

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2006

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CITY OF FLORENCE

• SC •



FINANCE DIRECTOR
CITY-COUNTY COMPLEX BB
180 N. IRBY STREET
FLORENCE, SC
29501-3456
(843) 665-3162
FAX (843) 665-3111

September 16, 2006

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (City) for the fiscal year ended June 30, 2006.

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

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, 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, 2006, are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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

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

The City's financial statements include government-wide financial statements as well as fund-by-fund financial information. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, 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

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through trend analysis and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

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

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

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

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

Factors Affecting Financial Conditions

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

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

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

The healthcare industry in Florence has grown over the years to become one of the very best in the nation, and the growth in area healthcare continues. Florence boasts two major hospital systems—McLeod Regional Medical System and Carolinas Hospital System. Additionally, Florence has a rehabilitation hospital, a variety of vision and dental clinics, and a wealth of other medical support services. Florence leads the region as a center for health care excellence with numerous medical, eye care, and dental practices also located in the City.

The City of Florence is home to an assortment of shopping malls and retail stores. Magnolia Mall, Magnolia Commons, Florence Mall, and a variety of miscellaneous shops and stores throughout the city bring shoppers from all over Florence County as well as surrounding counties in the Pee Dee Region. A much anticipated retail development, Plaza at Magnolia, boasted the opening of a Home Depot in July 2006, an Olive Garden Restaurant in August 2006, and a Longhorn Steakhouse in September 2006. Kohl's department store, a national retail merchandise chain, with more than 800 stores throughout the country in 41 states, is scheduled to open in the Plaza at Magnolia in early 2007. Other national and regional retail stores and restaurants are scheduled to open in Florence in 2007. More than half of the total retail sales in the seven Pee Dee counties come from Florence County.

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

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, the position of Downtown Revitalization Coordinator was created. A 501(c) (3) tax-exempt charitable corporation, the Florence Downtown Development Corporation, was also formed as an initial implementation step. As part of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence, the Revitalization Coordinator works with the Downtown Development Corporation, the Florence Downtown Merchants Association, City staff and others involved with the revitalization effort. In 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.

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

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

Long-term financial planning. *Florence Pee Dee Regional Water and Sewer Master Plan* – For the past several years the Florence Pee Dee Regional Water and Sewer Steering Committee has discussed issues regarding regional water and sewer needs and has created a framework for regional partnerships in the delivery of water and sewer services. To facilitate the development of this regional concept, the City of Florence, in partnership with the Steering Committee, contracted with the engineering firm Camp Dresser and McKee (CDM) to prepare a Water and Sewer System Master Plan for the Pee Dee region. In January 2006 the regional 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 phased out at the current plant site and relocated closer to the Pee Dee River. The current treatment facility has in recent years been viewed as incompatible with surrounding land uses. City Council authorized staff to enter a contract for the preparation of a preliminary engineering report (PER) for the new facility. The PER is being performed by CDM, BP Barber & Associates, and Davis & Brown, Inc. As part of the PER, an implementation schedule will be developed and detailed cost estimates will be prepared for the facilities necessary to make a transition from the old wastewater plant site to the new location. A specific plant site will also be identified and treatment processes will be selected and sized in this report. Once a schedule for implementation and detailed costs are available, a plan for financing will be developed. Costs related to the facility will be financed through revenue bonds, bank notes and/or a low-interest rate state infrastructure loan. Revenues to support the project may be provided from agency grants, increases in utility related fees, or increases in monthly billing rates. The completed PER must be submitted to, and approved by, SCDHEC before final design of the new facilities can be initiated.

Stormwater Phase II Program – In 2003 the City of Florence applied for its National Pollutant Discharge Elimination System (NPDES) permit for the Stormwater Phase II program from the South Carolina Department of Health and Environmental Control (SCDHEC). This EPA and SCDHEC requirement is designed to preserve, protect, and improve the nation's water resources from polluted stormwater. Through the program, the City of Florence is working to minimize stormwater pollution in the city. The goal of the Stormwater Phase II program for cities is to establish long-term stormwater

management activities and projects that meet the NPDES permit requirements. The City of Florence formed the Stormwater Advisory Board, composed of engineers, business owners, developers, contractors and city personnel, to help plan the Phase II program for the city. The board helps manage and determine the best activities and projects that meet requirements set forth by the EPA. The City of Florence has completed, through the initial draft phase, new land development regulations to include an illicit discharge and enforcement ordinance as well as a riparian buffer ordinance. The City has also drafted best management practices (BMPs) relating pre-construction and post-construction activities for the municipal limits of the City. These regulations and ordinances will help control the pollution associated with stormwater. Construction related review fees will be implemented upon final approval of the land development regulations to be assessed on land developers. The implementation of these BMPs will significantly change the way development occurs in urban areas throughout Florence and other Phase II communities.

East Florence Stormwater Improvement and Mitigation Project – The City has begun development of this stormwater facility to assist in the reduction of stormwater pollutants as prescribed in Phase II of the NPDES permitting program. The scope of this project includes the acquisition of 4 parcels of land totaling 35 acres adjacent to Pie Branch between Walnut Street and National Cemetery Road, and the construction of at least one retention basin to settle out sediments and pollutants. The stormwater project will be developed on this property which, at present, consists of filled wetlands areas covered with kudzu and low lying areas overtaken by non-native plant species. By providing wetlands re-creation, stream restoration, and re-establishment of native vegetation, the project will improve the quality of stormwater entering Jeffries Creek from this urban watershed. In addition to the water quality improvements, the project features educational nature trails and quality passive recreational opportunities. The new facility will serve one of the City's oldest and largest urban drainage basins that currently has no retention or other treatment process to improve water quality. The firm of Hayes, Seay, Mattern & Mattern has begun preparing a preliminary engineering report necessary for DHEC permitting, including items such as wetlands delineation, surveying, and water quality assessment. Funding for this project, estimated at a cost of \$1,000,000, has been included in the Stormwater Utility Construction Fund Budget for the 2006-07 fiscal year.

Capital Stormwater Projects – Since the implementation of the City's Stormwater Utility and supporting rate structure, the City has completed numerous projects that were funded through readily available revenues generated by the Stormwater Enterprise Fund. Larger projects completed to date include the Woodmont Outfall Phase I project for a total cost of \$171,000, and the Woods Drive Outfall, completed for a total cost of \$338,000. In FY 2005-06 City Council was presented with over 20 significant stormwater projects, the total size and scope of which required that the City pursue long-term capital financing through a revenue bond issue. In June 2006 City Council adopted a General Bond Ordinance authorizing and providing for the issuance of the Stormwater System Revenue Bonds and a supplemental bond ordinance authorizing financing from BB&T in the amount of \$4,000,000 for fifteen years at an interest rate of 4.18% to fund the projects identified as the most critical major problem areas to be addressed. During the upcoming fiscal year, staff will pursue the design and construction of these stormwater projects utilizing the revenue bond proceeds. It is anticipated that these projects will be completed within the next three years.

Downtown Revitalization – A recent multi-partnership endeavor will result in the further establishment of downtown Florence as the cultural and economic center of the Pee Dee region. In January 2006 the Drs. Bruce and Lee Foundation announced the award of a \$10 million grant for assistance in the construction of a performing arts center and another \$10 million grant for the construction of a new facility for the Florence Little Theatre. Funding for the performing arts center, estimated to cost approximately \$17 million, was further enhanced in June 2006 with the announcement by Senator Hugh Leatherman of an additional \$7 million in state appropriations. Both facilities will be built along the Dargan Street corridor of downtown Florence. Several land donations from the City of Florence, Florence County, and McLeod Health provide the necessary site locations for the construction of both projects. Francis Marion University, partnering with the City of Florence for facility operations and maintenance, will build the Francis Marion University Center for the Performing Arts that will be located on a 3.93 acre lot located on property bounded by Dargan, Cheves and Palmetto Streets. The projected completion date for the performing arts center is scheduled for late summer 2008. The Florence Little Theatre has outgrown its current facility presently located on South Cashua. A new 35,000 square foot building to be located on Dargan Street between Pine and Elm Streets, north of the Drs. Bruce and Lee Foundation Library, will accommodate a 400 seat auditorium as well as other needed operational space. The projected completion date for the new Florence Little Theatre is scheduled for the spring of 2008. These two projects serve to support and strengthen the City's pursuit of a fully revitalized downtown. As part of the City's downtown revitalization goal, the new performing arts center and Little Theatre will reflect key elements of identity, architecture and public improvement, all of which are outlined in the City's newly adopted design guidelines.

Brownfields Project – The City of Florence was selected in FY 2004 by the US Environmental Protection Agency to receive a \$200,000 Brownfields Assessment Grant for environmental site assessments in targeted areas. Grant funds are also to be used for community outreach activities, cleanup planning and health monitoring. The goal of this project is to promote the revitalization of the downtown area through the redevelopment of brownfields, which are abandoned and underutilized

industrial and commercial properties. The original project period for this grant ran for two years from October 2003 through September 30, 2005. However, a request to extend the grant through December 31, 2006 has been approved by EPA due to delays in completing supplemental environmental site assessment activity at the Bush Recycling Center. The Bush Recycling Center, a brownfield property located on Irby Street, was acquired by the City with a \$500,000 grant from the Drs. Bruce and Lee Foundation. This property, which serves as a catalyst project for downtown revitalization, has the potential for several reuse options. From October 2003 through December 2005, the City held several public meetings and press events to disseminate project information and engage the community in a collective decision-making process to identify preferred reuse options for the former recycling property. In addition, the City completed an initial environmental site assessment of the former recycling property with funds from the EPA grant. Following a review of the assessment results, a recommendation was made in September 2005 by the South Carolina Department of Health and Environmental Control (SCDHEC) for supplemental environmental site assessment activities to be completed on the property through a Targeted Brownfields Assessment utilizing approximately \$50,000 in leveraged funding by SCDHEC personnel. SCDHEC has completed their field work and a final report is expected in October 2006. The assessment results will allow the City to develop a report of cleanup alternatives for the Bush Recycling property over the next three months in preparation for cleanup activities at the site. The City received a notice of award in May 2006 from EPA for a \$200,000 Brownfield Cleanup grant to conduct cleanup activities at the Bush Recycling property. The City will officially receive the cleanup grant funding in October 2006. The City also received another \$200,000 EPA Brownfields Assessment Grant to target additional brownfield sites around the Bush Recycling property. This grant project is also scheduled to officially begin in October 2006. Over the next several months, the City will conclude activities on the original brownfield grant and will begin activities on the two newly awarded EPA grants.

Veterans Memorial Park – In June 2005 plans were formally announced that the City would design and construct a Veterans Memorial Park featuring monuments and memorials to the wars of the 20th century, as well as an amphitheatre surrounded by commemorative flags. The future park is to be constructed on approximately four acres of land donated to the City that is located adjacent to the Florence City County Civic Center on Woody Jones Boulevard. In June 2006 City Council adopted a lease-purchase ordinance authorizing financing from BB&T in the amount of \$3,000,000 for fifteen years at an interest rate of 4.18% to fund capital projects to include the construction of the Veterans Memorial Park, at an estimated cost of \$2 million, and \$1 million in road widening improvements to West Radio Drive, a street that serves not only as an access to myriad retail, restaurant and hotel options, but also provides an access to the future memorial park. City staff and members of the Veterans Park Committee are currently developing park design details and guidelines for the placement of the monuments and construction is scheduled to begin in early 2007.

Cash management policies and practices. Cash available for investing during the year was invested in repurchase agreements, certificates of deposit, obligations of the U.S. government and its agencies, and the State of South Carolina Local Government Investment Pool. The South Carolina Local Government Investment Pool is a pool of funds belonging to participating local governments which is managed by the State Treasurer. These funds are invested by the State Treasurer in obligations of the United States and its agencies and repurchase agreements collateralized by securities of the U.S. Government or its agencies.

The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The City earned interest revenue of \$712,263 on all investments for the year ended June 30, 2006.

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

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

To protect employees against the escalating cost of medical care and to promote healthy and sustaining lifestyles, all full-time regular employees receive group health, dental, and life insurance paid by the City. The City has contracted with Blue Cross Blue Shield of South Carolina for group coverage under the Comprehensive Preferred Personal Care Plan. In an effort to

control costs, Blue Cross has negotiated reduced rates with physicians, hospitals, as well as other health care facilities through its Preferred Personal Care Providers program. Additionally, this insurance plan has incorporated case management; pre-admission review; emergency admission review; continued stay review; and procedural pre-authorization review as a means of monitoring claims activity.

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

The City also provides postretirement health and dental care benefits for retirees and their dependents that meet certain service requirements. As of the end of the current fiscal year, there were 48 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Generally Accepted Accounting Principles do not yet require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report for the fiscal year ended June 30, 2005. 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 2005 marks the eighth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,



Thomas W. Chandler
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Florence,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



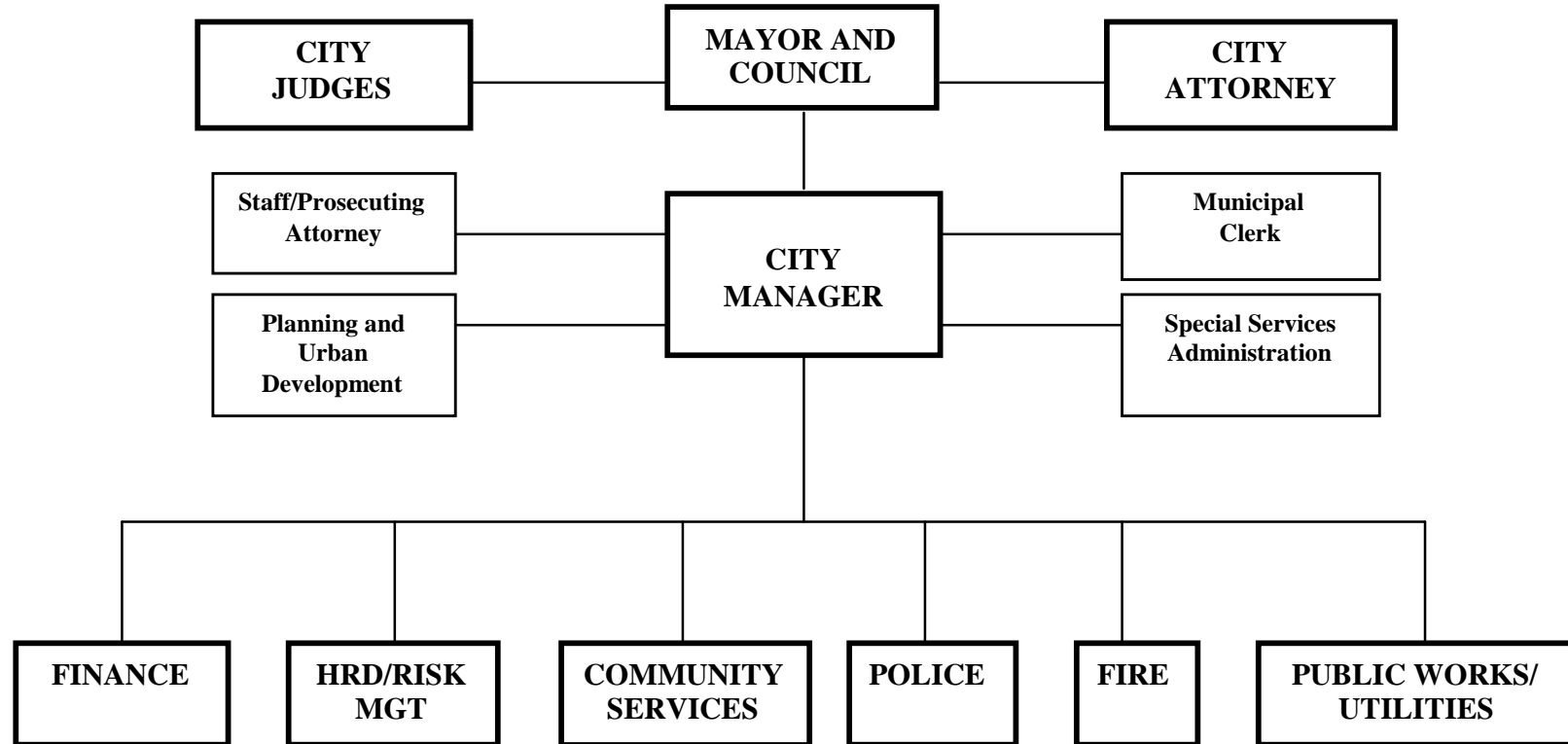
Carla E. Perry

President

Jeffrey R. Enos

Executive Director

CITY OF FLORENCE, SC ORGANIZATIONAL CHART



CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2006

GOVERNING BODY

Frank E. Willis, Mayor

Billy D. Williams, Mayor Pro Tempore

Edward Robinson

Robert C. Holland

Rick Woodard

William C Bradham, Jr.

Frank J. Brand, III

ADMINISTRATION

David N. Williams, City Manager

Thomas W. Chandler, Finance Director

Darene S. Stankus, Human Resources/Risk Management Director

Scotty B. Davis, Community Services Director

Anson E. Shells, Police Chief

Joseph H. Robertson, Fire Chief

Andrew H. Griffin, Public Works Director

Thomas B. J. Shearin, Special Services Administrator

FINANCIAL SECTION

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

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, South Carolina's, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the hospitality fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2006, on our consideration of the City of Florence, South Carolina's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Burch, Gyner, Seale Co., CPAs, PA

August 28, 2006

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

As management of the City of Florence, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 7-12 of this report.

Financial Highlights

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$99,098,159 (*net assets*). Of this amount, \$23,455,676 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,769,885.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$10,028,003, an increase of \$438,329 in comparison with the prior year. Approximately 100 percent of this total amount, \$10,028,003 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,004,650, or 35.36 percent of the total fund expenditures.
- The City of Florence had \$68.8 million in bonds and notes outstanding versus \$69.1 million last year, a decrease of 0.4 percent.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The City maintains a variety of individual governmental funds. For the general fund and hospitality fee fund, which are considered major 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. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

The basic proprietary fund financial statements can be found on pages 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 page 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 47-62 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 64-110 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$99,098,159 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76.33 percent) reflects its investment in capital assets (e.g. land, building, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Florence's Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 16,351,174	\$ 12,349,268	\$ 19,194,109	\$ 16,930,014	\$ 35,545,283	\$ 29,279,282
Capital assets	23,165,382	23,053,142	117,784,042	118,086,680	140,949,424	141,139,822
Total assets	39,516,556	35,402,410	136,978,151	135,016,694	176,494,707	170,419,104
Long-term liabilities outstanding	6,152,849	1,624,021	69,198,070	69,225,624	75,350,919	70,849,645
Other liabilities	979,870	1,298,375	1,065,759	1,942,810	2,045,629	3,241,185
Total liabilities	7,132,719	2,922,396	70,263,829	71,168,434	77,396,548	74,090,830
Net assets:						
Invested in capital assets, net of related debt	22,624,824	23,053,142	53,017,659	49,295,162	75,642,483	72,348,304
Unrestricted	9,759,013	9,426,872	13,696,663	14,553,098	23,455,676	23,979,970
Total net assets	\$ 32,383,837	\$ 32,480,014	\$ 66,714,322	\$ 63,848,260	\$ 99,098,159	\$ 96,328,274

The balance of unrestricted net assets (\$23,455,676) may be used to meet the government's ongoing obligations to citizens and creditors.

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

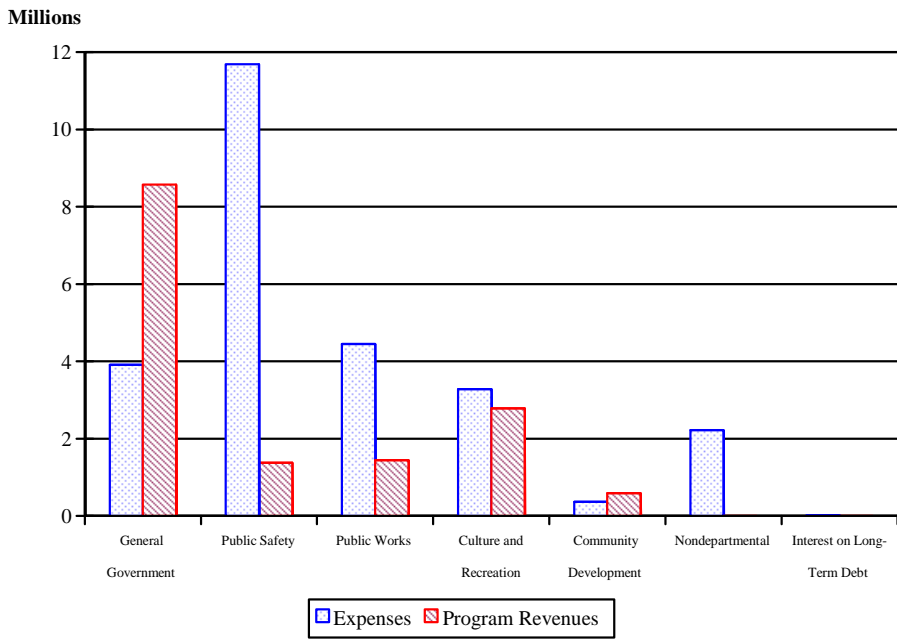
Governmental activities. Governmental activities decreased the City of Florence's net assets by \$96,177. Key elements of this decrease are as follows:

- the cost of IT upgrade incurred in fiscal year 2005-06 for the general fund in the amount of \$123,289
- the development cost for 27 lots in North Point Subdivision in the amount of \$81,693. North Point Subdivision is an affordable housing grant project where the infrastructure is funded by the City and partially by grant funds. The construction cost of the houses in the subdivision will be funded by the SC HOME Investment Partnerships Program. In addition, qualified applicants will receive federal grant assistance to help with the down payment and closing costs, up to \$10,000.
- the construction of streets for North Point Subdivision at a cost of \$50,324
- property in the downtown area to be used in the City's downtown revitalization effort was purchased by the City for \$135,266
- the repairs to the tennis courts located at Timrod Park at a cost of \$96,994
- the purchase of \$128,495 in miscellaneous equipment for two new fire trucks that have been ordered and are still under construction. In April 2006, City Council adopted an ordinance to lease-purchase 2 new fire trucks. The lease agreement is for a term of 7 years at an interest rate of 3.85061%. Funds in the amount of \$761,000 were escrowed at the Bank of America in April 2006 to await the completion of the fire trucks. These funds are earning a variable interest rate which was 4.58% as of June 30, 2006.
- streets added to the City's infrastructure due to annexations in the amount of \$332,145
- the acquisition of 30 new police vehicles under a 3 year lease purchase totaling \$763,950.

