.82	44.02	48.79	53.18	57.97	75.00	76.65	78.30	79.95
2"	71.85	73.32	75.41	83.57	91.09	99.29	118.20	120.81	123.42	126.03
3"	157.72	160.90	165.52	183.39	199.89	217.88	233.40	238.57	243.74	248.91
4"	277.32	282.92	291.07	322.47	351.49	383.13	363.00	371.05	379.10	387.15
6"	619.72	632.24	650.51	720.64	785.49	856.19	723.00	739.05	755.10	771.15
8"	1,099.07	1,121.28	1,153.72	1,278.07	1,393.09	1,518.47	1,153.00	1,180.65	1,206.30	1,231.95
Volume Rate (per 1,000 gallons)	2.07	2.12	2.15	2.39	2.61	2.84	2.80	2.86	2.93	2.99

(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**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Minimum Rates⁽¹⁾										
Inside City Rates										
3/4"	\$ 16.12	\$ 16.41	\$ 16.82	\$ 18.28	\$ 19.38	\$ 20.54	\$ 20.60	\$ 21.20	\$ 21.85	\$ 22.50
1"	25.75	26.23	26.92	29.28	31.04	32.90	46.85	48.20	50.68	51.15
1 1/4"	28.16	28.69	29.45	32.03	33.95	35.99	68.73	70.70	72.86	75.03
1 1/2"	52.24	53.25	54.71	59.52	63.09	66.88	90.60	93.20	96.05	98.90
2"	89.56	91.32	93.86	102.15	108.28	114.78	143.10	147.20	151.70	156.20
3"	196.72	200.61	206.27	224.50	237.97	252.25	283.10	291.20	300.10	309.00
4"	346.02	352.88	362.88	395.30	419.02	444.16	440.60	453.20	467.05	480.90
6"	773.44	788.82	811.25	883.04	936.02	992.18	878.10	903.20	930.80	958.40
8"	1,371.82	1,399.14	1,438.96	1,566.32	1,660.30	1,759.95	1,403.10	1,443.20	1,487.30	1,531.40
Volume Rate (per 1,000 gallons)	1.71	1.75	1.77	1.90	2.01	2.13	2.48	2.55	2.63	2.71
Minimum Rates⁽¹⁾										
Outside City Rates										
3/4"	22.14	22.55	23.14	25.86	28.19	30.73	31.10	32.00	32.98	33.96
1"	36.59	37.29	38.29	42.82	46.68	50.88	73.10	75.20	77.51	79.80
1 1/4"	40.20	40.97	42.08	47.06	51.30	55.92	108.11	111.20	114.60	118.01
1 1/2"	76.32	77.81	79.97	89.47	97.52	106.30	143.10	147.20	151.70	156.20
2"	132.31	134.91	138.70	155.21	169.18	184.41	227.10	233.60	240.74	247.88
3"	293.04	298.85	307.31	343.95	374.91	408.66	451.10	464.00	478.18	492.36
4"	516.98	527.26	542.23	606.90	661.52	721.06	703.10	723.20	745.30	767.40
6"	1,158.11	1,181.17	1,214.78	1,359.71	1,482.09	1,615.48	1,403.10	1,443.20	1,487.30	1,531.40
8"	2,055.70	2,096.64	2,156.34	2,413.65	2,630.88	2,867.66	2,243.10	2,307.20	2,448.10	2,448.20
Volume Rate (per 1,000 gallons)	2.57	2.63	2.66	2.93	3.19	3.48	3.97	4.08	4.21	4.34

(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									
	2005	2006	2007 ⁽¹⁾	2008	2009	2010	2011	2012	2013	2014
General Government Admin.	19	13	11	12	12	12	13	14	12	12
Finance Department	10	10	10	10	10	10	10	10	9	9
Personnel Department	4	4	4	5	5	5	5	6	6	5
Community Services Department	5	5	7	8	8	8	8	8	8	8
Public Safety										
Police	138	140	138	138	140	143	153	153	154	146
Fire	71	71	70	70	71	72	85	85	85	86
Total Public Safety	209	211	208	208	211	215	238	238	239	232
Public Works Department										
Streets and Beautification	28	30	30	30	30	30	30	30	36	50
Sanitation	23	24	24	25	27	27	27	27	27	27
Equipment Maintenance	8	8	8	8	7	7	7	7	7	7
Total Public Works	59	62	62	63	64	64	64	64	70	84
Parks and Recreation	23	23	23	35	39	39	41	41	41	26
Urban Planning & Development	0	0	4	4	8	8	8	7	5	4
Water and Sewer	115	116	117	117	117	118	119	120	122	118
Stormwater	12	12	11	11	11	10	9	9	9	8
Total Employees	456	456	457	473	485	489	515	517	521	506

Source: City of Florence Budget

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

Table 25

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical Arrests	2,918	2,881	3,003	3,523	3,787	3,633	2,740	2,965	3,570	3,386
Traffic Violations	6,345	8,876	9,323	9,598	8,692	8,775	12,697	7,728	7,923	6,693
Parking Violations	1,020	1,153	757	623	924	770	546	514	430	355
Fire										
Calls Answered	2,162	2,324	2,413	2,236	2,177	2,565	2,709	2,492	2,557	2,520
Inspections	941	974	1,021	837	1,286	1,040	1,797	1,992	1,735	1,744
Water System										
Service Connections	28,166	28,759	29,459	30,238	30,240	30,814	30,396	30,546	30,789	31,949
Average daily production (in millions of gallons)	12.06	12.50	13.00	14.00	13.00	13.00	13.00	13.00	12.17	12.65
Maximum daily capacity (in millions of gallons)	37.00	37.00	37.00	37.00	37.00	26.00	26.00	26.00	25.60	26.46
Wastewater System										
Service connections	17,632	18,360	18,918	19,486	19,530	19,954	19,641	19,780	19,954	21,070
Average daily treatment (in millions of gallons)	10.10	8.90	10.00	9.82	11.00	12.00	10.00	8.50	8.63	12.21
Maximum daily capacity (in millions of gallons)	15.00	15.00	15.00	15.00	18.00	18.00	18.00	18.00	18.00	24.00

