

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017



PREPARED BY
CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

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November 30, 2017

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

State law requires that all general-purpose local governments annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (the City) for the fiscal year ended June 30, 2017.

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

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of seven counties that comprise what is commonly referred to as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of approximately 22 square miles and serves a population in excess of 37,000. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

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

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

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

Local Economy

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

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

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

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

The Florence City County Civic Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Civic Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse

entertainment events as indoor football games, concerts, circuses, rodeos, and a variety of other assorted shows.

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

Florence continues to experience significant growth with notable expansions in healthcare, education, the arts, entertainment, shopping and hotels. This growth, coupled with the continued downtown revitalization projects, has resulted in Florence becoming a premier and dynamic part of the state. Florence is fortunate to have a diverse economy, and economic development continues in both the City and County of Florence. Florence has been recognized nationally as a prime destination for business and industry because of its accessibility and the availability of land suitable for industrial and commercial development.

Long Term Financial Planning

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

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

Relevant Financial Policies

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

Major Initiatives

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

A number of funding sources, including several grants and State Revolving Fund (SRF) loans for the Timmonsville System water and sewer systems, were incorporated into a financial plan developed by the City for the total system repair and upgrade cost. Since the City's acquisition of the Timmonsville system in January 2014, City Council has approved the use of \$2.5 million in additional grant funding sources for upgrades to this system, bringing the total estimated cost of improvements to \$15 million.

Projects to repair and improve the Timmonsville system and provide quality water and sewer service to the Town's customers continued this fiscal year. The City is in compliance with the consent decree and with the timetables set forth in the plan.

Projected revenues of the Town's Utilities System combined with a number of SRF loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined SRF financed funds will

total approximately \$12 million with approximately \$3 million of the principal forgiven by SRF. The SRF loans will be financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development.

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

Downtown Redevelopment – Downtown revitalization serves as a key element in the local economy and growth of Florence. A Downtown Master Redevelopment plan was presented to the public in 2001 as a strategic process for transforming downtown Florence into the cultural and economic heart of the Pee Dee it once was. The focus of the master plan was the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. As part of the master plan implementation process the Florence Downtown Development Corporation, a 501(c) (3) tax-exempt charitable corporation, was formed. City staff works with the Downtown Development Corporation, the Florence Downtown Merchants Association, and others involved with the revitalization effort in support of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence.

In 2005, City Council adopted an ordinance that created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. On December 18, 2006, City Council adopted an ordinance creating a Tax Increment Financing (TIF) district incorporating the overlay district for downtown redevelopment as adopted by Council in 2005. Proceeds resulting from the tax increment financing district are now being used for public improvements in support of downtown development. To further encourage downtown redevelopment City Council adopted an ordinance in October 2011 that provided for the establishment of a Downtown Economic Development Incentive Program. The incentives were specifically identified and approved when City Council adopted a resolution in February 2012 authorizing a number of incentives designed to encourage the revitalization of the downtown area. Additional downtown business redevelopment and historical building incentives were approved through a resolution adopted by City Council in February 2015 to encourage the revitalization of downtown Florence by existing property owners, tenants and potential developers.

In 2017, City Council amended the downtown overlay district by adding an overlay district designated as the "Food, Artisan and Warehouse District". The intent of this district is to promote food and artisan orientated businesses; improve access to fresh and locally produced goods; support active living through better urban neighborhoods and downtown; and promote good urban design. This overlay district will encourage creative land uses and architecture by permitting small scale, light industrial food productions, farmers markets, food and artisan retail, community kitchens, artisan manufacturing, and other artisan uses. In 2017, City Council also expanded the geographic boundary for Downtown business incentives for qualified projects. With incentives provided in an expanded boundary, including the Food, Artisan and Warehouse District and other locations within the Downtown Overlay District, additional redevelopment activity should be fostered in these areas. The incentives included in this expanded area are the same as those approved in 2012 and 2015.

In April 2017 the South Carolina Arts Commission named downtown Florence as the newest state-recognized cultural district. A cultural district is an area that has a concentration of cultural facilities, activities and assets, is easily identifiable to visitors and residents, and serves as a center of cultural, artistic and economic activity. Florence joins six other designated cultural districts in the state: Rock Hill, Lancaster, Spartanburg, Congaree Vista, Beaufort and Bluffton.

Special Obligation Bond for Downtown Redevelopment and 2014 TIF Revenue Bond Refunding – In December 2006, City Council adopted an ordinance establishing the Downtown Redevelopment District Project Area in downtown Florence. As provided by the ordinance, the City had until December 2016 to issue a Tax Increment Financing (TIF) obligation bond to fund public infrastructure improvements.

In 2014, the City issued a TIF bond in the approximate amount of \$12.9 million to provide for public infrastructure improvements to include the construction of parking decks, ingress and egress acquisition, surface parking, and utilities upgrades. The TIF Bond was issued through the year 2026.

In July 2016, City Council approved an ordinance to revise and extend the original TIF redevelopment plan adopted in 2006, and to extend the maximum term of maturity of TIF obligations from the original 20-year maturity of 2026 to a 40-year maturity expiring in 2046. These revisions were made by City Council to provide for the issuance of Special Obligation Bonds to be used for the construction of additional parking, street improvements, and other essential infrastructure enhancements in the

TIF district as well as funding for the revitalization and redevelopment of three Florence School District One facilities. This bond was also used to refund the Series 2014 TIF Revenue Bond.

On November 9, 2016, the City of Florence issued a total of \$35,565,000 Special Obligation Bonds. The bonds included approximately \$21,720,000 of taxable and tax-exempt "new money" which is being used to fund capital infrastructure projects downtown as well as issuance costs and capitalized interest. These infrastructure projects, estimated at a total construction cost of \$20 million, include parking, street improvements, and other essential infrastructure enhancements to be provided. This amount also includes \$12 million for the revitalization and redevelopment of three Florence School District One facilities. The remaining \$13,845,000 bond funds were used to refund the Series 2014 TIF Revenue Bond including issuance costs and capitalized interest.

The Special Obligation Bond was issued with a junior lien pledge of revenues of the water and sewer utility system. While the City projects that there should be minimal use of water and sewer utility system revenues to pay debt service on the TIF bond, the projected coverage impact of the junior lien debt on the water and sewer system assuming the full payment of TIF debt service with water and sewer revenues would be small.

Regional Gymnasium and Recreation Facility Construction – In May 2014, the City issued a Series 2014 Hospitality Fee Revenue Bond in the amount of \$4,605,000 at an interest of 3.42% for 20 years to finance the construction of a regional gymnasium and recreation facility. Additional funding in the amount of \$750,000 will be granted to the City by the Drs. Bruce and Lee Foundation to cover the costs of a gymnasium façade redesign that incorporates enhanced architectural features including additional brick veneering, a raised entrance, and other finishes and improvements.

Bids for construction of the regional gymnasium and recreation facility, were received in January 2016. BPM Construction of Charlotte, NC was selected as the contractor for this project. Construction, at an approximate total cost of \$4 million, began in June 2016 and is scheduled for completion in the fall of 2017.

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

Soccer Complex Construction – On October 13, 2014, City Council authorized the execution of a Memorandum of Understanding between the City and the Drs. Bruce and Lee Foundation for the funding, construction, and operation of a new soccer complex. On October 21, 2014 a Memorandum of Understanding (MOU) between the City and the Foundation was signed and executed for those purposes. The MOU provides that the City will construct the soccer complex, a main access road, roads internal to the complex, and parking for the complex. The complex will include an access road at the intersection of Twin Church Road and West Palmetto Street, a 5.5-acre retention pond and 14 regulation-size soccer fields – two of which will be lighted. Ten of the soccer fields will be laser graded with sodding, while four soccer fields will be graded and seeded for future play. Other amenities for the complex will include goals, benches, trash receptacles, and signage.

The sources of funding include \$6,000,000 from the Foundation and \$1,040,000 from proceeds of the countywide one-cent Sales Tax Referendum passed in 2013, for a total of \$7,040,000. The Foundation is providing the \$6 million funding at a rate of \$2 million per year from 2017 through 2019. The City is providing additional funding from the Water and Sewer Enterprise Fund in the approximate amount of \$400,000 to construct the water and sewer infrastructure for the soccer complex as well as provide for future access to water and sewer services on adjacent undeveloped tracts of land. In addition to the funding provided for in the MOU, the City requested and received a \$50,000 grant in October 2015 from the South Carolina Department of Parks, Recreation and Tourism to be used for soccer complex construction costs.

Because funding for the soccer complex project in the amount of \$6 million and the gymnasium façade redesign in the amount of \$750,000 will be provided by the Bruce and Lee Foundation over a four-year period beginning in 2017, it was necessary to issue a General Obligation through 2020 to provide short-term funding for the construction and redesign projects. In February 2016, City Council authorized the issuance of a General Obligation bond to finance, over a period of four years, the construction of a soccer complex and provide additional funding for the regional gymnasium facility façade redesign. In March 2016, the City issued a 2016 General Obligation Bond in the amount of \$6,750,000 at an interest of 1.16% for 4 years. The bond will be repaid with the funds to be received from the Drs. Bruce and Lee Foundation.

Bids for construction of the soccer complex were received in February 2016. D & L Sitework, Inc. of Conway, SC was selected as the contractor for this project. Construction was begun in May 2016 and is scheduled for completion in the fall of 2017.

Neighborhood Redevelopment – In recognition that housing and neighborhood conditions are central to the City's current and future well-being, the City continues to pursue a number of strategies to foster and encourage neighborhood redevelopment.

City staff has worked with citizens in three focus areas to complete neighborhood action plans since February 2012 as part of its neighborhood revitalization initiative. The focus areas are North Florence, Northwest Florence and East Florence. These areas include some of the oldest and most challenged neighborhoods surrounding the City's downtown.

In 2014, the Florence Neighborhood Revitalization Plan was developed by the City with input from residents to preserve, connect and bridge gateway neighborhoods to downtown Florence by restoring the vibrancy of these neighborhoods one block at a time. The Florence Neighborhood Revitalization Plan is a comprehensive plan that will serve to enhance the overall desirability of Florence as a place to live, increase the City's regional competitiveness, set the stage for catalytic development and build from the success within and around the City's downtown. The initial focus of the plan includes four (4) neighborhoods developments identified as the Neighborhood Revitalization Project Areas. These developments, located in North Florence, Northwest Florence, and East Florence, will improve these communities which will, in turn, serve to enhance the quality of life in the City of Florence as a whole.

As part of this process, the City has committed \$3 million to construction and incentive costs and another \$6 million to street and infrastructure improvements, including new sidewalks, curbing, pocket parks and bike lanes. To date, the city has purchased approximately 30 abandoned and dilapidated houses, and is in the process of building several new houses in the redevelopment area. The City anticipates the construction of between 20 and 50 new houses over the next five years. As part of the revitalization plan, the city is also creating down payment and purchase incentives for qualified buyers that cover the gap between the cost and market value of the new homes.

The South Carolina Community Loan Fund (SCCLF) is a lending program that provides access to affordable housing by financing the construction, rehabilitation, and redevelopment of homeownership and rental units for low to moderate-income families. In November 2015, the City entered into a thirty-six month, \$700,000 loan agreement with SCCLF at an interest rate of 5.25% to provide construction financing for a comprehensive catalytic project located on Vista Street in North Florence. These funds are being used for contractor financing assistance, with emphasis on encouraging minority contractor participation, for the construction of seven new single family houses for sale and two restored houses for rental.

In March 2017, the official groundbreaking of the "Vista Place" project area, the first development of the four designated redevelopment areas, was held. The Vista Place development area consists of several former vacant lots on Vista Street across from Vista Elementary School. Each lot to be developed will feature a unique, newly constructed house that will enhance the North Florence neighborhood. Currently, there are three new construction homes being built with a fourth construction to begin later in the year.

City Projects Funded with Countywide Capital Projects Sales Tax – In November 2013, the voters of Florence County approved a referendum for a one cent capital projects sales tax and the issuance of a general obligation bond in an amount not to exceed \$125 million to fund debt service payments with the sales tax revenue generated.

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

The County began collecting the second Capital Project Sales Tax on May 1, 2014 and will continue to collect the tax until April 30, 2021. The City of Florence was allocated \$21,774,375 for the following projects within the city limits:

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report for the fiscal year ended June 30, 2016. 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 2016 marks the nineteenth consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Respectfully submitted,

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

Thomas W. Chandler
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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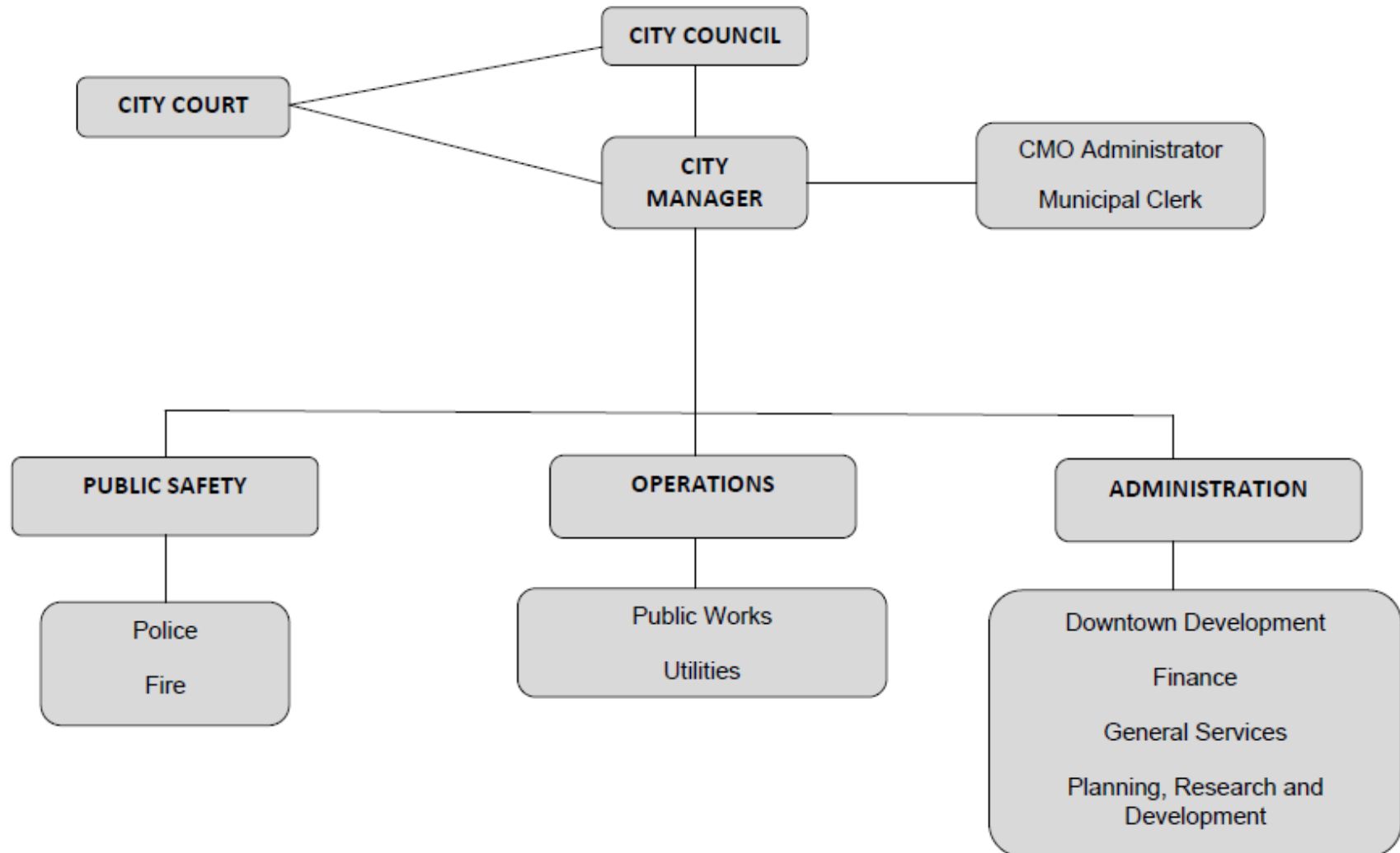
**City of Florence
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**CITY OF FLORENCE
ORGANIZATIONAL CHART
FY 2016-17**



**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2017**

GOVERNING BODY

Stephen J. Wukela, Mayor

Frank J. Brand, II, Mayor Pro Tempore

Octavia Williams-Blake

Teresa Myers Ervin

George D. Jebaily

Pat Gibson-Hye Moore

Glynn Willis

ADMINISTRATION

Andrew H. Griffin, City Manager

Thomas W. Chandler, Finance Director

Scotty B. Davis, General Services Director

Allen L. Heidler, Police Chief

Randall S. Osterman, Fire Chief

Charles E. Pope, Jr., Public Works Director

Raymond R. Reich, Downtown Development Director

Michael D. Hemingway, Utilities Director

Jerry B. Dudley, Planning Manager

James C. Moore, Development Manager

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
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hospitality fee fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, South Carolina's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Fines, Assessments, and Surcharges – Special Revenue Fund - Victims Services Fund on Page 134, listed in the table of contents under Other Financial Information, is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on Page 168, listed in the table of contents under the Uniform Guidance Section, is presented for the purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements of the City of Florence, South Carolina.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the City of Florence, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, South Carolina's internal control over financial reporting and compliance.



October 20, 2017

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

As management of the City of Florence (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follows this section, and our letter of transmittal in the preceding Introductory Section.

Financial Highlights

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

- The assets of the City of Florence exceeded its liabilities at the close of the most recent fiscal year by \$168,728,079 (*net position*). Of this amount, \$20,320,002 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$20,626,914 during the fiscal year ended June 30, 2017, with a \$15,361,604 increase resulting from governmental activities and a \$5,265,310 increase resulting from business-type activities.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balances of \$46,318,151, an increase of \$16,248,048 in comparison with the prior year. Approximately 28.8 percent of this total amount, \$13,320,377 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,320,377, or 39.3 percent of the total general fund expenditures.
- The City of Florence had \$184.8 million in bonds and notes outstanding versus \$169.9 million last year, an increase of 14.9 million from the prior year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 36-39 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Hospitality Fund can be found on page 40-41 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 42-45 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 48-80 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 90-134 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$168,728,079 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (79.0% percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital

assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position, \$20,320,002, may be used to meet the government's ongoing obligations to citizens and creditors.

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

City of Florence's Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$53,160,217	\$ 36,217,061	\$ 51,794,979	\$ 52,002,680	\$104,955,196	\$ 88,219,741
Capital assets	74,858,785	56,604,531	227,088,067	226,219,770	301,946,852	282,824,301
Total assets	128,019,002	92,821,592	278,883,046	278,222,450	406,902,048	371,044,042
Deferred Outflow s	5,257,322	2,455,192	1,672,651	756,730	6,929,973	3,211,922
Long-term liabilities	90,843,169	69,315,785	143,172,123	146,455,079	234,015,292	215,770,864
Other liabilities	6,980,354	6,195,594	2,902,767	3,231,188	9,883,121	9,426,782
Total liabilities	97,823,523	75,511,379	146,074,890	149,686,267	243,898,413	225,197,646
Deferred Inflow s	1,037,626	711,834	167,903	245,319	1,205,529	957,153
Net Position:						
Net investment in capital assets	38,005,596	29,033,102	95,268,914	89,734,266	133,274,510	118,767,368
Restricted	6,077,735	2,351,821	9,055,832	9,760,388	15,133,567	12,112,209
Unrestricted	(9,668,156)	(12,331,352)	29,988,158	29,552,940	20,320,002	17,221,588
Total net position	\$34,415,175	\$ 19,053,571	\$134,312,904	\$ 129,047,594	\$168,728,079	\$ 148,101,165

City of Florence's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 17,253,231	\$ 15,884,921	\$ 36,437,477	\$ 34,670,748	\$ 53,690,708	\$ 50,555,669
Operating grants and contributions	5,562,426	2,248,462	-	-	5,562,426	2,248,462
Capital grants and contributions	5,501,991	189,356	-	-	5,501,991	189,356
General Revenues:						
Property taxes	10,657,474	9,958,587	-	-	10,657,474	9,958,587
Hospitality fees	4,036,958	3,863,554	-	-	4,036,958	3,863,554
Grants and contributions not restricted to specific programs	9,555,205	5,595,294	-	-	9,555,205	5,595,294
Other	850,160	867,640	1,291,051	1,250,619	2,141,211	2,118,259
Total Revenues	53,417,445	38,607,814	37,728,528	35,921,367	91,145,973	74,529,181

City of Florence's Changes in Net Position - Continued

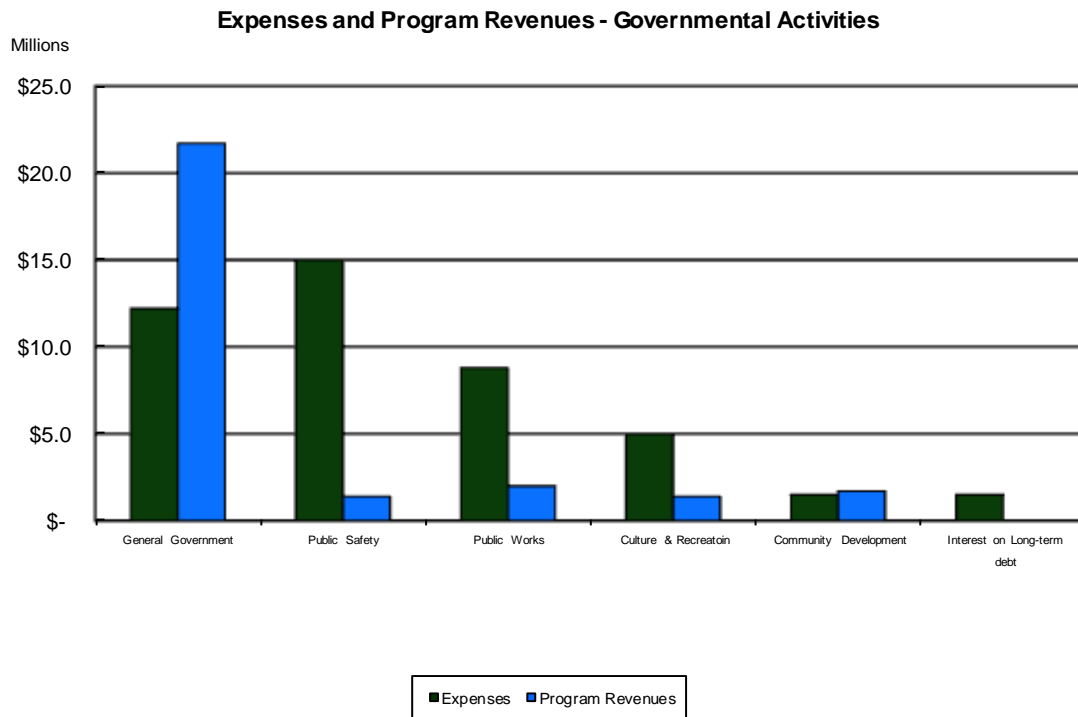
	Governmental		Business-type		Total	
	activities		activities			
	2017	2016	2017	2016	2017	2016
Expenses:						
General Government	12,239,632	8,644,736	-	-	12,239,632	8,644,736
Public Safety	14,958,057	14,544,967	-	-	14,958,057	14,544,967
Public Works	6,829,919	6,646,686	-	-	6,829,919	6,646,686
Culture and Recreation	4,547,612	4,954,024	-	-	4,547,612	4,954,024
Community Development	1,550,188	937,622	-	-	1,550,188	937,622
Interest on long-term debt	1,528,433	1,030,379	-	-	1,528,433	1,030,379
Water and Sewer	-	-	27,691,355	24,495,818	27,691,355	24,495,818
Stormwater	-	-	1,173,863	1,037,530	1,173,863	1,037,530
Total Expenses	41,653,841	36,758,414	28,865,218	25,533,348	70,519,059	62,291,762
Increase in net position before transfers	11,763,604	1,849,400	8,863,310	10,388,019	20,626,914	12,237,419
Transfers	3,598,000	4,593,644	(3,598,000)	(4,593,644)	-	-
Increase (decrease) in net position	15,361,604	6,443,044	5,265,310	5,794,375	20,626,914	12,237,419
Net position - beginning	19,053,571	12,610,527	129,047,594	123,253,219	148,101,165	135,863,746
Net position - ending	<u>\$ 34,415,175</u>	<u>\$ 19,053,571</u>	<u>\$ 134,312,904</u>	<u>\$ 129,047,594</u>	<u>\$ 168,728,079</u>	<u>\$ 148,101,165</u>

Governmental activities. Governmental activities increased the City of Florence's net position by \$15,361,604. Key elements of this increase are as follows:

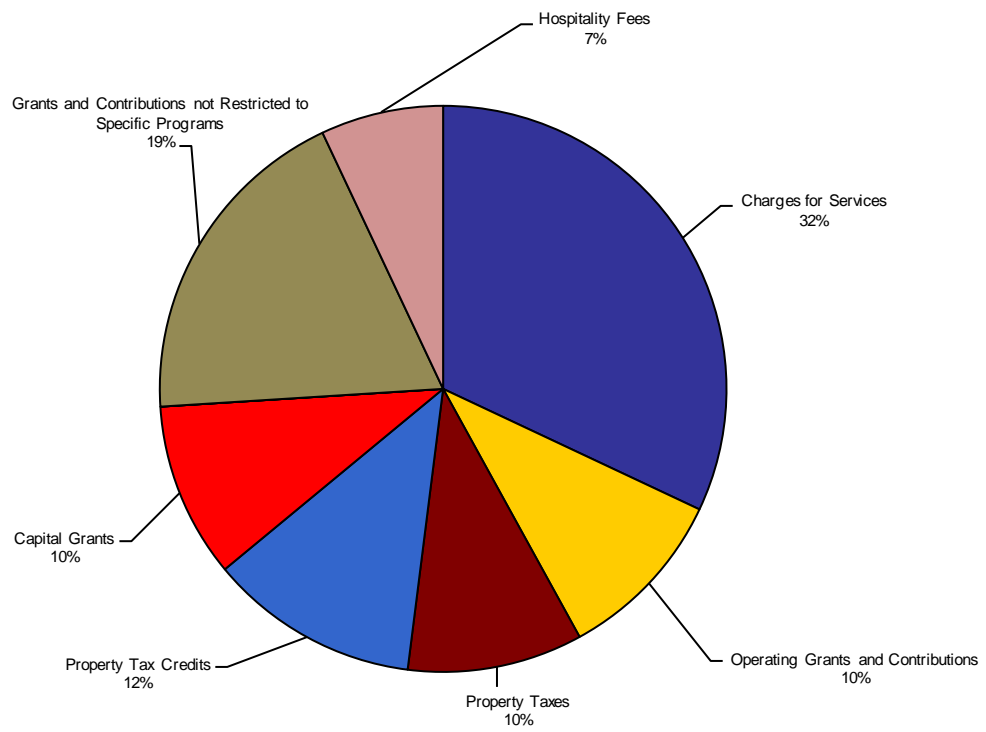
In November 2013 Florence County voters approved a county wide referendum which re-imposed an existing one-cent capital project sales tax that was due to expire in April 2014. The revenues generated by "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage system and/or bridges, and traffic flow improvements into and through Florence County. In January 2014, County Council passed an ordinance to issue general obligation bonds in an amount not to exceed \$125 million with debt service payments to be funded from the Capital Project Sales Tax. The City of Florence was allocated \$21,774,375 for projects within the city limits. During the current fiscal year Florence County reimbursed the City \$5,535,858 for capital sales tax projects that are currently under construction within the City.

