



THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

Our Mission

The mission of the city government of the City of Florence, Alabama, is to enhance the quality of life of the citizens of the city by:

-  continuing to improve the governmental services presently provided to the citizens,**
-  anticipating the requirements of the citizens in the area of municipal government,**
-  meeting those requirements in a timely manner and at the lowest possible cost commensurate with the appropriate quality,**
-  making Florence, in every way, as attractive as possible to present and to future citizens.**

**CITY OF FLORENCE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

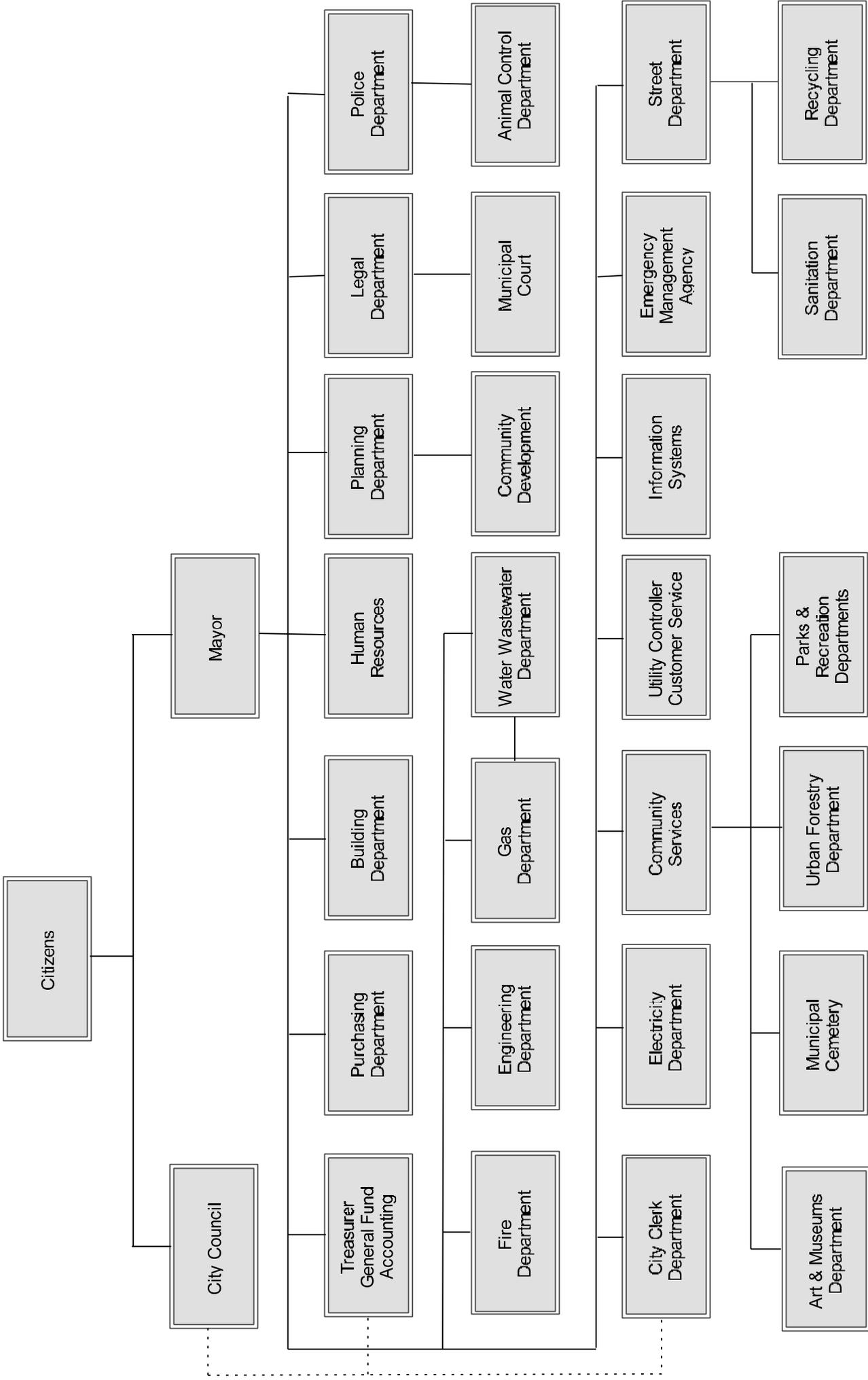
As of September 30, 2012

Elected Officials

Mayor	Bobby E. Irons
Council Member—District 1	Sam Pendleton, Jr.
Council Member—District 2	William D. Jordan
Council Member—District 3	Hermon T. Graham
Council Member—District 4	Barry Morris
Council Member—District 5	James H. Barnhart, President
Council Member—District 6	Andrew Betterton

Department Heads

Treasurer / Chief Accountant	Dan D. Barger
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Arts and Museums	Barbara Broach
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Charles Cochran
Information Systems	Steve Price
Insurance	Ben Maharrey
Parks and Recreation	Tina Kitchens
Human Resources Interim Director	Robert S. Steen
Planning	Melissa Bailey
Police	Ron Tyler
Purchasing/Grants Administration	Phillip L. Stevenson
Street, Solid Waste, and Recycling	David Koonce
Controller of Utilities	Vance Young
Electricity	Richard Morrissey
Gas and Water/Wastewater	Michael G. Doyle



FINANCIAL SECTION



Charles L. Watkins, CPA
M. Buddy Johnsey, III, CPA

Member of
American Institute of CPA's
AICPA Private Companies
Practice Section
Alabama Society of CPA's

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Florence, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, on our consideration of the City of Florence, Alabama'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* and should be considered in assessing the results of our audit.



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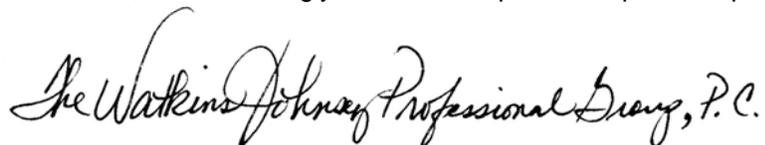
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 3 through 26 and 70 through 75 be 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's financial statements. The accompanying combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

A handwritten signature in cursive script that reads "The Watkins Johnsey Professional Group, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
May 3, 2013

City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2012

As management of the City of Florence, Alabama ("City"), we offer readers of the City of Florence, Alabama's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Alabama, for the fiscal year ended September 30, 2012. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information ("RSI") that is provided in addition to this MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.

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

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into the following activities:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and *Business-Type Activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

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, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for most of the City's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

September 30, 2012 information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. 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 September 30, 2012 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. These reconciliations are located on pages 30 and 32.

Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 29 and 31 of this report. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information section of this report that begins on page 76.

Proprietary funds - Proprietary funds are used to report the business-type activities in the government-wide financial statements. The City uses Proprietary funds to account for its Electricity, Gas, Water and Wastewater, and Solid Waste departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 33-35 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basis of accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 36-37 of this report.

Internal Service funds - Internal Service funds are used by the City for the administration of its self-insured Employee Group Health Insurance, General Liability Insurance, and Workers' Compensation Insurance. The internal service fund financial statements can be found on pages 78-80 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for 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 40-69 of this report.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 76-80. Required supplementary information can be found on pages 70-75 of this report. Other Supplementary Schedules follow, starting on page 76.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$293,323,815 (net assets). Of this amount, \$48,299,919 is unrestricted net assets. The City's net assets include \$102,372,244 from Governmental Activities and \$190,951,571 from Business-Type Activities, as reported on page 27.

By far the largest portion of the City's net assets (74.74%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, City infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net assets (8.79%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. This is a change in reporting restricted assets resulting from the implementation of GASB Statement No. 54. This new standard establishes fund balance classifications that provide a hierarchy based on the extent to which constraints are imposed upon the use of fund balance resources. The various classifications of these constraints are detailed on pages 47-48 under the heading Fund Balance. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

The Governmental Activities of the City include General Government, Public Safety, Public Works, and Culture and Recreation. Sales taxes, property taxes and franchise taxes, as well as business licenses and Municipal Court fines, fund most of these governmental activities.

Governmental revenues are those available for the City to use to pay for the governmental activities. The following table shows the City's governmental revenues, at the fund financial statement level:

Revenues – Governmental Funds

	Fiscal Year 2012		Fiscal Year 2011		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 29,209,166	55.48%	\$ 27,842,216	54.08%	4.91%
Property Taxes and Equivalents	11,894,095	22.59%	11,283,173	21.91%	5.41%
Motor Fuel	1,025,699	1.95%	1,045,888	2.03%	-1.93%
Alcoholic Beverages	1,026,682	1.95%	979,268	1.90%	4.84%
Other	457,458	0.87%	302,863	0.59%	51.04%
Licenses and Permits	3,364,294	6.39%	3,131,288	6.08%	7.44%
Court Fines and Forfeitures	1,209,229	2.30%	1,315,567	2.56%	-8.08%
Charges for Services	1,754,639	3.33%	1,637,184	3.18%	7.17%
Intergovernmental	2,149,115	4.08%	2,868,909	5.57%	-25.09%
Interest Revenues	83,918	0.16%	81,292	0.16%	3.23%
Other	470,203	0.89%	1,000,009	1.94%	-52.98%
Total	<u>\$ 52,644,497</u>	<u>100.00%</u>	<u>\$ 51,487,657</u>	<u>100.00%</u>	<u>2.25%</u>

Sales and Use taxes are the largest revenue source for the City comprising 55.48% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2011 to September 30, 2012 by \$1,366,950 or 4.91%. Property taxes are the second largest revenue source for the City comprising 22.59% of governmental revenues. For the year ended September 30, 2012, taxes of real property inside the City limits produced revenues of \$4,654,740 while personal property taxes for the period were \$608,211. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,631,144.

The following shows the City's expenditures, at the fund financial statement level, related to those functions typically associated with governments. In the following table, General Government includes the following departments: City Council, Mayor, Urban Forestry, Purchasing, Legal, Planning, Building, Engineering, and other General Administration departments. Public Safety encompasses the Police, Fire, Municipal Court, Jail, and Animal Control departments. Public Works is made up of the Street and Cemetery departments, Municipal Lighting, and the City's parking deck facility. Culture and Recreation contains the City's parks, community recreation centers, and museums.

Expenditures – Governmental Funds

	Fiscal Year 2012		Fiscal Year 2011		Change
Current Operating					
General Administration	\$ 5,533,830	9.88%	\$ 5,174,471	10.04%	6.94%
Public Safety	17,128,509	30.58%	16,826,430	32.65%	1.80%
Public Works	5,237,174	9.35%	5,512,053	10.69%	-4.99%
Culture and Recreation	6,542,027	11.68%	6,779,739	13.15%	-3.51%
Other	1,739,496	3.11%	1,414,267	2.74%	23.00%
Education	9,051,021	16.16%	8,422,649	16.34%	7.46%
Capital Outlay and Improvements	1,761,384	3.14%	1,924,910	3.73%	-8.50%
Debt Service					
Principal Payments	7,505,000	13.40%	3,845,000	7.46%	95.19%
Interest and Fiscal Charges	1,522,086	2.72%	1,644,116	3.19%	-7.42%
Total	<u>\$ 56,020,527</u>	<u>100.00%</u>	<u>\$ 51,543,635</u>	<u>100.00%</u>	<u>8.69%</u>

Analysis of the Governmental Funds

As of the end of the 2012 fiscal year, the City's governmental funds reported a combined ending fund balance of \$18,238,199. In the City's General Fund, the ending fund balance was \$12,497,525.

The General Fund's fund balance is approximately 25.17% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. During fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15% of the total budgeted revenue. The current fund balance exceeds the required minimum by \$5,050,850 or 67.82%.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 12,198,954	\$ 4,409,377	\$ 16,608,331
Fund Balance-Ending	12,497,525	5,740,674	18,238,199
Net Change in Fund Balances	<u>\$ 298,571</u>	<u>\$ 1,331,297</u>	<u>\$ 1,629,868</u>

Net Assets – Governmental Activities

	Governmental Activities Net Assets			
	FY 2012	FY 2011	Variance	
			Dollars	Percent
Current Assets	\$ 34,810,029	\$ 32,658,245	\$ 2,151,784	6.59%
Restricted Assets	150,000	150,000	-	0.00%
Other Assets	478,517	444,088	34,429	7.75%
Capital Assets, Net	114,280,450	114,103,251	177,199	0.16%
Total Assets	<u>\$ 149,718,996</u>	<u>\$ 147,355,584</u>	<u>\$ 2,363,412</u>	<u>1.60%</u>
Current Liabilities	\$ 10,074,085	\$ 4,642,340	\$ 5,431,745	117.00%
Long-term Liabilities	37,272,667	44,524,284	(7,251,617)	-16.29%
Total Liabilities	<u>\$ 47,346,752</u>	<u>\$ 49,166,624</u>	<u>\$ (1,819,872)</u>	<u>-3.70%</u>
Invested in Capital Assets, Net of Related Debt	\$ 78,304,642	\$ 75,396,837	\$ 2,907,805	3.86%
Restricted	2,547,782	2,378,443	169,339	7.12%
Unrestricted	21,519,820	20,413,680	1,106,140	5.42%
Total Net Assets	<u>\$ 102,372,244</u>	<u>\$ 98,188,960</u>	<u>\$ 4,183,284</u>	<u>4.26%</u>

Changes in Net Assets – Governmental Activities

Governmental Activities Changes in Net Assets

	FY 2012	FY 2011	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 29,209,166	\$ 27,842,216	\$ 1,366,950	4.91%
Property	11,894,095	11,283,173	610,922	5.41%
Motor Fuel	1,025,699	1,045,888	(20,189)	-1.93%
Alcoholic Beverages	1,026,682	979,268	47,414	4.84%
Other	457,458	302,863	154,595	51.04%
Interest Revenues	103,561	101,280	2,281	2.25%
Gain (Loss) on Disposal of Assets	37,483	39,066	(1,583)	-4.05%
Total General Revenues	<u>\$ 43,754,144</u>	<u>\$ 41,593,754</u>	<u>\$ 2,160,390</u>	<u>5.19%</u>
Program Revenues				
Charges for Services	\$ 7,538,880	\$ 7,252,713	\$ 286,167	3.95%
Operating Grants and Contributions	869,560	1,881,177	(1,011,617)	-53.78%
Capital Grants and Contributions	2,453,140	997,603	1,455,537	145.90%
Total Program Revenues	<u>\$ 10,861,580</u>	<u>\$ 10,131,493</u>	<u>\$ 730,087</u>	<u>7.21%</u>
Total Revenues	<u>\$ 54,615,724</u>	<u>\$ 51,725,247</u>	<u>\$ 2,890,477</u>	<u>5.59%</u>
Governmental Expenses				
General Administration	\$ 5,654,580	\$ 5,701,476	\$ (46,896)	-0.82%
Public Safety	17,731,206	17,676,999	54,207	0.31%
Public Works	5,263,463	5,551,945	(288,482)	-5.20%
Public Ways and Facilities	1,081,449	1,068,512	12,937	1.21%
Culture and Recreation	8,655,072	8,249,011	406,061	4.92%
Other	1,739,496	1,414,268	325,228	23.00%
Education—Funding for School District	9,051,021	8,422,649	628,372	7.46%
Interest and Fiscal Charges	1,256,153	1,726,965	(470,812)	-27.26%
Total Expenses	<u>\$ 50,432,440</u>	<u>\$ 49,811,825</u>	<u>\$ 620,615</u>	<u>1.25%</u>
Change in Net Assets	\$ 4,183,284	\$ 1,913,422	\$ 2,269,862	118.63%
Total Net Assets - Beginning	<u>98,188,960</u>	<u>96,275,538</u>	<u>1,913,422</u>	<u>1.99%</u>
Total Net Assets - Ending	<u>\$ 102,372,244</u>	<u>\$ 98,188,960</u>	<u>\$ 4,183,284</u>	<u>4.26%</u>

Business-Type Activities

The Business-Type Activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Electricity, Gas, Water and Wastewater, and Solid Waste departments are reported here.