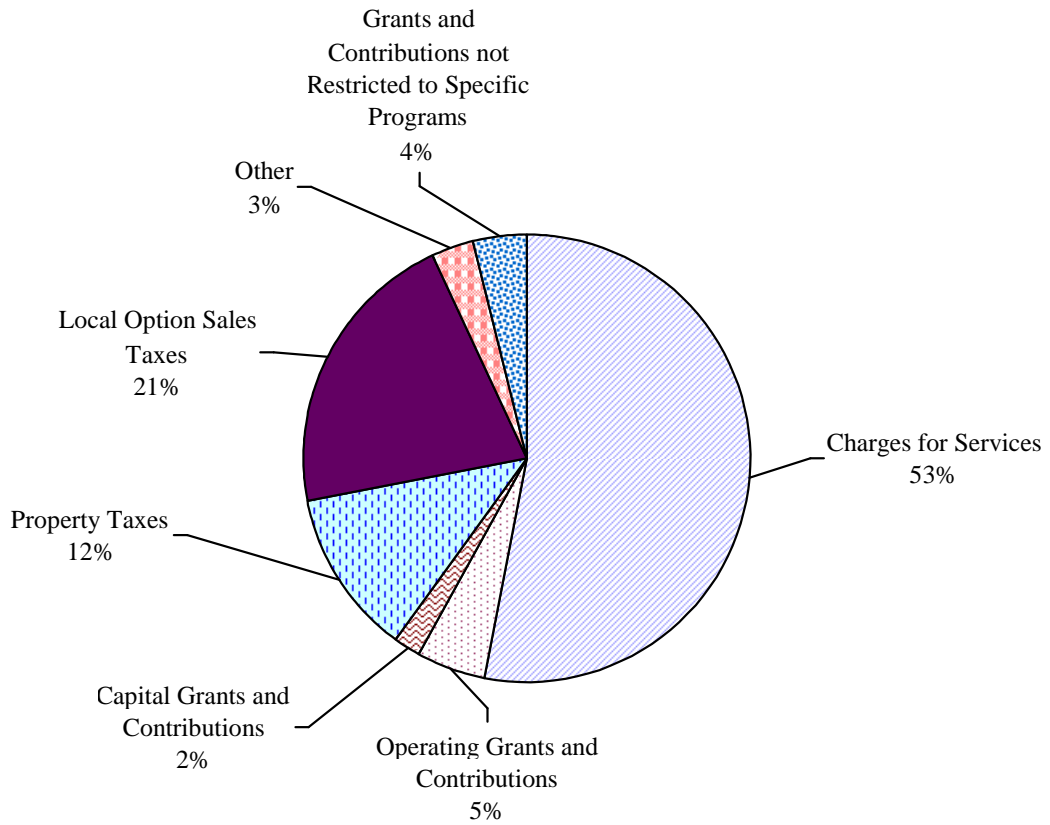
City of Florence's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$12,948,872	\$12,689,299	\$22,507,408	\$21,597,189	\$35,456,280	\$34,286,488
Operating grants and contributions	1,182,273	1,906,380	-	-	1,182,273	1,906,380
Capital grants and contributions	564,662	1,294,186	21,000	-	585,662	1,294,186
General revenues:						
Property taxes	7,956,478	7,507,436	-	-	7,956,478	7,507,436
Grants and contributions not restricted to specific programs	1,006,529	941,113	-	-	1,006,529	941,113
Other	599,304	552,185	457,067	228,027	1,056,371	780,212
Total revenues	24,258,118	24,890,599	22,985,475	21,825,216	47,243,593	46,715,815
Expenses:						
General government	3,909,070	3,704,698	-	-	3,909,070	3,704,698
Public safety	11,683,483	10,982,959	-	-	11,683,483	10,982,959
Public works	4,449,471	4,191,109	-	-	4,449,471	4,191,109
Culture and recreation	3,282,275	3,029,951	-	-	3,282,275	3,029,951
Community development	363,629	1,031,915	-	-	363,629	1,031,915
Nondepartmental	2,099,817	1,798,080	-	-	2,099,817	1,798,080
Interest on long-term debt	21,608	2,083	-	-	21,608	2,083
Water and Sewer	-	-	17,786,812	17,277,622	17,786,812	17,277,622
Storm water	-	-	877,543	655,871	877,543	655,871
Total expenses	25,809,353	24,740,795	18,664,355	17,933,493	44,473,708	42,674,288
Increase (decrease) in net assets before transfers	(1,551,235)	149,804	4,321,120	3,891,723	2,769,885	4,041,527
Transfers	1,455,058	1,412,000	(1,455,058)	(1,412,000)	-	-
Increase (decrease) in net assets	(96,177)	1,561,804	2,866,062	2,479,723	2,769,885	4,041,527
Net assets - 7/1/2005	32,480,014	30,918,210	63,848,260	61,368,537	96,328,274	92,286,747
Net assets - 6/30/2006	\$32,383,837	\$32,480,014	\$66,714,322	\$63,848,260	\$99,098,159	\$96,328,274

Expenses and Program Revenues - Governmental Activities



Revenue by Source – Governmental Activities



Business-type activities. Business-type activities increased the City of Florence's net assets by \$2,866,062, accounting for 100 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Capital Water and Sewer Projects – The City has continued to expand its water and sewer infrastructure over the past year. These projects provide new services or upgrade existing services to City residents and customers. The combined cost of these newly completed projects was \$3,369,827.

IT Upgrade – The City has begun the process of upgrading its information technology infrastructure. The net assets of business-type activities as a result of this project was increased by \$72,165.

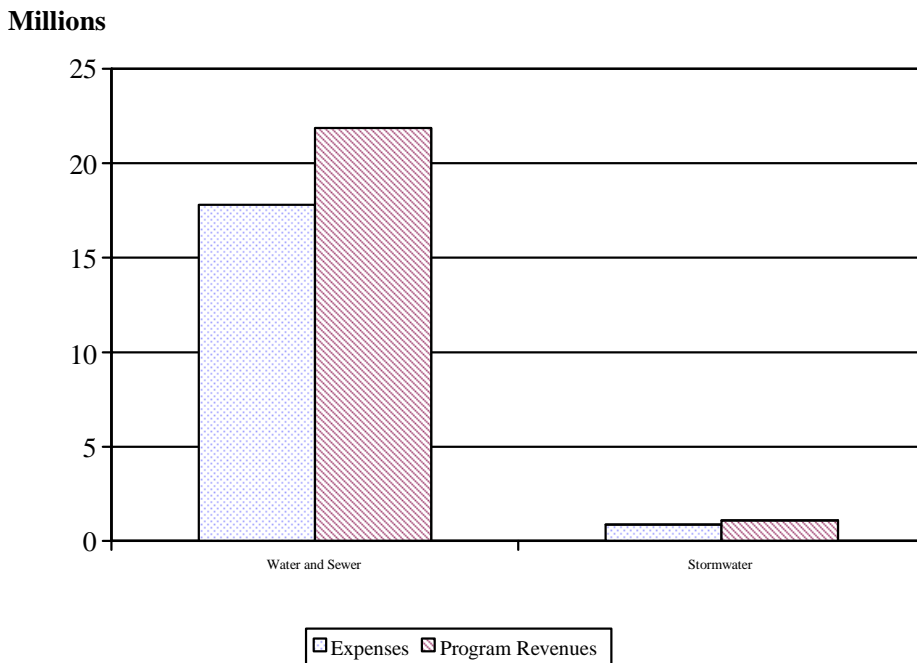
Storm Water Improvement Projects – The City is working to improve its storm drainage system. As a part of the construction of North Point Subdivision, the City capitalized \$97,672 in Stormwater construction. The City has also purchased land in the amount of \$57,109 as part of the East Florence Stormwater Improvement and Mitigation Project, which will be completed in the near future.

Financial Analysis of the Government's Funds

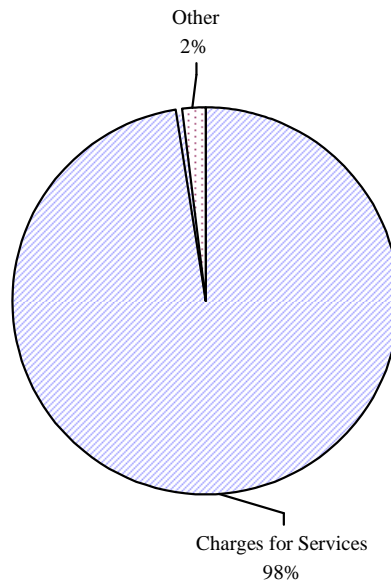
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$10,028,003, an increase of \$438,329 in comparison with the prior year. All of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Florence. At the end of the current fiscal year, the entire fund balance of the general fund of \$8,004,650 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance to total fund expenditures. Fund balance represents 35.36 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$201,538 during the current fiscal year. Key factors for the decline are as follows:

The purchase of the following capital assets:

- the purchase of property in the downtown area for cost of \$135,266
- acquisition of land for rail trail and green space development with \$176,721 used as grant matching funds
- the acquisition of land for a affordable housing development in the amount of \$10,000
- gateways and beautification projects totaling \$117,015
- information technology upgrades in the amount of \$243,232

Proprietary funds. The City of Florence's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer operations and the stormwater operations at the end of the year amounted to \$13,696,663. The total growth in the net assets was \$2,866,062. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

City Council amended the General Fund budget on three separate occasions during the fiscal year 2005 – 2006. As a result of these amendments the General Fund's final amended budget was \$1,881,800 greater than the original adopted budget. The following changes occurred to the original budget:

General Fund Budgetary Highlights - - Continued

- Miscellaneous Grants was increased by \$53,500 for grant funding received from a SC Parks, Recreation and Tourism Land Grant for the acquisition of land for the rail trail and green space development, adopted December 12, 2005.
- Unappropriated surplus was increased by \$883,300 from undesignated fund balance. The major uses for the increase were \$175,300 to provide matching funds for the grant acquisition of land for rail trail and green space development, \$172,300 for the acquisition and land for affordable housing development, \$213,000 for gateways and beautification projects, adopted December 12, 2005.
- Miscellaneous Grants was increased by \$254,500 for grant funding from SCDOT and the EPA. The uses of these funds were \$66,500 from SCDOT for gateway grant expenditures, \$40,000 from SCDOT for “Older Driver” signage expenditures, \$77,000 from SCDOT for Rail Trail grant expenditures, and \$71,000 from the EPA for Brownsfield grant expenditures, adopted April 10, 2006.
- A net increase of \$220,000 in revenues and departmental expenditures was made based on a midyear analysis of each revenue and expenditure accounts, adopted April 10, 2006.
- Police Grants was increased by \$21,500 to provide for miscellaneous police grants obtained during the fiscal year. These funds will be used for miscellaneous grant-funded law enforcement equipment, adopted April 10, 2006.
- Unappropriated surplus was increased by \$385,000 to provide for the purchase of property in the downtown area in the amount of \$135,000, and to provide for information technology upgrades in the amount of \$250,000, adopted on April 10, 2006.
- Miscellaneous Grants was increased by \$64,000 for grant funding received from Florence County for North Pointe subdivision infrastructure, adopted June 15, 2006.

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, 2006, amounts to \$140,949,424 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and equipment. The total decreases in the City's investment in capital assets for the current fiscal year was 0.13 percent (a 0.48 percent increase for governmental activities and a 0.26 percent decrease for business-type activities).

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

- the cost of IT upgrade incurred in fiscal year 2005-06 for the general fund and enterprise funds for a combined cost of \$195,454
- the construction of streets for and the development cost for 27 lots in North Point Subdivision, an affordable housing project, for a combined cost of \$132,017
- the purchased property in the downtown area to be used in the future for downtown revitalization at a cost of \$135,266
- the repairs to the tennis courts located at Timrod Park for a total cost of \$96,994
- the purchase of \$128,495 in miscellaneous equipment for two new fire trucks that have been ordered and are still under construction
- the estimated value of the streets added to the City’s infrastructure due to annexations in the amount of \$332,145
- the acquisition of 30 new police vehicles under a 3 year lease-purchase totaling \$763,950
- the completion of several water and sewer projects for a combined cost of \$3,369,827
- the completion of a stormwater project at North Point Subdivision and the purchase of land for a future stormwater project for a combined cost of \$154, 781.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 8,187,503	\$ 7,792,522	\$ 1,426,808	\$ 1,369,698	\$ 9,614,311	\$ 9,162,220
Buildings and system	3,409,547	3,542,553	112,889,114	113,376,041	116,298,661	116,918,594
Infrastructure	7,397,947	7,522,401	-	-	7,397,947	7,522,401
Machinery and Equipment	4,170,385	4,087,126	1,538,612	1,274,429	5,708,997	5,361,555

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

-Continued-

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Construction in process	-	108,540	1,929,508	2,066,512	1,929,508	2,175,052
Totals	\$ 23,165,382	\$ 23,053,142	\$ 117,784,042	\$ 118,086,680	\$ 140,949,424	\$ 141,139,822

Additional information on the City's capital assets can be found in note F beginning on page 56 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt and notes payable outstanding of \$68,781,139. All of the City's debt represents bonds and notes payable secured solely by specified revenue sources.

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

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	\$ -	\$ -	\$ 39,670,000	\$ 37,940,000	\$ 39,670,000	\$ 37,940,000
Notes Payable	-	-	29,111,139	31,125,861	29,111,139	31,125,861
Totals	\$ -	\$ -	\$ 68,781,139	\$ 69,065,861	\$ 68,781,139	\$ 69,065,861

The City's total debt decreased by \$284,722 (0.4 percent) during the current fiscal year. The key factor in this decrease was payments on revenue bond and notes payable were greater than proceeds of \$4,000,000.

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

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$10,968,243. The City of Florence has no outstanding general obligation debt.

Additional information on the City of Florence's long-term debt can be found in Note I beginning on page 59 of this report.

Economic Factors and Next Year's Budgets and Rates

A number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2007 fiscal year.

Amounts available for appropriation in the general fund are \$22.5 million, with a \$1.8 million increase from the amount of the original fiscal year 2006 budget of \$20.7 million. The final 2006 budget was \$22.5 million. The City's budget amendments were discussed earlier in this report.

As for the City's business-type activities, we expect that the 2007 results will also improve based on the following:

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Florence, South Carolina
Statement of Net Assets
June 30, 2006

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents--Note D	\$ 5,895,078	\$ 3,179,561	\$ 9,074,639
Receivables--Note E	2,033,409	3,252,584	5,285,993
Inventories	270,486	303,273	573,759
Investments--Note D	4,384,157	7,843,442	12,227,599
Restricted cash and cash equivalents--Note D	3,768,044	4,000,426	7,768,470
Unamortized loan expense	-	614,823	614,823
Capital assets (net of accumulated depreciation)--Note F			
Land	8,187,503	1,426,808	9,614,311
Buildings and system	3,409,547	112,889,114	116,298,661
Machinery and equipment	4,170,385	1,538,612	5,708,997
Infrastructure	7,397,947	-	7,397,947
Construction in progress	<u>-</u>	<u>1,929,508</u>	<u>1,929,508</u>
TOTAL ASSETS	<u>\$ 39,516,556</u>	<u>\$ 136,978,151</u>	<u>\$ 176,494,707</u>
 LIABILITIES			
Accounts payable	\$ 473,455	\$ 244,208	\$ 717,663
Accrued interest	21,608	720,044	741,652
Other liabilities	480,340	70,247	550,587
Unearned revenue	4,467	-	4,467
Customer deposits	-	31,260	31,260
Noncurrent liabilities--Note I			
Due within one year	595,000	4,523,298	5,118,298
Due in more than one year	<u>5,557,849</u>	<u>64,674,772</u>	<u>70,232,621</u>
TOTAL LIABILITIES	<u>7,132,719</u>	<u>70,263,829</u>	<u>77,396,548</u>
 NET ASSETS			
Invested in capital assets, net of related debt	22,624,824	53,017,659	75,642,483
Unrestricted	<u>9,759,013</u>	<u>13,696,663</u>	<u>23,455,676</u>
TOTAL NET ASSETS	<u>\$ 32,383,837</u>	<u>\$ 66,714,322</u>	<u>\$ 99,098,159</u>

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

City of Florence, South Carolina
Statement of Activities
Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental Activities				
General government	\$ 3,909,070	\$ 8,127,825	\$ 113,181	\$ 332,145
Public safety	11,683,483	954,483	218,328	153,862
Public works	4,449,471	1,417,666	-	-
Culture and recreation	3,282,275	2,404,018	301,854	78,655
Community development	363,629	44,880	548,910	-
Nondepartmental	2,099,817	-	-	-
Interest on long-term debt	<u>21,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>25,809,353</u>	<u>12,948,872</u>	<u>1,182,273</u>	<u>564,662</u>
Business-type Activities				
Water and sewer	17,786,812	21,416,515	-	21,000
Storm water	<u>877,543</u>	<u>1,090,893</u>	<u>-</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>18,664,355</u>	<u>22,507,408</u>	<u>-</u>	<u>21,000</u>
TOTAL	<u>\$ 44,473,708</u>	<u>\$ 35,456,280</u>	<u>\$ 1,182,273</u>	<u>\$ 585,662</u>
General Revenues				
Property taxes				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 4,664,081	\$ -	\$ 4,664,081
(10,356,810)	-	(10,356,810)
(3,031,805)	-	(3,031,805)
(497,748)	-	(497,748)
230,161	-	230,161
(2,099,817)	-	(2,099,817)
<u>(21,608)</u>	<u>-</u>	<u>(21,608)</u>
<u>(11,113,546)</u>	<u>-</u>	<u>(11,113,546)</u>
-	3,650,703	3,650,703
<u>-</u>	<u>213,350</u>	<u>213,350</u>
<u>-</u>	<u>3,864,053</u>	<u>3,864,053</u>
<u>(11,113,546)</u>	<u>3,864,053</u>	<u>(7,249,493)</u>
7,956,478	-	7,956,478
1,006,529	-	1,006,529
255,196	457,067	712,263
344,108	-	344,108
<u>1,455,058</u>	<u>(1,455,058)</u>	<u>-</u>
<u>11,017,369</u>	<u>(997,991)</u>	<u>10,019,378</u>
(96,177)	2,866,062	2,769,885
<u>32,480,014</u>	<u>63,848,260</u>	<u>96,328,274</u>
<u>\$ 32,383,837</u>	<u>\$ 66,714,322</u>	<u>\$ 99,098,159</u>

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

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2006

ASSETS	<u>General</u>	<u>Hospitality Fee</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents--Note D	\$ 4,204,473	\$ 1,200,394	\$ 490,211	\$ 5,895,078
Receivables				
Property taxes, less allowance for doubtful accounts of \$117,933	123,868	-	-	123,868
Due from other funds--Note G	114,859	-	-	114,859
Due from other governments	1,414,853	10,157	195,192	1,620,202
Other	80,384	208,955	-	289,339
Investments--Note D	4,250,947	-	133,210	4,384,157
Inventories	270,486	-	-	270,486
Restricted cash and cash equivalent--Note D	<u>767,869</u>	<u>3,000,175</u>	<u>-</u>	<u>3,768,044</u>
TOTAL ASSETS	<u>\$ 11,227,739</u>	<u>\$ 4,419,681</u>	<u>\$ 818,613</u>	<u>\$ 16,466,033</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 377,840	\$ 25,755	\$ 69,860	\$ 473,455
Due to other funds--Note G	-	-	114,859	114,859
Other liabilities	480,340	-	-	480,340
Deferred revenue--Note E	2,364,909	3,000,000	-	5,364,909
Unearned revenue--Note E	<u>-</u>	<u>-</u>	<u>4,467</u>	<u>4,467</u>
TOTAL LIABILITIES	<u>3,223,089</u>	<u>3,025,755</u>	<u>189,186</u>	<u>6,438,030</u>
Fund balance				
Unreserved,				
Designated for subsequent year's expenditures	510,300	-	-	510,300
Undesignated	<u>7,494,350</u>	<u>1,393,926</u>	<u>-</u>	<u>8,888,276</u>
	<u>8,004,650</u>	<u>1,393,926</u>	<u>-</u>	<u>9,398,576</u>
Nonmajor special revenue funds	<u>-</u>	<u>-</u>	<u>629,427</u>	<u>629,427</u>
	<u>8,004,650</u>	<u>1,393,926</u>	<u>629,427</u>	<u>10,028,003</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,227,739</u>	<u>\$ 4,419,681</u>	<u>\$ 818,613</u>	<u>\$ 16,466,033</u>

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

City of Florence, South Carolina
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2006

Total fund balances for governmental funds \$ 10,028,003

Total net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 23,165,382

Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of year end, local option sales tax collected in the current year, but deferred in the governmental funds and used to reduce property taxes in the subsequent year and capital lease proceeds not spent as of year end. 5,364,909

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds - - Note B (6,174,457)

Net assets of governmental activities \$ 32,383,837

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	<u>General</u>	<u>Hospitality Fee</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 7,813,788	\$ -	\$ -	\$ 7,813,788
Licenses and fees	8,127,825	2,371,249	-	10,499,074
Intergovernmental	1,492,757	18,076	937,967	2,448,800
Charges for services	1,417,666	-	197,661	1,615,327
Fines and forfeitures	688,837	-	-	688,837
Investment earnings	207,772	22,835	24,589	255,196
Miscellaneous	<u>104,629</u>	<u>-</u>	<u>345,677</u>	<u>450,306</u>
TOTAL REVENUES	<u>19,853,274</u>	<u>2,412,160</u>	<u>1,505,894</u>	<u>23,771,328</u>
Expenditures				
Current				
General government	2,776,780	293,471	269,489	3,339,740
Public safety	10,561,157	-	213,530	10,774,687
Public works	3,970,308	-	-	3,970,308
Culture and recreation	1,162,739	1,546,537	231,182	2,940,458
Community development	-	-	363,629	363,629
Nondepartmental	2,099,817	-	-	2,099,817
Debt Service				
Principal	272,252	-	-	272,252
Capital Outlay	<u>1,674,301</u>	<u>-</u>	<u>107,343</u>	<u>1,781,644</u>
TOTAL EXPENDITURES	<u>22,517,354</u>	<u>1,840,008</u>	<u>1,185,173</u>	<u>25,542,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,664,080)</u>	<u>572,152</u>	<u>320,721</u>	<u>(1,771,207)</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	785,378	-	-	785,378
Transfers in	1,847,487	-	3,500	1,850,987
Transfers out	<u>(170,323)</u>	<u>(3,500)</u>	<u>(253,006)</u>	<u>(426,829)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,462,542</u>	<u>(3,500)</u>	<u>(249,506)</u>	<u>2,209,536</u>
NET CHANGE IN FUND BALANCE	(201,538)	568,652	71,215	438,329
Fund balance at beginning of year	<u>8,206,188</u>	<u>825,274</u>	<u>558,212</u>	<u>9,589,674</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,004,650</u>	<u>\$ 1,393,926</u>	<u>\$ 629,427</u>	<u>\$ 10,028,003</u>

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

City of Florence, South Carolina
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances-total governmental funds \$ 438,329