In Fiscal Year 2016-17 the City recognized property that was received as a donation valued at \$4,620,000. A large portion of this property was donated to the City for the construction of a Soccer Complex.

On October 9, 2016 Hurricane Matthew made landfall in South Carolina affecting the Florence area with downed tree, wind damage, flooding, power outages, and damage to the City's infrastructure. The hurricane left approximately 150,000 cubic yards of debris within the City of Florence. In addition to using city personnel and equipment (force labor & equipment) for emergency measures and debris cleanup, the City contracted with three companies for debris removal, grinding, and hauling. The City also contracted the debris monitoring services to ensure compliance with FEMA requirements. The contracted cost for debris removal and monitoring was \$1,762,622. An additional \$1,252,931 in force labor and equipment was used for emergency measures and cleanup efforts. The City received \$592,631 in FY 2016-17 and recognized \$2,039,164 as Accounts Receivable from the US Government and the State of South Carolina for reimbursement of expenses paid for damage caused by Hurricane Matthew.



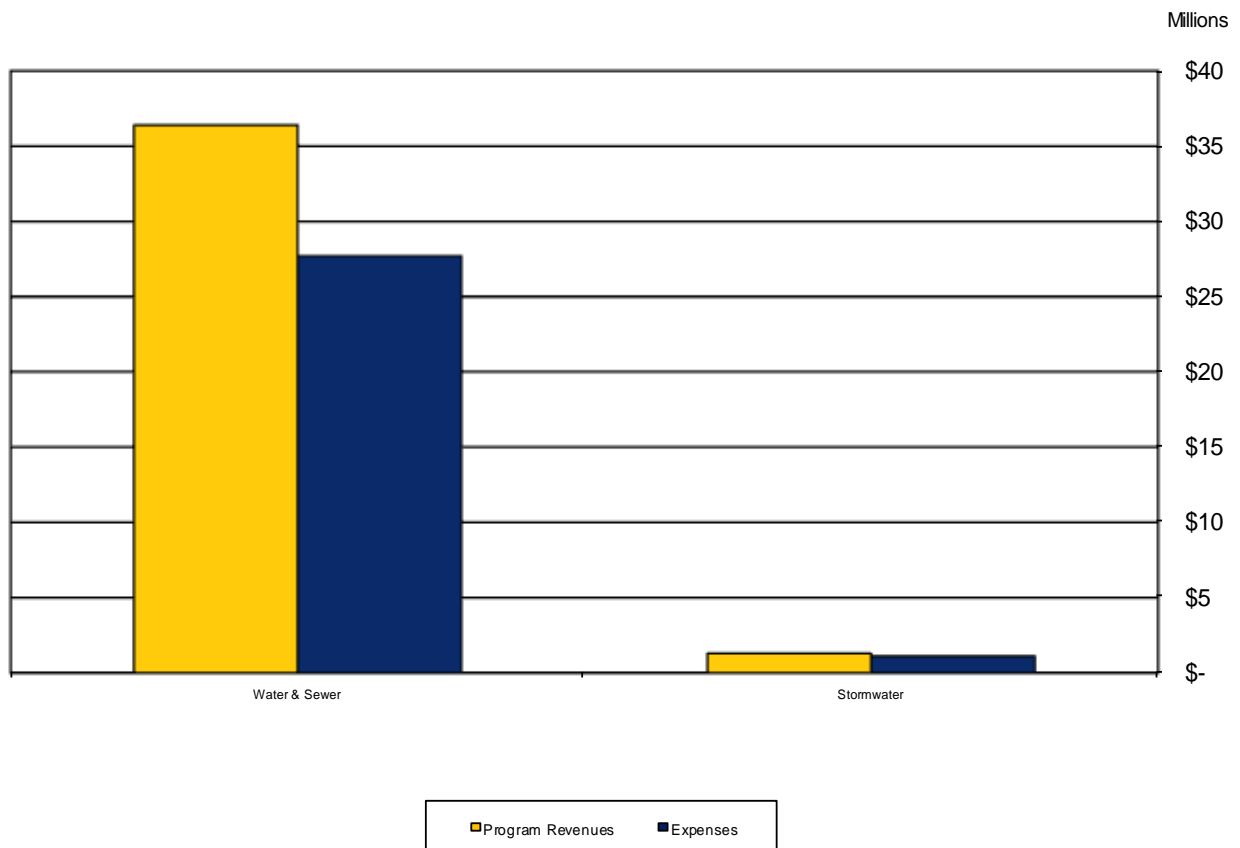
Revenue by Source – Governmental Activities



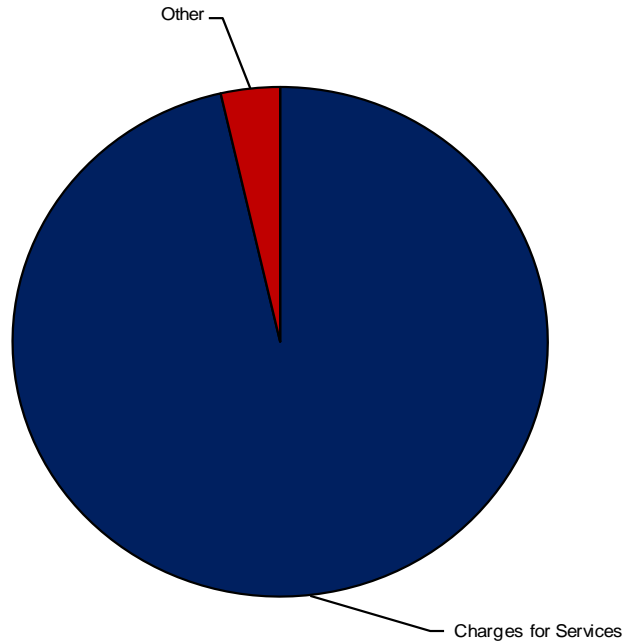
Business-type activities. Business-type activities increased the City of Florence's net position by \$5,265,310, accounting for 25.5 percent of the total growth in the government's net position. Key elements of this increase are as follows:

Capital Water and Sewer Projects – In the fiscal year ended June 30, 2017, the City expended \$1,558,463 for the upgrade and rehabilitation of the water and sewer system acquired in January 2014 from the Town of Timmonsville. These upgrades and rehabilitation are required to bring the system in compliance with federal and state regulation. Additional information on the Town of Timmonsville water and sewer system acquisition is provided in the Transmittal Letter.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$46,318,151, an increase of \$16,248,048 in comparison with the prior year. Approximately 28.8 percent of this total amount, or \$13,320,377, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form: \$178,128, 2) restricted for particular purposes: \$28,880,415, 3) committed for particular purposes: \$174,408, or 4) assigned for particular purposes: \$3,764,823. Additional information on the City's fund balances can be found at Note IV.G.

The general fund is the primary operating fund of the City of Florence. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,320,377, while total fund balance was \$17,240,267. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 39.3 percent of total general fund expenditures, while total fund balance represents 50.9 percent of that same amount.

During the current fiscal year the City's fund balance of the General Fund increased by \$2,213,687. This amount represents a 14.7% increase. The City continued its efforts to identify businesses that are required to be licensed to operate within the City of Florence but have not obtained a city business license. The revenues for new and delinquent business license, franchise fees, and other types of business licenses combined increased \$1,491,591 over the prior year.

In April 2017, the City reestablished its Building and Permitting Department, a function that had been consolidated with Florence County for approximately twenty years. As a result, the City began issuing building permits and collecting building permit fees. The three months of collections for FY 2017 resulted in \$51,391 of new revenue.

The Hospitality Fund has a total fund balance of \$4,205,643, a decrease of 63.7%. The decrease is largely due to \$7,224,468 expended for construction of the City's Soccer Complex and the downtown gymnasium. The City was granted \$6,750,000 to repay the bonds by the Doctors Bruce and Lee Foundation with the funds being granted over 3 years.

The City of Florence maintains a General Fund Debt Service Fund to manage the collection of the debt service millage and the debt service payment for the City's general obligation debt. The Debt Service millage is 2.8 mills. The entire fund balance of \$610,147 is committed for the repayment of City's general obligation debt.

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

Unrestricted net position of the water and sewer operations and the stormwater operations at the end of the year amounted to \$29,988,158. The total growth in the net position was \$5,265,310. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

The City's final amended General Fund budget was \$6,642,650 greater than the original budget of \$33,330,000. City Council amended the General Fund budget three times during the fiscal year ended June 30, 2017. The first amendment increased From Unappropriated Reserve revenue by \$3,447,650 for the re-appropriation of funds to fund projects and purchase equipment budgeted in fiscal year 2015-16 but were deferred until fiscal year 2016-17. The second amendment increased revenue estimates and certain departmental expense appropriations by \$515,000 following a mid-year budget review. The third and final amendment increased the Miscellaneous Grants revenue by \$130,000 to recognize funding from the South Carolina Department of Transportation. This amendment also increased From Unappropriated Surplus by \$600,000 to provide funding for Francis Marion University for property acquisition. The third budget amendment further increased revenues by \$1,950,000 to provide funding cleanup and repairs of damage due to Hurricane Matthew.

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, 2017, amounts to \$301,946,852 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and infrastructure. The total increases in the City's investment in capital assets for the current fiscal year was \$19,207,057 (a 32.25 percent increase for governmental activities and a 0.42 percent decrease for business-type activities).

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

Occasionally, the City receives property through donations from individuals or other entities. Property donated to the City during the fiscal year ended June 30, 2017 totaled \$4,620,000. Of this amount, \$4,360,000 was donated by the Bruce and Lee Foundation to be used for the development and construction of a new soccer complex located on Hwy 76 near I-95.

The City also purchased additional properties totaling \$2,680,677. The majority of the additional properties purchased will be used in the downtown redevelopment area. Properties totaling \$2,230,975 were purchased for the realignment of Evans St, the construction of downtown surface parking, a pocket park, and other redevelopment efforts. The remaining \$449,702 was spent on properties that will be utilized in the City's efforts to improve blighted neighborhoods and provide affordable housing to lower income citizens.

The City has arranged several funding sources to complete approximately \$12.7 million in projects designed to bring Town of Timmonsville water and sewer system that the City of Florence acquired in January 2014 into compliance with Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (SCHEC) regulations. Several State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined State Revolving Fund (SRF) financed funds will total approximately \$12 million with approximately \$3 million of the principal forgiven by SRF. The SRF loans will be financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development. As part of the Timmonsville System conveyance agreement, the City assumed, as a junior lien, a \$6.1 million Rural Development Loan from the Town of Timmonsville. Additionally, upon conveyance, the City paid off an obligation of the Timmonsville System held by BB&T in the amount of \$343,751. Additional information on the Town of Timmonsville water and sewer system acquisition is provided in the Transmittal Letter. During fiscal year 2016-17 the City expended \$1,378,648 for capital projects to bring the Timmonsville system into compliance.

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

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

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

As of June 30, 2017 the City has expended \$9,908,620 in Capital Sales Tax funds.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 16,115,279	\$ 10,768,200	\$ 2,411,680	\$ 1,808,982	\$ 18,526,959	\$ 12,577,182
Buildings and Systems	14,788,950	14,805,622	213,733,621	215,141,559	228,522,571	229,947,181
Infrastructure	11,233,424	11,941,432	-	-	11,233,424	11,941,432
Machinery and Equipment	4,391,469	4,486,043	2,570,382	1,666,557	6,961,851	6,152,600
Construction in Process	28,329,663	14,603,234	8,372,384	7,518,166	36,702,047	22,121,400
Totals	<u>\$ 74,858,785</u>	<u>\$ 56,604,531</u>	<u>\$ 227,088,067</u>	<u>\$ 226,135,264</u>	<u>\$ 301,946,852</u>	<u>\$ 282,739,795</u>

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

Long-term debt. At the end of the current fiscal year, the City of Florence had total bonded debt outstanding of \$191,729,516. This debt is backed by the full faith and credit of the government or specified revenue sources; the remainder of the Long-term Obligations comprises capital leases and notes payable.

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

	Governmental activities		Business-type activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 44,142,000	\$ 22,278,000	\$ 98,033,635	\$ 100,841,803	\$ 142,175,635	\$ 123,119,803
General Obligation Bonds	8,382,433	10,702,785	-	-	8,382,433	10,702,785
Notes Payable	480,000	545,000	33,785,520	35,559,195	34,265,520	36,104,195
Capital Leases	6,905,930	7,705,888	-	-	6,905,930	7,705,888
Totals	<u>\$ 59,910,363</u>	<u>\$ 41,231,673</u>	<u>\$ 131,819,155</u>	<u>\$ 136,400,998</u>	<u>\$ 191,729,518</u>	<u>\$ 177,632,671</u>

The City's total debt increased by \$14,096,847 (7.9 percent) during the current fiscal year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City in the amount of \$13,727,493 exceeds the City of Florence's outstanding general obligation debt (net of amount available in the debt service fund) of \$7,778,525 by \$5,948,968.

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

Economic Factors and Next Year's Budgets and Rates

In addition to the information provided below, a number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2018 fiscal year:

- Amounts available in FY 2017-18 for appropriation in the General Fund are for \$34.44 million, a decrease of 14% from the FY 2016-17 final revised budget of \$39.97 million. The City's budget amendments were reviewed earlier in this report.
- In FY 2017-18 the City's total millage rate increased by 0.7 mills to 60.9 mills. The total millage includes 58.1 operating mills and 2.8 debt service mills.
- The Florence area unemployment rate decreased 16.7% from 5.4 in fiscal year 2016 to 4.5 in fiscal year 2017.

As for the City's business-type activities, we expect that the 2018 results will also improve based on the following:

- Based on recommendations of a comprehensive ten-year rate study completed by an independent rate consultant, City Council approved an ordinance in 2010 incorporating the recommended rates. This ordinance increases the water and sewer rates incrementally each year through fiscal year 2020.
- In January 2014, the City of Florence took ownership of the Town of Timmonsville's water and sewer system. Throughout the year the City continued work to repair and improve the water and sewer infrastructure of the Timmonsville system. One component of these improvements was to replace all water meters on the Timmonsville system, many of which were in disrepair, with new and more accurate meters which will improve billing and collections. In fiscal year 2018, the City will continue to make improvements to the Timmonsville system which should reduce operational and maintenance costs of the system.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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City of Florence, South Carolina
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,460,497	\$ 6,272,089	\$ 21,732,586
Receivables	6,753,138	5,604,009	12,357,147
Internal balances	(300)	300	-
Inventories	178,128	269,280	447,408
Investments	5,693,326	30,468,996	36,162,322
Restricted cash and cash equivalents	2,599,403	9,105,366	11,704,769
Restricted investments	22,476,025	-	22,476,025
Prepaid bond insurance costs	-	74,939	74,939
Capital assets not being depreciated:			
Land	16,115,279	2,411,680	18,526,959
Construction in progress	28,329,663	8,372,384	36,702,047
Capital assets net of accumulated depreciation:			
Buildings and systems	14,788,950	213,733,621	228,522,571
Machinery and equipment	4,391,469	2,570,382	6,961,851
Infrastructure	11,233,424	-	11,233,424
TOTAL ASSETS	128,019,002	278,883,046	406,902,048
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	5,257,322	1,672,651	6,929,973
LIABILITIES			
Accounts payable	2,895,167	773,066	3,668,233
Retainage payable	1,329,723	271,479	1,601,202
Accrued interest payable	206,630	1,759,513	1,966,143
Other liabilities	739,360	98,709	838,069
Unearned revenue	1,809,474	-	1,809,474
Noncurrent liabilities			
Net pension liability	28,798,385	10,620,033	39,418,418
Long-term obligations - Due within one year	4,218,786	5,315,011	9,533,797
Long-term obligations - Due in more than one year	57,825,998	127,237,079	185,063,077
TOTAL LIABILITIES	97,823,523	146,074,890	243,898,413
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	1,037,626	167,903	1,205,529
NET POSITION			
Net investment in capital assets	38,005,596	95,268,914	133,274,510
Restricted			
Debt service	610,147	9,055,832	9,665,979
Community development	2,556,214	-	2,556,214
Public safety	649,693	-	649,693
Capital projects	2,103,508	-	2,103,508
Tourism	158,173	-	158,173
Unrestricted	(9,668,156)	29,988,158	20,320,002
TOTAL NET POSITION	\$ 34,415,175	\$ 134,312,904	\$ 168,728,079

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

City of Florence, South Carolina

Statement of Activities

Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 12,239,632	\$ 13,289,109	\$ 2,920,847	\$ 5,501,991
Public safety	14,958,057	1,371,458	72,534	-
Public works	6,829,919	2,074,202	-	-
Culture and recreation	4,547,612	518,462	868,648	-
Community development	1,550,188	-	1,700,397	-
Interest on long-term debt	1,528,433	-	-	-
Total governmental activities	<u>41,653,841</u>	<u>17,253,231</u>	<u>5,562,426</u>	<u>5,501,991</u>
Business-type activities				
Water and sewer	27,691,355	35,122,557	-	-
Stormwater	1,173,863	1,314,920	-	-
Total business-type activities	<u>28,865,218</u>	<u>36,437,477</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 70,519,059</u>	<u>\$ 53,690,708</u>	<u>\$ 5,562,426</u>	<u>\$ 5,501,991</u>
General Revenues:				
Property taxes				
Hospitality taxes				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position beginning of year				
Net position end of year				

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 9,472,315	\$ -	\$ 9,472,315
(13,514,065)	-	(13,514,065)
(4,755,717)	-	(4,755,717)
(3,160,502)	-	(3,160,502)
150,209	-	150,209
<u>(1,528,433)</u>	<u>-</u>	<u>(1,528,433)</u>
<u>(13,336,193)</u>	<u>-</u>	<u>(13,336,193)</u>
-	7,431,202	7,431,202
-	141,057	141,057
<u>-</u>	<u>7,572,259</u>	<u>7,572,259</u>
<u>(13,336,193)</u>	<u>7,572,259</u>	<u>(5,763,934)</u>
10,657,474	-	10,657,474
4,036,958	-	4,036,958
9,555,205	-	9,555,205
256,538	303,963	560,501
593,622	987,088	1,580,710
<u>3,598,000</u>	<u>(3,598,000)</u>	<u>-</u>
<u>28,697,797</u>	<u>(2,306,949)</u>	<u>26,390,848</u>
15,361,604	5,265,310	20,626,914
<u>19,053,571</u>	<u>129,047,594</u>	<u>148,101,165</u>
<u>\$ 34,415,175</u>	<u>\$ 134,312,904</u>	<u>\$ 168,728,079</u>

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

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,834,507	\$ 1,557,077	\$ 4,068,913	\$ 15,460,497
Receivables				
Property taxes, less allowance for doubtful accounts	153,313	-	30,287	183,600
Due from other governmental agencies	4,750,156	-	1,456,991	6,207,147
Other	6,210	356,181	-	362,391
Due from other funds	321,280	-	-	321,280
Investments	5,546,637	-	146,689	5,693,326
Inventories	155,067	-	23,061	178,128
Restricted cash and cash equivalents	-	156,077	2,443,326	2,599,403
Restricted investments	-	3,348,538	19,127,487	22,476,025
TOTAL ASSETS	<u>\$ 20,767,170</u>	<u>\$ 5,417,873</u>	<u>\$ 27,296,754</u>	<u>\$ 53,481,797</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 910,025	\$ 700,048	\$ 1,285,094	\$ 2,895,167
Retainage payable	-	512,182	817,541	1,329,723
Due to other funds	-	-	321,580	321,580
Other liabilities	739,062	-	298	739,360
Unearned revenue	1,809,474	-	-	1,809,474
TOTAL LIABILITIES	<u>3,458,561</u>	<u>1,212,230</u>	<u>2,424,513</u>	<u>7,095,304</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	68,342	-	-	68,342
Total deferred inflows of resources	<u>68,342</u>	<u>-</u>	<u>-</u>	<u>68,342</u>
Fund balances:				
Nonspendable	155,067	-	23,061	178,128
Restricted	-	4,205,643	24,674,772	28,880,415
Committed	-	-	174,408	174,408
Assigned	3,764,823	-	-	3,764,823
Unassigned	13,320,377	-	-	13,320,377
TOTAL FUND BALANCES	<u>17,240,267</u>	<u>4,205,643</u>	<u>24,872,241</u>	<u>46,318,151</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,767,170</u>	<u>\$ 5,417,873</u>	<u>\$ 27,296,754</u>	<u>\$ 53,481,797</u>

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

City of Florence, South Carolina

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2017

Total fund balances for governmental funds	\$ 46,318,151
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, reported at original cost (\$109,219,933) less accumulated depreciation (\$34,361,148).	74,858,785
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The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(24,578,689)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	68,342
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(62,251,414)</u>
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Net position of governmental activities	<u>\$ 34,415,175</u>
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The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	<u>General</u>	<u>Hospitality Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 10,213,969	\$ -	\$ 464,158	\$ 10,678,127
Licenses, permits and fees	13,202,859	4,036,958	5,692,350	22,932,167
Intergovernmental	6,054,556	-	2,020,937	8,075,493
Charges for services	2,471,693	-	154,721	2,626,414
Fines and forfeitures	465,109	-	-	465,109
Investment earnings	62,571	55,114	138,853	256,538
Miscellaneous	440,085	2,250,000	93,539	2,783,624
TOTAL REVENUES	<u>32,910,842</u>	<u>6,342,072</u>	<u>8,564,558</u>	<u>47,817,472</u>
Expenditures				
Current:				
General government	8,220,228	1,571,272	-	9,791,500
Public safety	13,842,148	-	218,740	14,060,888
Public works	6,067,821	-	-	6,067,821
Culture and recreation	3,292,626	668,407	-	3,961,033
Community development	-	-	1,550,188	1,550,188
Debt service:				
Principal	864,958	2,770,000	13,256,352	16,891,310
Interest	220,475	348,627	1,028,330	1,597,432
Capital outlay	1,376,303	7,224,468	8,335,117	16,935,888
TOTAL EXPENDITURES	<u>33,884,559</u>	<u>12,582,774</u>	<u>24,388,727</u>	<u>70,856,060</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(973,717)</u>	<u>(6,240,702)</u>	<u>(15,824,169)</u>	<u>(23,038,588)</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	35,570,000	35,570,000
Insurance proceeds	118,636	-	-	118,636
Transfers in	3,068,768	-	20,006,368	23,075,136
Transfers out	-	(1,145,000)	(18,332,136)	(19,477,136)
NET OTHER FINANCING SOURCES (USES)	<u>3,187,404</u>	<u>(1,145,000)</u>	<u>37,244,232</u>	<u>39,286,636</u>
NET CHANGES IN FUND BALANCES	<u>2,213,687</u>	<u>(7,385,702)</u>	<u>21,420,063</u>	<u>16,248,048</u>
Fund balances at beginning of year	<u>15,026,580</u>	<u>11,591,345</u>	<u>3,452,178</u>	<u>30,070,103</u>
FUND BALANCES AT END OF YEAR	<u>\$ 17,240,267</u>	<u>\$ 4,205,643</u>	<u>\$ 24,872,241</u>	<u>\$ 46,318,151</u>

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

City of Florence, South Carolina

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

Year Ended June 30, 2017

Net change in fund balances-total governmental funds \$ 16,248,048

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$16,935,888) exceeded depreciation (\$2,074,819) in the current period. 14,861,069

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. 3,393,185

Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the Statement of Activities, amounts are recorded as revenue when earned. (20,653)

Long-term debt issued provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide Statement of Net Position. (18,678,690)

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (630,677)

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. 189,322

Change in net position of governmental activities \$ 15,361,604

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues				
Property taxes	\$ 10,145,400	\$ 10,158,100	\$ 10,213,969	\$ 55,869
Licenses, permits and fees	11,892,000	12,797,000	13,202,859	405,859
Intergovernmental	2,989,600	4,726,650	6,054,556	1,327,906
Charges for services	2,129,000	2,161,000	2,471,693	310,693
Fines and forfeitures	611,000	461,000	465,109	4,109
Investment earnings	34,000	54,000	62,571	8,571
Miscellaneous	300,000	366,500	440,085	73,585
TOTAL REVENUES	<u>28,101,000</u>	<u>30,724,250</u>	<u>32,910,842</u>	<u>2,186,592</u>
Expenditures				
Current:				
General government	6,852,600	10,780,520	8,220,228	2,560,292
Public safety	14,904,140	14,426,090	13,842,148	583,942
Public works	6,108,400	6,173,620	6,067,821	105,799
Culture and recreation	2,696,960	3,300,670	3,292,626	8,044
Debt service:				
Principal	315,000	458,400	864,958	(406,558)
Interest	-	-	220,475	(220,475)
Capital outlay	1,300,600	2,711,350	1,376,303	1,335,047
TOTAL EXPENDITURES	<u>32,177,700</u>	<u>37,850,650</u>	<u>33,884,559</u>	<u>3,966,091</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(4,076,700)</u>	<u>(7,126,400)</u>	<u>(973,717)</u>	<u>6,152,683</u>
Other Financing Sources				
Insurance proceeds	150,000	93,250	118,636	25,386
Transfers in	3,926,700	7,033,150	3,068,768	(3,964,382)
NET OTHER FINANCING SOURCES	<u>4,076,700</u>	<u>7,126,400</u>	<u>3,187,404</u>	<u>(3,938,996)</u>
NET CHANGE IN FUND BALANCES	-	-	2,213,687	2,213,687
Fund balances at beginning of year	15,026,580	15,026,580	15,026,580	-
FUND BALANCES AT END OF YEAR	<u>\$ 15,026,580</u>	<u>\$ 15,026,580</u>	<u>\$ 17,240,267</u>	<u>\$ 2,213,687</u>