Financial Highlights – Electricity, Gas, and Water Departments (Florence Utilities)

- The individual enterprise funds experienced the following changes in net assets: Electricity increased \$2.0 million or 3%; Gas decreased \$.2 million or 1%; Water and Wastewater increased \$3.3 million or 5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$1.6 million or 2%; Gas decreased \$.2 million or 1%; Water and Wastewater increased \$2.0 million or 2%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$7.4 million or 6%; Gas decreased \$3.4 million or 19%; Water and Wastewater increased \$1.1 million or 6%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$5.2 million or 4%; Gas decreased \$2.3 million or 13%; Water and Wastewater increased \$.2 million or 2%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$56,800 or 33%; Gas increased about \$275,600 or 183%; Water and Wastewater increased about \$35,700 or 198%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$15,000 or 6%; Gas remained unchanged; Water and Wastewater increased \$.6 million or 37%.

Electricity Department

The Electricity Department's net assets increased from last year by \$2,034,287 or about 3%. The summaries below focus on the Electricity Department's net assets and changes in net assets during the years presented.

Electricity Department Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 37,519,638	\$ 36,410,010	\$ 1,109,628	3.05%
Capital Assets, Net	72,701,528	71,077,487	1,624,041	2.28%
Other Noncurrent Assets	7,877,297	7,989,068	(111,771)	-1.40%
Total Assets	\$ 118,098,463	\$ 115,476,565	\$ 2,621,898	2.27%
Current Liabilities	\$ 26,766,023	\$ 25,688,123	\$ 1,077,900	4.20%
Noncurrent Liabilities	12,619,446	13,109,735	(490,289)	-3.74%
Total Liabilities	\$ 39,385,469	\$ 38,797,858	\$ 587,611	1.51%
Invested in Capital Assets, Net of Related Debt	\$ 67,348,927	\$ 65,045,943	\$ 2,302,984	3.54%
Restricted	800,799	974,559	(173,760)	-17.83%
Unrestricted	10,563,268	10,658,205	(94,937)	-0.89%
Total Net Assets	\$ 78,712,994	\$ 76,678,707	\$ 2,034,287	2.65%

Changes in the Electricity Department's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years presented.

The following table indicates operating revenues decreased approximately \$7.4 million or about 6% from FY 2011. During FY 2012, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. The Electricity Department experienced an approximate 7% decrease in kilowatt-hours sold in FY 2012 compared to FY 2011. Consequently, the cost of sales decreased substantially also. In April and May 2011, our electrical system suffered damages from tornadoes. We submitted claims for damages to FEMA and the Alabama Emergency Management Agency. These claims are shown as capital contributions in FY 2011 in compliance with GASB 34. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses, primarily interest expense, by \$14,991 or about 6%.

Electricity Department
Statements of Revenues, Expenses, and Changes in Fund Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 117,716,208</u>	<u>\$ 125,107,873</u>	<u>\$ (7,391,665)</u>	<u>-5.91%</u>
Operating Expenses				
Cost of Sales	\$ 94,048,593	\$ 99,892,949	\$ (5,844,356)	-5.85%
Operations	8,615,709	8,077,065	538,644	6.67%
Maintenance	5,388,513	5,414,492	(25,979)	-0.48%
Depreciation	4,508,125	4,417,680	90,445	2.05%
Taxes and Tax Equivalents	3,109,188	3,114,742	(5,554)	-0.18%
Total Operating Expenses	<u>\$ 115,670,128</u>	<u>\$ 120,916,928</u>	<u>\$ (5,246,800)</u>	<u>-4.34%</u>
Operating Income	<u>\$ 2,046,080</u>	<u>\$ 4,190,945</u>	<u>\$ (2,144,865)</u>	<u>-51.18%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 227,053	\$ 170,230	\$ 56,823	33.38%
Nonoperating Expenses	(238,846)	(253,837)	14,991	-5.91%
Total Nonoperating Revenues (Exp)	<u>\$ (11,793)</u>	<u>\$ (83,607)</u>	<u>\$ 71,814</u>	<u>-85.89%</u>
Income before Contributions	\$ 2,034,287	\$ 4,107,338	\$ (2,073,051)	-50.47%
Capital Contributions	<u>-</u>	<u>1,388,735</u>	<u>(1,388,735)</u>	<u>-100.00%</u>
Change in Net Assets	\$ 2,034,287	\$ 5,496,073	\$ (3,461,786)	-62.99%
Total Net Assets - Beginning	<u>76,678,707</u>	<u>71,182,634</u>	<u>5,496,073</u>	<u>7.72%</u>
Total Net Assets - Ending	<u>\$ 78,712,994</u>	<u>\$ 76,678,707</u>	<u>\$ 2,034,287</u>	<u>2.65%</u>

Gas Department

The Gas Department's net assets decreased from last year by \$230,093 or about 1%. The summaries below focus on the Gas Department's net assets and changes in net assets during the years presented.

Gas Department Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 11,608,341	\$ 11,703,160	\$ (94,819)	-0.81%
Capital Assets, Net	31,303,658	31,543,020	(239,362)	-0.76%
Other Noncurrent Assets	-	353	(353)	-100.00%
Total Assets	\$ 42,911,999	\$ 43,246,533	\$ (334,534)	-0.77%
Current Liabilities	\$ 990,153	\$ 1,105,950	\$ (115,797)	-10.47%
Noncurrent Liabilities	338,375	327,019	11,356	3.47%
Total Liabilities	\$ 1,328,528	\$ 1,432,969	\$ (104,441)	-7.29%
Invested in Capital Assets, Net of Related Debt	\$ 31,303,658	\$ 31,543,020	\$ (239,362)	-0.76%
Unrestricted	10,279,813	10,270,544	9,269	0.09%
Total Net Assets	\$ 41,583,471	\$ 41,813,564	\$ (230,093)	-0.55%

Changes in the Gas Department's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years presented.

The following table indicates operating revenues decreased approximately \$3.4 million or about 19% from FY 2011. The Gas Department had four general rate changes in FY 2012 – effective July 2011, August 2011, December 2011, and March 2012. These rate changes reflected the varying costs in the natural gas market and the decline in sales volumes. The Gas Department experienced an approximate 16.6% decrease in overall sales volume in FY 2012 compared to FY 2011. Cost of sales decreased by \$2.3 million or about 23% due to decreased gas prices and decreased sales volumes. The Gas Department experienced an increase in nonoperating revenues of \$275,604 or about 183%. The increase was due to payments from the new Tennessee Gas Pipeline Marketing Assistance Program, the final reimbursement from Tennessee Gas Pipeline of recoverable costs of the PCB/HSL project, and the sale of surplus equipment. The Gas Department's nonoperating expenses remained unchanged.

Gas Department
Statements of Revenues, Expenses, and Changes in Fund Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 14,286,953	\$ 17,696,281	\$ (3,409,328)	-19.27%
Operating Expenses				
Cost of Sales	\$ 7,385,045	\$ 9,636,273	\$ (2,251,228)	-23.36%
Operations	3,077,940	2,991,550	86,390	2.89%
Maintenance	1,602,658	1,701,447	(98,789)	-5.81%
Depreciation and Amortization	1,355,048	1,331,355	23,693	1.78%
Taxes and Tax Equivalents	1,522,235	1,533,703	(11,468)	-0.75%
Total Operating Expenses	\$ 14,942,926	\$ 17,194,328	\$ (2,251,402)	-13.09%
Operating Income	\$ (655,973)	\$ 501,953	\$ (1,157,926)	-230.68%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 426,233	\$ 150,629	\$ 275,604	182.97%
Nonoperating Expenses	(353)	(353)	-	0.00%
Total Nonoperating Revenues (Exp)	\$ 425,880	\$ 150,276	\$ 275,604	183.40%
Change in Net Assets	\$ (230,093)	\$ 652,229	\$ (882,322)	-135.28%
Total Net Assets - Beginning	41,813,564	41,161,335	652,229	1.58%
Total Net Assets - Ending	\$ 41,583,471	\$ 41,813,564	\$ (230,093)	-0.55%

Water and Wastewater Department

The Water and Wastewater Department's net assets increased from last year by \$3,321,463 or about 5%. The summaries below focus on the Water and Wastewater Department's net assets and changes in net assets during the years presented.

Water and Wastewater Department Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 9,430,320	\$ 8,946,283	\$ 484,037	5.41%
Capital Assets, Net	101,767,527	99,717,962	2,049,565	2.06%
Other Noncurrent Assets	23,802,711	24,517,188	(714,477)	-2.91%
Total Assets	\$ 135,000,558	\$ 133,181,433	\$ 1,819,125	1.37%
Current Liabilities	\$ 6,211,559	\$ 5,133,264	\$ 1,078,295	21.01%
Noncurrent Liabilities	60,161,407	62,742,040	(2,580,633)	-4.11%
Total Liabilities	\$ 66,372,966	\$ 67,875,304	\$ (1,502,338)	-2.21%
Invested in Capital Assets, Net of Related Debt	\$ 38,328,857	\$ 33,807,580	\$ 4,521,277	13.37%
Restricted	22,446,653	23,307,583	(860,930)	-3.69%
Unrestricted	7,852,082	8,190,966	(338,884)	-4.14%
Total Net Assets	\$ 68,627,592	\$ 65,306,129	\$ 3,321,463	5.09%

Changes in the Water and Wastewater Department's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years presented.

The following table indicates operating revenues increased approximately \$1.1 million or about 6% from FY 2011 revenues. The increase in operating revenues was largely due to the rate increase implemented effective with the beginning of the fiscal year. Operating expenses increased by \$.2 million or about 2%. The Water and Wastewater Department experienced an increase in nonoperating revenues of \$35,705 or 198% due to the sale of surplus equipment. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$588,107 or 37% primarily due to additional interest expense from the Series 2011 warrant issue.

Water and Wastewater Department
Statements of Revenues, Expenses, and Changes in Fund Net Assets

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 18,896,354</u>	<u>\$ 17,772,918</u>	<u>\$ 1,123,436</u>	<u>6.32%</u>
Operating Expenses				
Water Treatment and Pumping	\$ 2,680,144	\$ 2,586,594	\$ 93,550	3.62%
Sewage Disposal	2,172,603	2,305,109	(132,506)	-5.75%
Transmission and Distribution	1,246,190	1,268,397	(22,207)	-1.75%
Accounting and Collections	1,075,799	1,033,598	42,201	4.08%
Administrative and General	1,716,284	1,562,459	153,825	9.85%
Depreciation	2,929,129	2,910,272	18,857	0.65%
Taxes and Tax Equivalents	1,611,554	1,522,344	89,210	5.86%
Total Operating Expenses	<u>\$ 13,431,703</u>	<u>\$ 13,188,773</u>	<u>\$ 242,930</u>	<u>1.84%</u>
Operating Income	<u>\$ 5,464,651</u>	<u>\$ 4,584,145</u>	<u>\$ 880,506</u>	<u>19.21%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 53,757	\$ 18,052	\$ 35,705	197.79%
Nonoperating Expenses	<u>(2,196,945)</u>	<u>(1,608,838)</u>	<u>(588,107)</u>	<u>36.55%</u>
Total Nonoperating Revenues (Exp)	<u>\$ (2,143,188)</u>	<u>\$ (1,590,786)</u>	<u>\$ (552,402)</u>	<u>34.73%</u>
Change in Net Assets	\$ 3,321,463	\$ 2,993,359	\$ 328,104	10.96%
Total Net Assets - Beginning	<u>65,306,129</u>	<u>62,312,770</u>	<u>2,993,359</u>	<u>4.80%</u>
Total Net Assets - Ending	<u>\$ 68,627,592</u>	<u>\$ 65,306,129</u>	<u>\$ 3,321,463</u>	<u>5.09%</u>

Solid Waste Fund – Sanitation and Recycling Departments

Established October 1, 2001, the Solid Waste Fund is comprised of the City's recycling operations and its sanitation operations. This Fund provides the services of waste collection, disposal, recycling, and operation of a Municipal Solid Waste Subtitle D landfill. Revenue for the Solid Waste Fund is derived from a fee for service from residential and commercial customers. In addition, recycling operations generate revenue from the sale of recyclables.

- The Solid Waste Fund had an operating loss of \$1,086,954 and nonoperating income of \$198,885 for the fiscal year ended September 30, 2012.
- Total net assets were \$3,948,506. This is a decrease of \$888,069 or 18.36% from the prior year.
- Of the Fund's \$2,499,612 in liabilities, \$2,184,293 is noncurrent, reported as accrued landfill closure and postclosure care costs of \$2,069,733, and accrued compensated absences of \$114,560. Reserves for these costs represent 87.18% of the Fund's current assets.
- The Solid Waste Fund's operating revenues decreased \$144,391 or 3.30% from the prior year while operating expenses increased \$536,057 or 11.22%. This increase includes expenses reimbursed by a Recycling grant during the period.
- Nonoperating revenues increased by \$135,700 or 214.77%. Grant revenue of \$102,583 was received during this fiscal year.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$3,948,506. Of this amount, \$5,928 is unrestricted net assets and may be used to meet the ongoing obligations of providing an effective solid waste disposal system for the citizens and industries of Florence.

The Solid Waste Fund's Net Assets decreased from last year by \$888,069 or 18.36%. The following table focuses on the changes in net assets for the fiscal year.

	Solid Waste Fund		Net Assets	
	FY 2012	FY 2011	Variance	
			Dollars	Percent
Current Assets	\$ 2,505,540	\$ 2,937,210	\$ (431,670)	-14.70%
Capital Assets, Net	3,942,578	4,273,317	(330,739)	-7.74%
Total Assets	<u>\$ 6,448,118</u>	<u>\$ 7,210,527</u>	<u>\$ (762,409)</u>	<u>-10.57%</u>
Current Liabilities	\$ 315,319	\$ 216,471	\$ 98,848	45.66%
Noncurrent Liabilities	2,184,293	2,157,481	26,812	1.24%
Total Liabilities	<u>\$ 2,499,612</u>	<u>\$ 2,373,952</u>	<u>\$ 125,660</u>	<u>5.29%</u>
Net Assets				
Invested in Capital Assets	\$ 3,942,578	\$ 4,273,317	\$ (330,739)	-7.74%
Unrestricted	5,928	563,258	(557,330)	-98.95%
Total Net Assets	<u>\$ 3,948,506</u>	<u>\$ 4,836,575</u>	<u>\$ (888,069)</u>	<u>-18.36%</u>

The following table indicates Solid Waste Fund operating revenues decreased \$144,391 or 3.30% from the prior year while operating expenses increased \$536,057 or 11.22%.