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

Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. - - Note B (262,760)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. - - Note B 375,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 142,690

Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. Payment of capital lease principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net assets. This is the amount by which proceeds exceed repayments. - - Note B (513,126)

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. - - Note B (276,310)

Change in net assets of governmental activities \$ (96,177)

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 7,809,500	\$ 7,806,500	\$ 7,813,788	\$ 7,288
Licenses and fees	7,700,000	7,951,500	8,127,825	176,325
Intergovernmental	1,246,500	1,474,000	1,492,757	18,757
Charges for services	1,350,000	1,400,000	1,417,666	17,666
Fines and forfeitures	631,000	667,500	688,837	21,337
Investment earnings	60,000	152,500	207,772	55,272
Miscellaneous	<u>125,000</u>	<u>65,000</u>	<u>104,629</u>	<u>39,629</u>
TOTAL REVENUES	<u>18,922,000</u>	<u>19,517,000</u>	<u>19,853,274</u>	<u>336,274</u>
Expenditures				
Current				
General government	2,793,700	2,825,485	2,776,780	48,705
Public safety	10,674,810	10,587,170	10,561,157	26,013
Public works	3,897,980	3,976,520	3,970,308	6,212
Culture and recreation	1,143,910	1,177,440	1,162,739	14,701
Non-departmental	1,650,500	2,537,477	2,099,817	437,660
Debt Service				
Principal	-	-	272,252	(272,252)
Capital Outlay	<u>539,100</u>	<u>1,357,385</u>	<u>1,674,301</u>	<u>(316,916)</u>
TOTAL EXPENDITURES	<u>20,700,000</u>	<u>22,461,477</u>	<u>22,517,354</u>	<u>(55,877)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,778,000)</u>	<u>(2,944,477)</u>	<u>(2,664,080)</u>	<u>280,397</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	785,378	785,378
Transfers in	1,828,000	1,846,500	1,847,487	987
Transfers out	<u>(50,000)</u>	<u>(170,323)</u>	<u>(170,323)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,778,000</u>	<u>1,676,177</u>	<u>2,462,542</u>	<u>786,365</u>
NET CHANGE IN FUND BALANCE	-	(1,268,300)	(201,538)	1,066,762
Fund balance at beginning of year	<u>8,206,188</u>	<u>8,206,188</u>	<u>8,206,188</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,206,188</u>	<u>\$ 6,937,888</u>	<u>\$ 8,004,650</u>	<u>\$ 1,066,762</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - -
Budget and Actual
Hospitality Fee Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and fees	\$ 2,200,000	\$ 2,200,000	\$ 2,371,249	\$ 171,249
Intergovernmental	-	-	18,076	18,076
Investment earnings	-	-	22,835	22,835
TOTAL REVENUES	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,412,160</u>	<u>212,160</u>
Expenditures				
Current				
General government	695,000	814,200	293,471	520,729
Culture and recreation	<u>1,505,000</u>	<u>1,505,000</u>	<u>1,546,537</u>	<u>(41,537)</u>
TOTAL EXPENDITURES	<u>2,200,000</u>	<u>2,319,200</u>	<u>1,840,008</u>	<u>479,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(119,200)</u>	<u>572,152</u>	<u>691,352</u>
Other Financing Uses				
Transfers out	-	(3,500)	(3,500)	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(122,700)</u>	<u>568,652</u>	<u>691,352</u>
Fund balance at beginning of year	<u>825,274</u>	<u>825,274</u>	<u>825,274</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 825,274</u>	<u>\$ 702,574</u>	<u>\$ 1,393,926</u>	<u>\$ 691,352</u>

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

City of Florence, South Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities -- Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer Fund	Stormwater Utility Fund	
ASSETS			
Current assets			
Cash and cash equivalents--Note D	\$ 2,465,417	\$ 714,144	\$ 3,179,561
Accounts receivable--Note E	3,156,466	92,005	3,248,471
Receivable--other--Note E	4,113	-	4,113
Investments--Note D	7,475,692	367,750	7,843,442
Inventories	303,273	-	303,273
Total current assets	<u>13,404,961</u>	<u>1,173,899</u>	<u>14,578,860</u>
Noncurrent assets			
Restricted cash and cash equivalents--Note D	-	4,000,426	4,000,426
Unamortized loan expense	614,823	-	614,823
Capital assets--Note F			
Land	1,319,440	107,368	1,426,808
Buildings and system	146,085,035	2,622,962	148,707,997
Construction in process	1,877,958	51,550	1,929,508
Machinery and equipment	6,039,454	414,384	6,453,838
Less accumulated depreciation	(38,654,690)	(2,079,419)	(40,734,109)
Total Capital Assets (Net Of Accumulated Depreciation)	<u>116,667,197</u>	<u>1,116,845</u>	<u>117,784,042</u>
Total noncurrent assets	<u>117,282,020</u>	<u>5,117,271</u>	<u>122,399,291</u>
TOTAL ASSETS	\$ 130,686,981	\$ 6,291,170	\$ 136,978,151
LIABILITIES			
Current liabilities			
Accounts payable	\$ 239,168	\$ 5,040	\$ 244,208
Accrued interest	720,044	-	720,044
Other liabilities	62,945	7,302	70,247
Customer deposits	31,260	-	31,260
Compensated absences-current--Note I	25,000	3,000	28,000
Notes payable-current--Note I	2,034,849	-	2,034,849
Revenue bonds payable-current--Note I	2,265,449	195,000	2,460,449
Total current liabilities	<u>5,378,715</u>	<u>210,342</u>	<u>5,589,057</u>
Noncurrent liabilities--Note I			
Compensated absences	455,502	52,980	508,482
Notes payable	27,076,290	-	27,076,290
Revenue bonds payable	33,285,000	3,805,000	37,090,000
Total noncurrent liabilities	<u>60,816,792</u>	<u>3,857,980</u>	<u>64,674,772</u>
TOTAL LIABILITIES	66,195,507	4,068,322	70,263,829
NET ASSETS			
Invested in capital assets, net of related debt	51,900,388	1,117,271	53,017,659
Unrestricted	<u>12,591,086</u>	<u>1,105,577</u>	<u>13,696,663</u>
TOTAL NET ASSETS	\$ 64,491,474	\$ 2,222,848	\$ 66,714,322

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

City of Florence, South Carolina
Statement of Revenues, Expenses and Changes in Funds Net Assets
Proprietary Funds
Year Ended June 30, 2006

	Business-type Activities - - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer Fund	Stormwater Utility Fund	
Operating Revenues			
Current use charges	\$ 20,433,442	\$ -	\$ 20,433,442
Miscellaneous	311,869	1,592	313,461
Water and sewer tap fees	671,204	-	671,204
Stormwater service fees	-	1,089,301	1,089,301
TOTAL OPERATING REVENUES	21,416,515	1,090,893	22,507,408
Operating Expenses			
Personnel	3,375,463	383,757	3,759,220
Employee benefits	1,197,128	132,451	1,329,579
Purchased services	3,362,565	165,875	3,528,440
Supplies and materials	1,174,834	20,068	1,194,902
Other expenses	977,738	8,205	985,943
Depreciation and amortization	4,385,064	167,187	4,552,251
TOTAL OPERATING EXPENSES	14,472,792	877,543	15,350,335
OPERATING INCOME	6,943,723	213,350	7,157,073
Non-operating revenues (expenses)			
Investment earnings	421,471	35,596	457,067
Interest expense	(3,314,020)	-	(3,314,020)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,892,549)	35,596	(2,856,953)
INCOME BEFORE TRANSFERS	4,051,174	248,946	4,300,120
Capital contributions	21,000	-	21,000
Transfers in	90,170	147,672	237,842
Transfers out	(1,524,243)	(168,657)	(1,692,900)
Change in net assets	2,638,101	227,961	2,866,062
Net assets at beginning of year	61,853,373	1,994,887	63,848,260
NET ASSETS AT END OF YEAR	\$ 64,491,474	\$ 2,222,848	\$ 66,714,322

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

City of Florence, South Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Fund Stormwater Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 20,919,014	\$ 1,088,863	\$ 22,007,877
Payments to suppliers	(5,090,174)	(293,033)	(5,383,207)
Payments to employees	(4,634,208)	(503,795)	(5,138,003)
Other receipts	312,728	-	312,728
Other payments	<u>(978,964)</u>	<u>(18,735)</u>	<u>(997,699)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,528,396</u>	<u>273,300</u>	<u>10,801,696</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	90,170	147,672	237,842
Transfers out	<u>(1,524,243)</u>	<u>(168,657)</u>	<u>(1,692,900)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,434,073)</u>	<u>(20,985)</u>	<u>(1,455,058)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	21,000	-	21,000
Additions to property, plant and equipment	(3,771,772)	(428,347)	(4,200,119)
Disposals of property, plant and equipment	12,406	18,657	31,063
Principal paid on bonds and notes	(4,284,723)	-	(4,284,723)
Interest paid on bonds and notes	(3,181,807)	-	(3,181,807)
Proceeds of bonds payable	<u>-</u>	<u>4,000,000</u>	<u>4,000,000</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,204,896)</u>	<u>3,590,310</u>	<u>(7,614,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	3,617,207	-	3,617,207
Purchase of investments	(3,899,823)	(13,882)	(3,913,705)
Investment income	<u>424,941</u>	<u>35,793</u>	<u>460,734</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>142,325</u>	<u>21,911</u>	<u>164,236</u>
NET INCREASE (DECREASE) IN CASH	(1,968,248)	3,864,536	1,896,288
Cash at beginning of year	<u>4,433,665</u>	<u>850,034</u>	<u>5,283,699</u>
CASH AT END OF YEAR	<u>\$ 2,465,417</u>	<u>\$ 4,714,570</u>	<u>\$ 7,179,987</u>

	Business-type Activities - - Enterprise Fund		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total
	Water & Sewer Fund	Stormwater Utility Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 6,943,723	\$ 213,350	\$ 7,157,073
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	4,304,508	167,187	4,471,695
Amortization	80,556	-	80,556
Changes in assets and liabilities			
Increase in receivables	(184,773)	(2,030)	(186,803)
Decrease in inventories	31,271	-	31,271
Decrease in accounts payable	(584,046)	(107,090)	(691,136)
Decrease in customer deposits	(1,226)	-	(1,226)
Increase in compensated absences	65,428	12,413	77,841
Decrease in other liabilities	<u>(127,045)</u>	<u>(10,530)</u>	<u>(137,575)</u>
TOTAL ADJUSTMENT	<u>3,584,673</u>	<u>59,950</u>	<u>3,644,623</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,528,396</u>	<u>\$ 273,300</u>	<u>\$ 10,801,696</u>
NON-CASH CAPITAL, FINANCING AND INVESTING ACTIVITIES			
Net decrease in the fair value of investments	<u>\$ 3,470</u>	<u>\$ 197</u>	<u>\$ 3,667</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and cash equivalents	\$ 2,465,417	\$ 714,144	3,179,561
Restricted cash and cash equivalents	<u>-</u>	<u>4,000,426</u>	<u>4,000,426</u>
Cash and Cash Equivalents	<u>\$ 2,465,417</u>	<u>\$ 4,714,570</u>	<u>\$ 7,179,987</u>

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

City of Florence, South Carolina
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006

ASSETS

Cash and cash equivalents--Note D	\$ 125,458
Investments--Note D	<u>52,608</u>

TOTAL ASSETS	<u>\$ 178,066</u>
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LIABILITIES

Due to others	<u>\$ 178,066</u>
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The notes to the financial statements are an integral part of this statement.

City of Florence, South Carolina

Notes To Financial Statements

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

Related Organizations

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

Joint Ventures

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

2. Government-wide and Fund Financial Statements

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

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

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

Governmental Fund Types

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than, major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Hospitality Fee, Owner Occupied Rehab, Home Program, Community Development Block Grant, Park Commission, All American City, Fire, Leisure Service Program, Drug Free Florence, E-911, Victim's Rights, Drug Control, Federal Equitable Sharing, Tobacco/Alcohol Compliance, Katrina Relief, LLEBG, Safety Committee, COP Services, Byrne Grant, Summer Youth Program, Accommodation Tax, Leisure Service Registration, ROTC Drill Competition, Employee Assistance, and Police Chaplain Funds.

Proprietary Fund Types

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

Fiduciary Fund Types

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

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

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

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. 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.

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

Governmental Fund Financial Statements

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

The City reports the following major government 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 Fee Fund. This fund is used to account for funds received for tourism programs.

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

4. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

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

Receivables and Payables

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

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

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

Inventory

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

Restricted Assets

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

Capital Assets

Governmental Funds

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

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Proprietary Fund Types

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

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

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

Deferred and Unearned Revenues

Deferred revenues in the General Fund represent delinquent property taxes receivable expected to be collected later than sixty days after the end of the fiscal year, local option sales taxes collected in the current year, but used to reduce property taxes in the subsequent year and capital lease proceeds not spent as of year end. Deferred revenue in the Special Revenue Fund represents capital lease proceeds not spent as of year end. Unearned revenues in the Special Revenue Fund represent money received in advance for a project or grant in which the expenditure will be made in a subsequent year.

Compensated Absences

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

Long-term Obligations

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

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

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

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

Net Assets/Fund Equity

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - - Continued

Net Assets/Fund Equity - - Continued

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance in the General Fund at June 30, 2006 is designated as follows.

General government	<u>\$ 510,300</u>
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Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$6,174,457 difference are as follows:

Accrued interest payable	\$ 21,608
Capital leases payable	4,274,126
Compensated absences	<u>1,878,723</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 6,174,457</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$262,760 difference are as follows:

Capital outlay	\$ 1,781,644
Depreciation expense	<u>(2,044,404)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (262,760)</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

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

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$375,000 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (34,564)
In the statement of activities transfers of capital assets from the business-type activities to governmental activities are recorded as transfers. However, in the governmental funds, transfers of capital assets from business-type activities are not recorded as a transfer in the governmental funds because there is no flow of current financial resources.	30,900
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>378,664</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 375,000</u>

Another element of that reconciliation states that "Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. Payment of capital lease principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net assets." The details of this \$513,126 difference are as follows:

Proceeds of capital lease debt	\$ (785,378)
Payment of capital lease principal	<u>272,252</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (513,126)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$276,310 difference are as follows:

Compensated absences	\$ (254,702)
Accrued interest	<u>(21,608)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (276,310)</u>

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

NOTE D - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's policy requires deposits to be secured by collateral, obligations of the U.S. Treasury and U.S. Agencies and instrumentalities, State of South Carolina or South Carolina local governments, valued at market or par, whichever is lower, less the amount of insurance (FDIC). Deposits of the City of \$17,411,644 at June 30, 2006, are insured or collateralized with securities held by the pledging financial institutions' trust department in the name of the City. \$17,111,644 of the deposits at June 30, 2006 are collateralized with securities held by the pledging financial institutions' trust department in the name of the City.

Restricted cash of \$3,768,044 at June 30, 2006, in the Governmental Funds is the unspent proceeds of capital leases to be used for the purchase and construction of capital assets. Restricted cash of \$4,000,426 in the Enterprise Fund is the unspent proceeds of capital leases to be used for the purchase and construction of capital assets.

During February, 2002, the City awarded its cash management contract to Carolina First Bank for the next five years. Funds in excess of the compensating balance, which was \$2,890,791 at June 30, 2006 are invested.

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE D - DEPOSITS AND INVESTMENTS - - Continued

Investments

The City is authorized to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, certificates of deposit and the state treasurer's investment pool. The City's investment policy limits investments to a maximum maturity of two years and limits investments by instruments to 100% for U. S. Treasury obligations, 75% for U. S. Government sponsored agencies and enterprises, 25% for fully insured or collateralized certificate of deposit and 25% for repurchase agreements having a defined termination date.

As of June 30, 2006, the city had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in years) <u>Less Than 1</u>	<u>Credit Ratings</u>
U.S. Governments and Agencies			
Federal Home Loan Mortgage Corp	\$ 3,602,158	\$ 3,602,158	AAA
Federal National Mortgage Assoc	3,486,913	3,486,913	AAA
Federal Home Loan Bank	897,750	897,750	AAA
South Carolina Local			
Government Investment Pool	599,684	599,684	N/A
U.S. Government Money			
Market Fund	<u>3,693,702</u>	<u>3,693,702</u>	N/A
	<u>\$ 12,280,207</u>	<u>\$ 12,280,207</u>	

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

NOTE E - RECEIVABLES

Receivables as of June 30, 2006, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hospitality Fee</u>	<u>Water and Sewer</u>	<u>Non-Major</u>	<u>Total</u>
Accounts	\$ -	\$ 208,955	\$ 3,154,385	\$ 92,934	\$ 3,456,274
Taxes	241,801	-	-	-	241,801
Intergovernmental	1,414,853	10,157	33,625	195,192	1,653,827
Other	<u>80,384</u>	<u>-</u>	<u>4,113</u>	<u>-</u>	<u>84,497</u>
Gross receivables	1,737,038	219,112	3,192,123	288,126	5,436,399
Less: Allowance for uncollectibles	<u>(117,933)</u>	<u>-</u>	<u>(31,544)</u>	<u>(929)</u>	<u>(150,406)</u>
	<u>\$ 1,619,105</u>	<u>\$ 219,112</u>	<u>\$ 3,160,579</u>	<u>\$ 287,197</u>	<u>\$ 5,285,993</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE E - RECEIVABLES -- Continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 83,910	\$ -
Local option sales tax receivable	1,519,999	-
Unspent capital lease proceeds	3,761,000	-
Grant draw downs prior to meeting all eligibility requirements	<u>-</u>	<u>4,467</u>
	<u>\$ 5,364,909</u>	<u>\$ 4,467</u>

NOTE F - CAPITAL ASSETS

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

	Balances			Balances
	June 30, 2005	Increases	Decreases	June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 7,792,522	\$ 394,981	\$ -	\$ 8,187,503
Construction in progress	<u>108,540</u>	<u>-</u>	<u>108,540</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,901,062</u>	<u>394,981</u>	<u>108,540</u>	<u>8,187,503</u>
Capital assets, being depreciated:				
Buildings	5,712,931	9,067	-	5,721,998
Infrastructure	14,345,682	479,463	-	14,825,145
Machinery and equipment	<u>11,732,295</u>	<u>1,528,400</u>	<u>455,321</u>	<u>12,805,374</u>
Total capital assets being depreciated	<u>31,790,908</u>	<u>2,016,930</u>	<u>455,321</u>	<u>33,352,517</u>
Less-accumulated depreciation for:				
Buildings	2,170,378	142,073	-	2,312,451
Infrastructure	6,823,281	603,917	-	7,427,198
Machinery and equipment	<u>7,645,169</u>	<u>1,298,414</u>	<u>308,594</u>	<u>8,634,989</u>
Total accumulated depreciation	<u>16,638,828</u>	<u>2,044,404</u>	<u>308,594</u>	<u>18,374,638</u>
Total capital assets, being depreciated, net	<u>15,152,080</u>	<u>(27,474)</u>	<u>146,727</u>	<u>14,977,879</u>
Governmental activities capital assets, net	<u>\$ 23,053,142</u>	<u>\$ 367,507</u>	<u>\$ 255,267</u>	<u>\$ 23,165,382</u>

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

	Balances			Balances
	June 30, 2005	Increases	Decreases	June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 1,369,698	\$ 57,110	\$ -	\$ 1,426,808
Construction in progress	<u>2,066,512</u>	<u>1,913,563</u>	<u>2,050,567</u>	<u>1,929,508</u>
Total capital assets, not being depreciated	<u>3,436,210</u>	<u>1,970,673</u>	<u>2,050,567</u>	<u>3,356,316</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE F - CAPITAL ASSETS - - Continued

	Balances			Balances
	June 30, 2005	Increases	Decreases	June 30, 2006
Capital assets, being depreciated:				
Buildings and system	145,225,255	3,482,742	-	148,707,997
Machinery and equipment	<u>5,797,766</u>	<u>778,297</u>	<u>122,225</u>	<u>6,453,838</u>
Total capital assets, being depreciated	<u>151,023,021</u>	<u>4,261,039</u>	<u>122,225</u>	<u>155,161,835</u>
Less-accumulated depreciation for:				
Buildings and system	31,849,214	3,969,669	-	35,818,883
Machinery and equipment	<u>4,523,337</u>	<u>502,026</u>	<u>110,137</u>	<u>4,915,226</u>
Total accumulated depreciation	<u>36,372,551</u>	<u>4,471,695</u>	<u>110,137</u>	<u>40,734,109</u>
Total capital assets, being depreciated, net	<u>114,650,470</u>	<u>(210,656)</u>	<u>12,088</u>	<u>114,427,726</u>
Business-type activities capital assets, net	<u>\$ 118,086,680</u>	<u>\$ 1,760,017</u>	<u>\$ 2,062,655</u>	<u>\$ 117,784,042</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 515,943
Public safety	755,608
Public works	452,605
Culture and recreation	<u>320,248</u>
Total depreciation-governmental activities	<u>\$ 2,044,404</u>
Business-Type Activities	
Water and sewer	\$ 4,304,508
Stormwater	<u>167,187</u>
Total depreciation-business-type activities	<u>\$ 4,471,695</u>

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2006 are as follows:

	Interfund	Interfund
	Receivable	Payable
General Fund	\$ 114,859	\$ -
Nonmajor governmental	<u>-</u>	<u>114,859</u>
Total	<u>\$ 114,859</u>	<u>\$ 114,859</u>

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

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

Interfund transfers for the year ended June 30, 2006, are as follows:

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governments Funds</u>	<u>Water & Sewer Enterprise's Fund</u>	<u>Nonmajor Enterprise Funds</u>	
<u>Transfer out</u>					
General fund	\$ -	\$ -	\$ 22,651	\$ 147,672	\$ 170,323
Hospitality fee fund	-	3,500	-	-	3,500
Nonmajor governmental funds	185,487	-	67,519	-	253,006
Water and sewer enterprise fund	1,512,000	-	-	-	1,524,243
Nonmajor enterprise funds	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,657</u>
Total transfers out	<u>\$ 1,847,487</u>	<u>\$ 3,500</u>	<u>\$ 90,170</u>	<u>\$ 147,672</u>	<u>\$ 2,119,729</u>

The transfers consist primarily of \$1,512,000 to General Fund from Water and Sewer Enterprise Fund based on budgetary authorization. Capital assets of \$12,243 transferred by Water & Sewer Enterprise Fund to General Fund and capital assets of \$18,657 transferred by the nonmajor Enterprises Fund to General Fund are not reflected as a transfer in the governmental funds because there is no flow of current financial resources.

NOTE H - CAPITAL LEASES

The City has entered into lease purchase agreements to fund the purchase of vehicles for the police and fire departments, construction of Veteran's Memorial Park and improvements to Radio Drive.