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

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Hospitality Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
Revenues				
Licenses, permits and fees	\$ 4,050,000	\$ 4,050,000	\$ 4,036,958	\$ (13,042)
Investment earnings	5,000	5,000	55,114	50,114
Miscellaneous	2,000,000	2,000,000	2,250,000	250,000
TOTAL REVENUES	<u>6,055,000</u>	<u>6,055,000</u>	<u>6,342,072</u>	<u>287,072</u>
Expenditures				
Current:				
General government	1,871,800	2,160,300	1,571,272	589,028
Culture and recreation	30,000	30,000	668,407	(638,407)
Debt service:				
Principal	3,118,200	3,118,200	2,770,000	348,200
Interest	-	-	348,627	(348,627)
Capital Outlay	1,035,000	1,035,000	7,224,468	(6,189,468)
TOTAL EXPENDITURES	<u>6,055,000</u>	<u>6,343,500</u>	<u>12,582,774</u>	<u>(6,239,274)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(288,500)</u>	<u>(6,240,702)</u>	<u>(5,952,202)</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	288,500	(1,145,000)	(1,433,500)
NET OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>288,500</u>	<u>(1,145,000)</u>	<u>(1,433,500)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(7,385,702)</u>	<u>(7,385,702)</u>
Fund balance at beginning of year	<u>11,591,345</u>	<u>11,591,345</u>	<u>11,591,345</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 11,591,345</u>	<u>\$ 11,591,345</u>	<u>\$ 4,205,643</u>	<u>\$ (7,385,702)</u>

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

City of Florence, South Carolina
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,940,872	\$ 1,331,217	\$ 6,272,089
Accounts receivable, net	5,495,091	108,704	5,603,795
Due from other funds	300	-	300
Other receivables	214	-	214
Investments	29,813,280	655,716	30,468,996
Inventories	269,280	-	269,280
Restricted cash and cash equivalents	9,076,353	29,013	9,105,366
Total current assets	49,595,390	2,124,650	51,720,040
Noncurrent assets:			
Prepaid bond insurance costs	74,939	-	74,939
Capital assets			
Land	2,006,172	405,508	2,411,680
Buildings and system	287,428,816	7,187,489	294,616,305
Construction in progress	7,915,626	456,758	8,372,384
Machinery and equipment	7,178,167	1,591,280	8,769,447
Less accumulated depreciation	(80,276,704)	(6,805,045)	(87,081,749)
Total capital assets (net of accumulated depreciation)	224,252,077	2,835,990	227,088,067
Total noncurrent assets	224,327,016	2,835,990	227,163,006
TOTAL ASSETS	273,922,406	4,960,640	278,883,046
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	1,561,141	111,510	1,672,651
LIABILITIES			
Current liabilities:			
Accounts payable	754,186	18,880	773,066
Retainage payable	271,479	-	271,479
Accrued interest	1,756,598	2,915	1,759,513
Other liabilities	94,120	4,589	98,709
Compensated absences - current	142,000	2,600	144,600
Notes payable - current	2,081,287	-	2,081,287
Revenue bonds payable - current	2,779,124	310,000	3,089,124
Total current liabilities	7,878,794	338,984	8,217,778
Noncurrent liabilities:			
Accrued compensated absences	546,716	41,621	588,337
Notes payable	31,704,231	-	31,704,231
Revenue bonds payable	93,934,511	1,010,000	94,944,511
Net pension liability	9,912,030	708,003	10,620,033
Total noncurrent liabilities	136,097,488	1,759,624	137,857,112
TOTAL LIABILITIES	143,976,282	2,098,608	146,074,890
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	156,709	11,194	167,903
NET POSITION			
Net investment in capital assets	93,752,924	1,515,990	95,268,914
Restricted for debt service	9,055,832	-	9,055,832
Unrestricted	28,541,800	1,446,358	29,988,158
TOTAL NET POSITION	\$ 131,350,556	\$ 2,962,348	\$ 134,312,904

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

City of Florence, South Carolina

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Operating Revenues			
Current use charges	\$ 34,288,130	\$ -	\$ 34,288,130
Miscellaneous	978,802	8,286	987,088
Water and sewer tap fees	834,427	-	834,427
Stormwater service fees	-	1,314,920	1,314,920
Total operating revenues	<u>36,101,359</u>	<u>1,323,206</u>	<u>37,424,565</u>
Operating Expenses			
Personnel	4,533,727	302,951	4,836,678
Employee benefits	2,345,244	123,348	2,468,592
Purchased services	5,618,392	150,345	5,768,737
Supplies and materials	1,290,164	5,976	1,296,140
Other operating expenses	1,600,378	39,548	1,639,926
Depreciation and amortization	7,917,127	594,816	8,511,943
Total operating expenses	<u>23,305,032</u>	<u>1,216,984</u>	<u>24,522,016</u>
Operating Income	<u>12,796,327</u>	<u>106,222</u>	<u>12,902,549</u>
Nonoperating Revenues (Expenses)			
Investment earnings	294,787	9,176	303,963
Economic development	(972,913)	-	(972,913)
Miscellaneous revenues	1,751,011	85,267	1,836,278
Loss on disposal of assets	(61,990)	-	(61,990)
Interest expense	(5,102,431)	(42,146)	(5,144,577)
Total nonoperating revenues (expenses)	<u>(4,091,536)</u>	<u>52,297</u>	<u>(4,039,239)</u>
Income Before Transfers	<u>8,704,791</u>	<u>158,519</u>	<u>8,863,310</u>
Transfers			
Transfers out	<u>(3,483,000)</u>	<u>(115,000)</u>	<u>(3,598,000)</u>
Total transfers	<u>(3,483,000)</u>	<u>(115,000)</u>	<u>(3,598,000)</u>
Changes in Net Position	<u>5,221,791</u>	<u>43,519</u>	<u>5,265,310</u>
Net position at beginning of year	<u>126,128,765</u>	<u>2,918,829</u>	<u>129,047,594</u>
NET POSITION AT END OF YEAR	<u>\$ 131,350,556</u>	<u>\$ 2,962,348</u>	<u>\$ 134,312,904</u>

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

City of Florence, South Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 34,495,356	\$ 1,481,185	\$ 35,976,541
Payments to employees for services	(4,618,766)	(336,412)	(4,955,178)
Payments to suppliers for goods and services	(11,344,051)	(558,255)	(11,902,306)
Other receipts	<u>2,729,813</u>	<u>93,553</u>	<u>2,823,366</u>
Net cash provided by operating activities	<u>21,262,352</u>	<u>680,071</u>	<u>21,942,423</u>
Cash flows from noncapital financing activities			
Transfers out	<u>(3,483,000)</u>	<u>(115,000)</u>	<u>(3,598,000)</u>
Net cash used in noncapital financing activities	<u>(3,483,000)</u>	<u>(115,000)</u>	<u>(3,598,000)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(8,307,090)	(346,354)	(8,653,444)
Principal payments on revenue bonds and notes	(18,049,523)	(295,000)	(18,344,523)
Proceeds from issuance of bonds and notes	13,762,678	-	13,762,678
Interest on bonds and notes	<u>(5,177,017)</u>	<u>(42,797)</u>	<u>(5,219,814)</u>
Net cash used in capital and related financing activities	<u>(17,770,952)</u>	<u>(684,151)</u>	<u>(18,455,103)</u>
Cash flows from investing activities			
Investment purchases	(1,210,796)	(6,081)	(1,216,877)
Investment income	<u>294,787</u>	<u>9,176</u>	<u>303,963</u>
Net cash provided by (used in) investing activities	<u>(916,009)</u>	<u>3,095</u>	<u>(912,914)</u>
Net decrease in cash and cash equivalents	<u>(907,609)</u>	<u>(115,985)</u>	<u>(1,023,594)</u>
Cash and cash equivalents at beginning of year	<u>14,924,834</u>	<u>1,476,215</u>	<u>16,401,049</u>
Cash and cash equivalents at end of year	<u>\$ 14,017,225</u>	<u>\$ 1,360,230</u>	<u>\$ 15,377,455</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 4,940,872	\$ 1,331,217	\$ 6,272,089
Restricted cash and cash equivalents	<u>9,076,353</u>	<u>29,013</u>	<u>9,105,366</u>
Total cash and cash equivalents	<u>\$ 14,017,225</u>	<u>\$ 1,360,230</u>	<u>\$ 15,377,455</u>

<u>Business-type Activities - Enterprise Funds</u>			
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Reconciliation of operating income to cash flow provided by operating activities:			
Operating income	\$ 12,796,327	\$ 106,222	\$ 12,902,549
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,907,561	594,816	8,502,377
Amortization	9,566	-	9,566
Non-cash pension expense	274,400	19,600	294,000
Decrease in:			
Receivables	263,184	166,265	429,449
Inventories	46,474	-	46,474
Increase (decrease) in:			
Accounts payable	(93,530)	(172,971)	(266,501)
Retainage payable	156,409	-	156,409
Accrued expenses	(132,634)	(10,458)	(143,092)
Compensated absences	34,595	(23,403)	11,192
Net cash provided by operating activities	<u>\$ 21,262,352</u>	<u>\$ 680,071</u>	<u>\$ 21,942,423</u>

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

City of Florence, South Carolina
Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

Assets

Cash and cash equivalents	\$ 267,479
Investments	<u>61,278</u>

TOTAL ASSETS	\$ <u>328,757</u>
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Liabilities

Due to others	<u>\$ 328,757</u>
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TOTAL LIABILITIES	\$ <u>328,757</u>
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The notes to the financial statements are an integral part of these financial statements.

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City of Florence, South Carolina

Notes To Financial Statements

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The City is a participant with Florence County in a joint venture to operate the Florence City-County Civic Center. Both the City and County contributed \$617,388 as its share of the debt-service of the Civic Center for the fiscal year ended June 30, 2017. Any additional funding shortfall is to be paid equally by the City and County. The Civic Center Commission is comprised of nine members, four appointed by the City, four appointed by the County, and one by the members of the Commission. Neither of the participating governments have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements. Complete financial statements for the Florence City-County Civic Center can be obtained from the Director at 3300 West Radio Drive, Florence, South Carolina 29501.

B. Government-wide and Fund Financial Statements

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Types

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Hospitality, Rollcart and Equipment Replacement, Housing Partnership, HOME Program, Community Development Block Grant, E-911, Victims Services, Drug Control, Federal Equitable Sharing, NSP Grant, Neighborhood Improvement Program, Accommodation Tax, Public Safety Grants, NSP-3, Neighborhood Redevelopment, JAG Grant 2016, 2016 TIF Construction Projects, TIF Revenue and Debt Service, 2014 TIF Construction Projects, Florence County Penny Tax II and Sunday Local Option Revenue Fund.

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

1. Cash and Investments

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

Governmental Funds

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

Governmental Funds (Continued)

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

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

Proprietary Fund Types

Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on management estimates, net of accumulated depreciation. Donated capital assets are recorded at their acquisition 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

6. Unearned Revenues

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

7. Property Taxes

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

Assessed values are established by the Florence County Assessor and the South Carolina Department of Revenue and were approximately \$171.5 million for the 2016 tax year. The City's property tax rate for fiscal year 2017 was 60.2 mils (operating 57.4, debt service 2.8). Property taxes are billed and collected by Florence County under a joint billing and collection agreement.

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Property Taxes (Continued)

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

8. Compensated Absences

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

9. Long-Term Obligations

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

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

10. Deferred Outflows/Inflows of Resources

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

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Deferred Outflows/Inflows of Resources (Continued)

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

11. Net Position/Fund Balance

Government-wide Statements

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

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

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

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

Fund Statements

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

The classifications are as follows:

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balance (Continued)

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

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

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

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

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

12. Estimates

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

13. Pensions

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

13. Pensions (Continued)

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

14. Other Post-Employment Benefits

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

15. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

15. Fair Value (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

16. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2017, the City did not have any such agreements, either entered into by the City or other governments that exceeded the quantitative threshold for disclosure.

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

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

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

Accrued interest payable	\$ (206,630)
Capital leases payable	(6,905,930)
Notes payable	(480,000)
General obligation bonds payable	(8,382,433)
Revenue bonds payable	(44,142,000)
Compensated absences	<u>(2,134,421)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (62,251,414)</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

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

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

One element of that reconciliation states that "Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the statement of activities, amounts are recorded as revenue when earned." The details of this \$(20,653) difference are as follows:

Deferred revenue – current year	\$ 68,342
Deferred revenue – prior year	<u>(88,995)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (20,653)</u>

Another element of that reconciliation states that "Long-term debt issued provides current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net position." The details of this \$(18,678,690) difference are as follows:

Issuance of debt	\$ (35,570,000)
Payment of long-term debt principal	<u>16,891,310</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (18,678,690)</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 \$189,322 difference are as follows:

Compensated absences – current year	\$ (2,134,421)
Compensated absences – prior year	2,392,742
Accrued interest – current year accrual	(206,630)
Accrued interest – prior year accrual	<u>137,631</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 189,322</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

For the fiscal year ended June 30, 2017, the City had no expenditures that exceeded appropriations at the legal level of budgetary control and no fund deficits in its individual funds.

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

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

At June 30, 2017, the City's bank balance was \$22,450,196, all of which was collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.

Restricted cash of \$2,599,403 at June 30, 2017, in the Governmental Funds is comprised of grant funds. Restricted cash of \$9,105,366 in the Enterprise Fund includes \$20,522 of unspent proceeds of revenue bonds to be used for the purchase and construction of capital assets.

In February, 2017, the City awarded its cash management contract to First Citizens Bank for the next five years.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

A. Deposits and Investments (Continued)

Investments

As of June 30, 2017, the city had the following investments.

	Fair Value	Investment Maturities (in years)		Credit Ratings
		Less than 1	1 - 5	
South Carolina Local Government Investment Pool	<u>\$ 58,638,347</u>	<u>\$ 58,638,347</u>	<u>\$ -</u>	N/A

Interest Rate Risk

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

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As a result, as of June 30, 2017, none of the City's investments are exposed to custodial credit risk.

Concentrations of Credit Risk

The City places no limit on the amount that the City may be invested in any one issuer or type of investment. Credit quality distribution for securities with credit exposure as a percentage of total investments are as follows. As of June 30, 2017, all of the City's investments were with the South Carolina Local Government Investment Pool which is exempt from risk categorization because third-party custodians take delivery of the investment securities. South Carolina Local Government Investment Pool is exempt from registration with the SEC under the Investment Company Act of 1940 because of the provisions of Section 2B and is not subject to any regulatory oversight. The City owns no identifiable securities, but is a shareholder of a percentage of the South Carolina Local Government Investment Pool. Fair value was provided by the South Carolina Local Government Investment Pool and is the same as the value of the pool shares.

Credit Risk

The City is authorized to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, certificates of deposit, and the state treasurer's investment pool. As of June 2017, none of the City's investments are exposed to credit risk.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

B. Receivables

Receivables as of June 30, 2017, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Hospitality	Non-Major	Water and Sewer	Stormwater Utility
Accounts	\$ -	\$ -	\$ -	\$ 5,548,088	\$ 109,802
Taxes	192,959	-	30,287	-	-
Intergovernmental	4,750,156	-	1,456,991	-	-
Other	6,210	356,181	-	214	-
Gross receivables	4,949,325	356,181	1,487,278	5,548,302	109,802
Less allowance for uncollectibles	(39,646)	-	-	(52,997)	(1,098)
	<u>\$ 4,909,679</u>	<u>\$ 356,181</u>	<u>\$ 1,487,278</u>	<u>\$ 5,495,305</u>	<u>\$ 108,704</u>

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2017, the various components of deferred inflows and unearned revenue in the governmental funds and activities were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 68,342	\$ -
Grant drawdowns prior to meeting eligibility requirements - recreation	-	22,843
Local option sales tax receivable	-	1,786,631
	<u>\$ 68,342</u>	<u>\$ 1,809,474</u>

C. Capital Assets

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

	Balances June 30, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Capital assets not being depreciated:					
Land	\$ 10,768,200	\$ 7,287,754	\$ 1,388,761	\$ (551,914)	\$ 16,115,279
Construction in progress	14,603,234	14,595,240	12,788	(856,023)	28,329,663
Total capital assets not being depreciated	25,371,434	21,882,994	1,401,549	(1,407,937)	44,444,942
Capital assets being depreciated:					
Buildings	19,418,301	-	29,368	459,677	19,848,610
Infrastructure	26,840,209	-	-	244,858	27,085,067
Machinery and equipment	17,221,192	554,885	73,525	138,762	17,841,314
Total capital assets being depreciated	63,479,702	554,885	102,893	843,297	64,774,991

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

C. Capital Assets (Continued)

	Balances June 30, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Less accumulated depreciation for:					
Buildings	4,612,679	472,494	25,513	-	5,059,660
Infrastructure	14,898,777	952,866	-	-	15,851,643
Machinery and equipment	12,735,149	649,459	73,525	(138,762)	13,449,845
Total accumulated depreciation	32,246,605	2,074,819	99,038	(138,762)	34,361,148
Total capital assets being depreciated, net	31,233,097	(1,519,934)	3,855	704,535	30,413,843
Governmental activities capital assets, net	\$ 56,604,531	\$ 20,363,060	\$ 1,405,404	\$ (703,402)	\$ 74,858,785

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

	Balances June 30, 2016	Increases	Decreases	Transfers	Balances June 30, 2017
Capital assets not being depreciated:					
Land	\$ 1,808,982	\$ 50,784	\$ -	\$ 551,914	\$ 2,411,680
Construction in progress	7,518,166	6,340,923	-	(5,486,705)	8,372,384
Total capital assets not being depreciated	9,327,148	6,391,707	-	(4,934,791)	10,784,064
Capital assets being depreciated:					
Buildings and system	288,232,065	746,047	-	5,638,193	294,616,305
Machinery and equipment	7,578,004	1,614,024	283,999	(138,582)	8,769,447
Total capital assets being depreciated	295,810,069	2,360,071	283,999	5,499,611	303,385,752
Less accumulated depreciation for:					
Buildings and system	73,090,506	7,792,178	-	-	80,882,684
Machinery and equipment	5,911,447	710,199	283,999	138,582	6,199,065
Total accumulated depreciation	79,001,953	8,502,377	283,999	138,582	87,081,749
Total capital assets being depreciated, net	216,808,116	(6,142,306)	-	5,638,193	216,304,003
Business-type activities capital assets, net	\$ 226,135,264	\$ 249,401	\$ -	\$ 703,402	\$ 227,088,067

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 254,387
Public safety	540,863
Public works	704,484
Culture and recreation	<u>575,085</u>
Total depreciation - governmental activities	<u>\$ 2,074,819</u>
Business-Type Activities	
Water and sewer	\$ 7,907,561
Stormwater	<u>594,816</u>
Total depreciation - business-type activities	<u>\$ 8,502,377</u>

D. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2017 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 321,280	\$ -
Nonmajor governmental	-	321,580
Water and sewer	<u>300</u>	<u>-</u>
Total	<u>\$ 321,580</u>	<u>\$ 321,580</u>

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

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

Interfund transfers for the year ended June 30, 2017, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 3,068,768	\$ -
Hospitality fund	-	1,145,000
Nonmajor governmental funds	<u>20,006,368</u>	<u>18,332,136</u>
Total governmental funds	<u>23,075,136</u>	<u>19,477,136</u>
Water and sewer enterprise fund	-	3,483,000
Nonmajor enterprise funds	<u>-</u>	<u>115,000</u>
Total enterprise funds	<u>-</u>	<u>3,598,000</u>
Total transfers out	<u>\$ 23,075,136</u>	<u>\$ 23,075,136</u>

The transfers consist primarily of \$3,483,000 to General Fund from Water and Sewer Enterprise Fund and \$1,145,000 to General Fund from Hospitality Fund based on budgetary authorization.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

E. Capital Leases

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

Machinery & equipment	\$ 4,151,582
Buildings	5,300,000
Less: accumulated depreciation	<u>(1,399,253)</u>
Total	<u>\$ 8,052,329</u>

The future minimum lease obligations and the net present value of these lease payments at June 30, 2017, were as follows:

Year Ending June 30,

2018	\$ 995,250
2019	995,250
2020	876,142
2021	614,318
2022	593,543
2023-2027	1,950,000
2028-2032	1,950,000
2033	<u>390,000</u>
	8,364,503
Less amount representing interest	<u>1,458,573</u>
	<u>\$ 6,905,930</u>

F. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities					
General obligations bonds	\$ 10,702,785	\$ -	\$ 2,320,352	\$ 8,382,433	\$ 2,335,491
Tax Increment Revenue Bonds	12,936,000	35,570,000	12,936,000	35,570,000	-
Hospitality Revenue Bonds	9,342,000	-	770,000	8,572,000	809,000
Capital leases	7,705,888	-	799,958	6,905,930	813,795
Notes payable	545,000	-	65,000	480,000	65,000
Compensated absences	<u>2,392,742</u>	<u>2,820,218</u>	<u>3,078,539</u>	<u>2,134,421</u>	<u>195,500</u>
	<u>\$ 43,624,415</u>	<u>\$ 38,390,218</u>	<u>\$ 19,969,849</u>	<u>\$ 62,044,784</u>	<u>\$ 4,218,786</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

F. Long-Term Debt (Continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>Business-Type Activities</u>					
Revenue Bonds					
Water and sewer	\$ 98,723,308	\$ 14,405,000	\$ 18,049,521	\$ 95,078,787	\$ 2,568,677
Stormwater	1,615,000	-	295,000	1,320,000	310,000
Bond premium	<u>503,495</u>	<u>1,288,128</u>	<u>156,775</u>	<u>1,634,848</u>	<u>210,447</u>
Total bonds payable	100,841,803	15,693,128	18,501,296	98,033,635	3,089,124
Notes payable					
Water and sewer	35,559,195	265,855	2,039,530	33,785,520	2,081,287
Compensated absences					
Water and sewer	654,121	782,862	748,267	688,716	142,000
Stormwater	<u>67,624</u>	<u>53,949</u>	<u>77,352</u>	<u>44,221</u>	<u>2,600</u>
	<u>\$ 137,122,743</u>	<u>\$ 16,795,794</u>	<u>\$ 21,366,445</u>	<u>\$ 132,552,092</u>	<u>\$ 5,315,011</u>

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

General obligation bonds payable from governmental activities at June 30, 2017 are as follows:

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

\$ 3,632,433

In March 2016, the City issued a \$6,750,000 General Obligation Bond. The bond is to defray the cost of acquisition, construction and equipping of a municipal soccer complex and improvements to its regional recreation facility. The bond has a 1.16% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures March 1, 2020.

4,750,000
\$ 8,382,433

Revenue bonds payable from governmental activities at June 30, 2017 are as follows:

In November, 2016, the City issued a \$9,055,000 Revenue Bond. The bond is for capital improvements in the downtown area and related issuance costs. The bond has a 3.83% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures June 30, 2035.

\$ 9,055,000

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

F. Long-Term Debt (Continued)

In November, 2016, the City issued a \$26,515,000 Revenue Bond. The bond is for capital improvements in the downtown area and related issuance costs. The bond has a 3.83% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures June 30, 2047. 26,515,000

In June 2014, the City issued a \$4,648,000 Refunding Revenue Bond. The bond is for capital improvements at the City's recreation facilities. The bond has a 2.60% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures April 1, 2024. 3,354,000

In June 2014, the City issued a \$1,545,000 Refunding Revenue Bond. The bond is for capital improvements and related issuance costs. The bond has a 2.05% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures June 1, 2021. 922,000

In May 2014, the City issued a \$4,605,000 Revenue Bond. The bond is for recreational facility construction. The bond has a 3.42% interest rate through June 1, 2024 and thereafter a rate to be negotiated between the City and issuer and requires semi-annual interest payments and annual principal payments. The bond matures June 1, 2034. 4,296,000

Total revenue bonds \$ 44,142,000

Notes payable from governmental activities at June 30, 2017 are as follows:

In June, 2008, the City borrowed \$1,000,000 on a note guaranteed under Section 108 of the U.S. Department of Housing and Urban Development bearing interest from 2.62% to 5.19%. Interest is paid semi-annually and annual principal payments of \$65,000 in 2009 to 2022 with a final principal payment of \$90,000 in 2023. The proceeds may be spent for the purpose of acquisition and rehabilitation of real property. \$ 480,000

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

Year Ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 2,335,491	\$ 164,584	\$ 65,000	\$ 22,162
2019	2,351,164	130,535	65,000	19,179
2020	1,117,390	95,982	65,000	16,095
2021	384,187	75,407	65,000	12,900
2022	401,573	62,992	65,000	15,986
2023-2026	1,792,628	116,340	155,000	2,336
	<u>\$ 8,382,433</u>	<u>\$ 645,840</u>	<u>\$ 480,000</u>	<u>\$ 88,658</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

F. Long-Term Debt (Continued)

Year Ending June 30,	Total Revenue Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2018	\$ 809,000	\$ 1,625,606	\$ 3,209,491	\$ 1,812,352
2019	847,000	1,476,994	3,263,164	1,626,708
2020	886,000	1,455,824	2,068,390	1,567,901
2021	1,077,000	1,432,533	1,526,187	1,520,840
2022	996,000	1,405,905	1,462,573	1,484,883
2023-2027	4,879,000	6,702,374	6,826,628	6,821,050
2028-2032	4,370,000	6,154,443	4,370,000	6,154,443
2033-2037	6,503,000	5,256,715	6,503,000	5,256,715
2038-2042	9,410,000	3,955,300	9,410,000	3,955,300
2043-2047	14,365,000	1,524,725	14,365,000	1,524,725
	<u>\$ 44,142,000</u>	<u>\$ 30,990,419</u>	<u>\$ 53,004,433</u>	<u>\$ 31,724,917</u>

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

	Date of Issuance	Original Issue	Interest Rate	Final Maturity	Balance June 30, 2017
<i>Secured by Water and Sewer Fund Revenues</i>					
Revenue Bonds	Series 2010A	\$ 31,005,000	2.00 to 4.00	9/1/2018	\$ 4,390,000
	Series 2010B	67,995,000	5.625 to 6.280	9/1/2039	67,995,000
	Series 2011	4,926,000	1.558	9/1/2017	159,000
	Series 2014	6,004,585	1.875	3/28/2053	5,699,356
	Series 2015	2,702,348	2.35	6/1/2032	2,430,431
	Series 2016	14,405,000	1.75	9/1/2024	<u>14,405,000</u>
Total Revenue Bonds Secured by Water and Sewer Fund Revenues					95,078,787
<i>Secured by Stormwater Utility Fund Revenues</i>					
Revenue Bonds	Series 2006	4,000,000	2.65	6/2/2021	<u>1,320,000</u>
Total Revenue Bonds					<u>\$ 96,398,787</u>
<i>Secured by Water and Sewer Fund Revenues</i>					
Notes Payable	May 1999	\$ 2,767,997	2.25	3/1/2020	\$ 487,246
	May 2000	6,210,343	2.25	7/1/2029	3,546,554
	January 2003	2,517,834	2.25	2/1/2030	1,537,341
	June 2009	19,015,957	2.81	4/1/2031	13,999,705
	May 2013	10,626,372	1.90	4/1/2034	9,217,989
	September 2013	3,890,000	1.90	9/1/2034	3,374,583
	September 2014*	1,750,566	1.00	4/1/2045	<u>1,622,102</u>
Total Notes Payable					<u>\$ 33,785,520</u>