**Solid Waste Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets**

	FY 2012	FY 2011	Variance	
			Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 3,250,311	\$ 3,032,428	\$ 217,883	7.19%
Landfill Fees	250,273	488,385	(238,112)	-48.75%
Recycling Revenue and Fees	720,648	845,306	(124,658)	-14.75%
Other Operating Revenues	5,300	4,804	496	10.32%
Total Operating Revenues	<u>\$ 4,226,532</u>	<u>\$ 4,370,923</u>	<u>\$ (144,391)</u>	<u>-3.30%</u>
Operating Expenses				
Sanitation	\$ 4,479,248	\$ 4,044,050	\$ 435,198	10.76%
Recycling	834,238	733,379	100,859	13.75%
Total Operating Expenses	<u>\$ 5,313,486</u>	<u>\$ 4,777,429</u>	<u>\$ 536,057</u>	<u>11.22%</u>
Operating Income (Loss)	\$ (1,086,954)	\$ (406,506)	\$ (680,448)	167.39%
Nonoperating Revenues	198,885	63,185	135,700	214.77%
Change in Net Assets	\$ (888,069)	\$ (343,321)	\$ (544,748)	158.67%
Total Net Assets-Beginning	4,836,575	5,179,896	(343,321)	-6.63%
Total Net Assets-Ending	<u>\$ 3,948,506</u>	<u>\$ 4,836,575</u>	<u>\$ (888,069)</u>	<u>-18.36%</u>

BUDGETARY HIGHLIGHTS

It is also beneficial to compare actual performance to that expected or budgeted for the fiscal period.

Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's budget on November 1, 2011. This budget was revised for changes in revenue and expenditures on July 3, 2012. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 70-72.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$50,707,907 compared to the final budget of \$49,646,300. Revenues were \$1,061,607 over the final budgeted amount. Total expenditures and appropriations for the period were \$50,409,336 compared to the final budget of \$49,398,456.

The General Fund's departmental operating budgets and actual performance are shown on pages 70-72 of this report.

**General Fund
Budgetary Comparison Schedule**

	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 12,198,954	\$ 12,198,954	\$ 12,198,954	\$ -	-
Resources (Inflows)					
Taxes	41,429,000	42,069,000	42,957,088	888,088	2.11%
Licenses and Permits	3,198,000	3,213,000	3,364,294	151,294	4.71%
Fines and Forfeitures	1,353,750	1,301,750	1,209,229	(92,521)	-7.11%
Charges for Services	1,661,900	1,661,900	1,754,639	92,739	5.58%
Intergovernmental	977,650	1,019,650	1,018,257	(1,393)	-0.14%
Other	80,000	80,000	103,872	23,872	29.84%
Transfers From Other Funds	301,000	301,000	300,528	(472)	-0.16%
Amounts Available for Appropriation	<u>\$ 61,200,254</u>	<u>\$ 61,845,254</u>	<u>\$ 62,906,861</u>	<u>\$ 1,061,607</u>	<u>1.72%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 4,616,975	\$ 4,686,815	\$ 5,066,735	\$ (379,920)	-8.11%
Public Safety	16,431,050	16,467,575	16,615,247	(147,672)	-0.90%
Public Works	4,924,850	4,931,150	5,048,548	(117,398)	-2.38%
Cultural and Recreation	6,295,640	6,300,640	6,524,295	(223,655)	-3.55%
Non-Departmental	16,720,105	17,012,276	17,154,511	(142,235)	-0.84%
Total Charges to Appropriations	<u>\$ 48,988,620</u>	<u>\$ 49,398,456</u>	<u>\$ 50,409,336</u>	<u>\$ (1,010,880)</u>	<u>-2.05%</u>
Budgetary Fund Balance Ending	<u>\$ 12,211,634</u>	<u>\$ 12,446,798</u>	<u>\$ 12,497,525</u>	<u>\$ 50,727</u>	<u>0.41%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2012 original budgets for the Gas and Water and Wastewater Departments were adopted on August 16, 2011. The original budget for the Electricity Department was adopted on September 20, 2011. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were not subsequently amended during the year. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual (GAAP Budgetary Basis)
For Year Ended June 30, 2012

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 128,795,000	\$ 117,716,208	\$ (11,078,792)	-8.60%
Operating Expenses	124,912,400	115,670,128	9,242,272	7.40%
Operating Income	\$ 3,882,600	\$ 2,046,080	\$ (1,836,520)	-47.30%
Nonoperating Revenues (Expenses)	(46,000)	(11,793)	34,207	-74.36%
Change in Net Assets	\$ 3,836,600	\$ 2,034,287	\$ (1,802,313)	-46.98%

The above budget report shows the Electricity Department did not meet the budgeted Change in Net Assets by \$1,802,313. This is approximately 1.4% of budgeted operating revenues. The sales of electricity accounted for most of the budget operating revenues variance amount. The large difference of budgeted over actual operating expenses is primarily due to the decreased cost of sales associated with the decreased sales. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts.

Gas Department

Gas Department
Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual (GAAP Budgetary Basis)
For Year Ended June 30, 2012

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 19,297,700	\$ 14,286,953	\$ (5,010,747)	-25.97%
Operating Expenses	19,042,400	14,942,926	4,099,474	21.53%
Operating Income	\$ 255,300	\$ (655,973)	\$ (911,273)	-356.94%
Nonoperating Revenues (Expenses)	184,900	425,880	240,980	130.33%
Change in Net Assets	\$ 440,200	\$ (230,093)	\$ (670,293)	-152.27%

The Gas Department did not meet the budgeted Change in Net Assets by \$670,293, or approximately 3% of budgeted operating revenues. The large variance in budgeted operating revenues was largely offset by the variance in cost of sales. There was unbudgeted nonoperating revenue of \$197,757 representing a new Marketing Assistance Program (MAP) administered through Tennessee Gas Pipeline Company. Also, the gain on disposition of assets was \$41,882 in excess of the budgeted amount.

Water and Wastewater Department

Water and Wastewater Department Schedule of Revenues, Expenses, and Changes in Fund Net Assets Budget and Actual (GAAP Budgetary Basis) For Year Ended June 30, 2012

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 19,492,150	\$ 18,896,354	\$ (595,796)	-3.06%
Operating Expenses	13,650,300	13,431,703	218,597	1.60%
Operating Income	\$ 5,841,850	\$ 5,464,651	\$ (377,199)	-6.46%
Nonoperating Revenues (Expenses)	(2,007,000)	(2,143,188)	(136,188)	6.79%
Change in Net Assets	\$ 3,834,850	\$ 3,321,463	\$ (513,387)	-13.39%

The Water and Wastewater Department did not meet the budgeted Change in Net Assets by \$513,387. This represents about 3% of final budgeted operating revenues.

Solid Waste Fund – Sanitation and Recycling Departments

Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Assets- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2012

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 3,330,000	\$ 3,330,000	\$ 3,250,311	\$ (79,689)	-2.39%
Landfill Fees	490,350	490,350	250,273	(240,077)	-48.96%
Recycling Revenue and Fees	796,000	796,000	720,648	(75,352)	-9.47%
Other Operating Revenues	6,750	6,750	5,300	(1,450)	-21.48%
Total Operating Revenues	\$ 4,623,100	\$ 4,623,100	\$ 4,226,532	\$ (396,568)	-8.58%
Operating Expenses					
Sanitation	\$ 3,901,164	\$ 3,901,164	\$ 4,479,248	\$ (578,084)	-14.82%
Recycling	809,000	809,000	834,238	(25,238)	-3.12%
Total Operating Expenses	\$ 4,710,164	\$ 4,710,164	\$ 5,313,486	\$ (603,322)	-12.81%
Operating Loss	\$ (87,064)	\$ (87,064)	\$ (1,086,954)	\$ (999,890)	1148.45%
Nonoperating Revenues	149,700	149,700	198,885	49,185	32.86%
Change in Net Assets	\$ 62,636	\$ 62,636	\$ (888,069)	\$ (950,705)	-1517.83%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2012, capital assets comprised the majority of each fund's assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of September 30, 2012 amounted \$323,995,741.

Governmental Activities

	Governmental Activities				
	Capital Assets, Net				
	FY 2012	FY 2011	Variance		
		Dollars	Percent		
Land	\$ 6,715,158	\$ 6,715,158	\$ -	0.00%	
Construction in Progress	1,118,143	1,148,457	(30,314)	-2.64%	
Land Improvements	23,367,535	23,367,535	-	0.00%	
Accumulated Depreciation	(8,693,928)	(7,790,298)	(903,630)	-11.60%	
Buildings	39,738,326	39,100,422	637,904	1.63%	
Accumulated Depreciation	(16,401,863)	(15,382,637)	(1,019,226)	-6.63%	
Equipment and Vehicles	21,040,443	20,820,104	220,339	1.06%	
Accumulated Depreciation	(18,416,099)	(18,232,494)	(183,605)	-1.01%	
Infrastructure	158,459,219	155,234,030	3,225,189	2.08%	
Accumulated Depreciation	(92,646,484)	(90,877,026)	(1,769,458)	-1.95%	
Net Capital Assets	<u>\$ 114,280,450</u>	<u>\$ 114,103,251</u>	<u>\$ 177,199</u>	<u>0.16%</u>	

Major capital additions for the fiscal year include expenditures for vehicles and capital equipment of \$1,167,509, infrastructure improvements including the completion of various small storm drainage projects totaling \$3,225,189, and building renovations and additions of \$637,904. Of this year's capital additions, \$841,470 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2012, \$1,118,143 of capital projects were recorded as construction in progress.

Business-Type Activities

At the end of FY 2012, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets.

Electricity Department

Electricity Department Capital Assets, Net FY 2012

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 149,190,959	\$ 143,086,193	\$ 6,104,766	4.27%
Construction in Progress	1,249,834	3,166,916	(1,917,082)	-60.53%
Less: Accumulated Depreciation	(77,739,265)	(75,175,622)	(2,563,643)	3.41%
Net Utility Plant	<u>\$ 72,701,528</u>	<u>\$ 71,077,487</u>	<u>\$ 1,624,041</u>	<u>2.28%</u>

The above table shows the Electricity Department experienced a 2.28% increase in net utility plant. The department plans to finance capital expenditures in FY 2013 through cash generated from operations and cash reserves. The Department is exploring the possibility of a warrant issue in FY 2013 to finance additional capital improvements.

Gas Department

Gas Department Capital Assets, Net FY 2012

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 52,516,394	\$ 52,178,039	\$ 338,355	0.65%
Acquisition Adjustment (net of amortization)	200,786	211,447	(10,661)	-5.04%
Construction in Progress	34,050	37,765	(3,715)	-9.84%
Less: Accumulated Depreciation	(21,447,572)	(20,884,231)	(563,341)	2.70%
Net Utility Plant	<u>\$ 31,303,658</u>	<u>\$ 31,543,020</u>	<u>\$ (239,362)</u>	<u>-0.76%</u>

The above table shows the Gas Department decreased net utility plant by .76%. The department plans to finance capital expenditures in FY 2013 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2012

	FY 2012	FY 2011	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 144,531,504	\$ 144,138,069	\$ 393,435	0.27%
Construction in Progress	5,526,809	1,155,657	4,371,152	378.24%
Less: Accumulated Depreciation	(48,290,786)	(45,575,764)	(2,715,022)	5.96%
Net Utility Plant	<u>\$ 101,767,527</u>	<u>\$ 99,717,962</u>	<u>\$ 2,049,565</u>	<u>2.06%</u>

The above table shows the Water and Wastewater Department increased net utility plant by 2.06%. In FY 2012, the Department spent a significant amount on capital improvements. At year-end, there were several large projects in progress. The department plans to finance capital expenditures in FY 2013 with cash reserves, cash generated from current operations, the remaining balance of the 2007 SRF Warrants, and the proceeds from the Water & Sewer Revenue Warrants, Series 2011, issued in June 2011.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2012, net capital assets comprised 61.14% of the Fund's total assets. Capital assets are maintained in five distinct asset categories: land, land improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation.

The following table will provide further detail of the Fund's capital assets:

Solid Waste Fund Capital Assets, Net September 30, 2012

	FY 2012	FY 2011	Variance	
			Dollars	Percent
Land	\$ 1,316,853	\$ 1,316,853	\$ -	0.00%
Land Improvements	3,675,418	3,675,418	-	0.00%
Accumulated Depreciation	(3,552,194)	(3,360,157)	(192,037)	-5.72%
Buildings	1,758,282	1,681,976	76,306	-4.54%
Accumulated Depreciation	(525,041)	(484,034)	(41,007)	-8.47%
Equipment	4,084,780	4,528,337	(443,557)	-9.80%
Accumulated Depreciation	(3,392,387)	(3,630,119)	237,732	6.55%
Vehicles	2,969,848	2,733,362	236,486	8.65%
Accumulated Depreciation	(2,392,981)	(2,188,319)	(204,662)	-9.35%
Net Capital Assets	<u>\$ 3,942,578</u>	<u>\$ 4,273,317</u>	<u>\$ (330,739)</u>	<u>-7.74%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2012 fiscal year, the Governmental Activities of the City had total long-term debt of \$38,739,736. Of this amount, \$35,975,808 comprises debt serviced by revenues from governmental activities. Of the \$35,975,808, \$4,190,639 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

In addition to the outstanding general obligation debt, \$2,763,928 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,400,497 has been accrued as an actuarially determined claims reserve in the Internal Service Funds for Liability Insurance (\$961,207) and Workers' Compensation Insurance (\$2,439,290).

During Fiscal Year 2012, the City issued \$22.765 million of Series 2012 G. O. Warrants. The proceeds were used to advance refund the City's Series 2003-B G. O. Warrants and the Series 2007 G. O. Warrants. Taking advantage of the favorable market, the Series 2012 Warrants will produce a net present value savings of 8.6% of the refunded principal, with no extension of maturities. Moody's Investors Service assigned an Aa3 rating to the new issue and affirmed the Aa3 rating on the City's \$43.73 million of previously issued general obligation debt. Standard & Poor's Rating Services assigned its AA- long-term rating to the new issue and affirmed their AA- long-term rating on the City's existing debt.

Business-Type Activities

Electricity Department

The Electricity Department has two warrant issues, as described in the notes to financial statements, outstanding at year-end. The first is the Electric Revenue Refunding Warrants, Series 2009, with interest rates that range from 1.50% to 3.65%. It was issued with an underlying A1 and AA- by Moody's and Standard & Poor's, respectively. This issue requires that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2012, the Electricity Department exceeded that requirement at about 10.30 times.

The other issue outstanding is a line of credit warrant with CB&S Bank, the Electric Taxable Revenue Warrants, Series 2008, issued in April 2008. At year-end, there was no outstanding balance on it. The Department did not utilize this line of credit during FY 2012. This line of credit is available until January 2013. This warrant has an interest rate of 4.99%. The Department does not anticipate replacing this line of credit due to its stable and healthy working capital.

The Department did not issue new long-term debt during FY 2012. The Department is exploring the possibility of a warrant issue in FY 2013.

Gas Department

The Gas Department issued a line of credit warrant with CB&S Bank, the Natural Gas Taxable Revenue Warrants, Series 2008, dated April 2008. The Department did not utilize this line of credit during FY 2012. This line of credit was closed on June 20, 2012. This warrant had an interest rate of 4.99%. Due to its stable and healthy working capital, the Department did not replace this line of credit.

The Department did not issue any long-debt in FY 2012. At this time the Department does not have any plans to issue any additional debt in FY 2013.