The future minimum lease obligations and the net present value of these lease payments at June 30, 2006, were as follows:

Year Ending June 30,	
2007	\$ 667,526
2008	667,526
2009	395,274
2010	395,274
2011	395,274
2012-2016	1,601,820
2017-2021	<u>1,352,120</u>
	5,474,814
Less, amount representing interest	<u>1,200,688</u>
	<u>\$ 4,274,126</u>

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE I - LONG-TERM DEBT

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Capital leases	\$ -	\$ 4,546,378	\$ 272,252	\$ 4,274,126	\$ 505,000
Compensated absences	<u>1,624,021</u>	<u>1,112,279</u>	<u>857,577</u>	<u>1,878,723</u>	<u>90,000</u>
	<u>\$ 1,624,021</u>	<u>\$ 5,658,657</u>	<u>\$ 1,129,829</u>	<u>\$ 6,152,849</u>	<u>\$ 595,000</u>
<u>Business-type Activities</u>					
Revenue Bonds					
Water and Sewer	\$ 37,940,000	\$ -	\$ 2,270,000	\$ 35,670,000	\$ 2,385,000
Stormwater	-	4,000,000	-	4,000,000	195,000
Less unamortized amount deferred for refunding	<u>(298,878)</u>	<u>-</u>	<u>(179,327)</u>	<u>(119,551)</u>	<u>(119,551)</u>
Total bonds payable	37,641,122	4,000,000	2,090,673	39,550,449	2,460,449
Notes Payable					
Water and Sewer	31,125,861	-	2,014,722	29,111,139	2,034,849
Compensated absences					
Water and Sewer	415,081	328,123	262,702	480,502	25,000
Stormwater	<u>43,566</u>	<u>39,365</u>	<u>26,951</u>	<u>55,980</u>	<u>3,000</u>
	<u>\$ 69,225,630</u>	<u>\$ 4,367,488</u>	<u>\$ 4,395,048</u>	<u>\$ 69,198,070</u>	<u>\$ 4,523,298</u>

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

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

	<u>Date of</u> <u>Issuance</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Revenue Bonds</u>					
Series 1993		\$ 14,815,000	5.10 to 5.20	3/1/2007	\$ 1,795,000
Series 2000		25,690,000	5.50 to 7.50	3/1/2030	23,625,000
Series 2002		8,360,000	3.80	9/1/2017	8,360,000
Series 2003B		2,000,000	3.90	9/1/2018	1,890,000
Series 2006		4,000,000	4.18	6/2/2021	4,000,000
<u>Notes Payable</u>					
August 1991		1,100,000	4.25	7/1/2012	337,233
June 1993		23,828,128	4.25	12/1/2014	12,604,440
May 1999		2,767,997	3.50	3/1/2020	2,099,543
May 2000		6,210,343	3.50	1/1/2032	5,638,745
May 2000		4,062,403	4.25	6/1/2032	3,769,428
October 2002		3,821,332	0.00	1/1/2012	2,292,799
January 2003		2,517,834	3.75	2/1/2034	2,368,951

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE I - LONG-TERM DEBT - - Continued

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

Business-type Activities						
Year Ended	Revenue Bonds		Notes Payable		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,580,000	\$ 2,097,069	\$ 2,034,849	\$ 1,045,583	\$ 4,614,849	\$ 3,142,652
2008	825,000	1,968,839	2,152,404	974,469	2,977,404	2,943,308
2009	1,710,000	1,902,033	2,226,507	900,366	3,936,507	2,802,399
2010	1,750,000	1,816,313	2,303,727	823,145	4,053,727	2,639,458
2011	1,790,000	1,728,381	2,384,197	742,676	4,174,197	2,471,057
2012-2016	9,725,000	7,214,418	8,730,887	2,473,155	18,455,887	9,687,573
2017-2021	8,455,000	4,698,575	2,793,471	1,496,123	11,248,471	6,194,698
2022-2026	6,265,000	2,881,175	2,557,228	846,126	8,822,228	3,727,301
2027-2031	6,570,000	930,876	3,088,557	639,591	9,658,557	1,570,467
2032-2034	-	-	839,312	31,049	839,312	31,049
	<u>\$ 39,670,000</u>	<u>\$ 25,237,679</u>	<u>\$ 29,111,139</u>	<u>\$ 9,972,283</u>	<u>\$ 68,781,139</u>	<u>\$ 35,209,962</u>

NOTE J - EMPLOYEE BENEFITS

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

Generally, all employees are required to participate and contribute to the SCRS as a condition of employment. The normal cost is funded by contributions from the members at a rate of 6.25% of wages earned for the year. The employer's contribution rate is 7.55%. Employees who retire at or after age 65 or with 28 years of credited service are entitled to full retirement benefits, payable for life, with an annual rate equal to 1.82% of average final compensation, for each year of credited service. Vested employees are entitled to deferred annuity commencing at age 60.

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

During the year the City contributed \$630,423 to the SCRS and \$676,072 to the SCPORS. Contributions by employees during the year were \$515,976 to the SCRS and \$425,425 to the SCPORS. The City's covered payroll for the SCRS and SCPORS was \$8,349,972 and \$6,563,802, respectively. Total current year payroll for all employees was \$15,185,973.

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

City of Florence, South Carolina
Notes To Financial Statements--Continued
June 30, 2006

NOTE J - EMPLOYEE BENEFITS - - Continued

Three-Year Trend Information

Year Ended	SCRS		SCPORS	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
June 30, 2004	\$ 462,102	100	\$ 595,070	100
June 30, 2005	510,981	100	621,665	100
June 30, 2006	630,423	100	676,072	100

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

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

In addition to providing retirement benefits, City Council passed resolution 98-05 on May 11, 1998, providing retired employees certain health care benefits. City employees who meet all criteria for retirement under the South Carolina Retirement and Police Retirement Systems and had worked for the City for a minimum of 15 years of continuous service are eligible for these benefits. At June 30, 2006, forty eight retirees meet those eligibility requirements. The city pays the following percentage of health and dental insurance premiums for pre-Medicare retirees.

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

The City also is a secondary provider for each retiree eligible for Medicare. The cost of retiree health care benefits is recognized as expense as the premiums are paid. For the year ended June 30, 2006, these costs totaled \$174,146.

NOTE K - RISK MANAGEMENT

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

City of Florence, South Carolina

Notes To Financial Statements--Continued

June 30, 2006

NOTE K - RISK MANAGEMENT -- Continued

commercial companies for claims in excess of \$1 million for each insured event. If the City's losses under SCMIT exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

NOTE L - COMMITMENTS

The City has committed itself on a number of construction and architectural contracts for Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2006, the outstanding commitments total \$198,801. The City has committed itself to the purchase of two fire trucks for a cost of \$761,010. The fire trucks are to be delivered during the fiscal year ended June 30, 2007. Proceeds of the capital lease arrangement of \$767,869 at June 30, 2006, is reported as restricted cash.

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

On July 1, 2002, the City of Florence and Florence County consolidated recreational facilities and recreational activity within Florence County with Florence County assuming the responsibility for the facilities and the recreational activities. Florence County leases from the City of Florence certain athletic parks and recreational facilities. The lease was effective on July 1, 2002, and will continue for an initial term of twenty years with an annual lease payment of one dollar per year. The lease will automatically extend for successive five year periods unless either party delivers written notice to the other party that the party does not consent to any further extension of the term. The City agreed to make declining annual payments to the County on a quarterly basis by fiscal year. The annual payment was \$472,500 for the fiscal year ending June 30, 2006. The annual payment will decline by \$67,500 for each fiscal year after June 30, 2006. The final annual payment is to be \$67,500 for the fiscal year ended June 30, 2012. The City of Florence and Florence County have reached an agreement that on November 1, 2006, the consolidation of recreational facilities and recreational activities between City of Florence and Florence County will end. The above referenced lease agreements and payments by the City of Florence and Florence County will terminate on November 1, 2006.

On October 14, 2002, Florence City Council approved an ordinance to provide \$500,000 over a period of approximately five years to Florence County for the construction of a communications tower to serve northern Florence County, including a significant portion of the City of Florence. A payment of \$100,000 was made from the E-911 fund during the fiscal year ending June 30, 2006. As of June 30, 2006, the outstanding commitment was \$300,000.

NOTE M - CONTINGENCIES

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

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

Owner Occupied Rehab - 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.

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

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

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

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

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

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

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

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

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

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

Katrina Relief - This fund is used to account for funds received for assistance to Hurricane Katrina survivors.

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

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

COP Services - This fund is used to account for the expenditures of Law Enforcement Technology grants.

Byrne Grant - This fund is used to account for the expenditures of the Edward Byrne Memorial Justice Assistance Grant Program.

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

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

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

ROTC Drill Competition - This fund is used to account for funds received for the ROTC drill competition.

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

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

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Owner Occupied Rehab	Home Program	Community Development Block Grant	Park Commission
ASSETS				
Cash and cash equivalents	\$ 33,622	\$ 325	\$ -	\$ 5,133
Due from other governments	-	-	23,142	-
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 33,622</u>	<u>\$ 325</u>	<u>\$ 23,142</u>	<u>\$ 5,133</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	23,142	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>23,142</u>	<u>-</u>
FUND BALANCES				
Fund balances	<u>33,622</u>	<u>325</u>	<u>-</u>	<u>5,133</u>
TOTAL FUND BALANCES	<u>33,622</u>	<u>325</u>	<u>-</u>	<u>5,133</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,622</u>	<u>\$ 325</u>	<u>\$ 23,142</u>	<u>\$ 5,133</u>

SPECIAL REVENUE

All American City	Fire	Leisure Service Program	Drug Free Florence	E-911	Victim's Rights	Drug Control
\$ 4,177	\$ 4,756	\$ 37,634	\$ 10,649	\$ 153,602	\$ 87,146	\$ 93,227
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,126</u>	<u>27,084</u>
<u>\$ 4,177</u>	<u>\$ 4,756</u>	<u>\$ 37,634</u>	<u>\$ 10,649</u>	<u>\$ 153,602</u>	<u>\$ 193,272</u>	<u>\$ 120,311</u>
\$ -	\$ 2,185	\$ 2,137	\$ -	\$ -	\$ -	\$ 2,278
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>2,185</u>	<u>2,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,278</u>
<u>4,177</u>	<u>2,571</u>	<u>35,497</u>	<u>10,649</u>	<u>153,602</u>	<u>193,272</u>	<u>118,033</u>
<u>4,177</u>	<u>2,571</u>	<u>35,497</u>	<u>10,649</u>	<u>153,602</u>	<u>193,272</u>	<u>118,033</u>
<u>\$ 4,177</u>	<u>\$ 4,756</u>	<u>\$ 37,634</u>	<u>\$ 10,649</u>	<u>\$ 153,602</u>	<u>\$ 193,272</u>	<u>\$ 120,311</u>

(Continued)

City of Florence, South Carolina
Combining Balance Sheet - - Continued
Nonmajor Governmental Funds
June 30, 2006

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	LLEBG	Safety Committee	COP Services
ASSETS					
Cash and cash equivalents	\$ 31,767	\$ 9,784	\$ 106	\$ 5,897	\$ -
Due from other governments	-	-	-	-	47,162
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 31,767</u>	<u>\$ 9,784</u>	<u>\$ 106</u>	<u>\$ 5,897</u>	<u>\$ 47,162</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 917	\$ -
Due to other funds	-	-	-	-	47,162
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>917</u>	<u>47,162</u>
FUND BALANCES					
Fund balances	<u>31,767</u>	<u>9,784</u>	<u>106</u>	<u>4,980</u>	<u>-</u>
TOTAL FUND BALANCES	<u>31,767</u>	<u>9,784</u>	<u>106</u>	<u>4,980</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,767</u>	<u>\$ 9,784</u>	<u>\$ 106</u>	<u>\$ 5,897</u>	<u>\$ 47,162</u>

SPECIAL REVENUE

Byrne Grant	Summer Youth Program	Accommodation Tax	Leisure Service Registration	ROTC Drill Competition	Employee Assistance	Police Chaplain	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 409	\$ 4,642	\$ 2,173	\$ 3,502	\$ 1,660	\$ 490,211
42,231	2,324	80,333	-	-	-	-	195,192
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,210</u>
<u>\$ 42,231</u>	<u>\$ 2,324</u>	<u>\$ 80,742</u>	<u>\$ 4,642</u>	<u>\$ 2,173</u>	<u>\$ 3,502</u>	<u>\$ 1,660</u>	<u>\$ 818,613</u>
\$ -	\$ -	\$ 62,343	\$ -	\$ -	\$ -	\$ -	\$ 69,860
42,231	2,324	-	-	-	-	-	114,859
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,467</u>
<u>42,231</u>	<u>2,324</u>	<u>62,343</u>	<u>4,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,186</u>
<u>-</u>	<u>-</u>	<u>18,399</u>	<u>175</u>	<u>2,173</u>	<u>3,502</u>	<u>1,660</u>	<u>629,427</u>
<u>-</u>	<u>-</u>	<u>18,399</u>	<u>175</u>	<u>2,173</u>	<u>3,502</u>	<u>1,660</u>	<u>629,427</u>
<u>\$ 42,231</u>	<u>\$ 2,324</u>	<u>\$ 80,742</u>	<u>\$ 4,642</u>	<u>\$ 2,173</u>	<u>\$ 3,502</u>	<u>\$ 1,660</u>	<u>\$ 818,613</u>

City of Florence, South Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Owner Occupied Rehab	Home Program	Community Development Block Grant	Park Commission
Revenues				
Intergovernmental	\$ 100,000	\$ -	\$ 384,910	\$ -
Charges for services	-	-	-	-
Investment earnings	745	-	-	142
Miscellaneous	<u>-</u>	<u>31,056</u>	<u>13,824</u>	<u>825</u>
TOTAL REVENUES	<u>100,745</u>	<u>31,056</u>	<u>398,734</u>	<u>967</u>
Expenditures				
General government	-	-	65,748	57
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community development	67,123	31,039	265,467	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>67,123</u>	<u>31,039</u>	<u>331,215</u>	<u>57</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>33,622</u>	<u>17</u>	<u>67,519</u>	<u>910</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(67,519)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(67,519)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	33,622	17	-	910
Fund balance at beginning of year	<u>-</u>	<u>308</u>	<u>-</u>	<u>4,223</u>
FUND BALANCE AT END OF YEAR	<u>\$ 33,622</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 5,133</u>

SPECIAL REVENUE

All American City	Fire	Leisure Service Program	Drug Free Florence	E-911	Victim's Rights	Drug Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	32,769	-	164,892	-	-
119	1,514	681	362	3,820	6,529	7,756
<u>-</u>	<u>88,209</u>	<u>-</u>	<u>3,800</u>	<u>-</u>	<u>100,754</u>	<u>72,406</u>
<u>119</u>	<u>89,723</u>	<u>33,450</u>	<u>4,162</u>	<u>168,712</u>	<u>107,283</u>	<u>80,162</u>
-	-	-	-	159,470	-	-
-	96,264	-	8,283	-	-	65,062
-	-	16,776	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>96,264</u>	<u>16,776</u>	<u>8,283</u>	<u>159,470</u>	<u>-</u>	<u>65,062</u>
<u>119</u>	<u>(6,541)</u>	<u>16,674</u>	<u>(4,121)</u>	<u>9,242</u>	<u>107,283</u>	<u>15,100</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,475)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,475)</u>	<u>-</u>
119	(6,541)	16,674	(4,121)	9,242	3,808	15,100
<u>4,058</u>	<u>9,112</u>	<u>18,823</u>	<u>14,770</u>	<u>144,360</u>	<u>189,464</u>	<u>102,933</u>
<u>\$ 4,177</u>	<u>\$ 2,571</u>	<u>\$ 35,497</u>	<u>\$ 10,649</u>	<u>\$ 153,602</u>	<u>\$ 193,272</u>	<u>\$ 118,033</u>

(Continued)

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - - Continued Nonmajor Governmental Funds Year Ended June 30, 2006

	Federal Equitable Sharing	Tobacco/ Alcohol Compliance	Katrina Relief	LLEBG	Safety Committee
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 43,382	\$ -
Charges for services	-	-	-	-	-
Investment earnings	1,147	276	42	801	249
Miscellaneous	<u>1,807</u>	<u>3,000</u>	<u>16,936</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>2,954</u>	<u>3,276</u>	<u>16,978</u>	<u>44,183</u>	<u>249</u>
Expenditures					
General government	-	533	16,978	-	4,116
Public safety	13,422	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>13,422</u>	<u>533</u>	<u>16,978</u>	<u>-</u>	<u>4,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,468)</u>	<u>2,743</u>	<u>-</u>	<u>44,183</u>	<u>(3,867)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,408)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,408)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(10,468)	2,743	-	(1,225)	(3,867)
Fund balance at beginning of year	<u>42,235</u>	<u>7,041</u>	<u>-</u>	<u>1,331</u>	<u>8,847</u>
FUND BALANCE AT END OF YEAR	<u>\$ 31,767</u>	<u>\$ 9,784</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 4,980</u>

SPECIAL REVENUE

COP Services	Byrne Grant	Summer Youth Program	Accommodation Tax	Leisure Service Registration	ROTC Drill Competition	Employee Assistance	Police Chaplain	Total Nonmajor Governmental Funds
\$ 95,611	\$ 42,231	\$ 14,757	\$ 257,076	\$ -	\$ -	\$ -	\$ -	\$ 937,967
-	-	-	-	-	-	-	-	197,661
-	-	-	125	99	53	76	53	24,589
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>5,050</u>	<u>7,955</u>	<u>-</u>	<u>345,677</u>
<u>95,611</u>	<u>42,231</u>	<u>14,757</u>	<u>257,201</u>	<u>154</u>	<u>5,103</u>	<u>8,031</u>	<u>53</u>	<u>1,505,894</u>
-	-	14,757	-	-	-	7,588	242	269,489
29,062	1,437	-	-	-	-	-	-	213,530
-	-	-	205,123	55	9,228	-	-	231,182
-	-	-	-	-	-	-	-	363,629
<u>66,549</u>	<u>40,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,343</u>
<u>95,611</u>	<u>42,231</u>	<u>14,757</u>	<u>205,123</u>	<u>55</u>	<u>9,228</u>	<u>7,588</u>	<u>242</u>	<u>1,185,173</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>52,078</u>	<u>99</u>	<u>(4,125)</u>	<u>443</u>	<u>(189)</u>	<u>320,721</u>
-	-	-	-	-	3,500	-	-	3,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,006)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,604)</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>(249,506)</u>
-	-	-	15,474	99	(625)	443	(189)	71,215
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,925</u>	<u>76</u>	<u>2,798</u>	<u>3,059</u>	<u>1,849</u>	<u>558,212</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,399</u>	<u>\$ 175</u>	<u>\$ 2,173</u>	<u>\$ 3,502</u>	<u>\$ 1,660</u>	<u>\$ 629,427</u>

ENTERPRISE FUND

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

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

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

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating Revenues				
Current use charges	\$ 20,011,000	\$ 19,981,000	\$ 20,433,442	\$ 452,442
Miscellaneous	298,000	293,000	311,869	18,869
Water and sewer tap fees	<u>568,000</u>	<u>585,000</u>	<u>671,204</u>	<u>86,204</u>
TOTAL OPERATING REVENUES	<u>20,877,000</u>	<u>20,859,000</u>	<u>21,416,515</u>	<u>557,515</u>
Operating Expenses				
Personnel	3,555,720	3,380,020	3,375,463	4,557
Employee benefits	1,189,460	1,184,320	1,197,128	(12,808)
Purchased services	3,242,530	3,466,510	3,362,565	103,945
Supplies and materials	1,194,150	1,130,720	1,174,834	(44,114)
Other expenses	719,140	922,130	977,738	(55,608)
Depreciation and amortization	<u>2,045,300</u>	<u>2,448,200</u>	<u>4,385,064</u>	<u>(1,936,864)</u>
TOTAL OPERATING EXPENSES	<u>11,946,300</u>	<u>12,531,900</u>	<u>14,472,792</u>	<u>(1,940,892)</u>
OPERATING INCOME	<u>8,930,700</u>	<u>8,327,100</u>	<u>6,943,723</u>	<u>(1,383,377)</u>
Non-operating Revenues (Expenses)				
Investment earnings	65,000	125,000	421,471	296,471
Interest expense	<u>(7,483,700)</u>	<u>(7,431,700)</u>	<u>(3,314,020)</u>	<u>4,117,680</u>
TOTAL NON-OPERATING				
REVENUES (EXPENSES)	<u>(7,418,700)</u>	<u>(7,306,700)</u>	<u>(2,892,549)</u>	<u>4,414,151</u>
INCOME BEFORE				
TRANSFERS	1,512,000	1,020,400	4,051,174	3,030,774
Capital contributions	-	-	21,000	21,000
Transfer in	-	-	90,170	90,170
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,524,243)</u>	<u>(12,243)</u>
Change in net assets	-	(491,600)	2,638,101	3,129,701
Net assets at beginning of year	<u>61,853,373</u>	<u>61,853,373</u>	<u>61,853,373</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 61,853,373</u>	<u>\$ 61,361,773</u>	<u>\$ 64,491,474</u>	<u>\$ 3,129,701</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Proprietary Funds – Stormwater Utility Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Stormwater service fees	\$ 1,073,000	\$ 1,073,000	\$ 1,089,301	\$ 16,301
Miscellaneous income	<u>-</u>	<u>-</u>	<u>1,592</u>	<u>1,592</u>
TOTAL OPERATING REVENUES	<u>1,073,000</u>	<u>1,073,000</u>	<u>1,090,893</u>	<u>17,893</u>
Operating Expenses				
Personnel	374,590	383,120	383,757	(637)
Employee benefits	124,570	128,220	132,451	(4,231)
Purchased services	98,400	102,000	165,875	(63,875)
Supplies and materials	20,500	13,550	20,068	(6,518)
Other expenses	11,610	8,610	8,205	405
Depreciation and amortization	<u>345,330</u>	<u>553,800</u>	<u>167,187</u>	<u>386,613</u>
TOTAL OPERATING EXPENSES	<u>975,000</u>	<u>1,189,300</u>	<u>877,543</u>	<u>311,757</u>
OPERATING INCOME (LOSS)	<u>98,000</u>	<u>(116,300)</u>	<u>213,350</u>	<u>329,650</u>
Non-operating Revenues				
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>35,596</u>	<u>33,596</u>
INCOME (LOSS) BEFORE TRANSFERS	100,000	(114,300)	248,946	363,246
Transfers in	50,000	-	147,672	147,672
Transfers out	<u>(150,000)</u>	<u>(100,000)</u>	<u>(168,657)</u>	<u>(68,657)</u>
Change in net assets	-	(214,300)	227,961	442,261
Net assets at beginning of year	<u>1,994,887</u>	<u>1,994,887</u>	<u>1,994,887</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,994,887</u>	<u>\$ 1,780,587</u>	<u>\$ 2,222,848</u>	<u>\$ 442,261</u>

AGENCY FUNDS

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

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

Human Relations Council - This fund is used to account for funds received by the Human Relations Council.