* The City began drawing down on a note from the South Carolina Water Quality Revolving Fund Authority in September 2014. The total loan amount available to the City for the upgrade of the City's wastewater treatment plan is \$1,750,566. As of June 30, 2017, the City had drawn \$1,750,566 of this amount which is included in construction in progress and in notes payable.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

F. Long-Term Debt (Continued)

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

Year Ending June 30,	Combined Revenue Bonds		Total Notes Payable		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,878,677	\$ 5,412,265	\$ 2,081,987	\$ 680,367	\$ 4,960,664	\$ 6,092,632
2019	2,799,943	5,334,476	2,125,458	636,893	4,925,401	5,971,369
2020	2,850,324	4,708,764	2,124,175	592,376	4,974,499	5,301,140
2021	2,900,822	4,648,888	2,029,756	549,381	4,930,578	5,198,269
2022	2,611,440	4,587,645	2,072,222	506,916	4,683,662	5,094,561
2023-2027	7,235,859	21,093,696	11,034,949	1,860,446	18,270,808	22,954,142
2028-2032	23,050,899	16,489,128	9,863,207	675,468	32,914,106	17,164,596
2033-2037	26,284,834	9,693,602	2,180,851	66,925	28,465,685	9,760,527
2038-2042	23,486,843	1,981,712	167,750	10,670	23,654,593	1,992,382
2043-2047	890,862	182,758	105,165	1,889	996,027	184,647
2048-2052	977,572	96,048	-	-	977,572	96,048
2053	430,712	8,076	-	-	430,712	8,076
	<u>\$ 96,398,787</u>	<u>\$ 74,237,058</u>	<u>\$ 33,785,520</u>	<u>\$ 5,581,331</u>	<u>\$ 130,184,307</u>	<u>\$ 79,818,389</u>

G. Fund Balances – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable	\$ 155,067	\$ -	\$ 23,061	\$ 178,128
Restricted for:				
Community Development:				
Housing Partnership	-	-	22,325	22,325
HOME Program	-	-	366,373	366,373
NSP Grant	-	-	89,775	89,775
Block Grant	-	-	9,207	9,207
NSP-3 Grant	-	-	230,440	230,440
Neighborhood Redevelopment	-	-	1,837,094	1,837,094
Neighborhood Imp. Program	-	-	1,000	1,000
Public Safety:				
E-911	-	-	307,061	307,061
Victims Services	-	-	115,307	115,307
Drug Control	-	-	195,698	195,698
Federal Equitable Sharing	-	-	626	626
Public Safety Grants	-	-	31,001	31,001
Capital Projects:				
TIF Revenue & Debt Services	-	-	1,989,533	1,989,533
TIF Construction Projects	-	-	18,597,037	18,597,037
Florence County Penny Tax II	-	-	113,975	113,975
Tourism:				
Accommodation Tax	-	-	58,913	58,913
Sunday Local Option Revenue Fund	-	-	99,260	99,260
Hospitality Fund	-	4,205,643	-	4,205,643
Debt Service	-	-	610,147	610,147
	<u>-</u>	<u>4,205,643</u>	<u>24,674,772</u>	<u>28,880,415</u>
Committed to:				
Rollcart and Equipment Replacement	-	-	174,408	174,408
	<u>-</u>	<u>-</u>	<u>174,408</u>	<u>174,408</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

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

G. Fund Balances – Governmental Funds (Continued)

	General Fund	Hospitality Fund	Other Governmental Funds	Total Governmental Funds
Assigned to:				
Subsequent Year's Expenditures	2,367,600	-	-	2,367,600
Downtown Redevelopment:				
Incubator Operating Fund	31,991	-	-	31,991
Downtown Revitalization	151,605	-	-	151,605
Capital Projects:				
City Center Reserve Fund	306,942	-	-	306,942
Hurricane Matthew	869,172	-	-	869,172
Parks and Athletic Programs:				
Recreation Registration	1,586	-	-	1,586
Recreation Projects	17,088	-	-	17,088
Park Commission	4,735	-	-	4,735
Recreation Programs	10,545	-	-	10,545
Public Safety:				
Drug Free Florence	58	-	-	58
Employee Assistance	3,501	-	-	3,501
	<u>3,764,823</u>	<u>-</u>	<u>-</u>	<u>3,764,823</u>
Unassigned	13,320,377	-	-	13,320,377
Total Fund Balances	<u>\$ 17,240,267</u>	<u>\$ 4,205,643</u>	<u>\$ 24,872,241</u>	<u>\$ 46,318,151</u>

NOTE V - OTHER INFORMATION

A. Employee Benefits

1. State Retirement Plans

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

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

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

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

Effective July 1, 2016, employees participating in the SCRS were required to contribute 8.66% of all earnable compensation. The employer contribution rate for SCRS was 11.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 11.41%, and .15% for the incidental death program. The City's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2017, 2016, and 2015 were:

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
June 30, 2017	11.410%	\$ 1,311,701	0.150%	\$ 17,244
June 30, 2016	10.910%	\$ 1,158,410	0.150%	\$ 15,927
June 30, 2015	10.750%	\$ 1,097,257	0.150%	\$ 15,311

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

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

Effective July 1, 2016, employees participating in the PORS were required to contribute 9.24% of all earnable compensation. The employer contribution rate for PORS was 14.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.84%, .20% for the incidental death program, and .20% for the accidental death program. The City's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2017, 2016, and 2015 were:

Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
June 30, 2017	13.840%	\$ 1,151,320	0.20%	\$ 16,638	0.20%	\$ 16,638
June 30, 2016	13.340%	\$ 1,059,068	0.20%	\$ 15,878	0.20%	\$ 15,878
June 30, 2015	13.010%	\$ 1,056,675	0.20%	\$ 16,244	0.20%	\$ 16,244

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

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

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

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

At June 30, 2017, the City reported a liability of \$23,600,074 for SCRS and \$15,818,344 for PORS for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating Organizations, actuarially determined. At June 30, 2016 and 2015, the City's proportion was:

	<u>2016</u>	<u>2015</u>
SCRS	0.110488%	0.109353%
PORS	0.62364%	0.65549%

For the year ended June 30, 2017, the City recognized pension expense of \$1,982,278 for SCRS and \$1,456,299 for PORS. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,388,058	\$ -
Net difference between projected and actual earnings on pension plan investments	-	373,119
City contributions subsequent to the measurement date	1,328,945	-
Total	<u>\$ 3,717,003</u>	<u>\$ 373,119</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,028,375	\$ -
Net difference between projected and actual earnings on pension plan investments	-	832,410
City contributions subsequent to the measurement date	1,184,595	-
Total	<u>\$ 3,212,970</u>	<u>\$ 832,410</u>

\$1,328,945 for SCRS and \$1,184,595 for PORS reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS
2018	\$ 500,207	\$ 269,277
2019	383,329	262,262
2020	723,323	423,130
2021	<u>408,080</u>	<u>241,296</u>
Total	<u>\$ 2,014,939</u>	<u>\$ 1,195,965</u>

Contributions

The total pension liability in the July 01, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Inflation	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows:

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Contributions (Continued)

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

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through July 1, 2015, and the next experience study is currently underway.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Long-term expected rate of return (Continued)

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Discount rate

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

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

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

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
SCRS	\$ 29,440,446	\$ 23,600,074	\$ 18,738,184
PORS	\$ 20,731,461	\$ 15,818,344	\$ 11,403,228

Pension plan fiduciary net position

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

2. Deferred Compensation Plan

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

B. Postemployment Benefits Other Than Pensions

Plan Description

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

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

As of July 1, 2015, the most recent measurement date for the plan, there were 595 covered participants; 103 were retirees and their beneficiaries receiving benefits, and 492 were active participants.

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

Funding Policy

The City contributes a fixed-dollar amount indexed each year by the Consumer Price Index (CPI). The current average monthly premium for coverage until age 65 is approximately \$460.60 for retirees and \$972.34 for retiree and spouse. The cost of coverage for pre-65 retirees is also implicitly subsidized by the City. Spouses are implicitly subsidized until age 65. All coverage ends at the death of the retiree. The current average monthly premium is approximately \$460.60 for retirees after age 65.

For Retirees Before July 14, 2008

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

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

After age 65, retirees pay the total premium cost in excess of a percentage of \$457.78 for their own coverage. The percentage is based on the service criteria listed in the table below. Retirees are expected to pay for all future increase in the cost of this coverage. Spouses pay the full premium rate after age 65.

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

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

For Retirees After July 14, 2008

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

After age 65, retirees who have 25 or more years of service with the City pay the total premium cost in excess of \$457.78 for their own coverage. Retirees who have a minimum of 20 years of service but less than 25 years of service with the City pay the total premium in excess of \$228.89 (half of \$457.78) for their own coverage. Retirees are expected to pay for all future increases in the cost of this coverage. Spouses pay the full premium rate after age 65.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The Arc represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2016, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 1,057,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,057,000
Contribution made	<u>(1,057,000)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ -</u>

Contributions included \$481,004 paid by the City to the Plan to pre-fund benefits and \$575,996 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the Net OPEB (obligation) asset for 2017 and the preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2017	\$ 1,057,000	100%	\$ -
June 30, 2016	\$ 791,100	100%	\$ -
June 30, 2015	\$ 762,990	100%	\$ -

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

B. Postemployment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

At July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits (AAL) was \$11,433,799, with \$2,796,295 in plan assets at actuarial values, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,637,504. The funded ratio (Actuarial value of plan assets/AAL) was 24.46%. The covered payroll (annual payroll of active employees covered by the plan) was \$18,330,494, and the ratio of UAAL to the covered payroll was 47.12%.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Significant methods and assumptions used in the actuarial valuation at July 1, 2015, follow:

Valuation date:	July 1, 2015
Actuarial cost method:	Projected unit credit
Amortization method:	Level percent of pay, closed
Remaining amortization period:	23 years
Asset valuation method:	5-year Smoothed Market Value; 80%-120% corridor
Actuarial assumptions:	
Investment rate of return*	5.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.50%-5.00%
Post-Medicare trend rate	5.50%-5.00%
Ultimate trend rate:	5.00%
Year of Ultimate trend rate:	2020
* Includes inflation at:	2.75%

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

C. Risk Management

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

D. Commitments

The City has committed itself on a number of construction and architectural contracts for Hospitality, Special Revenue, Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2017, the outstanding commitments total approximately \$9,110,956.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriated \$1,517,500 for the year ended June 30, 2017, as its share of the operating, capital, and debt service costs of the Civic Center. Per the agreement, the City is annually responsible for its share of the above listed costs. The agreement will remain in effect unless it is terminated by mutual consent of each party to the agreement.

E. Contingencies

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

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2017 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

	Year Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%
Proportionate share of the net pension liability	\$ 23,600,074	\$ 20,739,324	\$ 19,459,674	\$ 20,273,191
Covered-employee payroll	\$ 10,617,875	\$ 10,207,040	\$ 10,252,182	\$ 9,972,880
Proportionate share of the net pension liability as a percentage of covered-employee payroll	222.267%	203.186%	189.810%	203.283%
Plan fiduciary net position as a percentage of the total pension liability	52.900%	57.000%	59.919%	56.388%

Notes to Schedule:

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

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

	Year Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,328,945	\$ 1,174,337	\$ 1,112,568	\$ 1,086,731
Contributions in relation to the contractually required contribution	<u>1,328,945</u>	<u>1,174,337</u>	<u>1,112,568</u>	<u>1,086,731</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 11,496,064	\$ 10,617,875	\$ 10,207,040	\$ 10,252,182
Contributions as a percentage of covered-employee payroll	11.56%	11.06%	10.900%	10.600%

Notes to Schedule:

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

	<u>2017</u>	Year Ended June 30,		<u>2014</u>
		<u>2016</u>	<u>2015</u>	
Proportion of the net pension liability	0.624%	0.655%	0.680%	0.680%
Proportionate share of the net pension liability	\$ 15,818,344	\$ 14,284,381	\$ 13,024,941	\$ 14,103,614
Covered-employee payroll	\$ 7,939,039	\$ 8,122,022	\$ 8,155,305	\$ 8,156,983
Proportionate share of the net pension liability as a percentage of covered-employee payroll	199.25%	175.87%	159.71%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	60.400%	64.600%	67.549%	62.979%

Notes to Schedule:

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

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

	<u>2017</u>	<u>Year Ended June 30,</u>		<u>2014</u>
		<u>2016</u>	<u>2015</u>	
Contractually required contribution	\$ 1,184,595	\$ 1,090,824	\$ 1,089,163	\$ 1,047,142
Contributions in relation to the contractually required contribution	<u>1,184,595</u>	<u>1,090,824</u>	<u>1,089,163</u>	<u>1,047,142</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,318,785	\$ 7,939,039	\$ 8,122,022	\$ 8,155,305
Contributions as a percentage of covered-employee payroll	14.24%	13.74%	13.410%	12.840%

Notes to Schedule:

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Florence, South Carolina

Schedules of Funding Progress and Employer Contributions- Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Primary Government						
7/1/2007	\$ -	\$ 9,126,000	\$ 9,126,000	0.00%	\$ 14,801,000	61.66%
7/1/2009	\$ 454,700	\$ 8,557,200	\$ 8,102,500	5.31%	\$ 15,893,500	50.98%
7/1/2011	\$ 952,489	\$ 8,337,329	\$ 7,384,840	11.42%	\$ 17,064,217	43.28%
7/1/2013	\$ 2,022,674	\$ 10,205,825	\$ 8,183,151	19.82%	\$ 17,719,422	46.18%
7/1/2015	\$ 2,796,295	\$ 11,433,799	\$ 8,637,504	24.46%	\$ 18,330,494	47.12%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30, 2017	Actuarial Required Contribution	Actual Contribution	Net OPEB Liability	Percent Contributed
Primary Government				
2009	\$ 772,000	\$ 772,000	\$ -	100%
2010	\$ 795,000	\$ 795,000	\$ -	100%
2011	\$ 803,200	\$ 803,200	\$ -	100%
2012	\$ 838,300	\$ 838,300	\$ -	100%
2013	\$ 730,290	\$ 730,290	\$ -	100%
2014	\$ 745,930	\$ 745,930	\$ -	100%
2015	\$ 762,990	\$ 762,990	\$ -	100%
2016	\$ 791,100	\$ 791,100	\$ -	100%
2017	\$ 1,057,000	\$ 1,057,000	\$ -	100%

OTHER FINANCIAL INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

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

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

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

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

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

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

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

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

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

Neighborhood Improvement Program – This fund is used for project expenditures to revitalize neighborhoods in the City.

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

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

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

Neighborhood Redevelopment Program – This fund is used to account for program expenditures to redevelop neighborhoods.

JAG Grant 2016 - This fund is used to account for program expenditures of the Bureau of Justice Assistance Grant 2015.

2016 TIF Construction Project - This fund is used to account for various construction projects with the 2016 TIF funds.

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

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

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

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

DEBT SERVICE FUND

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

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	<u>Housing Partnership</u>	<u>HOME Program</u>	<u>Community Development Block Grants</u>	<u>Rollcart and Equipment Replacement</u>	<u>E-911</u>
ASSETS					
Cash and cash equivalents	\$ 22,325	\$ 366,373	\$ -	\$ 28,017	\$ 356,064
Restricted cash	-	-	-	-	-
Receivables					
Property taxes, less allowance for doubtful accounts	-	-	-	-	-
Due from other governments	-	-	30,900	-	-
Inventory	-	-	-	23,061	-
Investments	-	-	-	146,689	-
Restricted investments	-	-	-	-	-
Total assets	<u>\$ 22,325</u>	<u>\$ 366,373</u>	<u>\$ 30,900</u>	<u>\$ 197,767</u>	<u>\$ 356,064</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 166	\$ -	\$ 49,003
Retainage payable	-	-	-	-	-
Due to other funds	-	-	21,527	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>21,693</u>	<u>298</u>	<u>49,003</u>
Fund balances:					
Nonspendable	-	-	-	23,061	-
Restricted	22,325	366,373	9,207	-	307,061
Committed	-	-	-	174,408	-
Total fund balances	<u>22,325</u>	<u>366,373</u>	<u>9,207</u>	<u>197,469</u>	<u>307,061</u>
Total liabilities and fund balances	<u>\$ 22,325</u>	<u>\$ 366,373</u>	<u>\$ 30,900</u>	<u>\$ 197,767</u>	<u>\$ 356,064</u>

Special Revenue Funds					
<u>Victims Services</u>	<u>Drug Control</u>	<u>Federal Equitable Sharing</u>	<u>NSP Grant</u>	<u>Neighborhood Imp Program</u>	<u>Accommodation Tax</u>
\$ 115,307	\$ 196,306	\$ 626	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	13,971	-
-	-	-	-	-	249,545
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 115,307</u>	<u>\$ 196,306</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 13,971</u>	<u>\$ 249,545</u>
\$ -	\$ 608	\$ -	\$ 4,721	\$ -	\$ 175,438
-	-	-	-	-	-
-	-	-	(94,496)	12,971	15,194
-	608	-	(89,775)	12,971	190,632
-	-	-	-	-	-
115,307	195,698	626	89,775	1,000	58,913
-	-	-	-	-	-
<u>115,307</u>	<u>195,698</u>	<u>626</u>	<u>89,775</u>	<u>1,000</u>	<u>58,913</u>
<u>\$ 115,307</u>	<u>\$ 196,306</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 13,971</u>	<u>\$ 249,545</u>

City of Florence, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds--Continued
June 30, 2017

	Special Revenue Funds				
	Public Safety Grants	NSP-3 Grant	Neighborhood Redevelopment	JAG Grant 2016	2016 TIF Construction Projects
ASSETS					
Cash and cash equivalents	\$ 31,001	\$ 268,125	\$ 1,896,018	\$ -	\$ -
Restricted cash	-	-	-	-	-
Receivables					
Property taxes, less allowance for doubtful accounts	-	-	-	1,435	-
Due from other governments	-	-	-	-	-
Inventory	-	-	-	-	-
Investments	-	-	-	-	-
Restricted investments	-	-	-	-	19,127,487
Total assets	<u>\$ 31,001</u>	<u>\$ 268,125</u>	<u>\$ 1,896,018</u>	<u>\$ 1,435</u>	<u>\$ 19,127,487</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 7,624	\$ 58,924	\$ -	\$ 411,482
Retainage payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	30,061	-	1,435	242,298
Total liabilities	<u>-</u>	<u>37,685</u>	<u>58,924</u>	<u>1,435</u>	<u>653,780</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	31,001	230,440	1,837,094	-	18,473,707
Committed	-	-	-	-	-
Total fund balances	<u>31,001</u>	<u>230,440</u>	<u>1,837,094</u>	<u>-</u>	<u>18,473,707</u>
Total liabilities and fund balances	<u>\$ 31,001</u>	<u>\$ 268,125</u>	<u>\$ 1,896,018</u>	<u>\$ 1,435</u>	<u>\$ 19,127,487</u>

Special Revenue Funds					Total
<u>Sunday Local Option Revenue Fund</u>	<u>TIF Revenue & Debt Service</u>	<u>2014 TIF Construction Projects</u>	<u>Florence County Penny Tax II</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>
\$ 99,260	\$ 85,583	\$ -	\$ -	\$ 603,908	\$ 4,068,913
-	1,989,530	453,796	-	-	2,443,326
-	8,642	-	-	6,239	30,287
-	-	-	1,176,546	-	1,456,991
-	-	-	-	-	23,061
-	-	-	-	-	146,689
-	-	-	-	-	19,127,487
<u>\$ 99,260</u>	<u>\$ 2,083,755</u>	<u>\$ 453,796</u>	<u>\$ 1,176,546</u>	<u>\$ 610,147</u>	<u>\$ 27,296,754</u>
\$ -	\$ 94,222	\$ -	\$ 482,906	\$ -	\$ 1,285,094
-	-	330,466	487,075	-	817,541
-	-	-	-	-	298
-	-	-	92,590	-	321,580
-	94,222	330,466	1,062,571	-	2,424,513
-	-	-	-	-	23,061
99,260	1,989,533	123,330	113,975	610,147	24,674,772
-	-	-	-	-	174,408
<u>99,260</u>	<u>1,989,533</u>	<u>123,330</u>	<u>113,975</u>	<u>610,147</u>	<u>24,872,241</u>
<u>\$ 99,260</u>	<u>\$ 2,083,755</u>	<u>\$ 453,796</u>	<u>\$ 1,176,546</u>	<u>\$ 610,147</u>	<u>\$ 27,296,754</u>

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue Funds				
	<u>Housing Partnership</u>	<u>HOME Program</u>	<u>Community Development Block Grants</u>	<u>Rollcart and Equipment Replacement</u>	<u>E-911</u>
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	925	-	85,733	-
Intergovernmental	-	-	316,296	-	-
Charges for services	-	-	-	-	154,721
Investment earnings	46	734	-	1,996	664
Miscellaneous	-	19,864	-	-	-
Total revenues	<u>46</u>	<u>21,523</u>	<u>316,296</u>	<u>87,729</u>	<u>155,385</u>
Expenditures					
Current:					
Public safety	-	-	-	-	122,581
Community development	-	-	312,824	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	25	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>312,849</u>	<u>-</u>	<u>122,581</u>
Excess (deficiency) of revenues over (under) expenditures	46	21,523	3,447	87,729	32,804
Other financing sources (uses)					
Issuance of debt	-	-	-	-	-
Transfers in (out)	-	-	-	(312,000)	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(312,000)</u>	<u>-</u>
Net changes in fund balances	46	21,523	3,447	(224,271)	32,804
Fund balances at beginning of year	<u>22,279</u>	<u>344,850</u>	<u>5,760</u>	<u>421,740</u>	<u>274,257</u>
Fund balances at end of year	<u>\$ 22,325</u>	<u>\$ 366,373</u>	<u>\$ 9,207</u>	<u>\$ 197,469</u>	<u>\$ 307,061</u>

Special Revenue Funds					
<u>Victims Services</u>	<u>Drug Control</u>	<u>Federal Equitable Sharing</u>	<u>NSP Grant</u>	<u>Neighborhood Imp Program</u>	<u>Accommodation Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
69,834	-	-	-	-	-
-	-	-	22,359	8,971	743,744
-	-	-	-	-	-
237	1,370	3	-	-	115
-	66,579	-	351	-	-
70,071	67,949	3	22,710	8,971	743,859
-	68,535	594	-	-	-
-	-	-	6,326	7,971	736,466
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	348	-	-
-	68,535	594	6,674	7,971	736,466
70,071	(586)	(591)	16,036	1,000	7,393
-	-	-	-	-	-
(72,718)	-	-	-	-	-
(72,718)	-	-	-	-	-
(2,647)	(586)	(591)	16,036	1,000	7,393
117,954	196,284	1,217	73,739	-	51,520
\$ 115,307	\$ 195,698	\$ 626	\$ 89,775	\$ 1,000	\$ 58,913

City of Florence, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds--Continued

Year Ended June 30, 2017

	Special Revenue Funds				
	<u>Public Safety Grants</u>	<u>NSP-3 Grant</u>	<u>Neighborhood Redevelopment</u>	<u>JAG Grant 2016</u>	<u>2016 TIF Construction Projects</u>
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-
Intergovernmental	-	208,462	334,554	25,094	-
Charges for services	-	-	-	-	-
Investment earnings	53	-	832	-	127,486
Miscellaneous	6,000	725	-	20	-
Total revenues	<u>6,053</u>	<u>209,187</u>	<u>335,386</u>	<u>25,114</u>	<u>127,486</u>
Expenditures					
Current:					
Public safety	1,916	-	-	25,114	-
Community development	-	27,652	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	617,242	-	1,660,147
Total expenditures	<u>1,916</u>	<u>27,652</u>	<u>617,242</u>	<u>25,114</u>	<u>1,660,147</u>
Excess (deficiency) of revenues over (under) expenditures	4,137	181,535	(281,856)	-	(1,532,661)
Other financing sources (uses)					
Issuance of debt	-	-	-	-	-
Transfers in (out)	-	-	2,118,950	-	20,006,368
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,118,950</u>	<u>-</u>	<u>20,006,368</u>
Net change in fund balances	4,137	181,535	1,837,094	-	18,473,707
Fund balances at beginning of year	<u>26,864</u>	<u>48,905</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 31,001</u>	<u>\$ 230,440</u>	<u>\$ 1,837,094</u>	<u>\$ -</u>	<u>\$ 18,473,707</u>

Special Revenue Funds					Total
<u>Sunday Local Option Revenue Fund</u>	<u>TIF Revenue & Debt Service</u>	<u>2014 TIF Construction Projects</u>	<u>Florence County Penny Tax II</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 464,158	\$ 464,158
-	-	-	5,535,858	-	5,692,350
86,250	275,207	-	-	-	2,020,937
-	-	-	-	-	154,721
183	2,500	1,770	-	864	138,853
-	-	-	-	-	93,539
<u>86,433</u>	<u>277,707</u>	<u>1,770</u>	<u>5,535,858</u>	<u>465,022</u>	<u>8,564,558</u>
-	-	-	-	-	218,740
-	429,449	29,500	-	-	1,550,188
-	12,936,000	-	-	320,352	13,256,352
-	908,484	-	-	119,846	1,028,330
-	-	527,557	5,529,798	-	8,335,117
-	<u>14,273,933</u>	<u>557,057</u>	<u>5,529,798</u>	<u>440,198</u>	<u>24,388,727</u>
86,433	(13,996,226)	(555,287)	6,060	24,824	(15,824,169)
-	35,570,000	-	-	-	35,570,000
<u>(60,000)</u>	<u>(20,006,368)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,674,232</u>
<u>(60,000)</u>	<u>15,563,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,244,232</u>
26,433	1,567,406	(555,287)	6,060	24,824	21,420,063
<u>72,827</u>	<u>422,127</u>	<u>678,617</u>	<u>107,915</u>	<u>585,323</u>	<u>3,452,178</u>
<u>\$ 99,260</u>	<u>\$ 1,989,533</u>	<u>\$ 123,330</u>	<u>\$ 113,975</u>	<u>\$ 610,147</u>	<u>\$ 24,872,241</u>

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**PROPRIETARY FUNDS -
ENTERPRISE FUNDS**