Water and Wastewater Department

The Water and Wastewater Department has seven warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2006, interest rate 3.25%, (2) Water and Sewer Revenue Warrants, SRF Series 2007, interest rate 3.5%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-A, interest rate 2.61%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate

2.57%, (6) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, and (7) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%. The SRF warrants are issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The SRF series warrants are financing massive renovations of portions of our wastewater system. At year-end, approximately \$1.1 million remains available of the 2007 issue. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue.

The Department did not issue any long-term debt during FY 2012. At this time the Department does not have any plans to issue any additional debt in FY 2013.

The 2011 issue requires that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2012, the Water and Wastewater Department exceeded that requirement at about 1.59 times.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2012, the Solid Waste Fund had no debt other than routine operating liabilities (\$315,319), accrued liability for employee annual and sick leave (\$114,560), and a reserve for landfill closure and post-closure care (\$2,069,733). The Solid Waste Fund's current assets are greater than these liabilities at the fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Governmental Activities

The City of Florence General Fund budget appropriates money used to provide a broad range of governmental activities involving protective and convenience-related services. As stated earlier in this MD&A, these activities include general government, public safety, public works, and cultural and recreational services. The City Council adopted the General Fund's fiscal year 2012–2013 budget on September 18, 2012.

The fiscal year 2012–2013 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$52,054,100. This is an increase of \$2,407,800 or 4.85% compared to the previous fiscal year's final budget and an increase of \$1,346,193 over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$52,012,147. This is an increase of \$2,613,691 or 5.29% compared to the prior year's final revenue budget and an increase of \$1,602,811 compared to the prior year's actual performance. The 2012 – 2013 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$41,953 surplus.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The geographic area served by Florence Utilities is facing an improving economic environment. The Florence MSA's unemployment rate for July 2012 was 8.6% as compared to 9.4% for July 2011. The State of Alabama's unemployment rates were 8.3% for July 2012, and 10.0% for July 2011. In addition to the economic environment, the weather is an important factor in determining utility sales. Although it is impossible to predict the weather in the upcoming year, sales in kilowatt-hours for FY 2013 through September 2012 for electricity have decreased from the same period last year by 0.7%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2012 through September 2012, as compared to sales for the same period in the previous fiscal year, have decreased approximately 9.2%. FY 2013 sales revenues from water and wastewater operations through September have decreased 3.3% over the same period in FY 2012.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2013 budgets on May 15, 2012. The budgets for the Gas and Water and Wastewater Departments were amended on September 18, 2012. The City Council adopted the Electricity Department's FY 2013 budget on June 19, 2012. The Electricity Department's budget has been amended on August 21, 2012, and September 18, 2012.

The City's power contract with TVA provides for a Total Monthly Fuel Cost Adjustment (TMFCA) on sales to its distributors. Florence Utilities passes any rate increases or decreases caused by TVA action on to its customers.

The Gas Department's rate ordinance allows for gas increases/decreases without further City Council action. The Department implemented a rate increase in July 2012. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

The City Council approved a rate ordinance providing for water and wastewater rate increases effective July 2011 to fund improvements to the water infrastructure. The Department does not plan to seek a rate increase in FY 2013.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Fund's fiscal year 2013 budget on September 18, 2012, with the intent of addressing collection fees during the 2013 fiscal year. The original fiscal year 2013 budget has expected combined revenues of \$4,482,515 and expenses of \$5,583,524. As adopted, the budget would yield a deficit of \$1,101,009. With the municipal solid waste portion of the landfill near capacity, the City Council approved at their April 3, 2012 meeting a resolution initiating the process of closing the municipal solid waste portion of the City's landfill. A waste transportation and disposal agreement with North Alabama Transfer was entered into for a three-year period beginning on July 9, 2012. Under this agreement the city's municipal solid waste is transported to a regional landfill in Mississippi. The City's remaining landfill space will be used for the disposal of construction waste and debris. Expenses in the Solid Waste Fund's fiscal year 2013 budget are reflective of this operational change. Collection fees were addressed by the City Council at their March 5, 2013 meeting. Residential fees that had been in place for more than 10 years were increased by 33%, from \$12.00 to 16.00 per month. A 45% increase in commercial fees was also enacted. The new rates go into effect with the April 2013 billing cycle. The City will spend down capital (net assets) for net operating deficit to be incurred during the 2013 fiscal year. The fiscal 2013 budget will be revised to reflect the mid-year collection fee adjustment.

During the 2010 fiscal year, the City purchased land and buildings adjacent to the current landfill for possible expansion of the landfill. With the decision to close the municipal solid waste portion of its landfill the City is evaluating various uses for the purchased property including performing due diligence on an offer from a private concern to purchase the property.

REQUESTS FOR INFORMATION

Governmental and Business-Type Activities

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Dan D. Barger, City Treasurer, P. O. Box 98, Florence, Alabama 35631-0098, or Mr. Vance Young, Controller of Utilities, P. O. Box 877, Florence, Alabama 35631-0877.

Component Units

The Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are included in this report as Discretely Presented Component Units of the City. The City appropriated \$588,000 to the Library in this fiscal year. These appropriations are approximately 47.71% of the Library's total revenues. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report and can be found on pages 38-39. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

CITY OF FLORENCE, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 26,653,576	\$ 33,926,528	\$ 60,580,104	\$ 2,283,564
Receivables (net)	5,032,142	14,991,135	20,023,277	1,872
Accrued interest receivable		5,689	5,689	
Loan receivables (net)	1,026,593		1,026,593	
Pledge receivable			—	69,900
Internal balances	1,920,992	(1,920,992)	—	
Inventories	176,726	3,841,413	4,018,139	6,691
Prepaid expenses		8,331,249	8,331,249	
Restricted assets:				
Cash and investments	150,000	24,074,700	24,224,700	
Conservation loans receivables		6,958,287	6,958,287	
Capital assets (net)	114,280,450	209,715,291	323,995,741	567,760
Other:				
Unamortized debt issuance costs	478,517	614,846	1,093,363	
Total assets	\$ 149,718,996	\$ 300,538,146	\$ 450,257,142	\$ 2,929,787
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,206,519	\$ 21,228,364	\$ 26,434,883	\$ 71,499
Customer deposits		6,754,763	6,754,763	
Deferred revenues		29,150	29,150	
Liabilities payable from restricted assets:				
Accrued interest		842,213	842,213	
Advances for conservation loans		7,126,648	7,126,648	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	3,761,995	4,337,967	8,099,962	
Compensated absences	1,105,571	1,097,772	2,203,343	9,653
Promise to give			—	5,000
Portion due or payable after one year:				
Warrants and notes payable	32,213,813	64,453,304	96,667,117	
Compensated absences	1,658,357	1,646,661	3,305,018	
Promise to give			—	64,900
Claims reserve	3,400,497		3,400,497	
Accrued landfill closure and postclosure care costs		2,069,733	2,069,733	
Total liabilities	\$ 47,346,752	\$ 109,586,575	\$ 156,933,327	\$ 151,052
NET ASSETS				
Invested in capital assets, net of related debt	\$ 78,304,642	\$ 140,924,020	\$ 219,228,662	\$ 567,760
Restricted for:				
Debt service		4,180,638	4,180,638	
Capital projects		19,066,814	19,066,814	
Street resurfacing and improvements	1,017,409		1,017,409	
HUD community development and rehabilitation	380,621		380,621	
Capital improvements—municipal facilities	616,930		616,930	
Other purposes—expendable	292,352		292,352	123
Other purposes—nonexpendable	240,470		240,470	2,000,000
Unrestricted	21,519,820	26,780,099	48,299,919	210,852
Total net assets	\$ 102,372,244	\$ 190,951,571	\$ 293,323,815	\$ 2,778,735

The accompanying notes are an integral part of the financial statements.



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**CITY OF FLORENCE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General administration	\$ 5,654,580	\$ 4,512,003	\$	\$	\$ (1,142,577)		\$ (1,142,577)	
Public safety	17,731,206	1,357,372	617,978	57,381	(15,698,475)		(15,698,475)	
Public works	5,263,463	69,200	230,392		(4,963,871)		(4,963,871)	
Public ways and facilities	1,081,449			2,395,759	1,314,310		1,314,310	
Culture and recreation	8,655,072	1,600,305	21,190		(7,033,577)		(7,033,577)	
Other	1,739,496				(1,739,496)		(1,739,496)	
Education—funding for school district	9,051,021				(9,051,021)		(9,051,021)	
Interest and fiscal charges	1,256,153				(1,256,153)		(1,256,153)	
Total governmental activities	\$ 50,432,440	\$ 7,538,880	\$ 869,560	\$ 2,453,140	\$ (39,570,860)		\$ (39,570,860)	
Business-type activities:								
Electricity	\$ 116,059,239	\$ 117,899,557	\$	\$	\$	\$ 1,840,318	\$ 1,840,318	
Gas	15,020,525	14,655,508				(365,017)	(365,017)	
Water and wastewater	15,664,991	18,896,354				3,231,363	3,231,363	
Solid waste	5,338,497	4,226,532	102,583			(1,009,382)	(1,009,382)	
Total business-type activities	\$ 152,083,252	\$ 155,677,951	\$ 102,583	\$ —	\$ —	\$ 3,697,282	\$ 3,697,282	
Total primary government	\$ 202,515,692	\$ 163,216,831	\$ 972,143	\$ 2,453,140	\$ (39,570,860)	\$ 3,697,282	\$ (35,873,578)	
Component units:								
All	\$ 1,323,771	\$ 104,384	\$ 1,116,120	\$ 11,899				\$ (91,368)
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 29,209,166	\$	\$ 29,209,166	\$
Property					11,894,095		11,894,095	
Motor fuel					1,025,699		1,025,699	
Alcoholic beverages					1,026,682		1,026,682	
Other					457,458		457,458	
Interest revenues					103,561	75,633	179,194	4,348
Gain (loss) on disposal of capital assets					37,483	175,808	213,291	(194)
Total general revenues					\$ 43,754,144	\$ 251,441	\$ 44,005,585	\$ 4,154
Change in net assets					\$ 4,183,284	\$ 3,948,723	\$ 8,132,007	\$ (87,214)
Net assets—beginning					98,188,960	187,002,848	285,191,808	2,865,949
Net assets—ending					\$ 102,372,244	\$ 190,951,571	\$ 293,323,815	\$ 2,778,735

The accompanying notes are an integral part of the financial statements.

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 11,845,755	\$ 7,251,433	\$ 19,097,188
Receivables (net)	3,906,356	387,832	4,294,188
Loan receivables (net)	529,039	497,554	1,026,593
Interfund receivables	722,527	660,921	1,383,448
Inventories	176,726		176,726
Total assets	<u>\$ 17,180,403</u>	<u>\$ 8,797,740</u>	<u>\$ 25,978,143</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 2,916,386	\$ 2,103,868	\$ 5,020,254
Compensated absences	1,105,571		1,105,571
Interfund payables	660,921	953,198	1,614,119
Total liabilities	<u>\$ 4,682,878</u>	<u>\$ 3,057,066</u>	<u>\$ 7,739,944</u>
Fund balances			
Nonspendable:			
Inventories	\$ 176,726	\$	\$ 176,726
Loan receivables	529,039		529,039
Permanent fund principal		240,470	240,470
Restricted for:			
Street resurfacing and improvements		1,017,409	1,017,409
Culture and recreation		40,873	40,873
Public safety		101,479	101,479
HUD community development and rehabilitation		380,621	380,621
Capital improvements—municipal facilities		616,930	616,930
Assigned to:			
Capital projects		2,164,398	2,164,398
Municipal building maintenance		17,134	17,134
Economic development		1,133,732	1,133,732
Unassigned	11,791,760	27,628	11,819,388
Total fund balances	<u>\$ 12,497,525</u>	<u>\$ 5,740,674</u>	<u>\$ 18,238,199</u>
Total liabilities and fund balances	<u>\$ 17,180,403</u>	<u>\$ 8,797,740</u>	<u>\$ 25,978,143</u>

The accompanying notes are an integral part of the financial statements.

CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances—governmental funds		\$ 18,238,199
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		
Governmental capital assets	\$ 250,438,824	
Accumulated depreciation	<u>(136,158,374)</u>	114,280,450
Certain receivables are not available to pay for current period expenditures and, therefore, are not reported as receivables in the governmental funds.		
		129,256
Debt issuance costs are reported as a current expenditure in the governmental funds. However, in the statement of activities, debt issuance costs are deferred and amortized over the life of the debt and are included as deferred charges in the statement of net assets.		
Unamortized debt issuance costs		478,517
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Governmental warrants payable	\$ (34,995,000)	
Unamortized debt discount, premium, and loss on refunding	(980,808)	
Compensated absences	<u>(1,658,357)</u>	(37,634,165)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		
		<u>6,879,987</u>
Net assets of governmental activities		<u><u>\$ 102,372,244</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 42,957,088	\$ 656,011	\$ 43,613,099
Licenses and permits	3,364,294		3,364,294
Fines and forfeitures	1,209,229		1,209,229
Charges for services	1,754,639		1,754,639
Intergovernmental	1,018,257	1,130,858	2,149,115
Interest revenues	26,760	57,158	83,918
Other	77,112	393,091	470,203
Total revenues	<u>\$ 50,407,379</u>	<u>\$ 2,237,118</u>	<u>\$ 52,644,497</u>
EXPENDITURES			
Current operating:			
General administration	\$ 5,066,735	\$ 467,095	\$ 5,533,830
Public safety	16,615,247	513,262	17,128,509
Public works	5,048,548	188,626	5,237,174
Culture and recreation	6,524,295	17,732	6,542,027
Other	1,283,502	455,994	1,739,496
Education—funding for school district	7,672,905	1,378,116	9,051,021
Capital outlay and improvements		1,761,384	1,761,384
Debt service:			
Principal payments		7,505,000	7,505,000
Interest and fiscal charges		1,522,086	1,522,086
Total expenditures	<u>\$ 42,211,232</u>	<u>\$ 13,809,295</u>	<u>\$ 56,020,527</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,196,147</u>	<u>\$ (11,572,177)</u>	<u>\$ (3,376,030)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 300,528	\$ 11,929,717	\$ 12,230,245
Proceeds from refunding warrants		22,765,000	22,765,000
Premium on debt issuance		2,649,130	2,649,130
Payment to refunded debt escrow agent		(20,408,232)	(20,408,232)
Transfers out	(8,198,104)	(4,032,141)	(12,230,245)
Total other financing sources (uses)	<u>\$ (7,897,576)</u>	<u>\$ 12,903,474</u>	<u>\$ 5,005,898</u>
Net change in fund balances	<u>\$ 298,571</u>	<u>\$ 1,331,297</u>	<u>\$ 1,629,868</u>
Fund balances—beginning	12,198,954	4,409,377	16,608,331
Fund balances—ending	<u>\$ 12,497,525</u>	<u>\$ 5,740,674</u>	<u>\$ 18,238,199</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Total net change in fund balances—governmental funds	\$	1,629,868
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.		
Capital outlays	\$ 2,936,288	
Current year depreciation expense	<u>(4,799,869)</u>	(1,863,581)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		
		(23,220)
In the statement of activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, but these are not reported as revenue in the governmental funds.		
		2,064,000
Some revenues reported in governmental funds are to be collected on a long-term basis and, therefore, are not reported as revenues in the statement of activities.		
		(89,197)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net assets and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:		
Repayments of debt principal	\$ 7,505,000	
Proceeds from refunding warrants	(22,765,000)	
Payment to refunded debt escrow agent	20,408,232	
Premium on debt issued	(2,649,130)	
Payment of debt issuance costs	324,613	
Amortization of debt discount, premium, issuance costs, and loss on refunding	<u>(58,679)</u>	2,765,036
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.		
Change in long-term compensated absences		9,738
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(309,360)</u>
Change in net assets of governmental activities	\$	<u><u>4,183,284</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FLORENCE, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2012	June 30, 2012	June 30, 2012	September 30, 2012		Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 15,684,611	\$ 9,332,377	\$ 6,807,806	\$ 2,101,734	\$ 33,926,528	\$ 7,556,388
Receivables (net)	12,086,561	700,783	1,851,339	352,452	14,991,135	608,698
Accrued interest receivable	3,781		1,908		5,689	
Interfund receivables					—	798,750
Inventories	1,655,358	1,555,468	579,233	51,354	3,841,413	
Prepaid expenses	8,089,327	19,713	190,034		8,299,074	
Total current assets	\$ 37,519,638	\$ 11,608,341	\$ 9,430,320	\$ 2,505,540	\$ 61,063,839	\$ 8,963,836
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 800,799		\$ 23,273,901		\$ 24,074,700	\$ 150,000
Receivables from customers for conservation loans	6,958,287				6,958,287	
Capital assets:						
Utility plant in service (at cost)	149,190,959	52,516,394	144,531,504	13,805,181	360,044,038	
Acquisition adjustment (net of amortization)		200,786			200,786	
Construction in progress	1,249,834	34,050	5,526,809		6,810,693	
Less: accumulated depreciation	77,739,265	21,447,572	48,290,786	9,862,603	157,340,226	
Prepaid purchased power—TVA DEU program	32,175				32,175	
Unamortized debt issuance costs	86,036		528,810		614,846	
Total noncurrent assets	\$ 80,578,825	\$ 31,303,658	\$ 125,570,238	\$ 3,942,578	\$ 241,395,299	\$ 150,000
Total assets	\$ 118,098,463	\$ 42,911,999	\$ 135,000,558	\$ 6,448,118	\$ 302,459,138	\$ 9,113,836