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

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

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

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

City of Florence, South Carolina
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2006

	Keep Florence Beautiful	Human Relations Council
ASSETS		
Cash and cash equivalents	\$ 1,332	\$ 1,822
Investments	<u> -</u>	<u> -</u>
TOTAL ASSETS	<u>\$ 1,332</u>	<u>\$ 1,822</u>
LIABILITIES		
Due to others	<u>\$ 1,332</u>	<u>\$ 1,822</u>
TOTAL LIABILITIES	<u>\$ 1,332</u>	<u>\$ 1,822</u>

Florence Co. Munci. Assoc.	Pee Dee Continuum of Care	Court Escrow	Narcotics Holding Fund	Totals
\$ 2,800 <u>-</u>	\$ 477 <u>-</u>	\$ 45,849 <u>-</u>	\$ 73,178 <u>52,608</u>	\$ 125,458 <u>52,608</u>
<u>\$ 2,800</u>	<u>\$ 477</u>	<u>\$ 45,849</u>	<u>\$ 125,786</u>	<u>\$ 178,066</u>
<u>\$ 2,800</u>	<u>\$ 477</u>	<u>\$ 45,849</u>	<u>\$ 125,786</u>	<u>\$ 178,066</u>
<u>\$ 2,800</u>	<u>\$ 477</u>	<u>\$ 45,849</u>	<u>\$ 125,786</u>	<u>\$ 178,066</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Keep Florence Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 3,260	\$ 1,086	\$ 3,014	\$ 1,332
Liabilities				
Due to others	\$ 3,260	\$ 1,086	\$ 3,014	\$ 1,332
<u>Human Relations Council</u>				
Assets				
Cash and cash equivalents	\$ 1,771	\$ 51	\$ -	\$ 1,822
Liabilities				
Due to others	\$ 1,771	\$ 51	\$ -	\$ 1,822
<u>Florence Co. Munic. Assoc.</u>				
Assets				
Cash and cash equivalents	\$ 2,720	\$ 80	\$ -	\$ 2,800
Liabilities				
Due to others	\$ 2,720	\$ 80	\$ -	\$ 2,800
<u>Pee Dee Continuum of Care</u>				
Assets				
Cash and cash equivalents	\$ 247	\$ 519	\$ 289	\$ 477
Liabilities				
Due to others	\$ 247	\$ 519	\$ 289	\$ 477
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 40,507	\$ 5,342	\$ -	\$ 45,849
Liabilities				
Due to others	\$ 40,507	\$ 5,342	\$ -	\$ 45,849
<u>Narcotics Holding Fund</u>				
Assets				
Cash and cash equivalents	\$ 69,059	\$ 54,670	\$ 50,551	\$ 73,178
Investments	50,650	1,958	-	52,608
TOTAL ASSETS	\$ 119,709	\$ 56,628	\$ 50,551	\$ 125,786
Liabilities				
Due to others	\$ 119,709	\$ 56,628	\$ 50,551	\$ 125,786

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities--Continued
Agency Fund
Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 117,564	\$ 61,748	\$ 53,854	\$ 125,458
Investments	<u>50,650</u>	<u>1,958</u>	<u>-</u>	<u>52,608</u>
TOTAL ASSETS	<u>\$ 168,214</u>	<u>\$ 63,706</u>	<u>\$ 53,854</u>	<u>\$ 178,066</u>
Liabilities				
Due to others	\$ 168,214	\$ 63,706	\$ 53,854	\$ 178,066
TOTAL LIABILITIES	<u>\$ 168,214</u>	<u>\$ 63,706</u>	<u>\$ 53,854</u>	<u>\$ 178,066</u>

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

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule--By Source
June 30, 2006 and 2005

	<u>2006</u>	June 30, <u>2005</u>
Governmental funds capital assets		
Land	\$ 8,187,503	\$ 7,792,522
Buildings	5,721,998	5,712,931
Infrastructure	14,825,145	14,345,682
Machinery and equipment	12,805,374	11,732,295
Construction in process	<u>-</u>	<u>108,540</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 41,540,020</u>	<u>\$ 39,691,970</u>
Investment in governmental funds capital assets by source		
General fund	<u>\$ 41,540,020</u>	<u>\$ 39,691,970</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 41,540,020</u>	<u>\$ 39,691,970</u>

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule--By Function and Activity
June 30, 2006

FUNCTION AND ACTIVITY	Land	Buildings	Infrastructure	Machinery And Equipment	Total
General government					
Council	\$ 5,342,800	\$ 1,702,136	\$ 10,490,600	\$ 59,777	\$ 17,595,313
Justice and law	-	-	-	23,600	23,600
Manager	-	-	-	39,679	39,679
Finance	-	-	-	115,484	115,484
Personnel	-	-	-	21,857	21,857
Community services	-	-	-	145,768	145,768
Urban Plan & Dev	-	-	-	35,264	35,264
TOTAL GENERAL GOVERNMENT	<u>5,342,800</u>	<u>1,702,136</u>	<u>10,490,600</u>	<u>441,429</u>	<u>17,976,965</u>
Public safety					
Police	105,007	484,680	86,117	3,816,600	4,492,404
Fire	<u>158,390</u>	<u>888,845</u>	<u>-</u>	<u>2,907,989</u>	<u>3,955,224</u>
TOTAL PUBLIC SAFETY	<u>263,397</u>	<u>1,373,525</u>	<u>86,117</u>	<u>6,724,589</u>	<u>8,447,628</u>
Streets and beautification	16,125	-	-	1,438,587	1,454,712
Sanitation	-	-	-	3,288,740	3,288,740
Equipment maintenance	-	-	-	145,039	145,039
Parks & leisure services	<u>2,565,181</u>	<u>2,646,337</u>	<u>4,248,428</u>	<u>766,990</u>	<u>10,226,936</u>
TOTAL GOVERNMENTAL FUNDS					
CAPITAL ASSETS	<u>\$ 8,187,503</u>	<u>\$ 5,721,998</u>	<u>\$ 14,825,145</u>	<u>\$ 12,805,374</u>	<u>\$ 41,540,020</u>

City of Florence, South Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes--By Function and Activity
Year Ended June 30, 2006

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets July 1, 2005	Additions	Deductions	Governmental Funds Capital Assets June 30, 2006
General government				
Council	\$ 17,123,558	\$ 471,755	\$ -	\$ 17,595,313
Justice and law	23,600	-	-	23,600
Manager	53,679	-	14,000	39,679
Finance	34,795	95,470	14,781	115,484
Personnel	21,857	-	-	21,857
Community services	115,209	53,156	22,597	145,768
Urban Plan & Dev	<u>-</u>	<u>35,264</u>	<u>-</u>	<u>35,264</u>
TOTAL GENERAL GOVERNMENT	<u>17,372,698</u>	<u>655,645</u>	<u>51,378</u>	<u>17,976,965</u>
Public safety				
Police	3,795,311	968,829	271,736	4,492,404
Fire	<u>3,830,048</u>	<u>182,229</u>	<u>57,053</u>	<u>3,955,224</u>
TOTAL PUBLIC SAFETY	<u>7,625,359</u>	<u>1,151,058</u>	<u>328,789</u>	<u>8,447,628</u>
Streets and beautification	1,422,729	52,177	20,194	1,454,712
Sanitation	3,195,307	121,363	27,930	3,288,740
Equipment maintenance	145,039	-	-	145,039
Parks & leisure services	<u>9,930,838</u>	<u>323,128</u>	<u>27,030</u>	<u>10,226,936</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 39,691,970</u>	<u>\$ 2,303,371</u>	<u>\$ 455,321</u>	<u>\$ 41,540,020</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes				
Current	\$ 3,035,000	\$ 2,733,000	\$ 2,734,415	\$ 1,415
Local option sales tax	4,650,000	4,945,000	4,948,137	3,137
Penalties	3,500	3,500	3,941	441
Payment in lieu of taxes	65,000	60,000	60,001	1
Delinquent taxes	<u>56,000</u>	<u>65,000</u>	<u>67,294</u>	<u>2,294</u>
TOTAL PROPERTY TAXES	<u>7,809,500</u>	<u>7,806,500</u>	<u>7,813,788</u>	<u>7,288</u>
Licenses and fees				
Business and professional license	5,850,000	6,100,000	6,218,308	118,308
Franchise fees	1,600,000	1,651,500	1,708,776	57,276
Prior year business license	<u>250,000</u>	<u>200,000</u>	<u>200,741</u>	<u>741</u>
TOTAL LICENSES AND FEES	<u>7,700,000</u>	<u>7,951,500</u>	<u>8,127,825</u>	<u>176,325</u>
Intergovernmental				
State shared revenue	824,000	813,000	829,065	16,065
Governmental reimbursements	140,000	177,000	177,464	464
Community development	77,000	77,000	77,000	-
Grants	<u>205,500</u>	<u>407,000</u>	<u>409,228</u>	<u>2,228</u>
TOTAL INTERGOVERNMENTAL	<u>1,246,500</u>	<u>1,474,000</u>	<u>1,492,757</u>	<u>18,757</u>
Charges for services				
Refuse--landfill fee	1,060,000	1,110,000	1,127,002	17,002
Refuse--collection fee	<u>290,000</u>	<u>290,000</u>	<u>290,664</u>	<u>664</u>
TOTAL CHARGES FOR SERVICES	<u>1,350,000</u>	<u>1,400,000</u>	<u>1,417,666</u>	<u>17,666</u>
Fines and forfeitures				
Criminal fines	150,000	130,000	135,053	5,053
Traffic fines	460,000	520,000	536,217	16,217
Parking violations fines	20,000	16,000	16,042	42
Animal control fines	<u>1,000</u>	<u>1,500</u>	<u>1,525</u>	<u>25</u>
TOTAL FINES AND FORFEITURES	<u>631,000</u>	<u>667,500</u>	<u>688,837</u>	<u>21,337</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues--Continued				
Miscellaneous				
Investment income	60,000	152,500	207,772	55,272
Miscellaneous	<u>125,000</u>	<u>65,000</u>	<u>104,629</u>	<u>39,629</u>
TOTAL MISCELLANEOUS	<u>185,000</u>	<u>217,500</u>	<u>312,401</u>	<u>94,901</u>
TOTAL REVENUES	<u>18,922,000</u>	<u>19,517,000</u>	<u>19,853,274</u>	<u>336,274</u>
Expenditures				
General Government				
City Council				
Salary and wages	83,270	83,270	83,265	5
Retirement	6,410	6,510	6,411	99
Health insurance	31,660	29,460	27,960	1,500
Workers' compensation	10,240	12,940	12,891	49
Social security	6,370	6,370	6,232	138
Printing and supplies	6,500	5,200	4,964	236
Postage	500	400	134	266
Membership and dues	19,500	18,500	18,457	43
Travel and conference	25,000	31,000	30,604	396
Telephone and telegraph	250	370	279	91
Telephone related services	400	350	333	17
Maintenance and service contracts	100	-	-	-
Professional services	26,000	19,930	17,767	2,163
Special departmental supplies	<u>2,500</u>	<u>2,300</u>	<u>2,299</u>	<u>1</u>
TOTAL CITY COUNCIL	<u>218,700</u>	<u>216,600</u>	<u>211,596</u>	<u>5,004</u>
Legal Services				
Salary and wages	45,660	48,480	47,201	1,279
Retirement	3,520	3,800	3,718	82
Health insurance	4,520	4,490	4,489	1
Workers' compensation	130	160	153	7
Social security	3,500	3,380	3,363	17
Printing and supplies	400	400	356	44
Postage	150	100	59	41
Membership and dues	300	800	795	5
Travel and conference	1,000	390	389	1
Telephone and telegraph	300	250	228	22
Telephone related services	200	100	24	76

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government--Continued				
Legal Services--Continued				
Employee training	500	50	25	25
Professional services	85,500	82,500	87,635	(5,135)
Special departmental supplies	<u>800</u>	<u>200</u>	<u>159</u>	<u>41</u>
TOTAL LEGAL SERVICES	<u>146,480</u>	<u>145,100</u>	<u>148,594</u>	<u>(3,494)</u>
Justice and Law				
Salary and wages	256,080	256,690	255,645	1,045
Retirement	19,630	19,920	19,815	105
Health insurance	31,400	24,840	24,492	348
Workers' compensation	9,440	11,940	11,924	16
Social security	19,500	19,450	19,348	102
Printing and supplies	6,000	6,000	5,824	176
Postage	2,200	2,200	2,073	127
Membership and dues	300	300	230	70
Travel and conference	2,800	4,000	3,906	94
Auto operating expenses	3,500	4,500	4,028	472
Telephone and telegraph	1,700	1,350	1,248	102
Telephone related services	1,000	1,000	750	250
Maintenance and service contracts	5,000	4,000	3,588	412
Machine and equipment repairs	400	200	-	200
Employee training	2,000	1,100	1,017	83
Professional services	25,000	12,000	10,706	1,294
Special department supplies	<u>1,500</u>	<u>4,800</u>	<u>4,683</u>	<u>117</u>
TOTAL JUSTICE AND LAW	<u>387,450</u>	<u>374,290</u>	<u>369,277</u>	<u>5,013</u>
City Manager				
Salary and wages	470,520	295,550	290,559	4,991
Retirement	36,160	24,200	23,844	356
Health insurance	36,030	28,670	28,652	18
Workers' compensation	13,530	5,700	5,637	63
Social security	35,930	20,820	20,567	253
Printing and supplies	8,000	8,500	7,866	634
Postage	1,400	1,500	1,161	339
Membership and dues	4,000	3,800	3,049	751
Travel and conference	5,500	4,200	4,197	3
Car allowance	7,200	7,200	7,200	-
Auto operating expenses	-	1,000	430	570
Telephone and telegraph	4,500	4,500	3,798	702
Telephone related services	1,800	3,800	3,130	670
Maintenance and service contracts	3,500	1,000	64	936

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
General Government--Continued				
City Manager--Continued				
Employee training	1,200	2,230	1,142	1,088
Professional services	9,500	1,000	284	716
Special departmental supplies	8,500	2,800	2,190	610
Gas and oil	<u>200</u>	<u>1,000</u>	<u>668</u>	<u>332</u>
TOTAL CITY MANAGER	<u>647,470</u>	<u>417,470</u>	<u>404,438</u>	<u>13,032</u>
Finance				
Salary and wages	423,900	423,560	420,734	2,826
Retirement	32,300	33,080	32,910	170
Health insurance	45,000	44,330	43,815	515
Workers' compensation	13,530	17,230	17,070	160
Social security	32,100	31,500	31,275	225
Printing and supplies	8,500	4,500	4,275	225
Postage	7,500	7,500	7,107	393
Membership and dues	2,000	1,700	1,442	258
Travel and conference	4,000	2,500	1,808	692
Auto operating expenses	250	1,250	1,161	89
Telephone and telegraph	5,700	5,500	5,180	320
Telephone related services	3,100	3,100	2,927	173
Maintenance and service contracts	5,500	6,000	5,872	128
Machine and equipment repairs	200	200	125	75
Public notes	1,500	1,700	1,355	345
Employee training	2,750	2,500	1,339	1,161
Professional services	4,750	4,750	2,267	2,483
Special department supplies	56,000	67,310	67,032	278
Gas and oil	150	400	353	47
Capital outlay	<u>-</u>	<u>10,890</u>	<u>9,067</u>	<u>1,823</u>
TOTAL FINANCE	<u>648,730</u>	<u>669,500</u>	<u>657,114</u>	<u>12,386</u>
Personnel				
Salary and wages	233,350	231,130	230,221	909
Retirement	17,500	17,890	17,431	459
Health insurance	22,470	22,240	22,239	1
Workers' compensation	8,250	10,450	10,395	55
Social security	17,390	17,520	17,398	122
Printing and supplies	8,000	8,500	8,347	153
Postage	1,400	1,800	1,675	125
Membership and dues	1,400	800	560	240
Travel and conference	1,500	1,500	1,375	125

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
 General Government--Continued				
 Personnel--Continued				
Auto operating expenses	500	-	-	-
Telephone and telegraph	2,000	1,710	1,541	169
Telephone related services	1,800	1,800	1,764	36
Maintenance and service contracts	2,300	2,090	2,080	10
Machine and equipment repairs	200	210	114	96
Public notices	6,500	3,560	3,773	(213)
Employee training	1,300	590	364	226
Professional services	32,000	38,500	37,855	645
Medical expenses	35,000	51,690	51,055	635
Special department supplies	3,000	10,365	10,934	(569)
Gas and oil	600	600	213	387
Capital outlay	-	185	-	185
	<u>396,460</u>	<u>423,130</u>	<u>419,334</u>	<u>3,796</u>
 TOTAL PERSONNEL				
 Community Services				
Salary and wages	250,620	258,600	253,090	5,510
Retirement	19,160	20,200	20,072	128
Health insurance	27,020	30,930	30,799	131
Workers' compensation	8,110	9,710	9,701	9
Social security	19,050	22,700	22,610	90
Printing and supplies	5,000	6,330	6,131	199
Postage	1,800	1,400	1,016	384
Membership and dues	450	1,000	895	105
Travel and conference	1,000	1,100	1,006	94
Auto operating expenses	1,500	(700)	(975)	275
Telephone and telegraph	1,000	1,600	1,539	61
Telephone related services	1,500	2,750	2,571	179
Radio maintenance	200	200	-	200
Maintenance and service contracts	3,400	2,400	1,994	406
Uniforms & clothing	-	400	-	400
Employee training	800	630	326	304
Professional services	2,300	2,900	2,624	276
Special department supplies	4,000	13,460	11,069	2,391
Gas and oil	1,500	4,660	4,373	287
Capital outlay	-	16,490	16,490	-
	<u>348,410</u>	<u>396,760</u>	<u>385,331</u>	<u>11,429</u>
 TOTAL COMMUNITY SERVICES				

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
General Government				
Urban Planning & Development				
Salary and wages	-	132,400	131,535	865
Retirement	-	10,100	9,924	176
Health insurance	-	13,040	12,798	242
Workers' compensation	-	13,400	13,260	140
Social security	-	9,940	9,770	170
Printing and supplies	-	3,100	2,994	106
Postage	-	560	458	102
Membership and dues	-	150	50	100
Travel and conference	-	3,000	2,914	86
Auto operating expenses	-	200	115	85
Telephone and telegraph	-	780	721	59
Telephone related services	-	1,440	1,398	42
Machine and equipment repairs	-	210	106	104
Public notices	-	830	690	140
Employee training	-	3,500	3,484	16
Professional services	-	7,200	7,141	59
Special department supplies	-	9,810	8,821	989
Gas and oil	-	540	474	66
Capital outlay	-	18,890	18,877	13
	<u>-</u>	<u>229,090</u>	<u>225,530</u>	<u>3,560</u>
TOTAL URBAN PLANNING & DEVELOPMENT	<u>-</u>	<u>229,090</u>	<u>225,530</u>	<u>3,560</u>
TOTAL GENERAL GOVERNMENT	<u>2,793,700</u>	<u>2,871,940</u>	<u>2,821,214</u>	<u>50,726</u>
Public Safety				
Police				
Salary and wages	4,571,470	4,460,160	4,457,400	2,760
Retirement	476,050	471,380	471,028	352
Health insurance	574,670	517,270	533,618	(16,348)
Workers' compensation	174,140	217,340	217,152	188
Social security	352,380	341,080	341,740	(660)
Printing and supplies	12,000	10,500	10,064	436
Postage	3,000	3,000	2,645	355
Membership and dues	3,000	5,170	5,170	-
Travel and conference	5,700	5,700	5,212	488
Auto operating expenses	80,000	85,300	85,469	(169)
Electricity	9,500	10,600	10,231	369
Telephone and telegraph	17,000	11,600	11,204	396
Telephone related services	16,000	24,600	24,262	338
Radio maintenance	6,000	6,000	5,778	222
Maintenance and service contracts	21,000	20,500	19,706	794

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Safety--Continued				
Police--Continued				
Machine and equipment repairs	5,000	4,500	3,705	795
Building maintenance	9,500	9,000	8,400	600
Uniform and clothing	65,000	47,530	46,351	1,179
Prisoner housing	205,000	169,000	166,001	2,999
Rent payments	12,000	12,000	12,000	-
Employee training	20,000	22,000	21,889	111
Professional services	30,000	25,000	24,691	309
Pal expenses	10,000	10,000	9,748	252
Medical expenses	1,000	500	-	500
Rewards	1,000	500	-	500
Special department supplies	40,000	81,450	83,614	(2,164)
Gas and oil	150,000	215,500	210,506	4,994
Water usage	1,000	1,000	684	316
Grant expenditures	62,400	95,100	94,911	189
Capital outlay	<u>294,100</u>	<u>289,100</u>	<u>778,767</u>	<u>(489,667)</u>
TOTAL POLICE	<u>7,227,910</u>	<u>7,172,380</u>	<u>7,661,946</u>	<u>(489,566)</u>
Fire				
Salary and wages	2,569,130	2,451,690	2,448,349	3,341
Retirement	278,200	266,450	265,934	516
Health insurance	314,190	306,080	315,449	(9,369)
Workers' compensation	98,500	123,300	123,138	162
Social security	198,830	188,990	189,254	(264)
Printing and supplies	14,500	14,470	14,584	(114)
Postage	1,300	650	600	50
Membership and dues	500	500	480	20
Travel and conference	1,500	1,500	914	586
Auto operating expenses	45,000	41,450	41,549	(99)
Electricity	31,600	28,100	27,754	346
Telephone and telegraph	8,000	8,600	8,453	147
Telephone related services	8,500	10,980	10,589	391
Heating fuel	15,500	28,260	26,173	2,087
Fire prevention	12,000	12,345	12,341	4
Radio maintenance	4,550	4,175	4,697	(522)
Maintenance and service contracts	6,000	6,330	6,204	126
Machine and equipment repairs	10,500	6,500	6,170	330
Building maintenance	12,700	12,570	12,488	82
Uniform and clothing	20,000	53,270	52,072	1,198
Employee training	24,000	6,750	5,764	986
Professional services	8,100	8,600	8,567	33
Special department supplies	29,500	80,910	55,282	25,628
Gas and oil	20,000	32,740	32,573	167