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

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

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

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City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual
Proprietary Funds--Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
Operating Revenues				
Current use charges	\$ 33,555,000	\$ 33,698,000	\$ 34,288,130	\$ 590,130
Miscellaneous	845,000	685,000	978,802	293,802
Water and sewer tap fees	670,000	650,000	834,427	184,427
Total operating revenues	35,070,000	35,033,000	36,101,359	1,068,359
Operating Expenses				
Personnel	5,028,720	4,807,010	4,533,727	273,283
Employee benefits	2,102,020	1,904,830	2,345,244	(440,414)
Purchased services	6,353,900	7,797,600	5,618,392	2,179,208
Supplies and materials	1,374,310	1,359,170	1,290,164	69,006
Other operating expenses	1,189,250	1,299,590	1,600,378	(300,788)
Depreciation and amortization	7,669,000	7,669,000	7,917,127	(248,127)
Total operating expenses	23,717,200	24,837,200	23,305,032	1,532,168
Operating Income	11,352,800	10,195,800	12,796,327	2,600,527
Nonoperating Revenues (Expenses)				
Investment earnings	61,000	95,000	294,787	199,787
Economic development	(1,250,000)	(1,250,000)	(972,913)	277,087
Miscellaneous revenues	5,344,000	5,653,000	1,751,011	(3,901,989)
Loss on disposal of assets	-	-	(61,990)	(61,990)
Interest expense	-	-	(5,102,431)	(5,102,431)
Appropriation of net position	-	1,087,000	-	(1,087,000)
Total nonoperating revenues (expenses)	4,155,000	5,585,000	(4,091,536)	(9,676,536)
Income Before Transfers	15,507,800	15,780,800	8,704,791	(7,076,009)
Transfers				
Transfers out	(16,742,600)	(17,015,600)	(3,483,000)	13,532,600
Changes in Net Position	(1,234,800)	(1,234,800)	5,221,791	6,456,591
Net position at beginning of year	126,128,765	126,128,765	126,128,765	-
NET POSITION AT END OF YEAR	<u>\$ 124,893,965</u>	<u>\$ 124,893,965</u>	<u>\$ 131,350,556</u>	<u>\$ 6,456,591</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Fund Net Position
Budget and Actual
Proprietary Funds--Stormwater Utility Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Revenues				
Stormwater service fees	\$ 1,295,000	\$ 1,296,000	\$ 1,314,920	\$ 18,920
Miscellaneous	6,500	7,500	8,286	786
Total operating revenues	<u>1,301,500</u>	<u>1,303,500</u>	<u>1,323,206</u>	<u>19,706</u>
Operating Expenses				
Personnel	357,300	362,410	302,951	59,459
Employee benefits	134,100	134,790	123,348	11,442
Purchased services	126,000	133,000	150,345	(17,345)
Supplies and materials	19,500	14,500	5,976	8,524
Other operating expenses	23,200	28,400	39,548	(11,148)
Depreciation and amortization	<u>707,000</u>	<u>707,000</u>	<u>594,816</u>	<u>112,184</u>
Total operating expenses	<u>1,367,100</u>	<u>1,380,100</u>	<u>1,216,984</u>	<u>163,116</u>
Operating Income	<u>(65,600)</u>	<u>(76,600)</u>	<u>106,222</u>	<u>182,822</u>
Nonoperating Revenues (Expenses)				
Investment earnings	8,500	6,500	9,176	2,676
Miscellaneous revenues	60,000	60,000	85,267	25,267
Interest expense	-	-	(42,146)	(42,146)
Total nonoperating revenues (expenses)	<u>68,500</u>	<u>66,500</u>	<u>52,297</u>	<u>(14,203)</u>
Income (Loss) Before Transfers	2,900	(10,100)	158,519	168,619
Transfers Out	<u>(402,900)</u>	<u>(389,900)</u>	<u>(115,000)</u>	<u>274,900</u>
Changes in Net Position	(400,000)	(400,000)	43,519	443,519
Net position at beginning of year	<u>2,918,829</u>	<u>2,918,829</u>	<u>2,918,829</u>	-
NET POSITION AT END OF YEAR	<u>\$ 2,518,829</u>	<u>\$ 2,518,829</u>	<u>\$ 2,962,348</u>	<u>\$ 443,519</u>

AGENCY FUNDS

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

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

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

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

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

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

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City of Florence, South Carolina
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017

	<u>Court Escrow</u>	<u>Fire Trust</u>	<u>Veterans Park Development</u>	<u>Narcotics Holding Funds</u>	<u>Florence Area Humane Society</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 14,273	\$ 12,500	\$ 35,767	\$ 204,419	\$ 520	\$ 267,479
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,278</u>	<u>-</u>	<u>61,278</u>
Total assets	<u>\$ 14,273</u>	<u>\$ 12,500</u>	<u>\$ 35,767</u>	<u>\$ 265,697</u>	<u>\$ 520</u>	<u>\$ 328,757</u>
LIABILITIES						
Due to others	<u>\$ 14,273</u>	<u>\$ 12,500</u>	<u>\$ 35,767</u>	<u>\$ 265,697</u>	<u>\$ 520</u>	<u>\$ 328,757</u>
Total liabilities	<u>\$ 14,273</u>	<u>\$ 12,500</u>	<u>\$ 35,767</u>	<u>\$ 265,697</u>	<u>\$ 520</u>	<u>\$ 328,757</u>

City of Florence, South Carolina
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2017</u>
<u>Court Escrow</u>				
Assets				
Cash and cash equivalents	\$ 14,378	\$ 14,684	\$ 14,789	\$ 14,273
Liabilities				
Due to others	\$ 14,378	\$ 14,684	\$ 14,789	\$ 14,273
<u>Fire Trust</u>				
Assets				
Cash and cash equivalents	\$ 12,861	\$ 124,883	\$ 125,244	\$ 12,500
Liabilities				
Due to others	\$ 12,861	\$ 124,883	\$ 125,244	\$ 12,500
<u>Veterans Park Development</u>				
Assets				
Cash and cash equivalents	\$ 26,622	\$ 32,146	\$ 23,001	\$ 35,767
Accounts receivable	6,680	-	6,680	-
	<u>\$ 33,302</u>	<u>\$ 32,146</u>	<u>\$ 29,681</u>	<u>\$ 35,767</u>
Liabilities				
Due to others	\$ 33,302	\$ 32,146	\$ 29,681	\$ 35,767
<u>Narcotics Holding Funds</u>				
Assets				
Cash and cash equivalents	\$ 207,378	\$ 63,246	\$ 66,205	\$ 204,419
Investments	60,710	568	-	61,278
	<u>\$ 268,088</u>	<u>\$ 63,814</u>	<u>\$ 66,205</u>	<u>\$ 265,697</u>
Liabilities				
Due to others	\$ 268,088	\$ 63,814	\$ 66,205	\$ 265,697
<u>Florence Area Humane Society</u>				
Assets				
Cash and cash equivalents	\$ 1,193	\$ 3,054	\$ 3,727	\$ 520
Liabilities				
Due to others	\$ 1,193	\$ 3,054	\$ 3,727	\$ 520
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 262,432	\$ 238,013	\$ 232,966	\$ 267,479
Investments	60,710	568	-	61,278
Accounts receivable	6,680	-	6,680	-
Total Assets	<u>\$ 329,822</u>	<u>\$ 238,581</u>	<u>\$ 239,646</u>	<u>\$ 328,757</u>
Liabilities				
Due to others	\$ 329,822	\$ 238,581	\$ 239,646	\$ 328,757
Total Liabilities	<u>\$ 329,822</u>	<u>\$ 238,581</u>	<u>\$ 239,646</u>	<u>\$ 328,757</u>

SUPPLEMENTAL SCHEDULES

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City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
REVENUES				
Property Taxes				
Current	\$ 4,490,000	\$ 3,485,000	\$ 3,489,523	\$ 4,523
Homestead exemption	280,000	275,000	287,299	12,299
Merchants inventory	299,600	299,600	299,603	3
Penalties on Current	6,300	3,500	5,956	2,456
Property tax credits	4,820,000	5,755,000	5,757,324	2,324
PILOT - Housing Authority	114,500	120,000	135,983	15,983
Motor carrier - FILO	-	100,000	100,856	856
Delinquent taxes	135,000	120,000	137,425	17,425
Total Property Taxes	<u>10,145,400</u>	<u>10,158,100</u>	<u>10,213,969</u>	<u>55,869</u>
Licenses and Fees				
Business and professional license	7,852,000	8,782,000	9,101,101	319,101
Franchise fees	3,720,000	3,550,000	3,611,643	61,643
Delinquent business licenses	320,000	465,000	490,115	25,115
Total Licenses and Fees	<u>11,892,000</u>	<u>12,797,000</u>	<u>13,202,859</u>	<u>405,859</u>
Intergovernmental				
Community development	52,300	52,300	52,350	50
Sales tax revenue	1,000,000	1,000,000	1,377,646	377,646
State shared revenue	799,000	820,000	848,647	28,647
Governmental reimbursements	663,000	615,000	616,766	1,766
State A tax funds	58,000	59,500	64,144	4,644
Grants	307,300	103,000	332,616	229,616
FEMA reimbursements	-	3,850	3,877	27
Hurricane Matthew debris removal	-	1,950,000	2,631,795	681,795
Marketing and promotion	110,000	123,000	126,715	3,715
Total Intergovernmental	<u>2,989,600</u>	<u>4,726,650</u>	<u>6,054,556</u>	<u>1,327,906</u>
Charges for Services				
Refuse - landfill fee	1,575,000	1,600,000	1,620,862	20,862
Refuse - collection fee	327,000	330,000	336,575	6,575
Building permits	-	50,000	51,391	1,391
Planning and zoning fees	21,000	20,000	21,620	1,620
Recreation fees	206,000	161,000	441,245	280,245
Total Charges for Services	<u>2,129,000</u>	<u>2,161,000</u>	<u>2,471,693</u>	<u>310,693</u>
Fines and Forfeitures				
Criminal fines	100,000	65,000	65,316	316
Traffic fines	500,000	390,000	393,178	3,178
Parking violations fines	5,000	3,000	3,440	440
Animal control fines	6,000	3,000	3,175	175
Total Fines and Forfeitures	<u>611,000</u>	<u>461,000</u>	<u>465,109</u>	<u>4,109</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
REVENUES--CONTINUED				
Miscellaneous				
Investment income	34,000	54,000	62,571	8,571
Miscellaneous	100,000	180,000	387,250	207,250
Concessions	200,000	186,500	52,835	(133,665)
Total Miscellaneous	<u>334,000</u>	<u>420,500</u>	<u>502,656</u>	<u>82,156</u>
TOTAL REVENUES	<u>28,101,000</u>	<u>30,724,250</u>	<u>32,910,842</u>	<u>2,186,592</u>
EXPENDITURES				
General Government				
City Council				
Salary and wages	113,440	112,440	111,809	631
Retirement	12,660	13,320	13,172	148
Health insurance	66,550	69,550	69,390	160
Workers' compensation	7,280	7,280	6,457	823
Social security	6,950	6,950	6,529	421
Printing and supplies	1,000	1,000	187	813
Office supplies	1,500	1,500	661	839
Postage	100	100	16	84
Membership and dues	19,500	20,200	20,076	124
Travel and conferences	31,000	14,000	8,847	5,153
Telephone related services	5,500	5,500	3,929	1,571
Professional services	25,000	40,000	37,630	2,370
Special departmental supplies	5,500	4,500	3,282	1,218
Total City Council	<u>295,980</u>	<u>296,340</u>	<u>281,985</u>	<u>14,355</u>
Legal Services				
Salaries and wages	-	12,800	12,504	296
Retirement	-	1,500	1,403	97
Health insurance	-	2,500	2,298	202
Social Security	-	1,000	884	116
Professional services	-	700	541	159
Cable and related services	-	200	140	60
Office supplies	-	500	375	125
Total Legal Services	<u>-</u>	<u>19,200</u>	<u>18,145</u>	<u>1,055</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
General Government--Continued				
Justice and Law				
Salary and wages	403,490	314,480	299,271	15,209
Retirement	44,680	37,980	36,380	1,600
Health insurance	74,030	66,220	63,094	3,126
Workers' compensation	10,610	10,610	9,397	1,213
Social security	29,220	25,590	22,671	2,919
Printing and supplies	1,000	1,000	356	644
Postage	3,700	3,700	2,354	1,346
Membership and dues	1,200	1,200	-	1,200
Travel and conferences	7,500	6,500	3,980	2,520
Auto operating expenses	1,000	1,000	426	574
Telephone related services	2,500	3,000	2,969	31
Maintenance and service contracts	8,000	8,000	5,875	2,125
Gas and oil	3,100	2,100	-	2,100
Employee training	5,300	5,300	1,742	3,558
Professional services	4,000	8,700	8,258	442
Jury vouchers	5,000	5,000	3,600	1,400
Office supplies	6,000	5,000	4,235	765
Special departmental supplies	3,000	2,500	1,866	634
Capital outlay	-	2,000	-	2,000
Total Justice and Law	613,330	509,880	466,474	43,406
City Manager				
Salary and wages	277,400	262,140	256,934	5,206
Retirement	30,580	31,170	31,027	143
Health insurance	36,480	33,510	33,407	103
Workers' compensation	6,420	5,920	5,707	213
Social security	20,530	20,020	19,897	123
Printing and supplies	1,000	500	205	295
Postage	1,000	500	174	326
Membership and dues	2,000	1,500	160	1,340
Travel and conferences	3,000	3,700	3,607	93
Car allowance	6,000	6,000	6,000	-
Lease payments	4,200	4,200	4,200	-
Auto operating expenses	500	500	47	453
Telephone related services	7,500	11,000	10,755	245
Maintenance and service contracts	1,400	2,400	2,222	178

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
General Government--Continued				
City Manager--continued				
Employee training	3,000	2,800	2,628	172
Professional services	2,000	500	-	500
Office supplies	3,000	2,500	647	1,853
Special departmental supplies	2,500	1,000	136	864
Gas and oil	200	200	83	117
Total City Manager	<u>408,710</u>	<u>390,060</u>	<u>377,836</u>	<u>12,224</u>
Finance				
Salary and wages	542,550	545,400	537,258	8,142
Retirement	59,910	64,100	63,914	186
Health insurance	71,310	67,730	67,484	246
Workers' compensation	10,620	9,620	9,455	165
Social security	39,930	41,070	40,836	234
Printing and supplies	7,000	6,000	5,966	34
Postage	10,000	11,000	9,721	1,279
Membership and dues	2,500	2,500	1,994	506
Travel and conferences	4,000	4,100	4,008	92
Auto operating expenses	100	200	124	76
Telephone related services	8,500	5,500	4,959	541
Maintenance and service contracts	10,500	10,500	9,527	973
Machine and equipment repairs	-	300	220	80
Cable and related services	-	3,000	2,758	242
Public notices	850	1,300	1,079	221
Employee training	1,500	2,200	1,761	439
Professional services	1,500	800	505	295
Tax billing and collections	59,000	55,500	55,399	101
Office supplies	8,000	9,000	8,393	607
Special departmental supplies	300	400	360	40
Gas and oil	250	250	236	14
Total Finance	<u>838,320</u>	<u>840,470</u>	<u>825,957</u>	<u>14,513</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
General Government--Continued				
Personnel				
Salary and wages	340,830	331,980	329,911	2,069
Retirement	37,370	39,540	39,386	154
Health insurance	34,260	31,510	31,442	68
Workers' compensation	6,420	5,920	5,707	213
Social security	25,200	25,570	25,553	17
Printing and supplies	3,000	3,000	2,774	226
Postage	2,500	2,300	2,276	24
Membership and dues	1,500	600	185	415
Travel and conferences	2,500	2,500	2,180	320
Auto operating expenses	1,000	500	98	402
Telephone related services	3,000	3,400	3,332	68
Maintenance and service contracts	8,000	7,100	6,830	270
Public notices	20,000	32,200	32,130	70
Employee training	2,500	600	590	10
Professional services	51,000	54,500	53,614	886
Medical expenses	33,000	24,700	24,493	207
Office supplies	5,000	7,100	6,661	439
Special departmental supplies	-	150	140	10
Gas and oil	1,000	300	91	209
Total Personnel	<u>578,080</u>	<u>573,470</u>	<u>567,393</u>	<u>6,077</u>
Community Service				
Salary and wages	212,240	156,000	150,796	5,204
Retirement	20,660	19,650	18,093	1,557
Health insurance	40,580	35,310	27,599	7,711
Workers' compensation	8,480	8,480	7,552	928
Social security	15,450	13,930	11,538	2,392
Printing and supplies	1,200	700	413	287
Postage	750	450	160	290
Membership and dues	2,500	2,500	505	1,995
Travel and conferences	1,500	1,500	958	542
Auto operating expenses	1,300	2,800	2,216	584
Telephone related services	4,500	5,500	5,411	89
Maintenance and service contracts	500	500	286	214
Public notices	2,000	2,000	1,233	767

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
General Government--Continued				
Community Service--continued				
Uniform and clothing	500	800	685	115
Employee training	1,500	1,500	1,171	329
Professional services	5,500	4,500	1,717	2,783
Office supplies	800	1,000	652	348
Special departmental supplies	1,500	3,000	2,629	371
Gas and oil	4,000	4,300	3,964	336
Capital outlay	-	30,000	-	30,000
Total Community Service	<u>325,460</u>	<u>294,420</u>	<u>237,578</u>	<u>56,842</u>
Urban Planning & Development				
Salary and wages	249,680	287,200	268,255	18,945
Retirement	27,230	32,370	32,074	296
Health insurance	35,480	38,760	36,012	2,748
Workers' compensation	4,400	4,400	3,920	480
Social security	18,430	21,110	21,028	82
Printing and supplies	1,500	2,100	1,931	169
Postage	1,500	1,500	837	663
Membership and dues	4,700	4,700	3,181	1,519
Travel and conferences	2,000	1,780	434	1,346
Auto operating expenses	1,000	2,000	209	1,791
Electricity	-	300	205	95
Telephone related services	2,900	3,600	3,391	209
Maintenance and service contracts	13,700	13,700	8,289	5,411
Public notices	5,000	5,000	4,977	23
Uniform and clothing	500	500	84	416
Employee training	2,700	2,700	1,440	1,260
Professional services	41,000	115,550	88,287	27,263
Office supplies	5,000	4,500	2,680	1,820
Special departmental supplies	1,700	2,720	2,604	116
Gas and oil	<u>1,000</u>	<u>1,000</u>	<u>395</u>	<u>605</u>
Total Urban Planning & Development	<u>419,420</u>	<u>545,490</u>	<u>480,233</u>	<u>65,257</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES--CONTINUED				
General Government--Continued				
Building Inspections & Permits				
Salary and wages	-	84,400	62,256	22,144
Retirement	-	8,320	6,785	1,535
Health insurance	-	13,400	11,871	1,529
Workers' compensation	-	4,400	-	4,400
Social security	-	7,520	4,189	3,331
Printing and supplies	-	3,000	251	2,749
Postage	-	500	-	500
Membership and dues	-	1,500	100	1,400
Auto operating expenses	-	200	160	40
Telephone related services	-	5,000	1,040	3,960
Maintenance and service contracts	-	1,800	584	1,216
Uniform and clothing	-	1,400	-	1,400
Employee training	-	1,000	277	723
Professional services	-	40,000	32,237	7,763
Special departmental supplies	-	10,000	9,600	400
Gas and oil	-	5,000	-	5,000
Capital outlay	-	107,000	99,412	7,588
Total Building Inspections & Permits	-	294,440	228,762	65,678
Total General Government	3,479,300	3,763,770	3,484,363	279,407
Public safety				
Police				
Salary and wages	5,878,220	5,580,680	5,441,509	139,171
Retirement	784,940	794,760	781,349	13,411
Health insurance	954,050	948,270	932,482	15,788
Workers' compensation	168,950	155,950	150,062	5,888
Social security	439,720	420,150	416,128	4,022
Printing and supplies	8,000	8,000	7,521	479
Postage	5,500	5,200	3,531	1,669
Membership and dues	2,500	2,500	2,223	277
Travel and conferences	5,500	5,500	1,847	3,653
Auto operating expenses	90,000	102,000	104,314	(2,314)
Electricity	20,000	20,000	15,510	4,490

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Public safety--continued				
Police--continued				
Telephone related services	72,000	77,300	77,207	93
Cable and related services	5,500	5,500	3,104	2,396
Radio maintenance	5,000	5,000	3,341	1,659
Maintenance and service contracts	43,800	43,700	38,867	4,833
Maintenance and equipment repairs	7,000	7,000	2,938	4,062
Building and maintenance	1,000	1,100	5,643	(4,543)
Uniform and clothing	77,000	77,300	54,223	23,077
Prisoner housing	365,000	349,000	198,892	150,108
Inmate services	3,500	3,500	300	3,200
Rent payments	24,000	24,000	24,000	-
Employee training	25,000	25,000	16,908	8,092
Professional services	17,800	31,300	30,852	448
Pal expenses	5,000	5,000	3,044	1,956
Medical expenses	500	500	-	500
Rewards	500	500	-	500
Special departmental supplies	66,000	67,500	141,943	(74,443)
Gas and oil	330,000	308,200	203,794	104,406
Water usage	5,500	6,000	5,712	288
Grant expenditures	10,000	13,150	12,146	1,004
Capital outlay	313,500	411,350	-	411,350
Total Police	<u>9,734,980</u>	<u>9,504,910</u>	<u>8,679,390</u>	<u>825,520</u>
Fire				
Salary and wages	3,561,010	3,424,180	3,308,308	115,872
Retirement	487,590	487,020	483,553	3,467
Health insurance	623,000	636,210	635,226	984
Workers' compensation	91,350	83,350	81,114	2,236
Social security	252,060	251,720	249,998	1,722
Printing and supplies	1,000	500	(15)	515
Janitorial/sanitary supplies	12,000	12,000	10,997	1,003
Postage	150	150	68	82
Membership and dues	1,000	1,000	479	521
Auto operating expenses	48,000	64,000	64,818	(818)
Electricity	45,000	43,000	40,798	2,202
Telephone related services	33,500	34,500	34,468	32
Heating fuel	20,000	19,000	15,310	3,690
Fire prevention	13,000	7,900	7,579	321
Risk management	6,500	6,000	3,910	2,090

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Public safety--continued				
Fire--continued				
Radio maintenance	3,500	3,500	1,954	1,546
Maintenance and service contracts	28,000	25,000	23,781	1,219
Maintenance and equipment repairs	17,500	10,000	4,028	5,972
Building and maintenance	26,000	22,000	19,835	2,165
Uniform and clothing	35,000	22,000	19,135	2,865
Rent payments	-	-	5,000	(5,000)
Employee training	18,000	16,000	14,648	1,352
Professional services	8,500	6,500	5,333	1,167
Personal protective equipment	36,000	50,000	41,999	8,001
Special departmental supplies	38,000	38,000	35,986	2,014
Gas and oil	60,000	53,000	40,195	12,805
Water usage	17,000	16,000	14,253	1,747
Capital outlay	168,100	273,700	106,740	166,960
Total Fire	<u>5,650,760</u>	<u>5,606,230</u>	<u>5,269,498</u>	<u>336,732</u>
Total Public Safety	<u>15,385,740</u>	<u>15,111,140</u>	<u>13,948,888</u>	<u>1,162,252</u>
Public works				
Streets and Beautification				
Salary and wages	1,428,450	1,432,410	1,425,007	7,403
Retirement	157,780	171,390	169,840	1,550
Health insurance	291,880	313,380	311,737	1,643
Workers' compensation	38,240	35,240	33,956	1,284
Social security	103,970	109,250	108,603	647
Printing and supplies	1,000	550	532	18
Office supplies	3,000	3,000	2,992	8
Janitorial supplies	14,000	14,000	11,963	2,037
Safety supplies	4,000	2,500	2,431	69
Postage	100	100	5	95
Membership and dues	500	500	-	500
Auto operating expenses	30,000	33,400	33,225	175
Electricity	32,000	32,000	30,643	1,357
Telephone related services	5,000	5,400	5,173	227
Heating fuel	500	500	268	232
Radio maintenance	2,000	2,100	1,555	545
Maintenance and service contracts	4,500	4,350	3,997	353
Maintenance and equipment repairs	35,000	58,300	54,873	3,427
Building and maintenance	15,500	18,100	15,375	2,725

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Public works--continued				
Streets and Beautification--continued				
Tree beautification	3,000	2,300	2,286	14
Sign shop supplies	8,000	10,700	10,637	63
Medical expenses	38,000	31,000	30,004	996
Uniform and clothing	24,000	20,000	19,169	831
Inmate services	30,000	27,500	30,315	(2,815)
Chemicals	4,000	4,700	4,605	95
Paving materials and supplies	10,000	10,000	5,813	4,187
Irrigation materials and supplies	4,000	100	95	5
Turf & landscape supplies	15,000	15,200	15,122	78
Employee training	1,000	1,800	1,701	99
Professional services	50,000	56,000	55,538	462
Special departmental supplies	30,000	34,000	42,360	(8,360)
Gas and oil	70,000	77,000	74,615	2,385
Water usage	15,000	15,000	14,511	489
Capital outlay	62,000	286,000	114,635	171,365
Total Streets and				
Beautification	<u>2,531,420</u>	<u>2,827,770</u>	<u>2,633,581</u>	<u>194,189</u>
 Sanitation				
Salary and wages	861,890	803,120	782,390	20,730
Retirement	95,240	96,210	93,115	3,095
Health insurance	201,440	171,950	168,646	3,304
Workers' compensation	28,710	28,710	25,481	3,229
Social security	62,820	62,230	59,362	2,868
Printing and supplies	200	200	49	151
Postage	100	100	13	87
Membership and dues	100	100	-	100
Auto operating expenses	190,000	210,600	215,601	(5,001)
Telephone related services	900	1,800	1,451	349
Radio maintenance	2,500	2,500	1,342	1,158
Maintenance and service contracts	40,000	19,600	2,003	17,597
Maintenance and equipment repairs	90,000	115,000	112,335	2,665
Landfill services	1,400,000	1,465,000	1,464,299	701
Uniform and clothing	16,500	16,500	12,028	4,472
Office supplies	200	200	-	200
Compost supplies	500	500	-	500
Safety supplies	500	3,000	2,244	756
Public notices	6,000	6,000	3,850	2,150
Employee training	100	100	-	100