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2012	June 30, 2012	June 30, 2012	September 30, 2012		
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,736,823	\$ 764,570	\$ 1,504,114	\$ 222,857	\$ 21,228,364	\$ 186,265
Interfund payables					—	568,079
Deferred interest income—TVA DEU program	21,975				21,975	
Compensated absences—payable within one year	554,643	225,583	241,173	76,373	1,097,772	
Customer deposits	6,738,674			16,089	6,754,763	
Total current liabilities	<u>\$ 26,052,115</u>	<u>\$ 990,153</u>	<u>\$ 1,745,287</u>	<u>\$ 315,319</u>	<u>\$ 29,102,874</u>	<u>\$ 754,344</u>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 730,000	\$ —	\$ 3,675,000	\$ —	\$ 4,405,000	\$ —
Unamortized debt premium (discount), net	(4,660)		2,121		(2,539)	
Unamortized deferred loss on early retirement of debt	(26,397)		(38,097)		(64,494)	
Accrued interest	14,965		827,248		842,213	
Advances from TVA for conservation loans	7,126,648				7,126,648	
Total liabilities payable from restricted assets	<u>\$ 7,840,556</u>	<u>\$ —</u>	<u>\$ 4,466,272</u>	<u>\$ —</u>	<u>\$ 12,306,828</u>	<u>\$ —</u>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 4,840,000	\$ —	\$ 60,021,843	\$ —	\$ 64,861,843	\$ —
Unamortized debt premium (discount), net	(27,957)		48,792		20,835	
Unamortized deferred loss on early retirement of debt	(158,385)		(270,989)		(429,374)	
Compensated absences—payable after one year	831,965	338,375	361,761	114,560	1,646,661	
Deferred interest income—TVA DEU program	7,175				7,175	
Accrued landfill closure and postclosure care costs				2,069,733	2,069,733	
Claims reserve					—	3,400,497
Total noncurrent liabilities	<u>\$ 5,492,798</u>	<u>\$ 338,375</u>	<u>\$ 60,161,407</u>	<u>\$ 2,184,293</u>	<u>\$ 68,176,873</u>	<u>\$ 3,400,497</u>
Total liabilities	<u>\$ 39,385,469</u>	<u>\$ 1,328,528</u>	<u>\$ 66,372,966</u>	<u>\$ 2,499,612</u>	<u>\$ 109,586,575</u>	<u>\$ 4,154,841</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 67,348,927	\$ 31,303,658	\$ 38,328,857	\$ 3,942,578	\$ 140,924,020	\$ —
Restricted for debt service	800,799		3,379,839		4,180,638	
Restricted for capital projects			19,066,814		19,066,814	
Restricted for other purposes—expendable					—	150,000
Unrestricted	10,563,268	10,279,813	7,852,082	5,928	28,701,091	4,808,995
Total net assets	<u>\$ 78,712,994</u>	<u>\$ 41,583,471</u>	<u>\$ 68,627,592</u>	<u>\$ 3,948,506</u>	<u>\$ 192,872,563</u>	<u>\$ 4,958,995</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(1,920,992)	
Net assets of business-type activities					<u>\$ 190,951,571</u>	

The accompanying notes are an integral part of the financial statements.



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CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2012	June 30, 2012	June 30, 2012	September 30, 2012		Internal Service
Operating revenues						
User charges	\$ 117,098,030	\$ 14,273,761	\$ 18,644,602	\$ 4,221,232	\$ 154,237,625	\$ 2,045,534
Other	618,178	13,192	251,752	5,300	888,422	
Total operating revenues	\$ 117,716,208	\$ 14,286,953	\$ 18,896,354	\$ 4,226,532	\$ 155,126,047	\$ 2,045,534
Operating expenses						
Cost of sales	\$ 94,048,593	\$ 7,385,045	\$	\$	\$ 101,433,638	\$
Operations, maintenance, and administration	14,004,222	4,680,598	8,891,020	4,415,121	31,990,961	290,182
Depreciation	4,508,125	1,344,387	2,929,129	764,607	9,546,248	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,109,188	1,522,235	1,611,554	133,758	6,376,735	
Insurance premiums and claims (net of refunds)					—	2,373,219
Total operating expenses	\$ 115,670,128	\$ 14,942,926	\$ 13,431,703	\$ 5,313,486	\$ 149,358,243	\$ 2,663,401
Operating income (loss)	\$ 2,046,080	\$ (655,973)	\$ 5,464,651	\$ (1,086,954)	\$ 5,767,804	\$ (617,867)
Nonoperating revenues (expenses)						
Interest revenues	\$ 43,704	\$ 13,296	\$ 12,530	\$ 6,103	\$ 75,633	\$ 19,643
Gain (loss) on disposal of capital assets		44,382	41,227	90,199	175,808	
Miscellaneous nonoperating income	183,349	368,555			551,904	
Grants				102,583	102,583	
Interest expense	(195,205)		(2,138,935)		(2,334,140)	
Amortization of debt premium, discount, and costs	(43,641)	(353)	(58,010)		(102,004)	
Total nonoperating revenues (expenses)	\$ (11,793)	\$ 425,880	\$ (2,143,188)	\$ 198,885	\$ (1,530,216)	\$ 19,643
Change in net assets	\$ 2,034,287	\$ (230,093)	\$ 3,321,463	\$ (888,069)	\$ 4,237,588	\$ (598,224)
Net assets—beginning	76,678,707	41,813,564	65,306,129	4,836,575		5,557,219
Net assets—ending	\$ 78,712,994	\$ 41,583,471	\$ 68,627,592	\$ 3,948,506		\$ 4,958,995
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(288,865)	
Change in net assets of business-type activities					\$ 3,948,723	

The accompanying notes are an integral part of the financial statements.

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED**

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities Internal Service Funds
	June 30, 2012	June 30, 2012	June 30, 2012	September 30, 2012		Funds
Cash flows from operating activities						
Receipts from customers and users	\$ 120,185,580	\$ 14,731,411	\$ 18,445,904	\$ 4,327,013	\$ 157,689,908	\$ 1,499,711
Receipts from interfund services provided	2,369,314	112,618	158,038		2,639,970	
Payments to suppliers	(99,870,091)	(8,735,029)	(2,547,331)	(1,566,113)	(112,718,564)	(2,394,851)
Payments to employees for services and benefits—exclusive of capitalized costs	(9,811,687)	(3,063,769)	(4,109,550)	(2,594,672)	(19,579,678)	
Payments for interfund services used	(2,918,019)	(2,442,849)	(2,783,809)	(277,585)	(8,422,262)	
Net cash from operating activities	\$ 9,955,097	\$ 602,382	\$ 9,163,252	\$ (111,357)	\$ 19,609,374	\$ (895,140)
Cash flows from noncapital financing activities						
Increase in receivables from customers for conservation loans	\$ (171,549)	\$	\$	\$	\$ (171,549)	\$
Increase in advances from TVA for conservation loans	200,152				200,152	
Deferred TVA DEU program (net)	75,000				75,000	
Net cash from noncapital financing activities	\$ 103,603	\$ —	\$ —	\$ —	\$ 103,603	\$ —
Cash flows from capital and related financing activities						
Purchase and construction of capital assets (net)	\$ (6,102,158)	\$ (1,089,291)	\$ (4,979,632)	\$ (434,864)	\$ (12,605,945)	\$
Removal costs of retirements of capital assets	(313,143)	(48,796)			(361,939)	
Salvage value of retirements of capital assets					—	
Proceeds from disposition of capital assets		66,783	42,164	91,195	200,142	
Net proceeds from capital debt			1,042,313		1,042,313	
Principal paid on capital debt	(710,000)		(3,550,000)		(4,260,000)	
Interest paid on capital debt	(196,625)		(1,970,448)		(2,167,073)	
Payment of debt issuance costs					—	
Net cash from capital and related financing activities	\$ (7,321,926)	\$ (1,071,304)	\$ (9,415,603)	\$ (343,669)	\$ (18,152,502)	\$ —
Cash flows from investing activities						
Interest on investments	\$ 39,923	\$ 13,481	\$ 10,622	\$ 6,103	\$ 70,129	\$ 19,643
Due to (from) other funds					—	1,369,329
Net cash from investing activities	\$ 39,923	\$ 13,481	\$ 10,622	\$ 6,103	\$ 70,129	\$ 1,388,972
Net increase (decrease) in cash and cash equivalents	\$ 2,776,697	\$ (455,441)	\$ (241,729)	\$ (448,923)	\$ 1,630,604	\$ 493,832
Cash and cash equivalents—beginning of the year	13,708,713	9,787,818	30,323,436	2,550,657	56,370,624	7,212,556
Cash and cash equivalents—end of the year	\$ 16,485,410	\$ 9,332,377	\$ 30,081,707	\$ 2,101,734	\$ 58,001,228	\$ 7,706,388

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2012	June 30, 2012	June 30, 2012	September 30, 2012		Funds
Classified as:						
Current assets	\$ 15,684,611	\$ 9,332,377	\$ 6,807,806	\$ 2,101,734	\$ 33,926,528	\$ 7,556,388
Restricted assets	800,799		23,273,901		24,074,700	150,000
Totals	\$ 16,485,410	\$ 9,332,377	\$ 30,081,707	\$ 2,101,734	\$ 58,001,228	\$ 7,706,388
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,046,080	\$ (655,973)	\$ 5,464,651	\$ (1,086,954)	\$ 5,767,804	\$ (617,867)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 4,791,261	\$ 1,344,387	\$ 2,929,129	\$ 764,607	\$ 9,829,384	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				23,497	23,497	
Miscellaneous nonoperating income	183,349	368,555			551,904	
Proceeds from grants				102,583	102,583	
Changes in assets and liabilities						
Receivables (net)	2,286,023	75,149	(143,921)	(2,102)	2,215,149	(545,823)
Inventories	(157,389)	(427,190)	26,776	(15,151)	(572,954)	
Prepaid expenses	(284,024)	(8,766)	85,730		(207,060)	
Accounts payables and accrued expenses	1,089,797	(104,441)	800,887	102,163	1,888,406	268,550
Total adjustments	\$ 7,909,017	\$ 1,258,355	\$ 3,698,601	\$ 975,597	\$ 13,841,570	\$ (277,273)
Net cash from operating activities	\$ 9,955,097	\$ 602,382	\$ 9,163,252	\$ (111,357)	\$ 19,609,374	\$ (895,140)

The accompanying notes are an integral part of the financial statements.

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2012**

	<u>Postretirement Benefits Plan</u>
ASSETS	
Receivables	
Employer	\$ 966,804
Total assets	<u>\$ 966,804</u>
NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	<u><u>\$ 966,804</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Postretirement Benefits Plan
ADDITIONS	
Contributions	
Employer	\$ 327,009
Investment income	
Interest	2,163
NET INCREASE	\$ 329,172
 NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	637,632
End of year	\$ 966,804

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS**

	<u>Florence- Lauderdale Public Library September 30, 2012</u>	<u>Florence Library Foundation, Inc. June 30, 2012</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 63,134	\$ 2,220,430	\$ 2,283,564
Accounts receivable	500	1,372	1,872
Inventories	6,691		6,691
Pledge receivable		69,900	69,900
Capital assets (net)	567,760		567,760
Total assets	<u>\$ 638,085</u>	<u>\$ 2,291,702</u>	<u>\$ 2,929,787</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 71,499	\$	\$ 71,499
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	9,653		9,653
Promise to give	5,000		5,000
Portion due or payable after one year:			
Promise to give	64,900		64,900
Total liabilities	<u>\$ 151,052</u>	<u>\$ —</u>	<u>\$ 151,052</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 567,760	\$	\$ 567,760
Restricted for:			
Other purposes-expendable		123	123
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	(80,727)	291,579	210,852
Total net assets	<u>\$ 487,033</u>	<u>\$ 2,291,702</u>	<u>\$ 2,778,735</u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Florence-Lauderdale Public Library	Florence Library Foundation, Inc.	Total
Component units:							
<u>September 30, 2012</u>							
Florence-Lauderdale Public Library	\$ 1,268,274	\$ 104,384	\$ 1,116,120	\$ 11,899	\$ (35,871)	\$	\$ (35,871)
<u>June 30, 2012</u>							
Florence Library Foundation, Inc.	55,497					(55,497)	(55,497)
Total component units	<u>\$ 1,323,771</u>	<u>\$ 104,384</u>	<u>\$ 1,116,120</u>	<u>\$ 11,899</u>	<u>\$ (35,871)</u>	<u>\$ (55,497)</u>	<u>\$ (91,368)</u>
General revenues:							
Interest revenues					45	4,303	4,348
Gain (loss) on disposal of capital assets					(194)		(194)
Change in net assets					\$ (36,020)	\$ (51,194)	\$ (87,214)
Net assets—beginning					523,053	2,342,896	2,865,949
Net assets—ending					<u>\$ 487,033</u>	<u>\$ 2,291,702</u>	<u>\$ 2,778,735</u>

The accompanying notes are an integral part of the financial statements.