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Safety--Continued				
Fire--Continued				
Water usage	8,400	8,680	8,600	80
Capital outlay	<u>139,000</u>	<u>142,380</u>	<u>172,091</u>	<u>(29,711)</u>
TOTAL FIRE	<u>3,880,000</u>	<u>3,846,270</u>	<u>3,850,069</u>	<u>(3,799)</u>
TOTAL PUBLIC SAFETY	<u>11,107,910</u>	<u>11,018,650</u>	<u>11,512,015</u>	<u>(493,365)</u>
Public Works				
Streets and Beautification				
Salary and wages	778,610	779,340	776,139	3,201
Retirement	58,680	61,540	61,339	201
Health insurance	134,340	130,150	133,982	(3,832)
Workers' compensation	30,980	43,080	42,938	142
Social security	58,300	59,870	59,685	185
Printing and supplies	600	600	606	(6)
Postage	100	100	14	86
Membership and dues	400	400	315	85
Travel and conference	500	750	716	34
Auto operating expenses	23,000	21,900	21,463	437
Electricity	12,500	13,500	13,408	92
Telephone related services	1,300	900	883	17
Radio maintenance	1,000	600	445	155
Machine and equipment repairs	38,000	45,450	45,275	175
Tree beautification	15,000	14,500	13,671	829
Sign shop supplies	10,000	8,300	6,943	1,357
Uniform and clothing	12,500	12,150	12,030	120
Chemicals	13,500	7,200	7,140	60
Paving materials and supplies	15,000	10,950	10,865	85
Employee training	500	5,500	4,720	780
Professional services	13,000	11,700	11,641	59
Special department supplies	22,000	30,000	28,542	1,458
Gas and oil	36,000	52,600	51,464	1,136
Water usage	12,000	7,400	7,008	392
Capital outlay	<u>-</u>	<u>81,100</u>	<u>16,261</u>	<u>64,839</u>
TOTAL STREETS AND				
BEAUTIFICATION	<u>1,287,810</u>	<u>1,399,580</u>	<u>1,327,493</u>	<u>72,087</u>
Sanitation				
Salary and wages	645,900	623,000	622,111	889
Retirement	48,200	49,460	49,401	59
Health insurance	107,460	101,990	104,892	(2,902)
Workers' compensation	31,020	39,220	39,082	138
Social security	47,860	47,830	47,653	177

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Public Works--Continued				
Sanitation--Continued				
Printing and supplies	500	250	214	36
Postage	100	50	34	16
Membership and dues	200	-	-	-
Travel and conference	100	100	-	100
Auto operating expenses	70,000	98,500	97,984	516
Telephone related services	200	300	248	52
Radio maintenance	2,500	1,500	1,255	245
Maintenance and service contracts	20,000	15,100	15,036	64
Machine and equipment repairs	40,000	55,400	62,505	(7,105)
Landfill services	1,060,000	1,052,200	1,052,192	8
Uniform and clothing	9,500	9,500	8,848	652
Compost supplies	1,500	-	-	-
Public notices	6,500	5,950	5,257	693
Employee training	200	200	-	200
Professional services	1,000	600	551	49
Special department supplies	6,000	22,450	22,376	74
Gas and oil	120,000	156,800	155,521	1,279
Capital outlay	<u>86,000</u>	<u>133,400</u>	<u>94,856</u>	<u>38,544</u>
TOTAL SANITATION	<u>2,304,740</u>	<u>2,413,800</u>	<u>2,380,016</u>	<u>33,784</u>
Equipment Maintenance				
Salary and wages	273,570	262,090	260,491	1,599
Retirement	20,600	20,950	20,660	290
Health insurance	35,890	32,770	32,680	90
Workers' compensation	10,800	13,800	13,605	195
Social security	20,470	19,930	19,763	167
Printing and supplies	200	200	24	176
Auto operating expenses	1,500	2,000	1,917	83
Telephone related services	300	-	-	-
Heating fuel	4,800	7,100	7,007	93
Radio maintenance	300	300	55	245
Maintenance and service contracts	4,000	2,300	2,245	55
Machine and equipment repairs	2,000	1,700	1,483	217
Uniform and clothing	3,500	3,980	3,953	27
Employee training	2,000	100	-	100
Special department supplies	5,500	4,220	4,212	8
Gas and oil	<u>6,000</u>	<u>6,200</u>	<u>5,821</u>	<u>379</u>
TOTAL EQUIPMENT MAINTENANCE	<u>391,430</u>	<u>377,640</u>	<u>373,916</u>	<u>3,724</u>
TOTAL PUBLIC WORKS	<u>3,983,980</u>	<u>4,191,020</u>	<u>4,081,425</u>	<u>109,595</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Culture and Recreation				
Parks and Leisure Services				
Salary and wages	656,510	665,650	662,771	2,879
Retirement	48,790	50,600	50,223	377
Health insurance	103,050	100,860	103,863	(3,003)
Workers' compensation	26,380	33,380	33,248	132
Social security	48,480	51,900	51,651	249
Printing and supplies	3,000	2,960	2,859	101
Postage	1,400	750	667	83
Membership and dues	1,000	1,040	1,010	30
Travel and conference	3,000	1,950	1,480	470
Auto operating expenses	8,000	7,700	7,250	450
Electricity	46,000	45,500	44,939	561
Telephone and telegraph	3,500	3,750	3,515	235
Telephone related services	1,200	1,200	1,196	4
Radio maintenance	500	600	519	81
Maintenance and service contracts	6,000	7,300	7,083	217
Machine and equipment repairs	10,000	9,200	9,192	8
Building maintenance	29,000	29,600	22,781	6,819
Tree beautification	3,000	1,800	1,669	131
Uniform and clothing	4,000	3,600	3,208	392
Employee training	3,000	2,000	1,220	780
Professional services	25,000	24,000	22,921	1,079
Special department supplies	52,000	62,000	61,069	931
Gas and oil	19,000	26,050	25,501	549
Water usage	8,000	8,000	7,253	747
Boys and girls club's	28,000	28,000	27,944	56
Tournaments	1,000	950	750	200
Grant expenditures	5,100	7,100	6,957	143
Capital outlay	<u>20,000</u>	<u>101,400</u>	<u>29,912</u>	<u>71,488</u>
TOTAL PARKS AND LEISURE SERVICES	<u>1,163,910</u>	<u>1,278,840</u>	<u>1,192,651</u>	<u>86,189</u>
TOTAL CULTURE AND RECREATION	<u>1,163,910</u>	<u>1,278,840</u>	<u>1,192,651</u>	<u>86,189</u>
Non-Departmental				
Employee relations	22,000	27,500	27,264	236
Unemployment compensation	14,000	20,500	19,678	822
Property & liability insurance	285,000	292,000	291,906	94
Small claims	18,000	6,500	5,871	629
Employee W/C small claims	70,000	63,500	62,918	582
Boys' and Girls' club	20,000	20,000	20,000	-
Transit system	35,000	35,000	35,000	-
Florence Area Humane Society	50,000	50,000	50,000	-
City-County Complex operations	194,100	209,300	209,214	86

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures--Continued				
Non-Departmental--Continued				
Contingency	120,000	1,200	1,200	-
Street lights	528,000	564,000	563,335	665
Brownfields grant	-	71,000	61,678	9,322
Property acquisitions	-	135,750	135,515	235
Rail to trail project	-	77,000	16,888	60,112
Boards and commissions	300	300	225	75
Land grant match	-	201,800	176,746	25,054
Community services land acquisition	-	116,077	64,687	51,390
IT Upgrade	-	330,500	243,232	87,268
IT Support Services	86,600	86,600	86,562	38
Gateway and beautification	-	213,000	117,015	95,985
Airport Gateway SCDOT	-	66,500	25,945	40,555
Older Driver Signage SCDOT	-	40,000	11,282	28,718
Special projects	35,000	300,500	239,136	61,364
Recreation transfer Florence County	<u>172,500</u>	<u>172,500</u>	<u>172,500</u>	<u>-</u>
TOTAL NON-DEPARTMENTAL	<u>1,650,500</u>	<u>3,101,027</u>	<u>2,637,797</u>	<u>463,230</u>
Debt Service				
Principal	<u>-</u>	<u>-</u>	<u>272,252</u>	<u>(272,252)</u>
TOTAL DEBT SERVICE	<u>-</u>	<u>-</u>	<u>272,252</u>	<u>(272,252)</u>
TOTAL EXPENDITURES	<u>20,700,000</u>	<u>22,461,477</u>	<u>22,517,354</u>	<u>(55,877)</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>(1,778,000)</u>	<u>(2,944,477)</u>	<u>(2,664,080)</u>	<u>280,397</u>
Other Financing Sources (Uses)				
Proceeds from capital leases	-	-	785,378	785,378
Transfers in	1,828,000	1,846,500	1,847,487	987
Transfers out	<u>(50,000)</u>	<u>(170,323)</u>	<u>(170,323)</u>	<u>-</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>1,778,000</u>	<u>1,676,177</u>	<u>2,462,542</u>	<u>786,365</u>
NET CHANGE				
IN FUND BALANCE	-	(1,268,300)	(201,538)	1,066,762
Fund balance at beginning of year	<u>8,206,188</u>	<u>8,206,188</u>	<u>8,206,188</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,206,188</u>	<u>\$ 6,937,888</u>	<u>\$ 8,004,650</u>	<u>\$ 1,066,762</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Water service fees	\$ 10,597,000	\$ 10,550,000	\$ 10,707,531	\$ 157,531
Sewer service fees	9,255,000	9,290,000	9,582,165	292,165
Sewer surcharges	98,000	78,100	78,501	401
Cut on fees	61,000	62,900	65,245	2,345
Water tap fees	415,000	419,000	479,326	60,326
Sewer tap fees	153,000	166,000	191,878	25,878
Service charges	130,000	123,000	129,788	6,788
Late fees	78,000	80,000	81,019	1,019
Miscellaneous income	<u>90,000</u>	<u>90,000</u>	<u>101,062</u>	<u>11,062</u>
TOTAL OPERATING REVENUES	<u>20,877,000</u>	<u>20,859,000</u>	<u>21,416,515</u>	<u>557,515</u>
Operating Expenses				
Engineering				
Personnel services	448,260	467,800	466,814	986
Retirement	34,400	36,670	37,673	(1,003)
Health insurance	40,480	40,620	40,521	99
Workers' compensation	12,170	15,470	15,338	132
Social security	34,180	34,530	34,313	217
Printing and supplies	2,500	3,600	3,647	(47)
Postage	430	430	331	99
Membership and dues	300	500	415	85
Travel and conference	1,500	450	420	30
Auto operating expense	1,300	1,800	1,733	67
Electricity	15,000	17,800	17,787	13
Telephone and telegraph	4,500	7,000	6,873	127
Telephone related services	5,500	5,000	4,623	377
Heating fuel	4,500	7,100	7,007	93
Radio maintenance	1,000	200	-	200
Maintenance and service contracts	13,500	8,300	8,207	93
Building maintenance	7,500	8,300	8,236	64
Uniforms & clothing	3,000	2,300	2,266	34
Public notices	150	150	-	150
Employee training	1,250	380	360	20
Professional service	66,000	90,620	96,412	(5,792)
Special departmental supplies	7,000	4,800	7,914	(3,114)
Gas and oil	5,000	7,900	7,652	248
Water usage	<u>9,500</u>	<u>8,100</u>	<u>8,068</u>	<u>32</u>
TOTAL ENGINEERING	<u>718,920</u>	<u>769,820</u>	<u>776,610</u>	<u>(6,790)</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Finance				
Personnel services	337,370	340,910	340,341	569
Retirement	24,900	26,950	27,242	(292)
Health insurance	53,810	52,350	53,813	(1,463)
Workers' compensation	17,600	22,200	22,165	35
Social security	24,740	26,720	26,692	28
Printing and supplies	2,400	2,500	2,444	56
Postage	103,000	104,200	104,091	109
Membership and dues	100	100	40	60
Travel and conference	600	800	698	102
Auto operating expense	250	100	14	86
Electricity	6,700	6,800	6,758	42
Telephone and telegraph	6,300	6,000	5,882	118
Telephone related services	3,300	1,500	1,388	112
Radio maintenance	-	100	84	16
Maintenance and service contracts	35,000	29,800	36,136	(6,336)
Building maintenance	1,000	900	785	115
Employee training	500	100	-	100
Professional service	1,000	3,100	70	3,030
Special departmental supplies	27,000	35,600	49,511	(13,911)
Gas and oil	200	200	149	51
Water usage	<u>500</u>	<u>450</u>	<u>415</u>	<u>35</u>
TOTAL UTILITY FINANCE	<u>646,270</u>	<u>661,380</u>	<u>678,718</u>	<u>(17,338)</u>
Wastewater Treatment				
Personnel services	724,340	718,850	718,468	382
Retirement	55,400	59,050	60,143	(1,093)
Health insurance	98,570	91,610	94,454	(2,844)
Workers' compensation	31,020	39,170	39,082	88
Social security	55,040	54,600	54,508	92
Printing and supplies	500	400	280	120
Postage	400	400	358	42
Membership and dues	7,800	1,070	900	170
Travel and conference	250	20	15	5
Auto operating expense	9,000	25,650	25,541	109
Electricity	680,000	757,570	757,570	-
Telephone and telegraph	2,500	2,600	2,506	94
Telephone related services	2,500	3,120	3,049	71
Heating fuel	150	50	49	1
Radio maintenance	300	300	199	101
Maintenance and service contracts	2,000	2,140	2,138	2
Machine and equipment repairs	365,000	344,480	322,986	21,494
Building maintenance	4,000	1,680	1,419	261
Landfill service	290,000	229,900	229,856	44

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Wastewater Treatment--Continued				
Uniforms and clothing	10,050	8,800	8,302	498
Compost supplies	30,000	30,000	29,803	197
Chemicals	50,000	56,550	56,217	333
Lab supplies	12,000	10,350	10,047	303
Public notices	500	-	-	-
Employee training	3,000	2,720	2,714	6
Professional services	106,000	76,680	76,345	335
Special departmental supplies	102,500	90,470	104,253	(13,783)
Gas and oil	32,000	49,230	48,212	1,018
Water usage	<u>13,000</u>	<u>19,270</u>	<u>19,124</u>	<u>146</u>
TOTAL WASTEWATER TREATMENT	<u>2,687,820</u>	<u>2,676,730</u>	<u>2,668,538</u>	<u>8,192</u>
Water Production--Surface Water				
Personnel services	355,050	304,110	303,487	623
Retirement	26,510	24,070	24,495	(425)
Health insurance	44,870	38,030	37,865	165
Workers' compensation	14,870	18,770	18,751	19
Social security	26,340	23,700	23,643	57
Printing and supplies	1,700	1,700	1,504	196
Postage	250	250	68	182
Membership and dues	900	900	870	30
Travel and conference	800	600	365	235
Auto operating expense	1,700	2,600	2,540	60
Electricity	290,000	261,550	261,121	429
Telephone and telegraph	4,200	4,200	3,314	886
Telephone related services	400	400	103	297
Heating fuel	10,000	18,450	18,446	4
Radio maintenance	100	100	-	100
Maintenance and service contracts	5,000	2,000	1,060	940
Machine and equipment repairs	30,000	30,900	30,210	690
Building maintenance	20,000	10,500	10,084	416
Uniforms and clothing	5,000	4,500	4,458	42
Chemicals	255,000	232,900	231,960	940
Lab supplies	55,000	40,000	39,500	500
Public notices	500	500	144	356
Employee training	600	600	575	25
Professional services	5,000	1,600	1,594	6
Special departmental supplies	60,000	33,900	38,735	(4,835)
Gas and oil	6,300	7,800	6,962	838

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Water Production--Surface Water--Continued				
Water usage	800	800	679	121
Upgrade and painting	<u>64,000</u>	<u>64,650</u>	<u>5,113</u>	<u>59,537</u>
TOTAL WATER				
PRODUCTION--SURFACE WATER	<u>1,284,890</u>	<u>1,130,080</u>	<u>1,067,646</u>	<u>62,434</u>
Water Production--Ground Water				
Personnel services	294,290	299,580	299,164	416
Retirement	22,650	23,660	24,070	(410)
Health insurance	40,360	40,020	40,018	2
Workers' compensation	12,170	15,370	15,338	32
Social security	22,500	23,220	23,045	175
Printing and supplies	350	350	281	69
Postage	100	100	56	44
Membership and dues	1,200	1,200	726	474
Travel and conference	400	200	-	200
Auto operating expense	8,000	6,000	5,259	741
Electricity	495,000	623,500	623,429	71
Telephone and telegraph	2,600	2,200	2,133	67
Telephone related services	18,600	22,600	22,442	158
Heating fuel	150	150	145	5
Radio maintenance	500	200	166	34
Machine and equipment repairs	80,000	79,400	79,719	(319)
Building maintenance	9,000	5,550	4,867	683
Uniforms and clothing	4,000	4,000	3,450	550
Chemicals	81,000	88,400	88,019	381
Lab supplies	7,500	7,500	7,002	498
Employee training	500	500	350	150
Professional services	42,000	44,900	44,875	25
Well repairs	75,000	100,000	100,822	(822)
Special departmental supplies	16,000	11,500	11,880	(380)
Gas and oil	17,000	20,100	19,646	454
Water usage	5,500	5,200	5,117	83
Upgrade and painting	<u>-</u>	<u>17,950</u>	<u>2,700</u>	<u>15,250</u>
TOTAL WATER				
PRODUCTION--GROUND WATER	<u>1,256,370</u>	<u>1,443,350</u>	<u>1,424,719</u>	<u>18,631</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Operations				
Personnel services	1,298,560	1,150,100	1,149,448	652
Retirement	95,010	92,200	93,854	(1,654)
Health insurance	210,460	179,940	185,527	(5,587)
Workers' compensation	59,370	74,970	74,803	167
Social security	94,400	90,340	89,914	426
Printing and supplies	1,700	1,700	1,523	177
Postage	800	800	750	50
Membership and dues	450	510	509	1
Travel and conference	1,200	560	304	256
Auto operating expense	36,000	43,880	43,725	155
Electricity	10,500	9,750	9,485	265
Telephone and telegraph	750	700	604	96
Telephone related services	2,300	2,150	2,082	68
Radio maintenance	1,000	1,000	984	16
Maintenance and service contracts	1,100	1,000	891	109
Machine and equipment repairs	30,000	33,750	37,108	(3,358)
Building maintenance	2,000	1,650	1,498	152
Traffic lights	9,000	22,000	21,582	418
Uniforms and clothing	23,000	21,700	21,003	697
Meters, parts and supplies	148,000	159,200	159,132	68
Pipe fittings and hydrants	207,000	214,500	214,375	125
Paving materials and supplies	23,000	22,700	22,394	306
Employee training	1,500	1,450	1,335	115
Professional services	11,500	13,050	13,010	40
Special departmental supplies	43,000	27,600	41,188	(13,588)
Gas and oil	<u>73,000</u>	<u>113,750</u>	<u>112,300</u>	<u>1,450</u>
TOTAL UTILITY OPERATIONS	<u>2,384,600</u>	<u>2,280,950</u>	<u>2,299,328</u>	<u>(18,378)</u>
Utility Construction				
Personnel services	97,850	98,670	97,741	929
Retirement	7,210	7,870	7,880	(10)
Health insurance	17,900	17,770	17,768	2
Workers' compensation	5,360	6,860	6,751	109
Social security	7,170	7,590	7,462	128
Auto operating expense	1,000	1,000	341	659
Radio maintenance	200	200	-	200
Machine and equipment repairs	2,000	1,120	268	852
Uniforms and clothing	800	800	339	461
Pipe fittings and hydrants	55,000	50,500	49,825	675
Paving materials and supplies	5,000	3,400	2,861	539
Special departmental supplies	1,000	600	539	61

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual--Continued
Proprietary Fund--Water and Sewer Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Expenses--Continued				
Utility Construction--Continued				
Gas and oil	<u>2,500</u>	<u>2,880</u>	<u>2,656</u>	<u>224</u>
TOTAL UTILITY CONSTRUCTION	<u>202,990</u>	<u>199,260</u>	<u>194,431</u>	<u>4,829</u>
Non-departmental				
Depreciation	2,045,300	2,448,200	4,304,508	(1,856,308)
Bank charges	23,740	22,540	22,400	140
Employee relations	18,000	20,500	20,341	159
Unemployment compensation	2,000	6,900	6,654	246
Property & liability insurance	185,000	188,000	187,950	50
Amortization of bond issue costs	-	-	80,556	(80,556)
Small claims	18,000	7,500	7,350	150
Employee W/C small claims	9,000	13,100	12,995	105
City-County complex operations	194,100	209,300	209,214	86
Contingency	100,000	-	-	-
IT support services	69,300	69,300	69,250	50
IT upgrade	-	206,900	95,447	111,453
Special projects	<u>100,000</u>	<u>178,090</u>	<u>346,137</u>	<u>(168,047)</u>
TOTAL NON-DEPARTMENTAL	<u>2,764,440</u>	<u>3,370,330</u>	<u>5,362,802</u>	<u>(1,992,472)</u>
TOTAL OPERATING EXPENSES	<u>11,946,300</u>	<u>12,531,900</u>	<u>14,472,792</u>	<u>(1,940,892)</u>
OPERATING INCOME	<u>8,930,700</u>	<u>8,327,100</u>	<u>6,943,723</u>	<u>(1,383,377)</u>
Non-Operating Revenues (Expenses)				
Investment earnings	65,000	125,000	421,471	296,471
Interest expense	<u>(7,483,700)</u>	<u>(7,431,700)</u>	<u>(3,314,020)</u>	<u>4,117,680</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,418,700)</u>	<u>(7,306,700)</u>	<u>(2,892,549)</u>	<u>4,414,151</u>
INCOME BEFORE TRANSFERS	1,512,000	1,020,400	4,051,174	3,030,774
Capital contributions	-	-	21,000	21,000
Transfers in	-	-	90,170	90,170
Transfers out	<u>(1,512,000)</u>	<u>(1,512,000)</u>	<u>(1,524,243)</u>	<u>(12,243)</u>
Change in net assets	-	(491,600)	2,638,101	3,129,701
Net assets at beginning of year	<u>61,853,373</u>	<u>61,853,373</u>	<u>61,853,373</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 61,853,373</u>	<u>\$ 61,361,773</u>	<u>\$ 64,491,474</u>	<u>\$ 3,129,701</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating Revenues				
Stormwater service fees	\$ 1,073,000	\$ 1,073,000	\$ 1,089,301	\$ 16,301
Miscellaneous income	<u>-</u>	<u>-</u>	<u>1,592</u>	<u>1,592</u>
TOTAL OPERATING REVENUES	<u>1,073,000</u>	<u>1,073,000</u>	<u>1,090,893</u>	<u>17,893</u>
Operating Expenses				
Personnel services	374,590	383,120	383,757	(637)
Retirement	28,070	30,090	30,680	(590)
Health insurance	53,810	52,340	54,001	(1,661)
Workers' compensation	14,800	16,710	18,675	(1,965)
Social security	27,890	29,080	29,095	(15)
Printing and supplies	500	100	24	76
Postage	200	200	5	195
Travel and conference	700	700	368	332
Auto operating expense	14,000	6,300	6,233	67
Electricity	1,000	3,300	3,295	5
Telephone related services	200	200	124	76
Radio maintenance	500	500	446	54
Machine and equipment repairs	20,000	9,600	9,565	35
Uniforms and clothing	5,000	3,600	3,516	84
Pipe fittings and hydrants	10,000	7,950	7,946	4
Employee training	1,500	1,100	1,040	60
Professional services	22,000	34,700	46,115	(11,415)
Special departmental supplies	10,000	5,500	12,098	(6,598)
Gas and oil	16,000	24,400	24,314	86
Depreciation	345,330	553,800	167,187	386,613
Employee relations	2,000	3,400	3,263	137
Unemployment compensation	100	100	60	40
Property & liability insurance	5,000	5,100	5,041	59
Small claims	10	10	(159)	169
Contingency fund	4,500	-	-	-
Special projects	-	-	53,542	(53,542)
IT support services	<u>17,300</u>	<u>17,400</u>	<u>17,312</u>	<u>88</u>
TOTAL OPERATING EXPENSES	<u>975,000</u>	<u>1,189,300</u>	<u>877,543</u>	<u>311,757</u>
OPERATING INCOME (LOSS)	<u>98,000</u>	<u>(116,300)</u>	<u>213,350</u>	<u>329,650</u>
Non-operating revenues				
Investment income	<u>2,000</u>	<u>2,000</u>	<u>35,596</u>	<u>33,596</u>
TOTAL NON-OPERATING REVENUES	<u>2,000</u>	<u>2,000</u>	<u>35,596</u>	<u>33,596</u>
INCOME (LOSS)				
BEFORE TRANSFERS	100,000	(114,300)	248,946	363,246