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Public works--continued				
Sanitation--continued				
Professional services	200	15,200	14,921	279
Special departmental supplies	11,000	8,500	2,924	5,576
Gas and oil	180,000	130,000	129,261	739
Capital outlay	<u>357,000</u>	<u>340,500</u>	<u>21,281</u>	<u>319,219</u>
Total Sanitation	<u>3,545,900</u>	<u>3,497,620</u>	<u>3,112,596</u>	<u>385,024</u>
Equipment Maintenance				
Salary and wages	300,280	320,460	305,804	14,656
Retirement	32,890	37,230	36,607	623
Health insurance	59,580	55,680	55,466	214
Workers' compensation	7,080	7,080	6,284	796
Social security	21,850	24,080	23,746	334
Auto operating expenses	3,000	3,000	2,174	826
Telephone related services	300	300	221	79
Heating fuel	5,000	4,600	4,427	173
Radio maintenance	300	300	64	236
Maintenance and service contracts	3,500	1,150	359	791
Maintenance and equipment repairs	200	750	706	44
Uniform and clothing	5,000	3,750	3,602	148
Office supplies	100	100	-	100
Janitorial supplies	200	200	-	200
Safety supplies	300	100	-	100
Employee training	300	300	90	210
Professional services	200	1,400	1,382	18
Special departmental supplies	5,000	7,000	10,151	(3,151)
Gas and oil	5,000	7,250	6,477	773
Capital outlay	<u>-</u>	<u>68,800</u>	<u>-</u>	<u>68,800</u>
Total Equipment				
Maintenance	<u>450,080</u>	<u>543,530</u>	<u>457,560</u>	<u>85,970</u>
Total Public Works	<u>6,527,400</u>	<u>6,868,920</u>	<u>6,203,737</u>	<u>665,183</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Culture and recreation				
Parks and Leisure Services				
Salary and wages	696,450	687,640	668,759	18,881
Retirement	71,850	79,500	79,241	259
Health insurance	174,410	113,810	100,724	13,086
Workers' compensation	39,310	39,310	34,878	4,432
Social security	54,540	54,640	52,327	2,313
Printing and supplies	2,500	2,500	2,500	-
Postage	500	500	210	290
Membership and dues	1,700	1,100	1,028	72
Travel and conferences	3,500	1,750	1,712	38
Auto operating expenses	13,000	13,000	12,316	684
Electricity	77,000	74,100	66,377	7,723
Telephone related services	12,000	11,000	5,194	5,806
Cable and related services	4,000	3,000	1,388	1,612
Radio maintenance	500	150	-	150
Maintenance and service contracts	13,000	9,000	6,572	2,428
Maintenance and equipment repairs	2,500	2,050	1,384	666
Building maintenance	20,000	51,900	9,672	42,228
Facility and park maintenance	4,000	4,000	3,386	614
Tree beautification	2,000	300	92	208
Uniforms and clothing	7,000	6,600	6,223	377
Office supplies	3,500	3,500	3,338	162
Safety supplies	500	450	450	-
Janitorial services and supplies	7,000	5,000	4,648	352
Athletic field supplies	3,000	3,000	2,678	322
Irrigation supplies	500	500	154	346
Inmate services	500	-	-	-
Food and supplies	3,500	2,800	2,762	38
Employee training	2,500	1,400	1,148	252
Professional services	1,200	1,200	749	451
Contracted instructors	6,000	8,000	7,675	325
Special departmental supplies	18,000	17,500	25,809	(8,309)
Gas and oil	28,000	23,000	16,950	6,050
Water usage	20,000	20,000	18,258	1,742
Boys and Girls Club	21,000	21,000	21,000	-
Tournaments	2,000	2,000	-	2,000
Grant expenditures	12,000	29,300	15,201	14,099
Capital outlay	6,000	136,400	20,365	116,035
Total Parks and				
Leisure Services	<u>1,334,960</u>	<u>1,430,900</u>	<u>1,195,168</u>	<u>235,732</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
EXPENDITURES--CONTINUED				
Culture and recreation--continued				
Athletic Programs				
Salary and wages	558,550	524,050	518,503	5,547
Retirement	42,150	62,100	61,930	170
Health insurance	59,560	66,400	65,555	845
Workers' compensation	65,890	60,890	58,515	2,375
Social security	38,650	42,130	40,458	1,672
Printing and supplies	500	300	67	233
Postage	200	200	61	139
Membership and dues	1,500	1,500	1,447	53
Travel and conferences	2,000	6,900	6,476	424
Auto operating expenses	6,000	6,000	5,025	975
Electricity	130,000	130,000	125,024	4,976
Telephone related services	4,800	6,900	6,730	170
Cable and related services	2,000	2,000	1,685	315
Maintenance and service contracts	23,500	22,950	22,473	477
Maintenance and equipment repairs	7,000	7,000	5,177	1,823
Radio repairs and maintenance	1,000	900	-	900
Building maintenance	2,000	1,500	1,192	308
Facility and park maintenance	27,100	34,050	21,517	12,533
Tree beautification	3,000	2,400	2,397	3
Uniforms and clothing	10,000	10,000	9,689	311
Inmate services	18,000	18,500	20,550	(2,050)
Office supplies	1,000	1,200	898	302
Safety supplies	500	500	195	305
Janitorial services and supplies	10,000	10,000	8,788	1,212
Athletic field supplies	7,000	7,000	6,779	221
Food and supplies	50,000	50,000	40,076	9,924
Employee training	2,000	2,000	1,434	566
Professional services	4,000	14,200	14,145	55
Special departmental supplies	4,500	2,850	4,984	(2,134)
Irrigation parts and supplies	6,500	3,050	1,672	1,378
Pro shop supplies	14,000	14,000	11,665	2,335
Stadium commission	5,100	5,100	5,100	-
Athletic expenses	5,000	3,900	3,632	268
Gymnastic expenses	7,000	7,100	7,100	-
Tennis center expenses	18,000	18,000	17,517	483
Freedom Florence expenses	11,000	11,000	11,000	-
Gas and oil	8,000	7,500	6,381	1,119
Water usage	56,000	56,000	44,762	11,238
Marketing and promotion	150,000	181,100	112,771	68,329

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Culture and recreation--continued				
Athletic Programs--continued				
Tournaments	5,000	5,000	2,400	2,600
Capital outlay	59,000	513,600	153,888	359,712
Total Athletic Programs	<u>1,427,000</u>	<u>1,919,770</u>	<u>1,429,658</u>	<u>490,112</u>
Total Culture and Recreation	<u>2,761,960</u>	<u>3,350,670</u>	<u>2,624,826</u>	<u>725,844</u>
 Non-Departmental				
Employee relations	46,000	35,000	34,211	789
Unemployment compensation	5,000	10,000	9,198	802
OPEB expense	532,300	690,100	690,100	-
Employee assistance	-	-	12,705	(12,705)
Property and liability insurance	395,000	395,000	394,348	652
Small claims	75,000	68,000	67,448	552
Employee W/C small claims	75,000	87,000	86,314	686
Bank charges	33,000	33,000	26,010	6,990
Credit card fees	20,500	31,500	25,185	6,315
Boys' and Girls' Club	20,000	20,000	20,000	-
Transit system	168,000	280,350	196,265	84,085
Pee Dee Chapter Red Cross	10,000	10,000	10,000	-
PDCAP boxing program	10,000	10,000	10,000	-
Weed & seed program	50,000	50,000	50,000	-
Art Trail Gallery	-	783,500	51,764	731,736
Dargan Street Incubator	-	183,000	138,678	44,322
Contingency	112,000	93,000	-	93,000
Street lights	795,000	794,000	792,735	1,265
Rail to trail project	-	9,700	6,328	3,372
Public information services	-	16,000	13,425	2,575
Timrod/Yellowstone resurfacing	292,500	292,500	284,949	7,551
Brownsfield Cleanup	-	175,000	10,631	164,369
Recreation Facilities Rehab	210,000	247,600	7,020	240,580
Historical preservation - cemetery	-	16,000	15,587	413
Management software expenditures	35,000	156,000	154,445	1,555
Health services	31,000	29,000	26,540	2,460
Fire district tax reimbursement	25,000	45,000	40,391	4,609
IT Support Services	253,000	278,000	258,499	19,501

City of Florence, South Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Continued
General Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
EXPENDITURES--CONTINUED				
Non-Departmental--continued				
Legal services	75,000	78,000	69,489	8,511
Downtown revitalization	-	-	53,125	(53,125)
Hurricane Matthew debris removal	-	1,950,000	1,762,622	187,378
Special projects	75,000	127,500	124,192	3,308
Other recreation programs	-	-	242,053	(242,053)
Downtown promotions	25,000	50,000	38,318	11,682
FMU Health Sciences Bldg	-	600,000	600,000	-
City Center operations	335,000	649,000	209,737	439,263
Keep Florence Beautiful	5,000	5,000	5,000	-
Total Non-Departmental	<u>3,708,300</u>	<u>8,297,750</u>	<u>6,537,312</u>	<u>1,760,438</u>
 Debt Service				
Principal	315,000	458,400	864,958	(406,558)
Interest	-	-	220,475	(220,475)
Total Debt Service	<u>315,000</u>	<u>458,400</u>	<u>1,085,433</u>	<u>(627,033)</u>
 TOTAL EXPENDITURES	<u>32,177,700</u>	<u>37,850,650</u>	<u>33,884,559</u>	<u>3,966,091</u>
 DEFICIENCY OF REVENUES				
OVER EXPENDITURES	<u>(4,076,700)</u>	<u>(7,126,400)</u>	<u>(973,717)</u>	<u>6,152,683</u>
 Other Financing Sources				
Proceeds from insurance settlements	150,000	93,250	118,636	25,386
Transfers in	3,926,700	7,033,150	3,068,768	(3,964,382)
Total Other Financing				
Sources	<u>4,076,700</u>	<u>7,126,400</u>	<u>3,187,404</u>	<u>(3,938,996)</u>
 NET CHANGES IN				
FUND BALANCE	-	-	2,213,687	2,213,687
 Fund balance at beginning of year	<u>15,026,580</u>	<u>15,026,580</u>	<u>15,026,580</u>	<u>-</u>
 FUND BALANCE AT				
END OF YEAR	<u>\$ 15,026,580</u>	<u>\$ 15,026,580</u>	<u>\$ 17,240,267</u>	<u>\$ 2,213,687</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Revenues				
Water service fees	\$ 16,230,000	\$ 16,110,000	\$ 16,456,568	\$ 346,568
Sewer service fees	17,130,000	17,450,000	17,831,460	381,460
Sewer surcharge	20,000	-	102	102
Cut on fees	175,000	138,000	159,534	21,534
Water tap fees	515,000	480,000	599,757	119,757
Sewer tap fees	155,000	170,000	234,669	64,669
Service charges	245,000	220,000	249,883	29,883
Late fees	450,000	325,000	358,480	33,480
Miscellaneous	150,000	140,000	210,906	70,906
Total Operating Revenues	<u>35,070,000</u>	<u>35,033,000</u>	<u>36,101,359</u>	<u>1,068,359</u>
Operating Expenses				
Engineering				
Salary and wages	751,280	701,380	648,308	53,072
Retirement	83,160	83,160	77,049	6,111
Health insurance	109,180	99,180	77,842	21,338
Workers' compensation	13,650	13,650	12,106	1,544
Social security	52,920	52,920	47,784	5,136
Printing and supplies	5,000	5,000	3,696	1,304
Postage	300	300	2	298
Membership and dues	1,000	1,000	545	455
Auto operating expenses	4,500	4,500	3,668	832
Electricity	30,000	30,000	23,026	6,974
Travel and conferences	1,500	1,500	433	1,067
Telephone related services	11,000	11,000	8,755	2,245
Radio maintenance	500	500	-	500
Maintenance and service contracts	50,000	34,500	517	33,983
Building maintenance	5,000	5,000	-	5,000
Uniforms and clothing	3,000	3,000	923	2,077
Public notices	200	200	-	200
Employee training	2,000	2,000	1,304	696
Professional services	105,000	105,000	88,405	16,595
Special departmental supplies	8,000	23,500	485	23,015
Gas and oil	13,500	13,500	9,105	4,395
Other equipment	6,000	6,500	-	6,500
Total Engineering	<u>1,256,690</u>	<u>1,197,290</u>	<u>1,003,953</u>	<u>193,337</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Utility Finance				
Salary and wages	901,390	886,090	802,057	84,033
Retirement	99,700	101,240	96,705	4,535
Health insurance	177,670	160,600	154,444	6,156
Workers' compensation	32,300	32,300	28,652	3,648
Social security	66,860	65,280	62,241	3,039
Printing and supplies	4,000	1,500	1,125	375
Office supplies	20,000	15,500	15,618	(118)
Postage	5,000	4,500	4,271	229
Membership and dues	1,800	1,400	775	625
Travel and conferences	2,000	-	-	-
Auto operating expenses	10,000	15,500	15,482	18
Radio maintenance	500	200	148	52
Other maintenance and repairs	3,500	3,500	1,016	2,484
Telephone related services	14,000	13,500	13,465	35
Maintenance and service contracts	36,000	34,000	50,207	(16,207)
Employee training	1,750	750	467	283
Utility billing	204,000	196,700	179,869	16,831
Special departmental supplies	10,500	7,000	48,103	(41,103)
Meters, parts and supplies	250,000	280,000	206,661	73,339
Uniforms and clothing	6,000	5,000	4,445	555
Gas and oil	33,000	26,000	25,446	554
Building and fixed equipment	10,000	7,000	-	7,000
Other equipment	1,250	1,250	-	1,250
Total Utility Finance	<u>1,891,220</u>	<u>1,858,810</u>	<u>1,711,197</u>	<u>147,613</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Wastewater Treatment				
Salary and wages	1,245,160	1,193,720	1,103,040	90,680
Retirement	137,750	130,450	131,811	(1,361)
Health insurance	287,280	210,740	209,664	1,076
Workers' compensation	36,000	33,000	31,938	1,062
Social security	89,260	83,540	82,768	772
Printing and supplies	2,200	2,500	2,143	357
Postage	1,600	2,200	2,059	141
Membership and dues	8,000	6,750	6,730	20
Auto operating expenses	10,000	26,500	259,099	(232,599)
Electricity	950,000	1,203,260	1,202,869	391
Heating fuel	15,000	9,000	8,850	150
Telephone related services	9,000	6,560	6,394	166
Radio maintenance	500	2,650	2,650	-
Maintenance and service contracts	70,000	44,640	44,058	582
Machine and equipment repairs	315,000	439,360	556,252	(116,892)
Building maintenance	5,000	22,850	22,673	177
Landfill services	300,000	284,300	274,057	10,243
Uniforms and clothing	18,000	18,000	16,840	1,160
Chemicals	205,000	219,000	218,655	345
Lab supplies	34,000	50,000	49,627	373
Employee training	4,000	13,950	13,946	4
Professional services	50,000	72,000	71,574	426
Special departmental supplies	67,000	118,000	117,781	219
Gas and oil	45,000	75,500	72,922	2,578
Water usage	14,000	13,350	12,464	886
Upgrade and painting	293,000	379,090	-	379,090
Total Wastewater Treatment	<u>4,211,750</u>	<u>4,660,910</u>	<u>4,520,864</u>	<u>140,046</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Water Production - Surface Water				
Salary and wages	370,460	364,380	379,106	(14,726)
Retirement	41,000	44,450	45,185	(735)
Health insurance	67,650	61,620	60,667	953
Workers' compensation	11,160	10,160	9,916	244
Social security	27,280	28,770	28,976	(206)
Printing and supplies	800	1,600	1,308	292
Postage	140	140	129	11
Membership and dues	650	850	550	300
Auto operating expenses	2,000	3,500	2,940	560
Electricity	315,000	323,500	322,631	869
Telephone related services	5,000	6,800	6,324	476
Heating fuel	20,000	14,800	14,594	206
Radio maintenance	500	500	345	155
Maintenance and service contracts	20,000	1,200	51	1,149
Machine and equipment repairs	81,300	109,300	108,617	683
Building maintenance	26,000	28,600	28,340	260
Uniform and clothing	6,000	6,000	4,561	1,439
Chemicals	270,000	318,000	315,045	2,955
Lab supplies	45,000	45,000	43,293	1,707
Employee training	1,000	2,400	1,653	747
Professional services	13,000	19,000	17,861	1,139
Special departmental supplies	20,000	22,500	20,295	2,205
Gas and oil	4,000	8,500	8,173	327
Water usage	1,800	1,800	1,114	686
Upgrade and painting	450,000	851,120	-	851,120
Total Water Production - Surface				
Water	<u>1,799,740</u>	<u>2,274,490</u>	<u>1,421,674</u>	<u>852,816</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Water Production - Ground Water				
Salary and wages	302,370	252,380	250,871	1,509
Retirement	33,460	32,740	30,181	2,559
Health insurance	71,530	51,470	48,700	2,770
Workers' compensation	9,910	9,910	8,820	1,090
Social security	21,950	20,840	19,188	1,652
Postage	170	170	59	111
Membership and dues	600	1,750	1,670	80
Auto operating expenses	5,000	7,000	149,367	(142,367)
Electricity	796,500	736,630	734,030	2,600
Telephone related services	40,000	55,800	54,783	1,017
Heating fuel	200	350	259	91
Radio maintenance	400	400	342	58
Machine and equipment repairs	63,000	74,000	75,114	(1,114)
Building maintenance	3,000	6,000	4,594	1,406
Uniform and clothing	4,000	5,000	4,849	151
Chemicals	140,000	112,950	86,904	26,046
Lab supplies	14,500	14,500	14,399	101
Employee training	1,000	3,000	1,863	1,137
Professional services	60,000	77,000	75,919	1,081
Well repairs	89,500	90,500	90,023	477
Special departmental supplies	5,500	11,000	11,320	(320)
Gas and oil	34,000	34,000	18,314	15,686
Water usage	8,500	18,500	17,634	866
Upgrade and painting	140,000	270,000	-	270,000
Total Water Production - Ground				
Water	<u>1,845,090</u>	<u>1,885,890</u>	<u>1,699,203</u>	<u>186,687</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Distribution Operations				
Salary and wages	795,560	753,590	697,218	56,372
Retirement	88,060	86,420	83,441	2,979
Health insurance	195,970	149,410	145,203	4,207
Workers' compensation	26,030	26,030	23,118	2,912
Social security	57,570	55,390	53,284	2,106
Printing and supplies	6,000	6,000	5,507	493
Postage	150	150	67	83
Membership and dues	300	300	175	125
Auto operating expenses	25,000	25,000	14,816	10,184
Electricity	15,000	15,000	8,038	6,962
Telephone related services	6,000	6,000	4,835	1,165
Heating fuel	10,000	5,000	4,427	573
Radio maintenance	500	500	85	415
Maintenance and service contracts	4,500	7,300	6,603	697
Maintenance and equipment repairs	20,000	38,000	35,589	2,411
Building maintenance	13,000	39,200	38,880	320
Uniform and clothing	15,500	15,500	9,910	5,590
Meters, parts and supplies	175,000	115,500	119,102	(3,602)
Pipe fittings and hydrants	230,000	211,000	207,570	3,430
Paving materials and supplies	7,200	7,200	6,194	1,006
Employee training	1,000	1,000	75	925
Professional services	14,000	640	201,845	(201,205)
Special departmental supplies	25,000	25,000	44,491	(19,491)
Gas and oil	60,000	50,500	48,827	1,673
Water usage	10,500	10,000	9,887	113
Machines and equipment	-	20,000	-	20,000
Total Distribution Operations	<u>1,801,840</u>	<u>1,669,630</u>	<u>1,769,187</u>	<u>(99,557)</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Collection Operations				
Salary and wages	662,500	655,470	653,127	2,343
Retirement	73,440	75,720	78,107	(2,387)
Health insurance	126,080	121,830	121,253	577
Workers' compensation	16,550	16,050	14,701	1,349
Social security	48,650	47,960	49,509	(1,549)
Printing and supplies	700	-	-	-
Postage	50	50	4	46
Membership and dues	1,000	40	40	-
Travel and conferences	400	-	-	-
Auto operating expenses	23,000	36,000	36,678	(678)
Telephone related services	1,600	1,100	896	204
Radio maintenance	500	-	-	-
Maintenance and equipment repairs	28,000	69,700	70,382	(682)
Uniform and clothing	11,000	7,000	6,587	413
Pipe fittings and hydrants	95,000	78,160	76,370	1,790
Paving materials and supplies	45,000	36,000	36,661	(661)
Employee training	2,000	400	371	29
Professional services	200	800	666	134
Special departmental supplies	20,000	14,500	14,212	288
Gas and oil	50,000	34,700	33,356	1,344
Total Collection Operations	<u>1,205,670</u>	<u>1,195,480</u>	<u>1,192,920</u>	<u>2,560</u>
Non-Departmental				
Depreciation and amortization	7,669,000	7,669,000	7,917,127	(248,127)
Bank charges	119,000	122,000	111,698	10,302
Credit card fees	132,000	195,000	166,586	28,414
Employee relations	33,000	29,500	24,737	4,763
Unemployment compensation	1,000	1,500	1,154	346
Other post employment benefits	163,200	211,700	211,700	-
GASB 68 pension expense	-	-	274,400	(274,400)
Property and liability insurance	230,000	230,000	225,373	4,627
Small claims	65,000	75,000	69,685	5,315
Employee W/C small claims	12,000	34,000	32,396	1,604
Legal services	75,000	78,000	76,489	1,511
City Center operations	335,000	367,000	352,557	14,443
Contingency	305,000	456,000	-	456,000

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Water and Sewer Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Expenses--Continued				
Non-Departmental--continued				
IT support services	222,000	237,000	235,609	1,391
IT upgrade	31,000	42,000	7,108	34,892
Management system software	82,000	102,000	49,308	52,692
Health services	31,000	29,000	26,540	2,460
Public information services	-	16,000	13,425	2,575
Special projects	200,000	200,000	190,142	9,858
Total Non-Departmental	<u>9,705,200</u>	<u>10,094,700</u>	<u>9,986,034</u>	<u>108,666</u>
 TOTAL OPERATING EXPENSES	<u>23,717,200</u>	<u>24,837,200</u>	<u>23,305,032</u>	<u>1,532,168</u>
 OPERATING INCOME	<u>11,352,800</u>	<u>10,195,800</u>	<u>12,796,327</u>	<u>2,600,527</u>
 Non-Operating Revenues (Expenses)				
Investment earnings	61,000	95,000	294,787	199,787
Economic development	(1,250,000)	(1,250,000)	(972,913)	277,087
Miscellaneous revenues	5,344,000	5,653,000	1,751,011	(3,901,989)
Loss on disposal of assets	-	-	(61,990)	(61,990)
Interest expense	-	-	(5,102,431)	(5,102,431)
Appropriation of net position	-	1,087,000	-	(1,087,000)
Total Non-Operating				
(Expenses)	<u>4,155,000</u>	<u>5,585,000</u>	<u>(4,091,536)</u>	<u>(9,676,536)</u>
 INCOME BEFORE TRANSFERS	<u>15,507,800</u>	<u>15,780,800</u>	<u>8,704,791</u>	<u>(7,076,009)</u>
TRANSFERS OUT	<u>(16,742,600)</u>	<u>(17,015,600)</u>	<u>(3,483,000)</u>	<u>13,532,600</u>
 CHANGES IN NET POSITION	<u>(1,234,800)</u>	<u>(1,234,800)</u>	<u>5,221,791</u>	<u>6,456,591</u>
 Net position at beginning of year	<u>126,128,765</u>	<u>126,128,765</u>	<u>126,128,765</u>	<u>-</u>
 NET POSITION AT END OF YEAR	<u>\$ 124,893,965</u>	<u>\$ 124,893,965</u>	<u>\$ 131,350,556</u>	<u>\$ 6,456,591</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
Proprietary Fund - Stormwater Utility Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Operating Revenues				
Stormwater service fees	\$ 1,295,000	\$ 1,296,000	\$ 1,314,920	\$ 18,920
Miscellaneous	6,500	7,500	8,286	786
Total Operating Revenues	<u>1,301,500</u>	<u>1,303,500</u>	<u>1,323,206</u>	<u>19,706</u>
Operating Expenses				
Salary and wages	357,300	362,410	302,951	59,459
Retirement	39,540	40,000	34,273	5,727
Health insurance	58,080	57,580	56,924	656
Workers' compensation	9,900	9,900	8,763	1,137
Social security	26,580	27,310	23,387	3,923
Printing and supplies	500	500	-	500
Membership and dues	1,500	500	-	500
Postage	200	200	-	200
Travel and conferences	800	-	-	-
Auto operating expenses	14,000	18,800	18,899	(99)
Electricity	5,000	5,000	3,229	1,771
Telephone related services	1,500	1,500	885	615
Radio maintenance	500	500	85	415
Maintenance and equipment repairs	23,000	23,000	20,682	2,318
Uniforms and clothing	5,000	5,000	2,491	2,509
Pipe fittings and hydrants	11,000	7,000	1,738	5,262
Employee training	1,500	500	-	500
Professional services	38,000	38,000	58,632	(20,632)
Special departmental supplies	8,000	7,000	4,239	2,761
Gas and oil	35,000	40,000	37,696	2,304
Depreciation	707,000	707,000	594,816	112,184
Employee relations	1,000	2,000	1,548	452
Property and liability insurance	8,000	8,000	7,746	254
Other post employment benefits	14,200	18,400	18,400	-
GASB 68 pension expense	-	-	19,600	(19,600)
TOTAL OPERATING EXPENSES	<u>1,367,100</u>	<u>1,380,100</u>	<u>1,216,984</u>	<u>163,116</u>
OPERATING INCOME (LOSS)	<u>(65,600)</u>	<u>(76,600)</u>	<u>106,222</u>	<u>182,822</u>

City of Florence, South Carolina
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual--Continued
Proprietary Fund - Stormwater Utility Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Non-Operating Revenues (Expenses)				
Investment earnings	8,500	6,500	9,176	2,676
Miscellaneous revenues	60,000	60,000	85,267	25,267
Interest expense	<u>-</u>	<u>-</u>	<u>(42,146)</u>	<u>(42,146)</u>
Total Non-Operating Revenues (Expenses)	<u>68,500</u>	<u>66,500</u>	<u>52,297</u>	<u>(14,203)</u>
INCOME (LOSS) BEFORE TRANSFERS	2,900	(10,100)	158,519	168,619
TRANSFERS OUT	<u>(402,900)</u>	<u>(389,900)</u>	<u>(115,000)</u>	<u>274,900</u>
CHANGES IN NET POSITION	(400,000)	(400,000)	43,519	443,519
Net position at beginning of year	<u>2,918,829</u>	<u>2,918,829</u>	<u>2,918,829</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 2,518,829</u>	<u>\$ 2,518,829</u>	<u>\$ 2,962,348</u>	<u>\$ 443,519</u>