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**CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Florence, Alabama (the "City") is a municipal corporation incorporated as a City under the laws of the State of Alabama. The City operates under a Mayor-Council form of government. The Mayor, elected for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes. The Mayor oversees the enforcement of all laws and ordinances and executes all contracts, conveyances, and evidences of indebtedness of the City. Legislative authority is vested in a six-member council elected by district for a four-year term with the president of the Council selected by the Council members. The City Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is composed of the primary government and its component units, which are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds and departments that are not legally separate from the City. The primary government includes the City departments that provide the following services: police protection, fire protection and prevention, street maintenance and repairs, building inspection, planning and community development, parks and recreation, electricity, natural gas, water and wastewater, waste collection, recycling and disposal, and landfill operations, as well as administrative staff to provide support services. The operation and control of these activities are provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

For financial reporting purposes, the City's basic financial statements include all funds and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if (1) the City appoints a voting majority of an organization's governing board, (2) is able to impose its will on that organization, or (3) there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the City. Additionally, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government, (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and (3) the economic resources received or held by the organization are significant to the primary government.

Based upon the foregoing criteria and information, the City considers the Florence-Lauderdale Public Library (the "Library") and the Florence Library Foundation, Inc. (the "Foundation") to be discretely presented component units for financial reporting purposes. The Library board is appointed by the City Council and the City makes annual appropriations of revenues to the Library, as well as provides the Library's physical facility. The City essentially appoints a voting majority of the members of the Foundation board and the economic resources held by the Foundation are significant to the City. The financial information of the Foundation is presented on its fiscal year that ends on June 30. Complete financial statements for each of the individual component units may be obtained from their administrative offices.

Florence-Lauderdale Public Library
350 North Wood Avenue
Florence, Alabama 35630

Florence Library Foundation, Inc.
P. O. Box 1609
Florence, Alabama 35631

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

Other related organizations are excluded from the reporting entity because the City's accountability does not extend beyond the appointment of members to the governing board. These are:

Beautification Board, Civil Service Board, Historical Board, Housing and Construction Codes Appeals Board, Housing Authority, Florence-Lauderdale Public Library Board, Park and Recreation Board, Planning Commission, Tree Commission, and Zoning Adjustments.

The following are separate legal entities that are jointly governed by the City and other municipalities in which no government appoints a voting majority of the Board. The organizations were created for the benefit of Shoals area residents and generally receive financial assistance from various governments. These are:

Agri-Business Center and Farmers Market Board, Animal Control Board, Health Care Authority, Industrial Development Board, Lauderdale County Regional Library System Board, Florence-Lauderdale County Port Authority, ALA-TENN Railroad Authority, Riverbend Center for Mental Health, Scope 310 Board, Shoals Economic Development Authority, and Florence/Lauderdale Tourism Board.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Financial information of the City, the primary government, and its discretely presented component units are presented as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide financial statements consist of a statement of net assets and a statement of activities. These financial statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining. When appropriate, surplus or deficits of the internal service funds are allocated back to City departments at the government-wide statement of activities to avoid duplication of revenues and expenses. This creates a reconciling item between the business-type activities column and the proprietary fund statements at the fund level as reflected on the bottom of each fund-level statement.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City and include all taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and enterprise funds. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF 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. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property and sales taxes, grants, entitlements, and donations. 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 imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the City considers revenues available if the revenues are collected within thirty days of the end of the current fiscal year. Expenditures are generally recognized when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this rule are payments in-lieu-of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Property taxes (if levied), other city-levied taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenues are considered measurable and available only when cash is received by the government.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds—Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The City reports the following major governmental fund:

General Fund—The General Fund is the primary operating fund of the City. It is used to account for and report all financial resources of the government, except those required to be accounted for in another fund.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the City are used to account for and report (a) the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes; (b) financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets; and, (c) financial resources that are restricted, committed, or assigned to expenditure for principal, interest, and other debt service expenditures.

Proprietary Funds—Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds—Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City reports the following major enterprise funds:

Electricity—This fund accounts for the operations of electric distribution to residential and commercial users within its service area.

Gas—This fund accounts for the operations of natural gas distribution to residential and commercial users within its service area.

Water and wastewater—This fund accounts for the operations of water treatment and distribution and wastewater treatment services to residential and commercial users within its service area.

Solid waste—This fund accounts for the operations of solid waste collection and disposal, recycling services, and sanitary landfill operations within its service area.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from providing services in connection with the primary activity of the fund's ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services and benefit fees. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City has elected to apply all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in accounting and reporting for its enterprise funds.

Internal Service Funds—Internal service funds account for the financing of services provided to other departments of the City on a cost-reimbursement basis. The City's internal service funds account for the risk management (self-insurance) programs for employee group health insurance, general liability insurance, and workers' compensation insurance.

Fiduciary Funds—Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is divided into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. These funds are used to account for assets held by the City under a trust agreement for a specified purpose and are therefore not available to support the City's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The City's fiduciary fund accounts for the activities of the City's postretirement benefits plan, which accumulates resources for postemployment benefit payments to qualified employees.

Discretely Presented Component Unit—Foundation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with GAAP.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation's financial statements are presented in accordance with professional standards, which require information regarding its financial position and its activities be presented according to three classes of net assets:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may be or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that will be sustained permanently by the Foundation.

The Foundation reports contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

The City considers cash and cash equivalents to include cash on hand, demand deposits, cash with a fiscal agent, and short-term investments with an original maturity of three (3) months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U. S. Treasury and the State of Alabama including general obligations of its counties and municipalities.

Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three (3) months or less are considered to be cash equivalents. Special funds created under trust indentures are reported as restricted assets and are considered cash equivalents in the statement of cash flows.

Fair Value of Financial Instruments—Discretely Presented Component Unit—Foundation

The financial instruments, which consist primarily of cash and a promise to give, approximate their fair values.

Receivables and Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund receivables/payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal balances".

All trade, loans, and other receivables are shown net of any allowance for uncollectible accounts.

All payables and accrued expenses are reported on the government-wide financial statements for both governmental and business-type activities.

Contributions and Restrictions—Discretely Presented Component Unit—Foundation

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received, if any, that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Materials, and Facilities—Discretely Presented Component Unit—Foundation

The Foundation receives minimal amounts of donated services, materials, and facilities. No amounts have been recognized in the statement of activities because the criteria for recognition under professional standards have not been satisfied.

Inventories

Inventories are valued at the lower of average cost or market using the first-in, first-out method and are expensed when used. Inventories consist of materials and supplies held for consumption or construction projects.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets may also represent certain resources that are segregated from other resources to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Resources set aside in separate escrow accounts whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted.

Capital Assets

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The City's capitalization levels are \$5,000 on tangible personal property; \$10,000 for buildings and improvements and land improvements; and, \$100,000 on infrastructure. The City's infrastructure consists of streets, bridges, curbs, sidewalks, traffic signals, and storm sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Governmental Activities	
Buildings and improvements	40
Land improvements	25
Infrastructure	25
Equipment, vehicles, furniture and fixtures	5
Business-type Activities	
Utility plant	5 - 75

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Library's capital assets are recorded at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at the fair market value on the date donated. The Library maintains a capitalization threshold of \$1,000. Repairs and maintenance that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from five to twelve (5-12) years.

Compensated Absences

The City accrues its liability for earned but unpaid compensated absences costs. The City's annual leave policy provides for a minimum of five (5) days and a maximum of twenty-six (26) days of annual leave to all regular full-time employees, depending on years of service, date of hire, and department employed, and is accrued as a liability at the current rate of pay. The sick leave policy provides that all regular full-time employees earn sick leave at the rate of one and ¼ days (1.25) days per month of employment. Sick leave accumulates automatically without limit. After fifteen (15) years of continuous service, accumulated sick leave is accrued as a liability at a rate of one (1) day out of every five (5) days at the current rate of pay. Upon separation of employment for employees with 15 or more years of service, the City deposits the employee's sick leave accrual into a Post Employment Health Plan (PEHP) account. This monetary benefit is non-taxable to the employee; however, its use is restricted to fund future health insurance premiums. In addition to the sick leave, the City currently contributes \$25 per month per employee into a separate PEHP account. Use of these funds is restricted to allowable medical expenses and can only be accessed after termination of employment. Additionally, the City accrues for unpaid holidays at the employee's current rate of pay.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the estimated current portion of the liability is reported as a fund liability. For the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Full-time employees of the Library are entitled to paid annual and sick leave depending on length of service and other factors. The entire compensated absences liability is reported on the government-wide financial statements and on the governmental fund financial statements since the Library expects the liability to be liquidated with expendable available financial resources.

Long-term Obligations and Debt-Related Items

In the government-wide financial statements and in the fund financial statements of proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt using the straight-line method. The loss on early retirement of debt is deferred and amortized, using the straight-line method, over the original remaining life of the old debt or the life of the new debt, whichever is less. Bonds and warrants payable are reported net of the applicable premium or discount, as well as the unamortized deferred loss on early retirement of debt. Debt issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize debt premiums, discounts, and issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received upon issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Equity

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ *Invested in capital assets, net of related debt*—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. (Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.)
- ◆ *Restricted*—Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ *Unrestricted*—Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body.

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

Fund Balance

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 classification represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as inventories on hand and prepaid expenditures.

Restricted—The restricted fund balance classification represents amounts that have spending constraints placed on the use of resources that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed—The committed fund balance classification represents amounts that can only be used for specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it previously employed to commit those amounts. In contrast to fund balance that is restricted by enabling legislation, amounts in the 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 the 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—The assigned fund balance classification represents amounts that are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council authorizes the Mayor or the Treasurer/Chief Accountant to make a determination of the assigned amounts of fund balance. Except for the General Fund, the assigned fund balance classification represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned—The unassigned fund balance classification represents the residual fund balance for the General Fund that has not been restricted, committed, or assigned to specific purposes. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, then the unassigned classification is used to report a negative fund balance.

When an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, and unassigned) amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

The policies of the Library are substantially the same as those stated for the City.

The City Council approved an ordinance establishing that the fund balance of the City's General Fund be maintained at a minimum level equivalent to fifteen percent (15%) of each year's total budgeted revenue as stated in the approved General Fund budget.

Net Assets—Discretely Presented Component Unit—Foundation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes—Discretely Presented Component Unit—Foundation

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activity. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation's federal income tax returns for 2009, 2010, and 2011 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PROCESS

Annual budgetary appropriations are adopted and used during the fiscal year as a management control device on a basis consistent with accounting principles generally accepted in the United States of America. At the close of each fiscal year, the unspent balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The original and final/amended budget amounts are reflected in these financial statements.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

The following fund incurred expenditures in excess of appropriations of the following amount for the year ended September 30, 2012:

Debt service	\$ 23,940,453
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The excess expenditures were provided for by proceeds from the issuance of general obligation warrants.

C. DEFICIT FUND EQUITY

Discretely Presented Component Unit—Library

As of September 30, 2012, the General Fund had a deficit fund balance of \$80,727. The Library plans to liquidate this deficit by increasing revenues and/or decreasing expenditures in subsequent years.

NOTE 3—RECEIVABLES AND PAYABLES

A. RECEIVABLES

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables	
Governmental Activities						
General Fund	\$ 58,753	\$ 3,343,310	\$ 620,734	\$ 12,815	\$ 4,035,612	
Other governmental funds	24,681	58,656	304,495		387,832	
Internal service funds	6,448		602,250		608,698	
Total—governmental activities	\$ 89,882	\$ 3,401,966	\$ 1,527,479	\$ 12,815	\$ 5,032,142	
Business-type Activities						
Electricity	\$ 9,921,605	\$ —	\$ 652,288	\$ 1,834,092	\$ 12,407,985	
Gas	697,271		18,541	3,897	719,709	
Water and wastewater	1,601,169		332,011	615	1,933,795	
Solid waste	304,662			76,092	380,754	
Less: allowance for bad debts	451,108				451,108	
Total—business-type activities	\$ 12,073,599	\$ —	\$ 1,002,840	\$ 1,914,696	\$ 14,991,135	
Component Unit						
Public Library	\$ 500	\$ —	\$ 1,372	\$ —	\$ 1,872	

Loan receivables in governmental funds consist of amounts due from the Florence City Board of Education, the University of North Alabama, and various commercial rehabilitation loans that are generally not expected or scheduled to be collected in the subsequent year. Loans receivable amounted to \$1,894,323 at year-end, net of an allowance for bad debts of \$867,730. Of the customer accounts receivable for the Gas Department, \$96,477 is not due to be collected in the subsequent fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES (Continued)

B. PAYABLES

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
Governmental Activities					
General Fund	\$ 2,321,276	\$ 86,579	\$ 503,192	\$ 5,339	\$ 2,916,386
Other governmental funds	321,951		1,609,821	172,096	2,103,868
Internal service funds	186,265				186,265
Total—governmental activities	\$ 2,829,492	\$ 86,579	\$ 2,113,013	\$ 177,435	\$ 5,206,519
Business-type Activities					
Electricity	\$ 18,108,211	\$ 618,143	\$ 10,469	\$ —	\$ 18,736,823
Gas	375,424	171,354	217,792		764,570
Water and wastewater	951,053	203,387	349,674		1,504,114
Solid waste	215,887	6,970			222,857
Total—business-type activities	\$ 19,650,575	\$ 999,854	\$ 577,935	\$ —	\$ 21,228,364
Component Unit					
Public Library	\$ 50,508	\$ 20,991	\$ —	\$ —	\$ 71,499

Pledge Receivable/Promise to Give—Discretely Presented Component Units

The Library has recorded an unconditional promise to give of \$69,900 to the Foundation, and accordingly, the Foundation has recorded a pledge receivable in the same amount.

NOTE 4—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2012 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 154,448	\$ 568,079	\$ 722,527
	Other governmental	660,921			660,921
	Internal service		798,750		798,750
	Total	\$ 660,921	\$ 953,198	\$ 568,079	\$ 2,182,198

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

In fiscal year 2008, the City's General Liability Insurance Fund and Workers' Compensation Insurance Fund provided additional financial support for capital projects in the amount of \$4,000,000. These loans are expected to be repaid ratably over a 5-year period along with interest computed at a market rate. As of September 30, 2012, the balance of these interfund loans amounted to \$800,000.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 5—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2012 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	General Fund	\$ —	\$ 300,528	\$ 300,528
	Other governmental	8,198,104	3,731,613	11,929,717
	Total	\$ 8,198,104	\$ 4,032,141	\$ 12,230,245

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6—RESTRICTED ASSETS

Governmental Activities

Resources set aside in separate escrow accounts whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted assets. At year-end, the amounts held for the general liability insurance fund and workers' compensation insurance fund was \$50,000 and \$100,000, respectively, and are considered expendable.

Business-type Activities

Revenue warrants issued by the enterprise funds require that certain amounts from debt proceeds and debt service outlays be deposited into restricted funds, which are expended for their specified purposes. These funds are invested in short-term U. S. Government securities that are carried at fair value.