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual - - Continued
Proprietary Fund--Stormwater Utility Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Transfers in	50,000	-	147,672	147,672
Transfers out	<u>(150,000)</u>	<u>(100,000)</u>	<u>(168,657)</u>	<u>(68,657)</u>
Change in net assets	-	(214,300)	227,961	442,261
Net assets at beginning of year	<u>1,994,887</u>	<u>1,994,887</u>	<u>1,994,887</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,994,887</u>	<u>\$ 1,780,587</u>	<u>\$ 2,222,848</u>	<u>\$ 442,261</u>

City of Florence, South Carolina
Schedule of Fines, Assessments and Surcharges
Special Revenue Fund--Victim's Rights Fund
Year Ended June 30, 2006

Court Fines

Court fines collected	\$ 649,835
Court fines retained by City	<u>649,835</u>
 Court fines remitted to the State Treasurer	 <u>\$ _____</u>

Court Assessments

Court assessments collected	\$ 694,388
Court assessments retained by City	<u>(77,830)</u>
 Court assessments remitted to the State Treasurer	 <u>\$ 616,558</u>

Court Surcharges

Court surcharges collected	<u>\$ 22,924</u>
 Court surcharges retained by City	 <u>\$ 22,924</u>

Victims Services

Court assessments allocated to Victim Services	\$ 77,830
Court surcharges allocated to Victim Services	22,924
Investment income	<u>6,529</u>
 Funds allocated to Victim Services	 107,283
Victim Services expenditures	<u>(103,475)</u>
 Funds provided in current year	 3,808
Funds available for carryforward from prior year	<u>189,464</u>
Funds available for carryforward at end of year	<u>\$ 193,272</u>

STATISTICAL SECTION

Table 01

**CITY OF FLORENCE, SOUTH CAROLINA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities										
Invested in capital assets, net of related debt						\$ 19,454,325	\$ 19,774,538	\$ 21,299,373	\$ 23,053,142	\$ 22,624,824
Unrestricted						12,048,544	10,478,230	9,618,837	9,426,872	9,759,013
Total governmental activities net assets						<u>\$ 31,502,869</u>	<u>\$ 30,252,768</u>	<u>\$ 30,918,210</u>	<u>\$ 32,480,014</u>	<u>\$ 32,383,837</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 17,564,372	\$ 18,935,599	\$ 22,551,787	\$ 24,577,936	\$ 32,242,757	\$ 31,971,063	\$ 41,575,877	\$ 47,714,364	\$ 49,295,162	\$ 53,017,659
Unrestricted	13,534,054	15,655,322	15,829,537	16,801,489	13,176,933	17,083,030	12,570,127	13,654,173	14,553,098	13,696,663
Total business-type activities net assets	<u>\$ 31,098,426</u>	<u>\$ 34,590,921</u>	<u>\$ 38,381,324</u>	<u>\$ 41,379,425</u>	<u>\$ 45,419,690</u>	<u>\$ 49,054,093</u>	<u>\$ 54,146,004</u>	<u>\$ 61,368,537</u>	<u>\$ 63,848,260</u>	<u>\$ 66,714,322</u>
Primary government totals										
Invested in capital assets, net of related debt	\$ 17,564,372	\$ 18,935,599	\$ 22,551,787	\$ 24,577,936	\$ 32,242,757	\$ 51,425,388	\$ 61,350,415	\$ 69,013,737	\$ 72,348,304	\$ 75,642,483
Unrestricted	13,534,054	15,655,322	15,829,537	16,801,489	13,176,933	29,131,574	23,048,357	23,273,010	23,979,970	23,455,676
Total primary government net assets	<u>\$ 31,098,426</u>	<u>\$ 34,590,921</u>	<u>\$ 38,381,324</u>	<u>\$ 41,379,425</u>	<u>\$ 45,419,690</u>	<u>\$ 80,556,962</u>	<u>\$ 84,398,772</u>	<u>\$ 92,286,747</u>	<u>\$ 96,328,274</u>	<u>\$ 99,098,159</u>

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

Table 02

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 2,667,737	\$ 2,956,976	\$ 3,704,698	\$ 3,909,070
Public safety	10,100,303	10,467,776	10,982,959	11,683,483
Public works	4,328,155	4,107,632	4,191,109	4,449,471
Culture and recreation	1,343,332	1,919,012	3,029,951	3,282,275
Community development	741,417	759,905	1,031,915	363,629
Non-departmental	3,524,203	2,925,052	1,798,080	2,099,817
Interest on debt	1,264	27,823	2,083	21,608
Total governmental activities expenses	22,706,411	23,164,176	24,740,795	25,809,353
Business-type activities:				
Water & Sewer	15,435,783	16,141,725	17,277,622	17,786,812
Stormwater	643,199	634,494	655,871	877,543
Total business-type activities expenses	16,078,982	16,776,219	17,933,493	18,664,355
Total primary government expenses	38,785,393	39,940,395	42,674,288	44,473,708
Program Revenues				
Governmental activities:				
Charges for services	10,006,919	11,531,609	12,689,299	12,948,872
Operating grants and contributions	1,827,960	1,270,774	1,906,380	1,182,273
Capital grants and contributions	-	500,000	1,294,186	564,662
Total governmental activities program revenues	11,834,879	13,302,383	15,889,865	14,695,807
Business-type activities:				
Charges for services:				
Water & Sewer	19,146,982	19,614,845	20,530,495	21,416,515
Stormwater	1,058,348	1,046,266	1,066,694	1,090,893
Capital grants and contributions	1,910,569	4,772,555	-	21,000
Total business-type activities revenues	22,115,899	25,433,666	21,597,189	22,528,408
Total primary government revenues	33,950,778	38,736,049	37,487,054	37,224,215
Net (expense)/revenue				
Governmental activities	(10,871,532)	(9,861,793)	(8,850,930)	(11,113,546)
Business-type activities	6,036,917	8,657,447	3,663,696	3,864,053
Total primary government net expense	(4,834,615)	(1,204,346)	(5,187,234)	(7,249,493)

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

**Table 02
(Continued)**

**CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes and fees				
Property taxes	7,211,204	7,292,228	7,507,436	7,956,478
Unrestricted grants and contributions	974,076	1,422,854	941,113	1,006,529
Investment earnings	135,677	57,738	116,464	255,196
Miscellaneous	115,078	242,415	435,721	344,108
Transfers	1,185,396	1,512,000	1,412,000	1,455,058
Total governmental activities	9,621,431	10,527,235	10,412,734	11,017,369
Business-type activities				
Investment earnings	240,390	77,086	228,027	457,067
Transfers	(1,185,396)	(1,512,000)	(1,412,000)	(1,455,058)
Total business-type activities	(945,006)	(1,434,914)	(1,183,973)	(997,991)
Total Primary government	8,676,425	9,092,321	9,228,761	10,019,378
Changes in Net Assets				
Governmental activities	(1,250,101)	665,442	1,561,804	(96,177)
Business-type activities	5,091,911	7,222,533	2,479,723	2,866,062
Total primary government	\$ 3,841,810	\$ 7,887,975	\$ 4,041,527	\$ 2,769,885

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34. GASB 34 was implemented with the CAFR dated June 30, 2003.

Table 03

CITY OF FLORENCE, SOUTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX AND FEE REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Business License/ Franchise Fees</u>	<u>Hospitality Fee (2)</u>	<u>Fines and Forfeitures</u>	<u>Total</u>
2003	\$ 7,211,204	\$ 7,671,638	\$ -	\$ 785,772	\$ 15,668,614
2004	7,292,228	7,459,531	1,122,278	628,344	16,502,381
2005	7,507,436	7,939,460	2,283,203	591,924	18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389

(1) Governmental activities information is available in accrual basis since 2002 with the implementation of GASB Statement 34.

GASB 34 was implemented with the CAFR dated June 30, 2003.

(2) Effective 1/1/2004

Table 04

**CITY OF FLORENCE, SOUTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Unreserved	<u>\$ 8,150,862</u>	<u>\$ 8,545,681</u>	<u>\$ 9,110,528</u>	<u>\$ 9,186,704</u>	<u>\$ 10,389,423</u>	<u>\$ 11,118,386</u>	<u>\$ 10,080,026</u>	<u>\$ 8,548,666</u>	<u>\$ 8,206,188</u>	<u>\$ 8,004,650</u>
Total General Fund	<u>\$ 8,150,862</u>	<u>\$ 8,545,681</u>	<u>\$ 9,110,528</u>	<u>\$ 9,186,704</u>	<u>\$ 10,389,423</u>	<u>\$ 11,118,386</u>	<u>\$ 10,080,026</u>	<u>\$ 8,548,666</u>	<u>\$ 8,206,188</u>	<u>\$ 8,004,650</u>
All other governmental funds										
Unreserved										
Special revenue funds	<u>\$ 922,425</u>	<u>\$ 1,063,186</u>	<u>\$ 1,270,271</u>	<u>\$ 1,036,564</u>	<u>\$ 549,878</u>	<u>\$ 719,494</u>	<u>\$ 450,929</u>	<u>\$ 1,282,068</u>	<u>\$ 1,383,486</u>	<u>\$ 2,023,353</u>
Total all other governmental funds	<u>\$ 922,425</u>	<u>\$ 1,063,186</u>	<u>\$ 1,270,271</u>	<u>\$ 1,036,564</u>	<u>\$ 549,878</u>	<u>\$ 719,494</u>	<u>\$ 450,929</u>	<u>\$ 1,282,068</u>	<u>\$ 1,383,486</u>	<u>\$ 2,023,353</u>

Table 05

CITY OF FLORENCE, SOUTH CAROLINA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Property Taxes	\$5,663,559	\$5,849,075	\$5,916,270	\$6,792,442	\$6,976,218	\$7,018,246	\$ 7,320,927	\$7,280,753	\$7,409,461	\$7,813,788
Licenses and fees	5,425,571	5,316,080	5,723,003	5,899,590	6,828,618	7,250,910	7,671,638	8,581,809	10,222,663	10,499,074
Intergovernmental	2,264,928	2,236,400	2,227,148	1,990,282	2,710,397	3,609,720	2,802,036	2,169,463	2,621,052	2,448,800
Charges for services	1,255,892	1,353,332	1,331,466	1,338,042	1,395,519	1,426,616	1,317,815	1,448,821	1,487,413	1,615,327
Fines and forfeitures	762,893	850,449	757,677	930,993	950,840	918,356	785,772	628,344	591,924	688,837
Investment earnings	-	-	-	-	-	-	135,677	57,738	116,464	255,196
Miscellaneous	972,580	1,018,473	906,358	995,069	1,416,112	971,951	442,748	1,678,382	1,680,684	450,306
Total revenues	<u>16,345,423</u>	<u>16,623,809</u>	<u>16,861,922</u>	<u>17,946,418</u>	<u>20,277,704</u>	<u>21,195,799</u>	<u>20,476,613</u>	<u>21,845,310</u>	<u>24,129,661</u>	<u>23,771,328</u>
Expenditures										
Current										
General government	1,704,074	1,459,521	1,494,809	1,753,003	2,653,050	2,547,857	2,605,943	2,437,880	3,169,328	3,339,740
Public safety	6,356,528	6,719,585	6,981,256	7,986,596	8,627,319	8,742,561	9,450,501	9,669,395	10,335,380	10,774,687
Public works	2,575,492	2,818,010	2,750,540	3,468,575	3,514,149	3,213,734	3,470,619	3,564,636	3,747,404	3,970,308
Culture and recreation	1,576,983	1,667,131	1,721,535	1,583,666	1,714,786	1,760,442	1,075,979	1,611,730	2,715,224	2,940,458
Community development	743,126	416,738	710,668	797,438	455,409	1,027,411	741,417	759,905	1,031,915	363,629
Non-departmental	1,636,364	2,859,410	2,040,653	2,212,255	2,623,327	2,925,052	3,510,103	2,925,052	1,798,080	2,099,817
Debt Service										
Principal	-	60,274	93,974	362,269	370,972	355,597	48,664	243,651	240,921	272,252
Interest	17,810	14,683	18,461	14,007	32,144	18,063	1,984	20,676	9,998	-
Capital Outlay	<u>931,680</u>	<u>1,647,556</u>	<u>1,205,227</u>	<u>1,859,239</u>	<u>976,865</u>	<u>1,115,431</u>	<u>2,474,976</u>	<u>3,296,847</u>	<u>2,734,471</u>	<u>1,781,644</u>
Total expenditures	<u>15,542,057</u>	<u>17,662,908</u>	<u>17,017,123</u>	<u>20,037,048</u>	<u>20,968,021</u>	<u>21,706,148</u>	<u>23,380,186</u>	<u>24,529,772</u>	<u>25,782,721</u>	<u>25,542,535</u>
Excess of revenues over (under) expenditures	803,366	(1,039,099)	(155,201)	(2,090,630)	(690,317)	(510,349)	(2,903,573)	(2,684,462)	(1,653,060)	(1,771,207)
Other financing sources (uses)										
Operating transfers in	1,505,704	1,105,752	958,282	1,232,625	1,421,847	1,617,838	1,822,215	1,983,406	2,244,169	1,850,987
Operating transfers out	(580,575)	(30,756)	(32,099)	(54,700)	(65,703)	(210,011)	(235,331)	(471,406)	(832,169)	(426,829)
Proceeds of capital lease	-	500,869	-	756,172	47,856	-	-	472,241	-	785,378
Total other financing sources (uses)	<u>925,129</u>	<u>1,575,865</u>	<u>926,183</u>	<u>1,934,097</u>	<u>1,404,000</u>	<u>1,407,827</u>	<u>1,586,884</u>	<u>1,984,241</u>	<u>1,412,000</u>	<u>2,209,536</u>
Net change in governmental fund balance	<u>\$1,728,495</u>	<u>\$ 536,766</u>	<u>\$ 770,982</u>	<u>\$ (156,533)</u>	<u>\$ 713,683</u>	<u>\$ 897,478</u>	<u>\$ (1,316,689)</u>	<u>\$ (700,221)</u>	<u>\$ (241,060)</u>	<u>\$ 438,329</u>
Debt service as a percentage of non-capital expenditures	0.1%	0.4%	0.7%	1.9%	2.0%	1.8%	0.2%	1.1%	1.0%	1.2%

Table 06

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Water & Sewer Service Fees	\$ 11,850,728	\$ 12,398,089	\$ 12,932,733	\$ 13,404,850	\$ 15,052,406	\$ 15,823,076	\$ 18,073,785	\$ 18,633,285	\$ 19,247,289	\$ 20,289,696
Sewer Surcharges	97,624	122,296	159,676	65,539	129,507	175,638	81,558	100,107	144,525	78,501
Cut on Fees	48,355	51,935	46,690	49,400	48,787	51,475	72,300	57,405	63,075	65,245
Water & Sewer Tap Fees	388,411	430,784	461,534	532,128	584,981	414,443	489,342	554,213	610,873	671,204
Service Charges	79,364	85,555	84,665	88,935	80,425	81,475	197,763	116,150	127,780	129,788
Late Fees	50,849	53,113	59,898	57,070	57,423	59,911	73,895	76,308	77,990	81,019
Concessions Sales (1)	63,830	57,745	76,968	70,095	66,846	90,379	-	-	-	-
Stormwater Fees (2)	-	-	-	-	-	815,978	1,004,784	1,042,990	1,066,694	1,089,301
Investment earnings	629,166	765,426	662,716	1,032,765	2,259,981	687,827	240,390	77,086	228,027	457,067
Miscellaneous	(66,208)	10,041	44,842	32,610	141,545	315,926	211,903	80,653	258,963	123,654
Total revenues	13,142,119	13,974,984	14,529,722	15,333,392	18,421,901	18,516,128	20,445,720	20,738,197	21,825,216	22,985,475
Expenses										
Current										
Engineering	371,338	411,839	557,185	447,343	586,538	708,699	659,660	634,732	713,268	776,610
Utility Finance	645,550	330,363	367,072	441,493	508,925	483,717	557,960	580,154	583,610	678,718
Wastewater Treatment	1,880,396	1,740,411	1,759,859	2,041,221	2,358,987	2,293,916	2,392,892	2,472,668	2,554,603	2,668,538
Water Production	1,269,756	1,380,139	1,660,348	2,103,870	1,980,260	1,595,177	2,252,778	2,216,561	2,351,240	2,492,365
Utility Operations	1,247,561	1,436,120	1,535,621	1,499,526	1,610,475	1,726,644	1,808,572	1,949,015	2,103,824	2,299,328
Utility Construction	-	-	-	81,240	137,483	210,092	172,437	130,579	187,231	194,431
Concessions	55,806	58,158	64,927	65,134	59,369	74,756	-	-	-	-
Stormwater	-	-	-	-	-	469,412	643,199	634,494	655,871	877,543
Non-departmental	4,220,620	4,050,463	3,997,424	4,477,539	5,783,454	5,911,485	7,591,484	8,158,016	8,783,846	8,676,822
Net Interdepartmental Transfer	925,129	1,074,996	926,183	1,177,925	1,356,144	1,407,827	1,610,366	1,512,000	1,412,000	1,455,058
Total expenses	10,616,156	10,482,489	10,868,619	12,335,291	14,381,635	14,881,725	17,689,348	18,288,219	19,345,493	20,119,413
Net change in net assets	\$ 2,525,963	\$ 3,492,495	\$ 3,661,103	\$ 2,998,101	\$ 4,040,266	\$ 3,634,403	\$ 2,756,372	\$ 2,449,978	\$ 2,479,723	\$ 2,866,062

(1) Concessions sales ended June 30, 2002 when Florence County took over operations of the City's recreations facilities.

(2) Stormwater fees were enacted in fiscal year 2001-2002.

Table 07

**CITY OF FLORENCE, SOUTH CAROLINA
GOVERNMENTAL ACTIVITIES TAX AND FEE REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee (1)	Fines and Forfeitures	Total
1997	\$ 5,663,559	\$ 5,425,571	\$ -	\$ 883,652	\$ 11,972,782
1998	5,849,075	5,316,080	-	950,371	12,115,526
1999	5,916,270	5,723,003	-	829,179	12,468,452
2000	6,792,442	5,899,590	-	919,609	13,611,641
2001	6,979,218	6,828,618	-	950,840	14,758,676
2002	7,018,246	7,250,910	-	918,356	15,187,512
2003	7,211,204	7,671,638	-	785,772	15,668,614
2004	7,292,228	7,459,531	1,122,278	628,344	16,502,381
2005	7,507,436	7,939,460	2,283,203	591,924	18,322,023
2006	7,956,478	8,127,825	2,371,249	688,837	19,144,389

(1) Effective 1/1/2004

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 (1)	Motor Vehicles	Other					
1997	1996	\$ 48,125,347	\$ -	\$ 13,108,720	\$ 16,811,374	\$ 1,470,526	\$ 76,574,915	68.4	\$ 1,236,996,629	6.19%
1998	1997	49,613,639	-	13,797,374	17,911,956	1,532,840	79,790,129	68.4	1,284,029,727	6.21
1999	1998	50,676,839	-	14,207,430	17,016,242	1,520,901	80,379,610	68.4	1,303,145,612	6.17
2000	1999	69,047,533	-	15,641,910	22,392,292	1,615,504	105,466,231	60.8	1,736,069,752	6.07
2001	2000	27,695,328	42,607,328	19,824,070	24,687,220	3,667,523	111,146,423	60.8	1,826,642,377	6.08
2002	2001	28,870,030	44,419,632	16,562,690	21,648,517	3,777,535	107,723,334	60.8	1,832,185,626	5.88
2003	2002	29,931,710	45,447,167	16,229,621	22,859,025	3,769,229	110,698,294	60.8	1,896,430,587	5.84
2004	2003	31,115,448	48,098,049	17,286,560	20,732,334	3,927,684	113,304,707	60.8	1,973,989,803	5.74
2005	2004	32,500,494	48,880,890	16,116,529	19,725,439	3,885,174	113,338,178	60.8	2,012,358,171	5.63
2006	2005	39,049,201	59,067,023	16,839,936	22,146,872	4,173,248	132,929,784	54.9	2,396,889,288	5.55

Source: Florence County

(1) Commercial Property amount is not available prior to tax year 2000. Total real property (residential and commercial) are accounted for under Residential Property for tax years prior to 2000.