City of Florence, South Carolina

Schedule of Fines, Assessments and Surcharges

Special Revenue Fund - Victims Services Fund

Year Ended June 30, 2017

Court fines	
Court fines collected	\$ 469,079
Court fines retained by City	<u>(469,079)</u>
Court fines remitted to the State Treasurer	<u>\$ -</u>
Court Assessments, Surcharges and Pullout	
Court assessments collected	\$ 445,480
Court surcharges collected	155,310
Court pullout collected	21,272
Court assessments, surcharges and pullout retained by City	<u>(69,834)</u>
Court assessments, surcharges and pullout remitted to the State Treasurer	<u>\$ 552,228</u>
Victims Services	
Court assessments allocated to Victims Services	\$ 56,262
Court surcharges allocated to Victims Services	13,573
Investment income	<u>237</u>
Funds allocated to Victims Services	70,072
Victims Services expenditures	<u>(72,719)</u>
Funds provided in the current year	(2,647)
Funds available for carryforward from prior year	<u>117,954</u>
Funds available for carryforward at end of year	<u><u>\$ 115,307</u></u>

STATISTICAL SECTION

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

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

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Table 01

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 21,001,938	\$ 17,499,606	\$ 13,871,015	\$ 17,158,331	\$ 19,429,425	\$ 20,692,434	\$ 19,816,179	\$ 23,841,085	\$ 29,033,102	\$ 38,005,596
Restricted	20,000	30,000	30,000	5,029,732	1,279,834	2,815,762	2,213,701	2,074,462	2,351,821	6,077,735
Unrestricted	11,745,471	10,298,441	14,544,052	8,484,126	8,596,543	8,804,690	9,331,143	(13,305,020)	(12,331,352)	(9,668,156)
Total governmental activities net assets	\$ 32,767,409	\$ 27,828,047	\$ 28,445,067	\$ 30,672,189	\$ 29,305,802	\$ 32,312,886	\$ 31,361,023	\$ 12,610,527	\$ 19,053,571	\$ 34,415,175
Business-type activities										
Invested in capital assets, net of related debt	\$ 55,854,407	\$ 63,684,875	\$ 63,713,249	\$ 79,843,049	\$ 82,021,447	\$ 89,407,316	\$ 91,842,316	\$ 88,515,915	\$ 89,734,266	\$ 95,268,914
Restricted	-	2,473,850	5,075,799	6,323,412	4,899,688	4,794,542	4,704,434	10,180,548	9,760,388	9,055,832
Unrestricted	22,494,732	17,791,955	23,762,825	16,707,215	25,586,627	27,718,326	35,629,092	24,556,756	29,552,940	29,988,158
Total business-type activities net assets	\$ 78,349,139	\$ 83,950,680	\$ 92,551,873	\$ 102,873,676	\$ 112,507,762	\$ 121,920,184	\$ 132,175,842	\$ 123,253,219	\$ 129,047,594	\$ 134,312,904
Primary government totals										
Invested in capital assets, net of related debt	\$ 76,856,345	\$ 81,184,481	\$ 77,584,264	\$ 97,001,380	\$ 101,450,872	\$ 110,099,750	\$ 111,658,495	\$ 112,357,000	\$ 118,767,368	\$ 133,274,510
Restricted	20,000	2,503,850	5,105,799	11,353,144	6,179,522	7,610,304	6,918,135	12,255,010	12,112,209	15,133,567
Unrestricted	34,240,203	28,090,396	38,306,877	25,191,341	34,183,170	36,523,016	44,960,235	11,251,736	17,221,588	20,320,002
Total primary government net assets	\$ 111,116,548	\$ 111,778,727	\$ 120,996,940	\$ 133,545,865	\$ 141,813,564	\$ 154,233,070	\$ 163,536,865	\$ 135,863,746	\$ 148,101,165	\$ 168,728,079

Table 02

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 7,903,075	\$ 8,068,970	\$ 7,307,747	\$ 6,910,887	\$ 6,884,773	\$ 6,224,892	\$ 7,448,009	\$ 8,876,968	\$ 8,644,736	\$ 12,239,632
Public safety	12,733,887	13,323,884	13,409,835	14,139,828	15,342,743	14,258,623	14,418,964	14,941,776	14,544,967	14,958,057
Public works	4,579,662	4,933,597	5,172,572	4,868,876	5,527,026	5,789,957	6,893,527	6,875,207	6,646,686	6,829,919
Culture and recreation	4,407,663	6,765,323	4,318,364	4,030,009	5,223,822	4,939,601	4,767,511	4,967,947	4,954,024	4,547,612
Community development	216,096	328,207	1,697,060	502,885	1,097,686	730,670	1,235,708	777,787	937,622	1,550,188
Interest on debt	147,403	273,148	365,197	525,463	672,883	428,682	462,255	1,005,236	1,030,379	1,528,433
Total governmental activities expenses	29,987,786	33,693,129	32,270,775	30,977,948	34,748,933	32,372,425	35,225,974	37,444,921	36,758,414	41,653,841
Business-type activities:										
Water & Sewer	18,350,029	20,480,653	19,267,013	17,974,450	18,376,996	18,926,059	20,005,585	30,064,373	24,495,818	27,691,355
Stormwater	1,074,366	1,070,200	1,159,819	1,210,596	1,295,628	1,197,054	1,309,421	1,265,095	1,037,530	1,173,863
Total business-type activities expenses	19,424,395	21,550,853	20,426,832	19,185,046	19,672,624	20,123,113	21,315,006	31,329,468	25,533,348	28,865,218
Total primary government expenses	\$ 49,412,181	\$ 55,243,982	\$ 52,697,607	\$ 50,162,994	\$ 54,421,557	\$ 52,495,538	\$ 56,540,980	\$ 68,774,389	\$ 62,291,762	\$ 70,519,059
Program Revenues										
Governmental activities:										
Charges for services	\$ 13,490,219	\$ 13,759,832	\$ 14,532,169	\$ 13,867,188	\$ 13,786,297	\$ 15,030,057	\$ 15,232,023	\$ 15,749,432	\$ 15,884,921	\$ 17,253,231
Operating grants and contributions	2,761,350	1,552,503	3,313,840	4,073,237	2,971,633	2,362,524	1,611,072	2,475,584	2,248,462	5,562,426
Capital grants and contributions	697,194	736,431	285,763	51,000	356,500	111,430	-	4,799,532	189,356	5,501,991
Total governmental activities program revenues	16,948,763	16,048,766	18,131,772	17,991,425	17,114,430	17,504,011	16,843,095	23,024,548	18,322,739	28,317,648
Business-type activities:										
Charges for services:										
Water & Sewer	26,030,858	25,476,228	27,616,193	28,554,598	29,557,415	29,988,906	31,256,440	32,457,737	33,366,766	35,122,557
Stormwater	1,213,130	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857	1,280,487	1,303,982	1,314,920
Operating grants and contributions	-	-	-	-	-	119,553	-	-	-	-
Capital grants and contributions	257,666	814,663	574,568	741,858	-	82,545	226,298	366,838	-	-
Total business-type activities revenues	27,501,654	27,510,335	29,424,764	30,544,339	30,810,314	31,462,506	32,755,595	34,105,062	34,670,748	36,437,477
Total primary government revenues	44,450,417	43,559,101	47,556,536	48,535,764	47,924,744	48,966,517	49,598,690	57,129,610	52,993,487	64,755,125
Net (expense)/revenue										
Governmental activities	(13,039,023)	(17,644,363)	(14,139,003)	(12,986,523)	(17,634,503)	(14,868,414)	(18,382,879)	(14,420,373)	(18,435,675)	(13,336,193)
Business-type activities	8,077,259	5,959,482	8,997,932	11,359,293	11,137,690	11,339,393	11,440,589	2,775,594	9,137,400	7,572,259
Total primary government net expense	\$ (4,961,764)	\$ (11,684,881)	\$ (5,141,071)	\$ (1,627,230)	\$ (6,496,813)	\$ (3,529,021)	\$ (6,942,290)	\$ (11,644,779)	\$ (9,298,275)	\$ (5,763,934)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and fees										
Property taxes	\$ 8,360,565	\$ 8,594,436	\$ 8,766,376	\$ 9,375,114	\$ 9,401,312	\$ 9,340,283	\$ 9,462,898	\$ 9,617,294	\$ 9,958,587	\$ 10,657,474
Hospitality Fees	2,799,149	2,800,739	2,841,585	2,926,340	3,092,529	3,214,470	3,396,306	3,677,328	3,863,554	4,036,958
Unrestricted grants and contributions	987,666	942,306	790,254	711,684	728,643	851,358	1,320,504	2,293,423	5,595,294	9,555,205
Investment earnings	439,199	186,869	45,791	22,815	20,686	42,800	25,579	66,674	121,779	256,538
Gain on sale of assets	-	-	-	-	355,108	-	-	-	-	-
Miscellaneous	869,250	514,233	188,017	158,122	149,837	895,937	1,112,385	793,547	745,861	593,622
Transfers	1,626,117	1,637,000	2,124,000	2,019,569	2,520,001	2,956,317	2,113,344	3,173,699	4,593,644	3,598,000
Total governmental activities	15,081,946	14,675,583	14,756,023	15,213,644	16,268,116	17,301,165	17,431,016	19,621,965	24,878,719	28,697,797
Business-type activities										
Investment earnings	759,267	365,531	231,755	53,504	50,539	52,185	31,401	77,721	176,141	303,963
Miscellaneous	-	913,528	1,495,506	928,575	965,858	977,161	897,012	1,091,191	1,074,478	987,088
Transfers	(1,626,117)	(1,637,000)	(2,124,000)	(2,019,569)	(2,520,001)	(2,956,317)	(2,113,344)	(3,173,699)	(4,593,644)	(3,598,000)
Total business-type activities	(866,850)	(357,941)	(396,739)	(1,037,490)	(1,503,604)	(1,926,971)	(1,184,931)	(2,004,787)	(3,343,025)	(2,306,949)
Total primary government	\$ 14,215,096	\$ 14,317,642	\$ 14,359,284	\$ 14,176,154	\$ 14,764,512	\$ 15,374,194	\$ 16,246,085	\$ 17,617,178	\$ 21,535,694	\$ 26,390,848
Changes in Net Position										
Governmental activities	\$ 2,042,923	\$ (2,968,780)	\$ 617,020	\$ 2,227,121	\$ (1,366,387)	\$ 2,432,751	\$ (951,863)	\$ 5,201,592	\$ 6,443,044	\$ 15,361,604
Business-type activities	7,210,409	5,601,541	8,601,193	10,321,803	9,634,086	9,412,422	10,255,658	770,807	5,794,375	5,265,310
Total primary government	\$ 9,253,332	\$ 2,632,761	\$ 9,218,213	\$ 12,548,924	\$ 8,267,699	\$ 11,845,173	\$ 9,303,795	\$ 5,972,399	\$ 12,237,419	\$ 20,626,914

Table 03

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

Fiscal Year	Property Tax	Business License/ Franchise Fees	Hospitality Fee	Fines and Forfeitures	Total
2008	\$ 8,360,565	\$ 10,212,766	\$ 2,799,149	\$ 827,954	\$ 22,200,434
2009	8,594,436	10,332,888	2,800,739	725,808	22,453,871
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,375,114	10,347,941	2,926,340	695,789	23,345,184
2012	9,401,312	10,318,699	3,092,529	692,526	23,505,066
2013	9,340,283	11,085,979	3,214,470	644,920	24,285,652
2014	9,462,898	11,334,578	3,396,306	637,172	24,830,954
2015	9,617,294	11,528,597	3,677,328	540,934	25,364,153
2016	9,958,587	11,711,268	3,863,554	549,212	26,082,621
2017	10,657,474	13,202,859	4,036,958	465,109	28,362,400

Table 04

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 255,201	\$ 265,745	\$ 253,173	\$ 260,220	\$ 220,390	\$ 186,194	\$ 155,067
Restricted	-	-	-	210,000	-	331,319	-	-	-	-
Reserved ¹	300,000	27,000	240,000	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	693,523	781,179	1,934,688	1,979,096	2,355,008	3,249,055	3,764,823
Unreserved ¹	8,128,515	9,022,785	9,510,270	-	-	-	-	-	-	-
Unassigned	-	-	-	8,740,538	8,291,180	8,415,209	9,081,509	10,109,014	11,591,331	13,320,377
Total General Fund	\$ 8,428,515	\$ 9,049,785	\$ 9,750,270	\$ 9,899,262	\$ 9,338,104	\$ 10,934,389	\$ 11,320,825	\$ 12,684,412	\$ 15,026,580	\$ 17,240,267
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 20,730	\$ 25,063	\$ 47,381	\$ 24,700	\$ 33,892	\$ 10,500	\$ 23,061
Restricted	-	-	-	1,733,579	1,279,834	2,484,443	17,846,136	15,347,557	14,621,783	28,880,415
Reserved ¹	1,151,487	-	-	-	-	-	-	-	-	-
Committed	-	-	-	3,141,642	1,409,480	596,533	596,233	522,669	411,240	174,408
Assigned	-	-	-	1,194,567	675,914	-	15,000	-	-	-
Unreserved ¹	3,750,499	8,889,745	7,169,422	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 4,901,986	\$ 8,889,745	\$ 7,169,422	\$ 6,090,518	\$ 3,390,291	\$ 3,128,357	\$ 18,482,069	\$ 15,904,118	\$ 15,043,523	\$ 29,077,884

¹Beginning in Fiscal Year 2011 with the implementation of GASB 54 Fund Balance amounts are no longer referred to as Reserved and Unreserved. Instead as required by GASB 54, Fund Balance is split into one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned.

Table 05

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property Taxes	\$ 8,172,899	\$ 8,577,341	\$ 8,766,376	\$9,345,471	\$ 9,399,509	\$ 9,356,801	\$ 9,494,556	\$ 9,615,783	\$ 9,931,653	\$ 10,678,127
Licenses and fees	13,011,915	13,133,627	13,322,031	13,274,281	13,411,228	14,510,042	14,910,015	16,034,673	19,426,009	22,932,167
Intergovernmental	3,609,493	2,529,952	4,290,958	2,715,256	3,790,156	3,772,655	3,872,395	4,975,460	5,056,720	8,075,493
Charges for services	1,980,238	2,047,613	2,211,833	2,128,982	2,159,166	2,387,117	2,230,427	2,487,241	2,522,868	2,626,414
Fines and forfeitures	827,954	725,808	784,380	695,789	692,526	644,920	637,171	540,934	549,212	465,109
Investment earnings	439,199	186,869	45,791	30,006	20,689	40,298	25,579	66,674	121,779	256,538
Miscellaneous	2,165,312	1,132,615	1,036,131	3,001,651	675,859	1,042,119	534,793	654,253	536,381	2,783,624
Total revenues	30,207,010	28,333,825	30,457,500	31,191,436	30,149,133	31,753,952	31,704,936	34,375,018	38,144,622	47,817,472
Expenditures										
Current										
General government	7,389,797	7,407,872	6,995,675	6,765,865	6,776,184	6,072,413	7,315,367	6,911,151	7,558,246	9,791,500
Public safety	11,921,922	12,417,086	12,392,972	12,947,045	14,132,035	13,552,531	14,001,197	14,240,947	13,820,581	14,060,888
Public works	4,251,485	4,290,955	4,479,662	4,254,787	4,699,514	4,909,427	6,116,375	5,995,862	5,802,639	6,067,821
Culture and recreation	4,072,780	6,408,020	3,865,643	3,637,061	4,801,637	4,331,993	3,960,994	4,282,804	4,273,709	3,961,033
Community development	216,096	328,207	1,696,760	502,885	1,097,686	730,670	1,418,149	777,787	937,622	1,550,188
Debt Service										
Principal	543,977	670,369	1,069,978	1,162,813	2,358,462	1,763,799	8,410,196	1,677,644	1,855,632	16,891,310
Interest	154,483	142,569	390,440	537,190	612,332	459,469	473,483	1,002,763	1,012,960	1,597,432
Capital Outlay	4,147,936	3,116,214	2,612,360	9,764,155	1,920,377	8,155,386	1,234,356	4,649,677	15,655,333	16,935,888
Total expenditures	32,698,476	34,781,292	33,503,490	39,571,801	36,398,227	39,975,688	42,930,117	39,538,635	50,916,722	70,856,060
Excess of revenues under expenditures	(2,491,466)	(6,447,467)	(3,045,990)	(8,380,365)	(6,249,094)	(8,221,736)	(11,225,181)	(5,163,617)	(12,772,100)	(23,038,588)
Other financing sources (uses)										
Issuance of debt	-	-	-	5,345,000	-	-	23,734,000	-	6,750,000	35,570,000
Debt issuance cost	(7,584)	(52,305)	-	(37,000)	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	72,102	-	487,788	296,753	246,904	118,636
Transfers in	2,337,842	2,460,915	3,062,440	2,851,048	3,353,864	4,100,888	4,338,317	4,315,923	5,985,842	23,075,136
Transfers out	(700,842)	(823,915)	(938,440)	(669,189)	(833,863)	(1,155,163)	(2,224,973)	(1,142,224)	(1,392,198)	(19,477,136)
Proceeds from sale of property	-	-	-	-	-	-	-	-	777,040	-
Proceeds of capital lease	1,325,402	9,558,117	-	47,025	395,606	6,610,362	705,308	478,801	1,886,085	-
Total other financing sources (uses)	2,954,818	11,142,812	2,124,000	7,536,884	2,987,709	9,556,087	27,040,440	3,949,253	14,253,673	39,286,636
Net changes in governmental fund balance	\$ 463,352	\$ 4,695,345	\$ (921,990)	\$ (843,481)	\$ (3,261,385)	\$ 1,334,351	\$ 15,815,259	\$ (1,214,364)	\$ 1,481,573	\$ 16,248,048
Debt service as a percentage of non-capital expenditures	2.4%	2.6%	4.7%	5.7%	8.6%	7.0%	21.3%	7.7%	8.1%	34.3%

Table 06

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Water & Sewer										
Service Fees	\$ 24,202,597	\$ 24,796,610	\$ 27,163,915	\$ 28,151,177	\$ 28,975,273	\$ 29,431,296	\$ 30,637,166	\$ 31,728,876	\$ 32,571,063	\$ 34,288,028
Sewer Surcharges	59,654	68,766	69,589	96,440	35,156	40,594	50,664	21,944	17,698	102
Cut on Fees	178,735	157,812	163,132	162,648	147,414	193,597	187,447	190,132	151,209	159,534
Water & Sewer										
Tap Fees	1,030,488	453,040	382,689	403,421	546,986	517,016	568,610	706,918	778,005	834,426
Service Charges	290,606	255,388	265,134	226,186	240,778	269,065	226,691	246,082	243,994	249,883
Late Fees	164,823	285,028	418,462	422,020	430,468	390,401	404,942	472,545	427,652	358,480
Stormwater Fees	1,198,218	1,219,444	1,234,003	1,247,883	1,252,899	1,271,502	1,272,857	1,280,487	1,303,982	1,314,920
Investment earnings	759,267	365,531	231,755	53,504	50,539	52,185	31,401	77,721	176,141	303,963
Intergovernmental										
revenues	-	-	-	-	-	119,553	-	-	-	-
Miscellaneous	376,533	1,187,775	1,223,346	928,575	152,512	206,643	304,230	2,508,622	3,307,917	2,055,470
Total revenues	<u>28,260,921</u>	<u>28,789,394</u>	<u>31,152,025</u>	<u>31,691,854</u>	<u>31,832,025</u>	<u>32,491,852</u>	<u>33,684,008</u>	<u>37,233,327</u>	<u>38,977,661</u>	<u>39,564,806</u>
Expenditures										
Current										
Engineering	906,622	869,298	911,246	974,177	1,032,580	987,846	924,838	958,134	1,002,782	1,003,953
Utility Finance	741,982	851,037	818,791	932,884	1,411,815	1,939,902	1,694,928	1,732,099	1,735,464	1,711,197
Wastewater Treatment	2,661,429	2,984,387	3,201,419	3,255,574	3,239,314	3,581,179	3,775,600	3,841,748	4,051,886	4,520,864
Water Production	3,046,488	2,882,349	2,963,361	2,668,762	3,302,963	2,881,285	2,826,265	3,431,693	2,863,744	3,120,877
Distribution Operations	2,690,956	2,914,425	2,091,324	2,275,930	1,731,542	1,837,213	1,737,163	1,524,071	1,480,868	1,769,187
Collection Operations	190,226	263,678	755,176	768,601	732,536	787,045	971,134	1,157,306	1,122,358	1,192,920
Stormwater	916,032	920,469	1,019,210	1,079,309	1,198,115	1,126,321	1,245,346	1,208,065	1,202,009	1,216,984
Non-departmental	8,270,660	9,865,212	8,689,525	7,289,814	7,029,073	6,992,914	8,139,732	19,435,705	15,130,531	16,165,514
Net Interdepartmental										
Transfer	1,626,117	1,637,000	2,124,000	2,125,000	2,520,001	2,945,725	2,113,344	3,173,699	4,593,644	3,598,000
Total expense	<u>21,050,512</u>	<u>23,187,855</u>	<u>22,574,052</u>	<u>21,370,051</u>	<u>22,197,939</u>	<u>23,079,430</u>	<u>23,428,350</u>	<u>36,462,520</u>	<u>33,183,286</u>	<u>34,299,496</u>
Net change in net position	<u>\$ 7,210,409</u>	<u>\$ 5,601,539</u>	<u>\$ 8,577,973</u>	<u>\$ 10,321,803</u>	<u>\$ 9,634,086</u>	<u>\$ 9,412,422</u>	<u>\$ 10,255,658</u>	<u>\$ 770,807</u>	<u>\$ 5,794,375</u>	<u>\$ 5,265,310</u>

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	Fines and Forfeitures	Total
2008	\$ 8,172,899	\$ 10,212,766	\$ 2,799,149	\$ 827,954	\$ 22,012,768
2009	8,577,341	10,332,888	2,800,739	725,808	22,436,776
2010	8,766,376	10,480,446	2,841,585	784,380	22,872,787
2011	9,345,471	10,347,941	2,926,340	695,789	23,315,541
2012	9,399,509	10,318,699	3,092,529	692,526	23,503,263
2013	9,356,801	11,085,979	3,214,470	644,920	24,302,170
2014	9,494,556	11,334,578	3,396,306	637,172	24,862,612
2015	9,615,783	11,528,597	3,677,328	540,934	25,362,642
2016	9,931,653	11,711,268	3,863,554	549,212	26,055,687
2017	10,678,127	13,202,859	4,036,958	465,109	28,383,053

Table 08

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

Fiscal Year	Tax Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
		Residential Property	Commercial Property	Motor Vehicles	Other					
2008	2007	\$ 43,624,088	\$ 63,334,142	\$ 15,510,400	\$ 20,406,476	\$ 4,262,629	\$ 138,612,477	54.9	\$ 2,577,078,442	5.38%
2009	2008	46,591,593	67,302,466	14,886,860	22,118,529	4,282,034	146,617,414	54.9	2,728,131,590	5.37
2010	2009	48,563,854	68,919,960	13,671,060	21,327,503	4,434,172	148,048,205	54.9	2,777,562,487	5.33
2011	2010	53,718,182	70,501,984	14,093,880	20,772,127	4,553,707	154,532,466	56.7	2,930,483,528	5.27
2012	2011	54,714,285	71,085,672	14,523,690	19,183,573	4,591,064	154,916,156	56.7	2,960,477,579	5.23
2013	2012	54,937,686	69,773,408	15,291,980	18,778,579	4,687,925	154,093,728	56.7	2,957,895,007	5.21
2014	2013	55,007,595	71,270,577	16,326,470	17,496,320	4,737,361	155,363,601	56.7	2,990,280,434	5.20
2015	2014	55,965,147	72,424,916	17,531,340	18,490,006	4,881,047	159,530,362	56.5	3,062,438,917	5.21
2016	2015	58,302,456	73,973,466	18,682,293	19,513,566	4,740,033	165,731,748	56.5	3,173,815,982	5.22
2017	2016	59,216,059	75,218,067	18,500,010	18,659,525	4,750,814	166,842,847	60.2	3,206,808,386	5.20

Source: Florence County

Table 09

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

Fiscal Year	Tax Year	Overlapping Rates ⁽¹⁾										Total Direct & Overlapping Rates
		City of Florence			Florence County			School District One			Technical College Millage	
		Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2008	2007	54.9	0.0	54.9	67.9	9.0	76.9	157.5	19.0	176.5	4.9	313.2
2009	2008	54.9	0.0	54.9	67.9	9.0	76.9	163.7	19.0	182.7	4.9	319.4
2010	2009	54.9	0.0	54.9	67.9	9.0	76.9	171.7	34.3	206.0	4.9	342.7
2011	2010	53.7	3.0	56.7	67.9	9.0	76.9	173.2	32.0	205.2	4.9	343.7
2012	2011	53.7	3.0	56.7	68.9	8.0	76.9	177.5	30.0	207.5	4.9	346.0
2013	2012	53.7	3.0	56.7	71.9	8.0	79.9	184.5	35.6	220.1	4.9	361.6
2014	2013	53.7	3.0	56.7	75.4	9.0	84.4	189.3	31.7	221.0	4.9	367.0
2015	2014	53.7	2.8	56.5	73.0	8.5	81.5	192.7	29.4	222.1	4.9	365.0
2016	2015	53.7	2.8	56.5	74.6	9.6	84.2	197.3	30.4	227.7	4.9	373.3
2017	2016	57.4	2.8	60.2	74.6	12.7	87.3	197.5	31.5	229.0	4.9	381.4

Source: Florence County Auditor's Office

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

Table 10

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
Carolinas Hospital System	\$ 8,203,570	1	4.78%	\$ 9,416,170	1	6.59%
Duke Energy Progress ⁽³⁾	3,744,540	2	2.18	2,800,270	5	1.96%
Magnolia, LLC	3,251,990	3	1.90	2,830,130	4	1.98%
McLeod Regional Medical Center	2,738,880	4	1.60	5,140,055	2	3.60%
Florence Mall	1,655,890	5	0.97			
Raldex, Inc.	1,289,810	6	0.75	1,755,220	6	1.23%
Holcombe Land Development	1,120,230	7	0.65	1,293,800	7	0.91%
BellSouth Telecommunications	1,797,550	8	1.05	3,163,480	3	2.21%
Wal-Mart	1,098,530	9	0.64			
SC Electric and Gas	982,100	10	0.57	777,400	10	0.54%
Edens & Avant Fin. Ltd. Partnership				967,320	8	0.68%
Lowe's Home Improvement				780,590	9	0.55%