Electricity Department

Special funds created for debt service by the bond financing agreement are as follows:

Series 2009 Debt Service Reserve Fund	\$ 725,000
Series 2009 Warrant Funds	75,799
Total restricted cash and cash equivalents	<u>\$ 800,799</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 6—RESTRICTED ASSETS (Continued)

Water and Wastewater Department

Special funds created for capital construction and debt service by the bond financing agreements are as follows:

SRF Series 2006 Warrant Funds	\$	114,911
SRF Series 2007 Warrant Funds		435,042
SRF Series 2010-A Warrant Funds		685,764
SRF Series 2010-B Warrant Funds		1,157,985
SRF Series 2010-C Warrant Funds		1,130,411
SRF Series 2010-D Warrant Funds		278,126
Series 2011 Warrant Funds		404,848
Series 2011 Construction Fund		<u>19,066,814</u>
Total restricted cash and cash equivalents		<u><u>\$ 23,273,901</u></u>

NOTE 7—STORAGE GAS

Business-type Activities

Gas Department

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2012, the Department had \$1,254,221 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 8—CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Primary Government			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Governmental Activities				
Nondepreciable assets:				
Land	\$ 6,715,158	\$ —	\$ —	\$ 6,715,158
Construction in progress	1,148,457	811,156	841,470	1,118,143
Depreciable assets:				
Land improvements	23,367,535			23,367,535
Buildings	39,100,422	637,904		39,738,326
Equipment and vehicles	20,820,104	1,167,509	947,170	21,040,443
Infrastructure	155,234,030	3,225,189		158,459,219
Total capital assets	\$ 246,385,706	\$ 5,841,758	\$ 1,788,640	\$ 250,438,824
Less accumulated depreciation:				
Land improvements	\$ 7,790,298	\$ 903,630	\$ —	\$ 8,693,928
Buildings	15,382,637	1,019,226		16,401,863
Equipment and vehicles	18,232,494	1,107,555	923,950	18,416,099
Infrastructure	90,877,026	1,769,458		92,646,484
Total accumulated depreciation	\$ 132,282,455	\$ 4,799,869	\$ 923,950	\$ 136,158,374
Net capital assets—governmental activities	\$ 114,103,251	\$ 1,041,889	\$ 864,690	\$ 114,280,450
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 3,166,916	\$ —	\$ 1,917,082	\$ 1,249,834
Gas	37,765		3,715	34,050
Water and wastewater	1,155,657	4,371,152		5,526,809
Depreciable assets:				
Utility plant in service:				
Electricity	143,086,193	8,019,241	1,914,475	149,190,959
Gas	52,178,039	1,093,006	754,651	52,516,394
Water and wastewater	144,138,069	608,480	215,045	144,531,504
Solid waste	13,935,946	434,864	565,629	13,805,181
Acquisition adjustment (net):				
Gas	211,447		10,661	200,786
Total capital assets	\$ 357,910,032	\$ 14,526,743	\$ 5,381,258	\$ 367,055,517
Less accumulated depreciation:				
Electricity	\$ 75,175,622	\$ 4,791,261	\$ 2,227,618	\$ 77,739,265
Gas	20,884,231	1,344,387	781,046	21,447,572
Water and wastewater	45,575,764	2,929,129	214,107	48,290,786
Solid waste	9,662,629	764,607	564,633	9,862,603
Total accumulated depreciation	\$ 151,298,246	\$ 9,829,384	\$ 3,787,404	\$ 157,340,226
Net capital assets—business-type activities	\$ 206,611,786	\$ 4,697,359	\$ 1,593,854	\$ 209,715,291

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 8—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 440,404
Public safety	764,419
Public works	279,240
Public ways and facilities	1,081,449
Culture and recreation	<u>2,234,357</u>
Total	\$ 4,799,869

Governmental Activities	Discretely Presented Component Unit—Library			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable assets:				
Furniture and fixtures	\$ 129,363	\$ 6,895	\$ —	\$ 136,258
Equipment	565,308	33,503	191,955	406,856
Library collection	2,043,681	71,874	278,731	1,836,824
Total capital assets	<u>\$ 2,738,352</u>	<u>\$ 112,272</u>	<u>\$ 470,686</u>	<u>\$ 2,379,938</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ 84,129	\$ 11,136	\$ —	\$ 95,265
Equipment	495,979	26,412	191,761	330,630
Library collection	1,545,433	119,581	278,731	1,386,283
Total accumulated depreciation	<u>\$ 2,125,541</u>	<u>\$ 157,129</u>	<u>\$ 470,492</u>	<u>\$ 1,812,178</u>
Net capital assets—governmental activities	<u>\$ 612,811</u>	<u>\$ (44,857)</u>	<u>\$ 194</u>	<u>\$ 567,760</u>

Depreciation expense was charged to the government function as follows:

Library services	<u>\$ 157,129</u>
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Business-type Activities

Electricity Department

As of June 30, 2012, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,121,509.

Depreciation for the fiscal year 2012 totaled \$4,791,261 of which \$4,508,125 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$238,136 for the fiscal year.

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net assets in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current year depreciation amounted to \$39,655. As of June 30, 2012, accumulated depreciation amounted to \$39,655.

Gas Department

As of June 30, 2012, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,747.

Depreciation expense charged against income amounted to \$1,344,387 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 8—CAPITAL ASSETS (Continued)

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements, and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current year amortization amounted to \$10,661. As of June 30, 2012, accumulated amortization amounted to \$154,587.

Water and Wastewater Department

As of June 30, 2012, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$968,039.

Depreciation expense charged against income amounted to \$2,929,129 for the fiscal year.

Solid Waste Fund

As of September 30, 2012, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,316,853.

Depreciation expense charged against income amounted to \$764,607 for the fiscal year.

NOTE 9—TVA POWER AND CONSERVATION PROGRAMS

Business-type Activities

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to jointly establish a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. The Department had at June 30, 2012, a total of \$6,958,287 of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these loans in the amount of \$7,126,648 for the year ended June 30, 2012.

Power Programs

The Department participates in the TVA Power Invoice Prepayment Program. This program allows the Department to electronically transfer funds, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An early payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balance of \$7,821,540 as of June 30, 2012 is reflected as prepaid expenses.

The Department has entered into two (2) agreements with TVA under the Discounted Energy Units Program. The program entitles the Department to receive a discount of 2.5 cents per kWh on monthly contract volume of 217,500 kWh for a period of 10 years with the discount being applied to the monthly power invoice. The Department recorded the initial contract investments totaling \$1,000,000 together with deferred interest income totaling \$296,000 as deferred assets with an offsetting deferred liability for the interest income portion of the agreement. As of June 30, 2012, the balance of the investments was \$129,150 with \$32,175 reported as noncurrent prepaid purchased power and \$96,975 reported as current. The balance of the deferred interest income was \$29,150 with \$7,175 reported as noncurrent deferred interest income and \$21,975 as current.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS

Long-term obligations activity for the fiscal year is as follows:

Governmental Activities	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Warrants,					
Series 2003-B	\$ 19,160,000	\$ —	\$ 19,160,000	\$ —	\$ —
Debt premium	66,097		66,097	—	—
Series 2007	4,585,000		4,585,000	—	—
Series 2009-B	9,655,000		1,105,000	8,550,000	1,125,000
Debt discount	(91,361)		(11,917)	(79,444)	(11,916)
Deferred loss on early retirement	(164,143)		(21,410)	(142,733)	(21,410)
Series 2012		22,765,000	510,000	22,255,000	1,220,000
Debt premium		2,649,130	59,309	2,589,821	237,236
Deferred loss on early retirement		(1,419,249)	(31,774)	(1,387,475)	(127,097)
General Obligation School Warrants,					
Series 2004	5,495,000		1,305,000	4,190,000	1,340,000
Debt premium	821		182	639	182
Compensated absences	2,780,158	1,095,833	1,112,063	2,763,928	1,105,571
Total—governmental activities	\$ 41,486,572	\$ 25,090,714	\$ 27,837,550	\$ 38,739,736	\$ 4,867,566
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2008	\$ —	\$ —	\$ —	\$ —	\$ —
Series 2009	6,280,000		710,000	5,570,000	730,000
Debt discount	(37,276)		(4,659)	(32,617)	(4,660)
Deferred loss on early retirement	(211,180)		(26,398)	(184,782)	(26,397)
Compensated absences	1,335,813	585,120	534,325	1,386,608	554,643
<u>Gas</u>					
Compensated absences	545,032	236,939	218,013	563,958	225,583
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	3,420,000		165,000	3,255,000	170,000
SRF Series 2007	6,034,530	1,042,313	335,000	6,741,843	345,000
SRF Series 2010-A	7,645,000		640,000	7,005,000	665,000
SRF Series 2010-B	12,920,000		1,085,000	11,835,000	1,125,000
SRF Series 2010-C	12,460,000		1,060,000	11,400,000	1,100,000
SRF Series 2010-D	3,125,000		265,000	2,860,000	270,000
Deferred loss on early retirement	(347,183)		(38,097)	(309,086)	(38,097)
Series 2011	20,600,000			20,600,000	—
Debt premium	53,035		2,122	50,913	2,121
Compensated absences	576,137	257,252	230,455	602,934	241,173
<u>Solid waste</u>					
Compensated absences	185,408	79,688	74,163	190,933	76,373
Total—business-type activities	\$ 74,584,316	\$ 2,201,312	\$ 5,249,924	\$ 71,535,704	\$ 5,435,739

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 8,851	\$ 802	\$ —	\$ 9,653	\$ 9,653
Promise to give	69,900			69,900	5,000
Total—governmental activities	\$ 78,751	\$ 802	\$ —	\$ 79,553	\$ 14,653

Governmental Activities

On October 9, 2003, the City issued General Obligation Warrants, Series 2003-B in the amount of \$20,000,000 for capital improvements. These warrants bear interest rates from 3.50% to 5.00% and will be fully paid in 2023. These warrants were advance refunded with proceeds from the issuance of the General Obligation Warrants, Series 2012 and will be redeemed on September 1, 2013.

On April 22, 2004, the City issued General Obligation School Warrants, Series 2004 in the amount of \$12,405,000 to advance refund and redeem the City's Series 1995-A warrants on September 1, 2005. These warrants bear interest rates from 2.00% to 3.75% and will be fully paid in 2015.

On August 23, 2007, the City issued General Obligation Warrants, Series 2007 in the amount of \$7,000,000 for capital improvements to various City streets. These warrants bear an interest rate of 4.20% and will be fully paid in 2017. These warrants were currently refunded with proceeds from the issuance of the General Obligation Warrants, Series 2012 and were redeemed on August 1, 2012.

On June 10, 2009, the City issued General Obligation Warrants, Series 2009-B in the amount of \$11,235,000 for the current refunding of the General Obligation Warrants, Series 1998-B. These warrants bear interest rates from 1.00% to 3.45% and will be fully paid in 2019.

On July 3, 2012, the City issued General Obligation Warrants, Series 2012 in the amount of \$22,765,000 to advance refund and redeem the City's Series 2003-B warrants on September 1, 2013 and currently refund and redeem the City's Series 2007 warrants on August 1, 2012. These warrants bear interest rates from 1.00% to 5.00% and will be fully paid in 2023.

Debt service over the remaining term of the warrants is summarized as follows:

Totals—Governmental Activities			
Year Ending September 30	Principal	Interest	Total Debt Service
2013	\$ 3,685,000	\$ 1,294,581	\$ 4,979,581
2014	4,305,000	1,177,617	5,482,617
2015	4,455,000	1,035,881	5,490,881
2016	6,990,000	1,035,499	8,025,499
2017	1,965,000	682,263	2,647,263
2018—2022	10,575,000	2,290,312	12,865,312
2023	3,020,000	91,185	3,111,185
Totals	\$ 34,995,000	\$ 7,607,338	\$ 42,602,338

Compensated Absences Liability

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Electricity, Gas, Water and Wastewater, and Solid Waste enterprise funds; and the Library.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

Electricity Department

The City issued Electric Taxable Revenue Warrants, Series 2008, on April 4, 2008 in the amount of \$2,000,000 under a line of credit agreement with CB&S Bank. Proceeds of the loan will be advanced as requested by the Department. The revenues of the system are pledged for payment of the principal and interest of these warrants. Interest is payable semi-annually on each July 1 and January 1 until maturity at a rate of 4.99%. The entire outstanding principal balance of these warrants is due on January 1, 2013. There were no advances on the line of credit agreement during the fiscal year.

On June 25, 2009, the City of Florence, Alabama issued Electric Revenue Refunding Warrants, Series 2009 in the amount of \$7,250,000 with interest rates ranging from 1.50% to 3.65% for the current refunding the Electric Revenue Warrants, Series 1999. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually on June 1. Interest is payable semi-annually on each June 1 and December 1.

All interest costs were expensed for the fiscal year.

Gas Department

The City issued Natural Gas System Revenue Taxable Warrants, Series 2008, on April 4, 2008 in the amount of \$2,000,000 under a line of credit agreement with CB&S Bank. Proceeds of the loan will be advanced as requested by the Department. The revenues of the system are pledged for payment of the principal and interest of these warrants. Interest is payable semi-annually on each July 1 and January 1 until maturity at a rate of 4.99%. The entire outstanding principal balance of these warrants is due on July 1, 2012. There were no advances on the line of credit agreement during the fiscal year. The line of credit agreement was closed on June 20, 2012.

All interest costs were expensed for the fiscal year.

Water and Wastewater Department

The City issued Water and Sewer Revenue Warrants, SRF Series 2006, dated January 15, 2006 in the amount of \$4,030,000 bearing an interest rate of 3.25%. The warrants were issued for constructing wastewater treatment and related facilities in connection with the sanitary sewer system. The warrants were issued under the State of Alabama Revolving Fund (SRF) and are administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and the Alabama Department of Environmental Management (ADEM). The net revenues of the system are pledged for payment of the principal and interest of these Warrants. Interest accrued on the warrants until August 15, 2007 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually beginning on February 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, SRF Series 2007, dated September 15, 2007 in the amount of \$8,825,000 bearing an interest rate of 3.50%. The warrants were issued for making certain improvements to the sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Interest accrued on the warrants until February 1, 2009 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2012, the remaining balance of the warrants to be requested from ADEM was \$1,118,157.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

The City issued Water and Sewer Revenue Warrants, Series 2010-A-CWSRF-BL, dated July 13, 2010, in the amount of \$8,260,000 bearing an interest rate of 2.61% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 2000. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$13,965,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1998. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2010-C-CWSRF-BL, dated August 13, 2010, in the amount of \$13,485,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2010-D-CWSRF-BL, dated August 13, 2010, in the amount of \$3,380,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999B. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2011, dated June 1, 2011, in the amount of \$20,600,000 with interest rates ranging from 3.25% to 5.00%. The warrants were issued for capital improvements to upgrade the water treatment plants and the replacement of the Cypress Creek electrical system. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually beginning on August 15, 2021. Interest is payable semi-annually on each February 15 and August 15.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

Debt service over the remaining term of the enterprise fund warrants is summarized as follows:

Business-type Activities			
Year Ending June 30	Electricity Department		
	Principal	Interest	Total Debt Service
2013	\$ 730,000	\$ 179,585	\$ 909,585
2014	745,000	161,335	906,335
2015	765,000	140,848	905,848
2016	790,000	117,133	907,133
2017	815,000	91,062	906,062
2018—2019	1,725,000	94,475	1,819,475
Totals	\$ 5,570,000	\$ 784,438	\$ 6,354,438
Year Ending June 30	Water and Wastewater Department		
	Principal	Interest	Total Debt Service
2013	\$ 3,675,000	\$ 2,159,218	\$ 5,834,218
2014	3,810,000	2,058,418	5,868,418
2015	3,955,000	1,953,924	5,908,924
2016	4,105,000	1,845,357	5,950,357
2017	4,255,000	1,732,772	5,987,772
2018—2022	19,830,000	6,874,856	26,704,856
2023—2027	6,625,000	5,101,211	11,726,211
2028—2032	8,140,000	3,584,000	11,724,000
2033—2037	10,420,000	1,308,369	11,728,369
Totals	\$ 64,815,000	\$ 26,618,125	\$ 91,433,125
Less: amount of SRF funds available for disbursement	1,118,157		
Total long-term debt as reported in the financial statements	<u><u>\$ 63,696,843</u></u>		
Year Ending June 30	Totals—Business-type Activities		
	Principal	Interest	Total Debt Service
2013	\$ 4,405,000	\$ 2,338,803	\$ 6,743,803
2014	4,555,000	2,219,753	6,774,753
2015	4,720,000	2,094,772	6,814,772
2016	4,895,000	1,962,490	6,857,490
2017	5,070,000	1,823,834	6,893,834
2018—2022	21,555,000	6,969,331	28,524,331
2023—2027	6,625,000	5,101,211	11,726,211
2028—2032	8,140,000	3,584,000	11,724,000
2033—2037	10,420,000	1,308,369	11,728,369
Totals	\$ 70,385,000	\$ 27,402,563	\$ 97,787,563
Less: amount of SRF funds available for disbursement	1,118,157		
Total long-term debt as reported in the financial statements	<u><u>\$ 69,266,843</u></u>		

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 11—CONDUIT DEBT OBLIGATION

Governmental Activities

The City issued General Obligation School Warrants, Series 1998-A in the amount of \$8,700,000 and entered into a cooperation agreement with the Florence City Board of Education whereby the Board received the proceeds for the sale of the warrants and the Board will make the subsequent repayment of the warrants. On June 10, 2009, the City issued General Obligation School Warrants, Series 2009-A in the amount of \$5,550,000 to currently refund the General Obligation School Warrants, Series 1998-A. The outstanding balance of these warrants was \$4,205,000 as of September 30, 2012. In accordance with professional standards, these warrants are not reported as liabilities in the accompanying financial statements.