Table 26

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	2	2	3	2	3	3	3
Resource Centers	3	3	3	3	4	6	9	5	6	4
Patrol units	115	125	157	127	135	100	133	159	165	168
Fire Stations	4	4	4	4	4	4	5	5	5	5
Highways and Streets										
Streets (in miles) ⁽¹⁾	241	246	241	241	283	283	96	97	99	103
Streetlights (Leased)	5,572	5,816	6,052	6,075	6,235	6,375	6,670	6,722	6,722	6,756
Culture and Recreation										
Community centers	3	4	3	4	4	4	6	6	4	5
Parks	14	15	16	16	17	19	19	19	18	18
Park acreage	530	500	530	605	624	660	660	660	655	655
Tennis courts	24	24	22	24	24	48	54	50	49	50
Water System										
Water mains (in miles)	730	730	730	741	718	718	724	733	748	796
Fire hydrants	1,524	1,786	1,801	1,882	2,334	2,213	2,229	2,259	2,317	2,547
Wastewater System										
Sanitary sewers (in miles)	368	375	375	390	388	425	448	456	462	507
Treatment plants	1	1	1	1	1	1	1	1	1	2
Stormwater System										
Storm sewers (in miles) ⁽²⁾	100	105	109	110	115	115	75	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 2014**

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	502
Area in square miles	21.59
Facilities and services not included in the primary government	
Cable Television System	
Miles of service (Florence County)	1,236
Number of satellite receiving stations	-
Education	
Number of elementary schools	14
Number of elementary school instructors	565
Number of secondary schools	8
Number of secondary school instructors	510
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 2013-2014	3,392
New Business Licenses issued for fiscal year 2013-2014	416
Business License Receipts	\$ 7,798,790
Percent change in Business License receipts from prior year	(1.04%)
Franchise Fee Receipts	\$ 3,535,788
Percent change in Franchise Fee receipts from prior year	10.32%
Population (estimated population)	38,326
City of Florence gross retail sales for calendar year 2013	\$ 2,525,077,826
Per Capita spending for calendar year 2013	\$ 65,884
Outstanding General Obligation Debt	\$ 11,241,063
Outstanding Revenue Debt	\$ 163,916,317
City of Florence Bond Rating	
Moody's Investor's Service	Aa2
Standards and Poor's	A+
Residential construction permits issued	250
Construction value	\$ 14,273,340
Commercial construction permits issued	148
Construction value	\$ 43,974,150

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, 2014. 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, 2014.

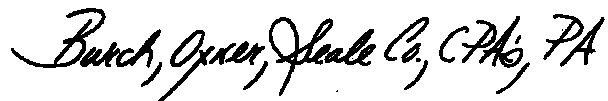
Report on Internal Control Over Compliance

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

November 28, 2014

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs			
CDBG - ENTITLEMENT GRANTS CLUSTER			
Community Development Block Grants	14.218	N/A	<u>\$ 269,698</u>
Direct Program			
Economic Development Initiative	14.251	N/A	<u>113,398</u>
Total Direct Department of Housing and Urban Development			<u>383,096</u>
Passed through S.C. State Housing Finance and Development Authority			
Neighborhood Stabilization Program	14.228	08-NSP-116	35,589
Neighborhood Stabilization Program	14.228	11-NSP-116	<u>187,726</u>
Subtotal CFDA 14.228			223,315
HOME Investment Partnership Program	14.239	2010HOMERESV	<u>13,869</u>
Total passed through S.C. State Housing Finance and Development Authority			<u>237,184</u>
Total Department of Housing and Urban Development			<u>620,280</u>
U.S. Department of Justice			
Direct Program			
Bureau of Justice Assistance Grant	16.580	N/A	<u>20,063</u>
Total Department of Justice Direct Programs			<u>20,063</u>
Total Expenditures of Federal Awards			<u>\$ 640,343</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, 2014

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, 2014, 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>675,000</u>
U.S. Environmental Protection Agency		
Water Supply Improvements	66.468	985,595
Pee Dee Regional Water System/Finished Water Main	66.468	4,276,360
Rain Water Storage	66.468	1,832,827
Regional Wastewater Treatment Plan Upgrade - Phase I	66.468	<u>16,479,742</u>
Total Environmental Protection Agency		<u>23,574,524</u>
Total Loans Outstanding		<u>\$ 24,249,524</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	\$ 24,712

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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 program tested as a major program includes: Neighbor Stabilization Program - CFDA No. 14.228.
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, 2014

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 2013-01: Special Report

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

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

Current Status: The recommendation was adopted in December 2013. No similar findings were noted in the 2014 audit.

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

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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, each major fund and the aggregate remaining fund information of City of Florence, South Carolina as of and for the year ended June 30, 2014, 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 November 28, 2014.

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

November 28, 2014