Source: Florence County

(1) Total Assessed Value for 2017 was \$171,593,661

(2) Total Assessed Value for 2008 was \$142,875,477

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

Table 11

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

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 Original Levy
2008	2007	\$ 7,843,843	\$ 7,733,752	98.6%	\$ 75,042	\$ 7,808,794	99.6%
2009	2008	8,284,380	8,125,465	98.1	82,930	8,208,395	99.1
2010	2009	8,371,282	8,260,672	98.7	63,861	8,324,533	99.4
2011	2010	9,020,186	8,793,288	97.5	80,631	8,873,919	98.4
2012	2011	9,044,059	8,846,137	97.8	117,503	8,963,640	99.1
2013	2012	9,002,920	8,831,673	98.1	56,778	8,888,451	98.7
2014	2013	9,077,725	8,950,117	98.6	59,844	9,009,961	99.3
2015	2014	9,289,810	9,077,292	97.7	57,338	9,134,630	98.3
2016	2015	9,631,656	9,385,169	97.4	64,936	9,450,105	98.1
2017	2016	10,329,938	9,998,304	96.8	55,084	10,053,388	97.3

Source: Florence County

Table 12

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

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2008	\$ -	\$ -	\$ 1,280,000	\$ 3,270,500	\$ 36,265,000	\$ 24,873,896	\$ 65,689,396	1.08%	\$2,049
2009	-	-	2,235,000	11,363,248	34,555,000	22,645,511	70,798,759	1.08	2,200
2010	-	-	2,060,675	10,466,595	111,040,082	17,419,572	140,986,924	2.15	3,805
2011	5,345,000	-	1,829,137	9,563,108	109,375,650	27,950,456	154,063,351	2.24	4,135
2012	5,092,905	-	1,416,062	8,265,421	105,252,219	28,815,589	148,842,196	2.10	3,964
2013	4,828,098	-	1,272,204	13,520,649	102,209,789	28,420,215	150,250,955	2.10	3,986
2014	4,550,124	23,734,000	675,000	6,690,939	105,069,530	35,715,144	176,434,737	2.42	4,648
2015	4,258,515	23,014,000	610,000	6,568,705	101,713,084	40,347,292	176,511,596	2.37	4,617
2016	10,702,785	22,278,000	545,000	7,705,888	100,841,803	35,559,195	177,632,671	*	4,601
2017	8,382,433	44,142,000	480,000	6,905,930	98,033,635	33,785,520	191,729,518	*	4,917

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

* Personal Income Tax Data is not currently available

Table 13

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

Fiscal Year	Population⁽¹⁾	Assessed Value	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2008	32,063	\$142,875,106	\$ -	\$ -	\$ -	0.00%	\$ -
2009	32,180	150,899,448	-	-	-	0.00	-
2010	37,056	152,482,377	-	-	-	0.00	-
2011	37,254	159,086,173	5,345,000	-	5,345,000	3.36	143
2012	37,550	159,507,220	5,092,905	431,975	4,660,930	2.92	124
2013	37,695	159,781,653	4,828,098	475,412	4,352,686	2.72	115
2014	37,961	160,100,962	4,550,124	521,650	4,028,474	2.52	106
2015	38,228	164,411,409	4,258,515	545,841	3,712,674	2.26	97
2016	38,610	170,471,781	10,702,785	579,706	10,123,079	5.94	262
2017	38,996	171,593,661	8,382,433	603,908	7,778,525	4.53	199

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

Table 14

**CITY OF FLORENCE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2017**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City⁽¹⁾</u>	<u>Amount Applicable to the City</u>
Direct:			
City of Florence	\$59,910,363	100.00%	\$59,910,363
Overlapping:⁽²⁾			
Florence County	181,406,069	35.86%	65,052,216
Florence School District 1	32,410,000	44.41%	14,393,281
Total Overlapping Debt	<u>\$213,816,069</u>		<u>\$79,445,497</u>
 Total Direct & Overlapping Debt	 <u><u>\$273,726,432</u></u>		 <u><u>\$139,355,860</u></u>

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

(2) Source: Florence County Finance Department

Table 15

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$11,430,008	\$12,071,956	\$12,198,590	\$12,726,894	\$12,760,578	\$12,702,532	\$12,808,077	\$13,153,714	\$13,637,742	\$13,727,493
Total net debt applicable to limit	0.00	0.00	0.00	5,345,000.00	4,660,930.00	4,352,686.00	\$4,028,474	\$3,712,674	\$10,123,079	\$7,778,525
Legal Debt Margin	<u>\$11,430,008</u>	<u>\$12,071,956</u>	<u>\$12,198,590</u>	<u>\$7,381,894</u>	<u>\$8,099,648</u>	<u>\$8,349,846</u>	<u>\$8,779,603</u>	<u>\$9,441,040</u>	<u>\$3,514,663</u>	<u>\$5,948,968</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	42.00%	36.53%	34.27%	31.45%	28.23%	74.23%	56.66%

Legal Debt Margin Calculation for Fiscal Year 2017

Taxable Assessed Value - 2016 Levy	\$166,842,847
Add back: exempt real property	4,750,814
Total Assessed Value	<u>\$171,593,661</u>
Debt Limit (8% of Total Assessed Value Without Referendum)	\$13,727,493
Debt applicable to limit:	
Total Bonded Debt	\$8,382,433
Less Amounts Available in Debt Service Fund	(603,908)
Less Deductions Allowed by Law	
Total Net Debt Applicable to Limit	<u>7,778,525</u>
Legal Debt Margin	<u>\$5,948,968</u>

Table 16

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

Fiscal Year ⁽¹⁾	Gross Revenue ⁽²⁾	Less: Operating Expenses ⁽³⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ⁽⁴⁾
				Principal	Interest	Total	
2008	\$ 26,654,167	\$ 11,204,841	\$ 15,449,326	\$ 2,392,078	\$ 2,782,452	\$ 5,174,530	2.99
2009	26,712,674	12,292,031	14,420,643	3,341,252	2,650,041	5,991,293	2.41
2010	29,199,368	12,087,177	17,112,191	3,447,196	2,497,453	5,944,649	2.88
2011	30,665,248	11,751,584	18,913,664	1,973,833	4,923,927	6,897,760	2.74
2012	31,924,606	12,279,922	19,644,684	3,879,607	6,082,235	9,961,842	1.97
2013	32,422,779	12,983,988	19,438,791	3,822,469	6,136,072	9,958,541	1.95
2014	33,472,326	13,783,991	19,688,335	4,131,881	5,639,266	9,771,147	2.01
2015	34,957,530	14,353,564	20,603,966	4,800,775	5,819,375	10,620,150	1.94
2016	35,931,291	14,153,794	21,777,497	5,124,838	5,729,248	10,854,086	2.01
2017	37,740,275	15,387,905	22,352,370	4,988,178	5,765,255	10,753,433	2.08

(1) In the fiscal years 2012 through 2015 CAFRs, Economic Development expenses are accounted for in Operating Expenses. Economic Development expenses should have been reported in these CAFRs as Non-Operating Expenses. Operating Expenses for fiscal years 2012 through 2015 have been adjusted in this table to reflect Economic Development incentives classified as Non-Operating Expenses. Expenses for Economic Development come from surplus funds of the System to foster growth in the Florence area.

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

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

(4) The City's Waterworks & Sewerage System Bond Ordinance requires that annual Net Earnings be equal to at least 100% of debt service requirements for all Junior Lien Bonds. In FY 2016-17, the debt service requirement for the \$6,111,310.18 Waterworks & Sewerage System Junior Lien Revenue Bond of the City of Florence, SC dated January 9, 2014, and amended on May 12, 2014, was \$214,724. In FY 2016-17 the combined debt service requirement for the \$35,570,000 Series A and B Special Obligations Bond, also additionally secured by a junior lien pledge of Waterworks & Sewerage System revenues, was \$770,168 in interest only payments. Net earnings of the system exceed the debt service requirement amounts described above required by the City's Waterworks & Sewerage System Bond Ordinance. Debt service on bonds secured by a junior lien on System Revenues is not included under Debt Service Requirements in the above table.

Table 17

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

Fiscal Year	Population⁽¹⁾	Personal Income (in millions)⁽²⁾	Per Capita Personal Income⁽²⁾	Public School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾
2008	32,063	\$6,093	\$30,690	15,490	6.7%
2009	32,180	6,528	30,542	15,783	12.1
2010	37,056	6,546	31,883	16,017	11.0
2011	37,254	6,889	33,491	16,081	11.6
2012	37,550	7,099	33,749	16,176	10.2
2013	37,695	7,146	34,320	16,305	9.9
2014	37,961	7,292	35,220	16,579	7.4
2015	38,228	7,459	36,130	16,694	7.5
2016	38,610	*	*	15,846	5.4
2017	38,996	*	*	16,304	4.5

* Information not yet available

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

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

(3) Florence School District One

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

Table 18

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

Employer	2017			2008		
	Number of Employees	Rank	Percentage of of Total Employment⁽¹⁾	Number of Employees	Rank	Percentage of of Total Employment⁽²⁾
McLeod Regional Medical Center	5,861	1	31.6%	3,151	1	4.9%
Florence School District One	2,618	2	14.1	1,718	2	2.7
Carolinas Hospital System	1,600	3	8.6	1,640	3	2.6
The Assurant Group	1,150	4	6.2	675	6	1.1
Administrators/TRICARE (BCBS)	910	5	4.9	1,600	4	2.5
Florence County	832	6	4.5	898	5	1.4
Nightingales Nursing Services	695	7	3.8	-	-	
Wal-Mart	631	8	3.4	620	7	1.0
City of Florence	539	9	2.9	469	9	0.7
Florence Co. Disabilities & Spec. Needs	298	10	1.6	350	10	0.5
SC DHEC				600	8	0.9

(1) Total employment for June 2017: 18,529

(2) Total employment information was only available by county. Total employment for Florence County June 2008: 64,055.

Table 19

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

Customer	Type of Business	2017			2008		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
Johnson Controls	Manufacturing	1	\$ 380,552	2.34%	3	\$ 111,215	0.90%
McLeod Regional Medical Center	Medical Services	2	296,255	1.82	1	143,019	1.16
Patheon API Inc*	Manufacturing	3	161,761	1.00	6	80,662	0.66
Francis Marion University	University	4	157,857	0.97	2	138,515	1.13
Ruiz Foods	Manufacturing	5	145,274	0.89			
Florence School District 1	School	6	86,337	0.53			
Florence County	County Government	7	83,784	0.52			
Forest Lake Apartments	Apartments	8	76,154	0.47			
Carolinas Hospital System	Medical Services	9	65,472	0.40	5	80,940	0.66
Habitat 2000	Apartments	10	55,572	0.34			
Rental Uniforms	Industrial				7	62,193	0.51
Florence County Detention Center	County Government				10	51,386	0.42
PET Dairy	Manufacturing				8	56,837	0.46
ESAB	Manufacturing						0.00
General Electric	Manufacturing				4	110,672	0.90
International Food House	Manufacturing		-		9	52,045	0.42
TOTALS			<u>\$1,509,019</u>	<u>9.29%</u>		<u>887,484</u>	<u>7.22%</u>

2017 Total Billed Revenue: \$16,236,507

2008 Total Billed Revenue: \$12,296,734

*Patheon API Inc acquired Roche Carolinas in February 2017

Table 20

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

Customer	Type of Business	2017			2008		
		Rank	Billed Revenues	Percentage of Total Billed Revenues	Rank	Billed Revenues	Percentage of Total Billed Revenues
McLeod Regional Hospital	Medical Services	1	\$325,309	1.86%	2	\$193,626	1.70%
Francis Marion University	University	2	249,555	1.43	3	179,973	1.58
Koppers	Manufacturing	3	249,511	1.43	1	207,291	1.82
Johnson Controls	Manufacturing	4	249,091	1.42			
Ruiz Foods	Manufacturing	5	214,426	1.23			
Darlington County	Government	6	136,574	0.78	9	75,019	0.66
Forest Lake Apartments	Apartments	7	116,274	0.66			
Florence School District One	School	8	111,463	0.64			
Patheon API Inc.*	Manufacturing	9	105,438	0.60	7	87,172	0.77
Habitat 2000	Apartments	10	88,314	0.50			
Carolina Hospital Systems	Medical Services				8	86,508	0.76
ESAB	Manufacturing				5	117,470	1.03
PET Dairy	Manufacturing				4	118,208	1.04
Rental Uniforms	Industrial				6	98,411	0.87
Florence County Detention Center	Government				10	68,711	0.60
TOTALS			<u>\$1,845,955</u>	<u>10.55%</u>		<u>\$1,232,389</u>	<u>10.84%</u>

2017 Total Billed Revenues: \$17,500,620

2008 Total Billed Revenues: \$11,367,868

*Patheon API Inc acquired Roche Carolinas in February 2017

Table 21

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

	Fiscal Year									
	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014 ⁽²⁾	2015	2016	2017
Water Customers:										
Residential	27,189	27,139	27,299	27,333	27,561	27,760	28,740	28,920	29,088	29,064
Commercial	2,970	2,958	2,983	2,977	3,006	3,027	3,139	3,136	3,149	3,289
Industrial		7	5	3	2	2	2	2	2	2
Total	30,159	30,104	30,287	30,313	30,569	30,789	31,881	32,058	32,239	32,355
Sewer Customers:										
Residential	17,190	17,143	17,340	17,344	17,517	17,689	18,648	18,808	18,991	18,976
Commercial	2,247	2,234	2,241	2,228	2,263	2,275	2,368	2,348	2,360	2,466
Industrial		7	6	5	4	4	4	4	2	2
Total	19,437	19,384	19,587	19,577	19,784	19,968	21,020	21,160	21,353	21,444

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

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

Table 22

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Minimum Rates ⁽¹⁾										
Inside City Rates										
3/4"	\$ 11.10	\$ 11.77	\$ 12.47	\$ 12.00	\$ 12.25	\$ 12.50	\$ 12.75	\$ 13.00	\$ 13.25	\$ 13.50
1"	16.92	17.94	19.01	25.50	26.05	26.60	27.15	37.70	28.25	28.80
1 1/4"	18.37	19.47	20.63	36.75	37.55	38.35	39.15	39.95	40.75	41.55
1 1/2"	32.92	34.90	36.99	48.00	49.05	50.10	51.15	52.20	53.25	54.30
2"	55.46	58.79	62.31	75.00	76.65	78.30	79.95	81.60	83.25	84.90
3"	120.18	127.39	135.03	147.00	150.25	153.50	156.75	159.90	163.25	166.50
4"	210.34	222.96	236.33	228.00	233.05	238.10	243.15	248.20	253.25	258.30
6"	468.48	496.59	526.38	453.00	463.05	470.10	480.15	493.20	503.25	513.30
8"	829.89	879.68	932.46	723.00	739.05	755.10	771.15	787.20	803.25	819.30
Volume Rate (per 1,000 gallons)	1.55	1.64	1.74	1.75	1.79	1.83	1.87	1.91	1.95	1.99
Minimum Rates ⁽¹⁾										
Outside City Rates										
3/4"	15.15	16.51	18.00	17.40	17.77	18.14	18.51	18.88	19.25	19.62
1"	24.12	26.29	28.66	39.00	39.85	40.70	41.55	42.40	43.25	44.10
1 1/4"	26.36	28.73	31.32	57.00	58.25	59.50	60.75	62.00	63.25	64.50
1 1/2"	48.79	53.18	57.97	75.00	76.65	78.30	79.95	81.60	83.25	84.90
2"	83.57	91.09	99.29	118.20	120.81	123.42	126.03	128.64	131.25	133.86
3"	183.39	199.89	217.88	233.40	238.57	243.74	248.91	254.08	259.25	264.42
4"	322.47	351.49	383.13	363.00	371.05	379.10	387.15	395.20	403.25	411.30
6"	720.64	785.49	856.19	723.00	739.05	755.10	771.15	787.20	803.25	819.30
8"	1,278.07	1,393.09	1,518.47	1,153.00	1,180.65	1,206.30	1,231.95	1,257.60	1,283.25	1,308.90
Volume Rate (per 1,000 gallons)	2.39	2.61	2.84	2.80	2.86	2.93	2.99	3.06	3.12	3.18

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

Table 23

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Minimum Rates ⁽¹⁾										
Inside City Rates										
3/4"	\$ 18.28	\$ 19.38	\$ 20.54	\$ 20.60	\$ 21.20	\$ 21.85	\$ 22.50	\$ 23.15	\$ 23.85	\$ 24.55
1"	29.28	31.04	32.90	46.85	48.20	50.68	51.15	52.63	54.23	55.83
1 1/4"	32.03	33.95	35.99	68.73	70.70	72.86	75.03	77.19	79.54	81.89
1 1/2"	59.52	63.09	66.88	90.60	93.20	96.05	98.90	101.75	104.85	107.95
2"	102.15	108.28	114.78	143.10	147.20	151.70	156.20	167.70	165.60	170.50
3"	224.50	237.97	252.25	283.10	291.20	300.10	309.00	317.90	327.60	337.30
4"	395.30	419.02	444.16	440.60	453.20	467.05	480.90	494.75	509.85	524.95
6"	883.04	936.02	992.18	878.10	903.20	930.80	958.40	986.00	1,016.10	1,046.20
8"	1,566.32	1,660.30	1,759.95	1,403.10	1,443.20	1,487.30	1,531.40	1,575.50	1,623.60	1,671.70
Volume Rate (per 1,000 gallons)	1.90	2.01	2.13	2.48	2.55	2.63	2.71	2.79	2.87	2.96
Minimum Rates ⁽¹⁾										
Outside City Rates										
3/4"	25.86	28.19	30.73	31.10	32.00	32.98	33.96	34.94	36.00	37.06
1"	42.82	46.68	50.88	73.10	75.20	77.51	79.80	82.11	84.61	87.11
1 1/4"	47.06	51.30	55.92	108.11	111.20	114.60	118.01	121.40	125.10	128.80
1 1/2"	89.47	97.52	106.30	143.10	147.20	151.70	156.20	160.70	165.60	170.50
2"	155.21	169.18	184.41	227.10	233.60	240.74	247.88	255.02	262.60	270.58
3"	343.95	374.91	408.66	451.10	464.00	478.18	492.36	506.54	522.00	537.46
4"	606.90	661.52	721.06	703.10	723.20	745.30	767.40	789.50	813.60	837.70
6"	1,359.71	1,482.09	1,615.48	1,403.10	1,443.20	1,487.30	1,531.40	1,575.50	1,623.60	1,671.70
8"	2,413.65	2,630.88	2,867.66	2,243.10	2,307.20	2,448.10	2,448.20	2,518.70	2,595.60	2,672.50
Volume Rate (per 1,000 gallons)	2.93	3.19	3.48	3.97	4.08	4.21	4.34	4.46	4.59	4.74

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

Table 24

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

Function	Full-time Equivalent City Government Positions									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government Admin.	12	12	12	13	14	12	12	11	11	11
Finance Department	10	10	10	10	10	9	9	9	9	9
Personnel Department	5	5	5	5	6	6	5	6	6	6
Community Services Department	8	8	8	8	8	8	8	5	5	5
Public Safety										
Police	138	140	143	153	153	154	146	150	149	149
Fire	70	71	72	85	85	85	86	85	85	85
Total Public Safety	208	211	215	238	238	239	232	235	234	234
Public Works Department										
Streets and Beautification	30	30	30	30	30	36	50	50	50	50
Sanitation	25	27	27	27	27	27	27	27	27	27
Equipment Maintenance	8	7	7	7	7	7	7	7	7	7
Total Public Works	63	64	64	64	64	70	84	84	84	84
Parks and Recreation	35	39	39	41	41	41	26	26	27	27
Urban Planning & Development	4	8	8	8	7	5	4	4	4	4
Water and Sewer	117	117	118	119	120	122	118	120	121	127
Stormwater	11	11	10	9	9	9	8	8	8	8
Total Employees	473	485	489	515	517	521	506	508	509	515

Source: City of Florence Budget

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

Table 25

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical Arrests	3,523	3,787	3,633	2,740	2,965	3,570	3,386	3,009	4,448	3,566
Traffic Violations	9,598	8,692	8,775	12,697	7,728	7,923	6,693	9,758	7,454	9,578
Parking Violations	623	924	770	546	514	430	355	148	355	292
Fire										
Calls Answered	2,236	2,177	2,565	2,709	2,492	2,557	2,520	2,923	3,131	3,215
Inspections	837	1,286	1,040	1,797	1,992	1,735	1,744	1,341	1,595	1,281
Water System										
Service Connections	30,238	30,240	30,814	30,396	30,546	30,789	31,949	32,179	32,239	32,355
Average daily production (in millions of gallons)	14.00	13.00	13.00	13.00	13.00	12.17	12.65	13.62	12.50	13.20
Maximum daily capacity (in millions of gallons)	37.00	37.00	26.00	26.00	26.00	25.60	26.46	26.46	26.46	26.50
Wastewater System										
Service connections	19,486	19,530	19,954	19,641	19,780	19,954	21,070	21,259	21,353	21,444
Average daily treatment (in millions of gallons)	9.82	11.00	12.00	10.00	8.50	8.63	12.21	11.14	11.27	12.06
Maximum daily capacity (in millions of gallons)	15.00	18.00	18.00	18.00	18.00	18.00	24.00	24.00	24.00	24.00

Source: Various City departments.

Table 26

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	3	2	3	3	3	2	2	2
Resource Centers	3	4	6	9	5	6	4	3	4	4
Patrol units	127	135	100	133	159	165	168	164	159	159
Fire Stations	4	4	4	5	5	5	5	5	5	5
Highways and Streets										
Streets (in miles) ⁽¹⁾	241	283	283	96	97	99	103	103	103	112
Streetlights (Leased)	6,075	6,235	6,375	6,670	6,722	6,722	6,756	6,996	7,121	7,389
Culture and Recreation										
Community centers	4	4	4	6	6	4	5	5	5	5
Parks	16	17	19	19	19	18	18	18	19	19
Park acreage	605	624	660	660	660	655	655	655	669	669
Tennis courts	24	24	48	54	50	49	50	50	50	50
Water System										
Water mains (in miles)	741	718	718	724	733	748	796	806	841	843
Fire hydrants	1,882	2,334	2,213	2,229	2,259	2,317	2,547	2,577	2,666	2,733
Wastewater System										
Sanitary sewers (in miles)	390	388	425	448	456	462	507	507	507	507
Treatment plants	1	1	1	1	1	1	2	2	2	2
Stormwater System										
Storm sewers (in miles) ⁽²⁾	110	115	115	75	76	76	76	76	77	77

Source: Various City departments.

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

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

Table 27

**CITY OF FLORENCE, SOUTH CAROLINA
MISCELLANEOUS STATISTICS
JUNE 30 2017**

Date of Incorporation	1890
Form of Government	Council/Manager
Total Number of Full-Time Employees	515
Area in square miles	22.04
Facilities and services not included in the primary government	
Cable Television System	
Miles of service (Florence County)	1,512
Education	
Number of elementary schools	14
Number of elementary school instructors	637
Number of secondary schools	8
Number of secondary school instructors	596
Facilities and services not included in the reporting entity	
Hospitals	
Number of hospitals	3
Number of patient beds	897
Other data	
Business Licenses issued for fiscal year 2016-2017	4,479
New Business Licenses issued for fiscal year 2016-2017	721
Business License Receipts	\$ 9,591,216
Percent change in Business License receipts from prior year	17.17%
Franchise Fee Receipts	\$ 3,611,643
Percent change in Franchise Fee receipts from prior year	(0.08%)
Population (estimated population)	38,996
City of Florence gross retail sales for calendar year 2016	\$ 2,461,239,197
Per Capita spending for calendar year 2016	\$ 63,115
Outstanding General Obligation Debt	\$ 15,288,363
Outstanding Revenue Debt	\$ 174,806,305
City of Florence Bond Rating	
Moody's Investor's Service	Aa2
Standards and Poor's	AA-
Residential construction permits issued	508
Construction value	\$ 27,439,000
Commercial construction permits issued	172
Construction value	\$ 104,609,650

SINGLE AUDIT SECTION

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

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor
City of Florence, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Florence, South Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Florence, South Carolina's major federal programs for the year ended June 30, 2017. City of Florence, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Florence, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Florence, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Florence, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Florence, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Florence, South Carolina

City of Florence, South Carolina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Passed through to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs				
Community Development Block Grants	14.218	N/A	\$ 45,106	\$ 320,913
Total Direct Department of Housing and Urban Development			<u>45,106</u>	<u>320,913</u>
Passed through S.C. State Housing Finance and Development Authority				
Neighborhood Stabilization Program	14.228	08-NSP-116	-	7,811
Neighborhood Stabilization Program	14.228	11-NSP-116	-	35,623
Subtotal CFDA 14.228			-	43,434
Total Department of Housing and Urban Development			<u>45,106</u>	<u>364,347</u>
U.S. Department of Justice				
Direct Programs				
Bureau of Justice Assistance Grant	16.580	N/A	-	26,041
Bulletproof Vest Partnership Program	16.607	N/A	-	5,687
Total Department of Justice			-	<u>31,728</u>
U.S. Environmental Protection Agency				
Passed through S.C. Department of Health and Environmental Control				
Capitalization Grants for Clean Water State Revolving Funds	66.458	1-165-14-378-23	-	265,855
Total Environmental Protection Agency			-	<u>265,855</u>
U.S. Department of Commerce				
Direct Program				
Public Works Program/Core Infrastructure Improvements	11.300	N/A	-	7,272
Total Department of Commerce			-	<u>7,272</u>
Total Expenditures of Federal Awards			<u>\$ 45,106</u>	<u>\$ 669,202</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Florence, South Carolina

Schedule of Expenditures of Federal Awards--Continued

Year Ended June 30, 2017

1. Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The City of Florence has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Outstanding Loans

At June 30, 2017, the City had the following outstanding loans:

	<u>CFDA #</u>	<u>Amount</u>
U.S. Department of Housing and Urban Development		
CDBG Section 108 Loan Guarantees	14.248	\$ <u>480,000</u>
U.S. Environmental Protection Agency		
Water Supply Improvements	66.468	487,246
Pee Dee Regional Water System/Finished Water Main	66.468	3,546,554
Rain Water Storage	66.468	1,537,341
Regional Wastewater Treatment Plan Upgrade - Phase I	66.458	13,999,705
Timmons ville Sewer System Rehabilitation - Phase I	66.458	<u>1,622,102</u>
Total Environmental Protection Agency		<u>21,192,948</u>
Total Loans Outstanding		<u>\$ 21,672,948</u>

3. Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants	\$ 45,106

City of Florence, South Carolina

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the basic financial statements of City of Florence, South Carolina were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of City of Florence, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for City of Florence, South Carolina expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The program tested as a major program include: Capitalization Grants for Clean Water State Revolving Funds - CFDA No. 66.458.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Florence, South Carolina was determined to be a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None

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

None

City of Florence, South Carolina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

None

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Florence, South Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Florence, South Carolina's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Burch, Grier, Seale Co., CPAs, PA". The script is cursive and fluid, with the company name and credentials clearly legible.

Florence, South Carolina

October 20, 2017