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	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		
1997	1996	68.4	0.0	68.4	68.9	0.0	68.9	89.7	14.0	103.7	3.8	244.8
1998	1997	68.4	0.0	68.4	68.9	0.0	68.9	91.2	14.0	105.2	3.8	246.3
1999	1998	68.4	0.0	68.4	68.9	0.0	68.9	92.9	17.0	109.9	3.8	251.0
2000	1999	60.8	0.0	60.8	64.5	0.0	64.5	97.2	14.0	111.2	3.5	240.0
2001	2000	60.8	0.0	60.8	64.5	0.0	64.5	100.2	13.2	113.4	3.5	242.2
2002	2001	60.8	0.0	60.8	64.5	0.0	64.5	108.2	15.1	123.3	3.5	252.1
2003	2002	60.8	0.0	60.8	68.0	1.5	69.5	119.0	26.6	145.6	3.5	279.4
2004	2003	60.8	0.0	60.8	68.5	1.5	70.0	140.2	18.0	158.2	3.5	292.5
2005	2004	60.8	0.0	60.8	68.5	1.5	70.0	145.7	16.3	162.0	3.5	296.3
2006	2005	54.9	0.0	54.9	66.3	1.5	67.8	140.2	16.4	156.6	3.4	282.7

Source: Florence County Auditor's Office

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

Table 10

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND EIGHT YEARS AGO (1)**

Taxpayer	2006			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (3)
QHG of South Carolina, Inc.	\$ 8,297,990	1	6.05%	\$ 4,816,320	1	5.92%
McLeod Regional Medical Center	4,442,550	2	3.24%	1,448,930	5	1.78%
Byrd Properties, Inc.	2,983,050	3	2.18%	1,670,460	4	2.05%
BellSouth Telecommunications	2,937,770	4	2.14%	3,276,700	2	4.03%
Carolina Power and Light	2,892,386	5	2.11%	2,056,510	3	2.53%
Holcombe Land Development	1,276,400	6	0.93%	529,030	9	0.65%
Cingular Wireless	1,002,030	7	0.73%	-		0.00%
Edens & Avant Fin. Ltd. Partnership	976,770	8	0.71%	-		0.00%
South Carolina Electric and Gas	712,260	9	0.52%	638,720	8	0.79%
Richburg's Rentals	590,390	10	0.43%	-		0.00%
La-Z-Boy Chair Company				769,120	6	0.95%
Fleet Real Estate Fund Corp.				744,030	7	0.91%
Fairfield Associates LTD Partner				495,800	10	0.61%

Source: Florence County

(1) The statistics for principal taxpayers were not available prior to 1998.

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

(3) Total Assessed Value for 1998 was \$81,322,969

Table 11

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

Fiscal Year	Tax Year	Original Tax Levy	Collections within the Fiscal Year of the Levy		Collections of Prior Tax Year's Levy in Subsequent Fiscal Years	Total Collections to Date	
			Amount	Percentage of Levy		Collected	Percentage of Levy
1997	1996	\$ 5,363,958	\$ 5,236,399	97.6%	\$ 60,884	\$ 5,297,283	98.8%
1998	1997	5,562,491	5,450,655	98.0	45,266	5,495,921	98.8
1999	1998	5,601,995	5,541,752	98.9	44,309	5,586,061	99.7
2000	1999	6,518,873	6,381,085	97.9	61,676	6,442,761	98.8
2001	2000	6,980,688	6,552,838	93.9	72,849	6,625,687	94.9
2002	2001	6,779,253	6,620,054	97.7	51,619	6,671,673	98.4
2003	2002	6,959,625	6,904,209	99.2	61,174	6,965,383	99.9
2004	2003	7,127,729	6,858,315	96.2	55,776	6,914,091	97.0
2005	2004	7,127,180	6,993,031	98.1	60,591	7,053,622	99.0
2006	2005	7,526,956	7,382,948	98.1	34,243	7,417,191	98.5

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	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	Notes Payable		
1997	\$ -	\$ -	\$ -	\$ 12,786,505	\$ 22,536,558	\$ 35,323,063	\$ 1,184
1998	-	-	440,595	11,815,832	21,641,662	33,898,089	1,149
1999	-	-	346,621	10,785,159	20,708,123	31,839,903	1,079
2000	-	-	740,525	35,369,486	21,911,358	58,021,369	1,918
2001	-	-	416,592	34,203,813	26,233,748	60,854,153	2,012
2002	-	-	60,995	32,608,141	29,610,931	62,280,067	2,059
2003	-	-	12,331	39,282,468	33,344,134	72,638,933	2,373
2004	-	-	240,921	39,511,795	32,958,638	72,711,354	2,357
2005	-	-	-	37,641,122	31,125,861	68,766,983	2,198
2006	-	-	4,274,126	39,670,000	29,111,139	73,055,265	2,319

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

Table 13

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Per Capita</u>
1997	29,822	\$78,420,444	\$0	\$0	\$0	0.00%	\$0
1998	29,511	81,322,969	0	0	0	0.00	0
1999	29,511	81,900,511	0	0	0	0.00	0
2000	30,248	107,218,298 (2)	0	0	0	0.00	0
2001	30,248	114,813,946	0	0	0	0.00	0
2002	30,401	111,500,869	0	0	0	0.00	0
2003	30,595	114,467,523	0	0	0	0.00	0
2004	30,883	117,232,391	0	0	0	0.00	0
2005	31,192	117,223,352	0	0	0	0.00	0
2006	31,504	137,103,032 (2)	0	0	0	0.00	0

(1) Source: Fiscal Year 2000 is U.S. Census figure; all others estimated by S.C. Budget & Control Board, Office of Research and Statistics or City of Florence Finance Department.

(2) Reassessment

Table 14

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2006**

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

Table 15

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 6,273,636	\$ 6,505,838	\$ 6,552,041	\$ 8,577,464	\$ 9,185,116	\$ 8,920,070	\$ 9,157,402	\$ 9,378,591	\$ 9,377,868	\$ 10,968,243
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 6,273,636</u>	<u>\$ 6,505,838</u>	<u>\$ 6,552,041</u>	<u>\$ 8,577,464</u>	<u>\$ 9,185,116</u>	<u>\$ 8,920,070</u>	<u>\$ 9,157,402</u>	<u>\$ 9,378,591</u>	<u>\$ 9,377,868</u>	<u>\$ 10,968,243</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2006

Taxable Assessed Value - 2005 Levy	\$ 132,929,784
Add back: exempt real property	<u>4,173,248</u>
Total Assessed Value	<u>\$ 137,103,032</u>
Debt Limit (8% of Total Assessed Value Without Referendum)	\$ 10,968,243
Debt applicable to limit:	
Total Bonded Debt	\$ 0
Less Deductions Allowed by Law	<u>0</u>
Total Net Debt Applicable to Limit	<u>0</u>
Legal Debt Margin	<u>\$ 10,968,243</u>

Table 16

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

Fiscal Year	Gross Revenue (1)	Less: Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ 13,078,289	\$ 5,768,110	\$ 7,310,179	\$ 1,947,852	\$ 1,776,518	\$ 3,724,370	1.96
1998	13,917,239	5,588,975	8,328,264	2,044,896	1,681,024	3,725,920	2.24
1999	14,452,754	6,172,865	8,279,889	1,964,212	1,757,291	3,721,503	2.22
2000	15,262,996	7,075,386	8,187,610	2,282,988	1,491,354	3,774,342	2.17
2001	18,354,405	7,607,785	10,746,620	2,459,581	2,807,459	5,267,040	2.04
2002	17,608,578	7,463,469	10,145,109	2,955,108	3,014,009	5,969,117	1.70
2003	19,382,569	8,496,911	10,885,658	3,306,140	3,326,816	6,632,956	1.64
2004	19,687,358	8,522,953	11,164,405	3,421,442	3,412,801	6,834,243	1.63
2005	20,742,121	9,461,277	11,280,844	3,616,634	3,363,546	6,980,180	1.62
2006	21,837,986	10,087,728	11,750,258	3,902,590	3,181,807	7,084,397	1.66

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

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

Table 17

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (in millions) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1997	29,822	\$3,652	\$19,329	14,784	6.5%
1998	29,511	3,825	20,062	14,411	4.7
1999	30,392	4,054	21,150	14,124	5.7
2000	30,248	4,203	21,817	14,149	6.1
2001	30,248	4,486	23,209	13,634	5.2
2002	30,401	4,679	24,115	13,424	7.8
2003	30,595	4,799	24,600	14,309	9.2
2004	30,883	4,950	25,204	14,117	8.7
2005	31,192	5,208	26,399	13,905	8.4
2006	31,504	*	*	14,715	8.5

* Information not yet available

(1) Fiscal Year 2000 is U.S. Census figure; all others estimated by S.C. Budget and Control Board, Office of Research & Statistics or City of Florence Finance Dept.

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

Source for fiscal years 1997 - 2003 was State Budget & Control Board, Office of Research & Statistics.

(3) Florence School District One

(4) South Carolina Employment Security Commission. Represents unemployment for Florence County.

Table 18

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL EMPLOYERS IN THE CITY OF FLORENCE
CURRENT AND EIGHT YEARS AGO (1)**

Employer	2006			1998 (3)		
	Number of Employees	Rank	Percentage of Total County Employment (2)	Number of Employees	Rank	Percentage of Total County Employment (2)
McLeod Regional Medical Center	4,375	1	7.4%	3,416	1	NA
Florence School District One	1,718	2	2.9	-	-	-
Palmetto Gov't Benefits/TRICARE	1,600	3	2.7	-	-	-
Carolinas Hospital System	1,400	4	2.4	2,200	2	NA
Washington Mutual	1,150	5	1.9	-	-	-
Florence County	898	6	1.5	625	6	NA
Wal-Mart	620	7	1.0	-	-	-
SC DHEC	600	8	1.0	-	-	-
City of Florence	456	9	0.8	-	-	-
The Assurant Group	425	10	0.7	-	-	-
The ESAB Group				950	5	NA
Francis Marion University				500	9	NA
Amana, Inc.				620	7	NA
Blue Cross Blue Shield of SC				1,500	3	NA
Fleet Real Estate Fund Corp.				960	4	NA
DuPont Film Enterprises				550	8	NA
La-Z-Boy East				478	10	NA

(1) The statistics for principal employers were not available prior to 1998.

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

(3) Beginning with the 2006 statistics, the Principal Employers represents employers within the city limits of the City of Florence.

Prior to 2006, the Principal Employer represented employers within the City of Florence's Water and Sewer Service Area.

NA - This information is not available

Table 19

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL WATER USERS IN SERVICE AREA
CURRENT AND EIGHT YEARS AGO (1)**

Employer	Type of Business	2006			1998		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
General Electric	Manufacturing	1	\$ 208,741	1.98%	2	\$ 111,102	1.91%
McLeod Regional Hospital	Medical Services	2	138,137	1.31	3	100,392	1.73
Roche Carolina	Manufacturing	3	87,566	0.83	-	-	
Francis Marion University	University	4	84,505	0.80	4	69,730	1.20
Rental Uniforms	Industrial	5	58,221	0.55	10	36,447	0.63
PET Dairy	Manufacturing	6	52,805	0.50	-	-	
Pepsi Cola	Manufacturing	7	52,404	0.49	8	40,435	0.69
ESAB	Manufacturing	8	48,576	0.46	-	-	
Carolinas Hospital System	Medical Services	9	45,264	0.43	9	37,978	0.65
Days Inn	Motel	10	44,337	0.42	-	-	
Florence County	Government				1	342,051	5.88
Flav O Rich	Manufacturing				5	58,144	1.00
Amana	Manufacturing				6	41,955	0.72
Sarah Lee Hosiery	Manufacturing				7	41,278	0.71
TOTALS			<u>\$ 820,556</u>	<u>7.77%</u>		<u>\$ 879,512</u>	<u>15.12%</u>

(1) The statistics for principal water users were not available prior to 1998.

Table 20

**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL SEWER USERS IN SERVICE AREA
CURRENT AND EIGHT YEARS AGO (1)**

<u>Employer</u>	<u>Type of Business</u>	<u>2006</u>			<u>1998</u>		
		<u>Rank</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>	<u>Rank</u>	<u>Billed Revenues</u>	<u>Percentage of Total Billed Revenues</u>
McLeod Regional Hospital	Medical Services	1	\$166,242	1.70%	3	\$ 127,672	1.90%
Koppers	Manufacturing	2	148,074	1.52	1	180,449	2.69
PET Dairy	Manufacturing	3	129,861	1.33	-	-	
Francis Marion University	University	4	113,302	1.16	4	87,518	1.31
ESAB	Manufacturing	5	108,029	1.11	6	73,139	1.09
Roche Carolina	Manufacturing	6	104,491	1.07	10	35,488	0.53
Darlington County	Government	7	104,100	1.06	-	-	
Rental Uniforms	Industrial	8	91,742	0.94	8	57,637	0.86
Carolinas Hospital System	Medical Services	9	60,758	0.62	9	49,847	0.74
Florence County Detention Center	Government	10	<u>59,189</u>	<u>0.61</u>	-	-	
Flav O Rich	Manufacturing				2	147,575	2.20
Dupont	Manufacturing				5	83,848	1.25
Sarah Lee Hosiery	Manufacturing				7	<u>65,728</u>	<u>0.98</u>
TO TALS			<u>\$1,085,788</u>	<u>11.12%</u>		<u>\$ 908,901</u>	<u>13.55%</u>

(1) The statistics for principal sewer users were not available prior to 1998.

Table 21

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006
Water Customers:										
Residential	16,690	16,925	17,563	18,307	18,716	19,133	23,902	24,647	25,259	25,957
Commercial	<u>2,761</u>	<u>2,840</u>	<u>3,003</u>	<u>2,866</u>	<u>2,797</u>	<u>2,869</u>	<u>2,694</u>	<u>2,739</u>	<u>2,763</u>	<u>2,802</u>
Total	<u>19,451</u>	<u>19,765</u>	<u>20,566</u>	<u>21,173</u>	<u>21,513</u>	<u>22,002</u>	<u>26,596</u>	<u>27,386</u>	<u>28,022</u>	<u>28,759</u>
Sewer Customers:										
Residential	12,339	12,476	12,671	13,094	13,421	13,752	14,375	14,989	15,421	16,241
Commercial	<u>1,999</u>	<u>2,047</u>	<u>2,141</u>	<u>2,044</u>	<u>2,006</u>	<u>2,071</u>	<u>2,031</u>	<u>2,068</u>	<u>2,086</u>	<u>2,119</u>
Total	<u>14,338</u>	<u>14,523</u>	<u>14,812</u>	<u>15,138</u>	<u>15,427</u>	<u>15,823</u>	<u>16,406</u>	<u>17,057</u>	<u>17,507</u>	<u>18,360</u>
Total Utility Customers:	<u><u>33,789</u></u>	<u><u>34,288</u></u>	<u><u>35,378</u></u>	<u><u>36,311</u></u>	<u><u>36,940</u></u>	<u><u>37,825</u></u>	<u><u>43,002</u></u>	<u><u>44,443</u></u>	<u><u>45,529</u></u>	<u><u>47,119</u></u>

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

Table 22

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

Function	Full-time Equivalent City Government Positions									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government Admin.	7	8	10	10	10	11	18	19	19	13
Finance Department	6	10	10	9	9	9	9	9	10	10
Personnel Department	3	3	3	4	4	4	4	4	4	4
Community Services Department	15	3	3	3	3	5	5	5	5	5
Public Safety										
Police	97	99	100	110	112	114	123	127	138	140
Fire	66	67	68	71	71	71	71	71	71	71
Total Public Safety	163	166	168	181	183	185	194	198	209	211
Public Works Department										
Streets and Beautification	26	27	24	28	30	28	28	28	28	30
Sanitation	21	21	21	21	21	23	23	23	23	24
Equipment Maintenance	7	7	7	8	8	8	8	8	8	8
Total Public Works	54	55	52	57	59	59	59	59	59	62
Parks and Recreation	32	33	36	29	31	31	31	17	23	23
Water and Sewer	85	86	86	97	97	97	105	114	115	116
Stormwater	0	0	0	0	0	0	11	11	12	12
Total Employees	365	364	368	390	396	401	436	436	456	456

Source: City of Florence Budget

Table 23

**CITY OF FLORENCE, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS (1)**

Function	1998	1999	2000	2001	2002	2003 (2)	2004	2005	2006
Police									
Physical Arrests	2,238	2,866	3,218	3,904	2,800	2,569	2,737	2,918	2,881
Traffic Violations	9,681	6,606	8,257	8,055	7,499	4,765	4,366	6,345	8,876
Parking Violations	1,925	573	1,189	1,178	1,228	838	966	1,020	1,153
Fire									
Calls Answered	1,386	2,540	3,416	3,300	3,855	2,060	2,603	2,162	2,324
Inspections	370	458	802	998	998	705	780	941	974
Water System									
Service Connections	19,100	20,500	21,365	21,365	22,100	26,813	27,475	28,166	28,759
Average daily consumptions (in millions of gallons)	11.00	11.70	12.10	12.10	11.70	11.70	12.06	12.06	12.50
Maximum daily capacity (in millions of gallons)	15.30	16.80	16.80	25.00	27.00	37.00	37.00	37.00	37.00
Wastewater System									
Service connections	14,450	15,006	15,267	15,541	15,900	NA	17,154	17,632	18,360
Average daily treatment (in millions of gallons)	9.40	9.40	9.10	7.40	7.70	10.10	10.10	10.10	8.90
Maximum daily capacity (in millions of gallons)	15.00	15.00	15.00	15.00	15.00	15.00	15.10	15.00	15.00

(1) Statistics prior to 1998 were not available.

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

Table 24

**CITY OF FLORENCE, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS (1)**

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police									
Stations	1	1	1	1	1	1	3	3	3
Substations	1	1	1	1	1	1	1	1	1
Resource Centers	5	5	3	6	6	6	3	3	3
Patrol units	47	47	106	106	108	113	113	115	125
Fire Stations	4	4	4	4	4	4	4	4	4
Highways and Streets									
Streets (in miles)	181	188	235	219	231	235	241	241	246
Streetlights	4,000	4,100	4,100	4,400	4,750	4,970	5,125	5,572	5,816
Culture and Recreation									
Community centers	4	4	4	4	4	4	3	3	4
Parks	13	13	13	13	13	13	13	14	15
Park acreage	300	300	300	300	300	300	300	530	500
Swimming pools	3	3	3	3	2	0	0	0	0
Tennis courts	25	25	25	25	26	26	24	24	24
Water System									
Water mains (in miles)	608	850	350	410	629	698	726	730	730
Fire hydrants	1,005	1,005	968	1,075	1,355	1,000	1,280	1,524	1,786
Wastewater System									
Sanitary sewers (in miles)	316	316	316	330	335	352	357	368	375
Treatment plants	1	1	1	1	1	1	2	1	1
Stormwater System									
Storm sewers (in miles)	124	124	85	90	91	91	95	100	105

(1) Statistics prior to 1998 were not available.

Table 25

CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30 2006

Date of Incorporation	1,890
Form of Government	Council/Manager
Total Number of Full-Time Employees	456
Area in square miles	20.33
Facilities and services not included in the primary government	
Cable Television System	
Miles of service (Florence County)	1,129
Number of satellite receiving stations	1
Education	
Number of elementary schools	14
Number of elementary school instructors	560
Number of secondary schools	6
Number of secondary school instructors	520
Facilities and services not included in the reporting entity	
Hospitals	
Number of hospitals	3
Number of patient beds	819
Other data	
Business Licenses issued for fiscal year 2005-2006	3,918
New Business Licenses issued for fiscal year 2005-2006	631
Business License Receipts	\$ 6,415,634
Percent change in Business License receipts from prior year	1.87%
Franchise Fee Receipts	\$ 1,660,286
Percent change in Franchise Fee receipts from prior year	1.39%
Population (estimated population)	31,504
City of Florence gross retail sales for calendar year 2005	2,054,334,342
Per Capita spending for calendar year 2005	65,208.68
Outstanding General Obligation Debt	\$ -
Outstanding Revenue Debt	\$ 68,781,139
City of Florence Bond Rating	
Moody's Investor's Service	A1
Standards and Poor's	A
Residential construction permits issued	434
Construction value	\$ 44,626,315
Commercial construction permits issued	140
Construction value	\$ 42,287,234

SINGLE AUDIT SECTION

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

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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 WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of City of Florence, South Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Florence, South Carolina's, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Florence, South Carolina's, management. Our responsibility is to express an opinion on City of Florence, South Carolina's, compliance based on our audit.

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

In our opinion, City of Florence, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, South Carolina, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 28, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Florence, South Carolina's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Burch, Gyner, Seale Co, CPAs, PA

August 28, 2006

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs				
Com. Dev. Block Grant Entitlement	14.218	N/A	\$ 4,425,457	<u>\$ 384,910</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>384,910</u>
<u>U. S. Department of Transportation</u>				
Passed through S.C. Dept. of Transportation				
Urban Youth Corps Program	20.511	-	13,700	2,324
Urban Youth Corps Program	20.511	-	15,030	<u>12,433</u>
				<u>14,757</u>
Airport Gateway	20.205	ENH-15-06	66,500	20,756
Florence Rail/Trail Project	20.205	ENH-17-06-PIN33460	453,028	<u>16,888</u>
				<u>37,644</u>
Older Driver Signage	20.200	TRA-02-06	40,000	9,026
LEN	20.600	2JC-06012	10,000	10,000
SOS	20.601	2SES06012	19,500	<u>18,033</u>
TOTAL DEPARTMENT OF TRANSPORTATION				<u>89,460</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1425	44,942	43,382
Community Oriented Policing Services	16.710	2005-CK-WX-0220	493,322	95,611
Edward Byrne Memorial Justice Assistance Grant	16.580	2005-DJ-BX-0740	61,090	42,231
Bulletproof Vest Partnership Program	16.607	-	-	2,226
Passed through S. C. Dept. of Juvenile Justice				
Alternatives to Incarcerations/ Alternatives to Expulsion	16.549	IJ04012	30,000	<u>8,831</u>
TOTAL DEPARTMENT OF JUSTICE				<u>192,281</u>

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards--Continued
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantors Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Homeland Security</u>				
Passed through S. C. Emergency Management Division Public Assistant Grants	97.036	FEMA-1509-DR-SC	-	<u>642</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>642</u>
<u>U. S. Department of Agriculture</u>				
Passed through S. C. Forestry Comm.	10.661	2005U1	4,550	<u>4,550</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>4,550</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-97493303	200,000	62,361
Passed through S.C. State Revolving Fund				
Wastewater Treatment Plant Upgrade/Expansion	66.458	SRF022-93-378-10	23,828,128 *	-
Upper Middle Swamp Interceptor	66.458	SRF016-91-378-09	858,982 **	-
Water Supply Improvements	66.468	SRF3-003-21100001-02	2,767,997 ***	-
Pee Dee Regional Water System/ Finished Water Main	66.468	SRF3-008-00-210001-01	6,210,343 ****	-
Rain Water Storage	66.468	SRF3-014-02-2110001-04	1,322,378 *****	-
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY				<u>62,361</u>
TOTAL FEDERAL AWARDS				<u>\$ 734,204</u>

* - Loan balance \$12,604,440 at June 30, 2006.
** - Loan balance \$337,233 at June 30, 2006.
*** - Loan balance \$2,099,543 at June 30, 2006.
**** - Loan balance \$5,638,745 at June 30, 2006.
***** - Loan balance \$2,368,951 at June 30, 2006.

NOTE A - BASIS PRESENTATION

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

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

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

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

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

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

None

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P.O. DRAWER 4707
FLORENCE, SC 29502
TELEPHONE (843) 669-3142
TELECOPIER (843) 662-9255

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, South Carolina, as of and for the year ended June 30, 2006, which collectively comprise City of Florence, South Carolina's basic financial statements and have issued our report thereon dated August 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of City of Florence, South Carolina in a separate letter dated August 28, 2006.

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

Burch, Oxner, Seale Co., CPAs, PA

August 28, 2006