NOTE 12—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Business-type Activities

Solid Waste Fund

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The amount reported as landfill closure and postclosure care liability at September 30, 2012 of \$2,069,733 represents the cumulative amount reported to date based on the estimated capacity of the landfill used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$199,267 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year 2012. The City has used 91 percent of the estimated capacity of the landfill as of September 30, 2012. During the 2011-2012 fiscal year, the City ceased its Municipal Solid Waste landfill operations and contracted with a regional landfill for disposal of municipal solid waste. The City will continue to use the remaining landfill capacity for construction and demolition materials. With this limited use, the City estimates the landfill will reach capacity and close in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 13—PROPERTY TAXES

Property taxes include amounts levied against all real and tangible personal property located within the City. Taxes are levied and collected by the Lauderdale County Revenue Commissioner who remits to the City its portion of the taxes collected, net of collection fees ranging from one to five percent (1-5%), depending on the type of tax collected. State law categorizes all property into four (4) classes:

Class	Description	Assessment Percentage
I	All property of public utilities	30%
II	All other property not otherwise classified	20%
III	Agricultural, forest, single family, owner-occupied residential property, and historic buildings and sites	10%
IV	All private passenger motor vehicles operated for personal and private use and not for hire, rent or compensation	15%

Assessed value is computed using an assessment percentage of its appraised market value. The full tax rate for the City for the fiscal year was 49 mills (\$0.049) of assessed value. Taxes are levied and due on October 1 and become delinquent after December 31 in each year (except motor vehicle taxes, which have varying levy and due dates). After December 31, penalties and interest are assessed. If real property taxes are not paid by May 15 following the due date, State law requires a tax sale.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

Plan Description—The City of Florence, Alabama Employees' Retirement Plan is a single-employer defined benefit pension plan administered by Metropolitan Life Insurance Company (a subsidiary of MetLife) providing retirement benefits to plan members. The latest City of Florence Employees' Retirement Plan Actuarial Valuation Report can be obtained by contacting the manager of the Human Resources/Benefits Department.

Funding Policy—The contribution requirements for plan members is 2.56% of the first \$350 of monthly earnings (excluding overtime pay) plus 5.12% of monthly earnings in excess of \$350. Employer contributions are based on employee contributions using a factor of 2.75. Plan provisions and contribution requirements are established and may be amended by the City Council.

Annual Pension Cost and Net Pension Obligation—The City's annual pension cost and net pension obligation to the Plan for the latest actuarial valuation period were as follows:

Annual required contribution	\$ 4,554,239
Interest on net pension obligation	(118,933)
Adjustment to annual required contribution	<u>(193,610)</u>
Annual pension cost	\$ 4,241,696
Contributions made	<u>3,888,126</u>
Increase (decrease) in net pension obligation	\$ 353,570
Net pension obligation—beginning of year	<u>(1,585,775)</u>
Net pension obligation—end of year	<u><u>\$ (1,232,205)</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
October 1, 2011	\$ 4,241,696	91.7%	\$ (1,232,205)
October 1, 2010	4,090,863	90.4%	(1,585,775)
October 1, 2009	3,723,843	112.3%	(1,979,119)

Funded Status and Funding Progress—As of October 1, 2011, the most recent actuarial valuation date, the plan was 71.2% funded. The actuarial accrued liability for benefits was \$97.1 million and the actuarial value of assets was \$69.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$28.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.7 million, and the ratio of the UAAL to the covered payroll was 97.4%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Actuarial Methods and Assumptions—In the October 1, 2011 actuarial valuation, the entry age normal actuarial cost method with frozen initial liability (which was redetermined as of October 1, 2011) was used. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level dollar amount on a closed basis, which as of October 1, 2011, was twenty-nine (29) years.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The City has no fiduciary relationship with the trust. In accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the plan assets are not reported in the City's financial statements.

Discretely Presented Component Unit—Library

Plan Description—The Library contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Library are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Library. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the **Code of Alabama 1975**, §§36-27-1 through 36-27-103, as amended, §§36-27-1250 through 36-27-139, as amended, and §§36-27B-1 through 36-27B-6, as amended. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Library authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy—Employees of the Library are required to contribute 7.25% of their annual covered salary. The Library is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2012 was 10.43% of annual covered payroll based on the September 30, 2009 actuarial valuation as adjusted for COLAs granted to retirees.

Annual Pension Cost—For the year ended September 30, 2012, the Library's annual pension cost of \$40,384 was equal to the Library's required and actual contributions. The required contribution was determined as part of the September 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at September 30, 2009 included: (a) 8.00% investment rate of return, on present and future assets, (b) projected salary increases ranging from 4.61% to 7.75%, and (c) no COLAs. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2009 was 18 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2012	\$40,384	100%	\$ —
September 30, 2011	\$47,257	100%	—
September 30, 2010	\$47,957	100%	—

Funded Status and Funding Progress—As of September 30, 2011, the most recent actuarial valuation date, the plan was 64.6% funded. The actuarial accrued liability for benefits was \$905,003 and the actuarial value of assets was \$584,485, resulting in an unfunded actuarial accrued liability (UAAL) of \$320,518. The covered payroll (annual payroll of active employees covered by the plan) was \$384,964 and the ratio of the UAAL to the covered payroll was 83.3%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether that actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)**

NOTE 15—POSTRETIREMENT BENEFITS PLAN

Governmental Activities and Business-type Activities

Plan Description—The City administers a single-employer defined benefit postretirement benefits plan. The plan provides medical, dental, and life insurance benefits to eligible retired City employees. Benefit provisions are established and may be amended by the City Council. The plan does not issue a publicly available financial report.

Funding Policy—The contribution requirements for plan members and the City are established and may be amended by the City Council. The City pays the entire cost of these benefits. A portion of the annual required contribution is financed on a pay-as-you-go basis.

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 of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$ 756,308
Interest on prior year net OPEB obligation	—
Adjustment to annual required contribution	—
Annual OPEB cost	\$ 756,308
Contributions made	756,308
Increase (decrease) in net OPEB obligation	\$ —
Net OPEB obligation—beginning of year	—
Net OPEB obligation—end of year	\$ —

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2012	\$ 756,308	100.0%	\$ —
September 30, 2011			
September 30, 2010	460,057	100.0%	—
September 30, 2009			
September 30, 2008	469,977	100.0%	—

The City has elected to perform an actuarial valuation of the plan on a biennial basis.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 15—POSTRETIREMENT BENEFITS PLAN (Continued)

Funded Status and Funding Progress—As of October 1, 2011, the most recent actuarial valuation date, the plan was 7.9% funded. The actuarial accrued liability for benefits was \$8.7 million and the actuarial value of assets was \$0.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.1 million, and the ratio of the UAAL to the covered payroll was 28.4%.

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 contribution 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 RSI following the notes to the financial statements, presents multiyear trend information about 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 valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the October 1, 2011 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5%, which is based on the historical and expected returns that the City earns on its investments, projected salary increases of 3.5% per year, and an annual healthcare cost trend of 6% initially that is reduced by decrements to an ultimate rate of 4.7% after eighty-five (85) years. These rates included a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at October 1, 2011 was twenty-six (26) years.

NOTE 16—LEASE COMMITMENTS

Business-type Activities

Electricity Department

The Department entered into a "Use Facilities" lease with TVA on April 21, 1983. This lease provides the Department with the use of facilities located in the Wilson Hydro Area. The lease shall continue in effect, for the term of the Power Contract dated July 6, 1966, between TVA and the City and shall include any extension, renewal, or replacement thereof. The Department operates under a five-year rolling Power Contract. Therefore, the future monthly lease payments will always be five years until the Department informs TVA of its intent to cancel the contract. Effective April 1, 2007, the monthly charge has been recomputed to be \$16,781. Payments under this lease for the current year amounted to \$201,372. The future minimum annual rental payments for the succeeding five years are as follows:

Fiscal Year Ending	Amount
June 30	
2013	\$ 201,372
2014	201,372
2015	201,372
2016	201,372
2017	201,372
Total	\$ 1,006,860

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 17—JOINT OPERATION

In December 2006, the City and Lauderdale County entered into an informal arrangement to jointly acquire a commercial office building whereby each entity would own a 50% undivided interest in the building. Under the arrangement, the City manages the daily operations of the building. The City created a special revenue fund to account for the rents collected and related expenditures of the building. As of September 30, 2012, the fund balance was \$17,134, which will be used in the continuing operations and maintenance of the building. At such time that expenditures exceed revenues, the City will invoice the County for 50% of the shortfall. The City and County are utilizing portions of the building for administration and government services.

NOTE 18—RISK MANAGEMENT

Governmental Activities and Business-type Activities

The City's risk management activities are recorded into three self-insurance funds. The purpose of these funds is to administer employee group health, property and liability, and workers' compensation insurance programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

The City retains risk of loss on the employee group health, property and liability, and a portion of workers' compensation insurance. For the insured portion of workers' compensation insurance, there have been no reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers' compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2012, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,439,290, which has been computed on a present-value basis using a discount rate of 0.8%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$961,207, which has not been discounted due to the lack of reinsurance.

With the implementation of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the workers' compensation insurance fund and the general liability insurance fund established a liability for both reported and unreported events, which includes estimates of both future payments of loss and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the City for the current fiscal year:

	Workers' Compensation Insurance	General Liability Insurance
Claims liability, October 1, 2011	\$ 2,181,512	\$ 856,200
Provision for (adjustment to) claims	773,743	324,673
Payment of claims	(515,965)	(219,666)
Claims liability, September 30, 2012	\$ 2,439,290	\$ 961,207

At September 30, 2012, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$658,431, \$4,967,910, and \$3,337,495, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 19—DEPOSITS AND INVESTMENTS

Governmental Activities and Business-type Activities

On April 17, 2007, the City adopted an investment policy to formalize the framework for the City's investment activities. The policy generally limits its investments to non-negotiable certificates of deposit. For the Electricity Department, the policy allows funds to be invested in the TVA Prepaid Power Program and the TVA Discounted Energy Unit Program. Under the terms of bond indentures, certain warrant funds have been established to satisfy continuing debt service requirements. These investments are governed by the bond indenture, held by the paying agent as required under the indenture, and invested in U. S. Government securities.

The custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. Certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they may be classified as "Investments" on the financial statements.

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2012, does not have any investments that require disclosure.

Financial instruments that potentially subject the Library to concentrations of credit risk consist primarily of cash and cash equivalents. The Library's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. At year-end, there were no uninsured balances.

Discretely Presented Component Unit—Foundation

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits with a commercial bank and a promise to give. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$1,970,430.

NOTE 20—CONTINGENCIES AND COMMITMENTS

Governmental Activities

The City is a defendant in various claims and/or lawsuits. The outcome of these matters is uncertain as of the date of this report. The City management and legal counsel are of the opinion that any settlement resulting from such litigation would not materially affect the financial statements.

Bond arbitrage may be applicable to General Obligation Warrants when the proceeds were not expended within the legislated period. At the present time, no determination of the amount to be refunded under rules of arbitrage can be ascertained.

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2012, open contracts for construction totaled \$847,399 of which \$521,839 had been recorded as construction in progress.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

NOTE 20—CONTINGENCIES AND COMMITMENTS (Continued)

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. City management believes that such disallowance, if any, will be immaterial.

In the current fiscal year, the City has advanced refunded the General Obligation Warrants, Series 2003-B by irrevocably depositing funds into an escrow account to provide for the retirement of principal and interest of these warrants. These funds consist of essentially risk-free investments in U.S. Government securities. The outstanding balance of this defeased debt at September 30, 2012 was \$19,160,000.

Business-type Activities

The Utility departments are parties to certain legal actions arising in the ordinary course of business. In management's opinion, the City had adequate insurance coverage and/or legal defenses, if needed, and do not believe that they will materially affect operations or financial position.

The Utility departments have received federal and state grants for specific purposes that are subject to audit and adjustment by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. City management believes that such disallowance, if any, will be immaterial.

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2012, open contracts for construction totaled \$698,572 of which \$646,494 had been recorded as cumulative construction in progress. As of June 30, 2012, open contracts for system maintenance totaled \$4,239,317 of which \$359,020 had been recorded as current maintenance expense.

Gas Department

The Department entered into agreements with two energy suppliers to purchase natural gas in the futures market. These agreements allow the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the agreements allow the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitments would materially affect the Department's operations or financial position. As of June 30, 2012, the Department had made purchase commitments amounting to \$3,426,687 for the subsequent fiscal year's gas needs.

Water and Wastewater Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2012, open contracts for construction totaled \$10,747,715 of which \$3,835,174 had been recorded as cumulative construction in progress.

NOTE 21—SUBSEQUENT EVENT

Governmental Activities

Subsequent to year-end, the City approved an Ordinance authorizing the issuance, sale, delivery and payment of a \$2,000,000 General Obligation Taxable Warrant, Series 2013, dated on or about February 25, 2013. The proceeds of which will be used to construct the Visitor's Center at McFarland Park for use by the Florence-Lauderdale Tourism Board. Debt service on this warrant will be provided through a lease agreement with the Florence-Lauderdale Tourism Board with terms that are comparable to the debt service on this warrant.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
Budgetary fund balance—beginning	\$ 12,198,954	\$ 12,198,954	\$ 12,198,954	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 28,274,000	\$ 28,794,000	\$ 29,209,166	\$ 415,166
Property	11,488,000	11,588,000	11,894,095	306,095
Motor fuel	396,000	396,000	369,688	(26,312)
Tobacco	226,500	226,500	292,684	66,184
Alcoholic beverages	994,500	1,014,500	1,026,682	12,182
Other	50,000	50,000	164,773	114,773
Total taxes	<u>\$ 41,429,000</u>	<u>\$ 42,069,000</u>	<u>\$ 42,957,088</u>	<u>\$ 888,088</u>
Licenses and permits:				
Business	\$ 3,085,000	\$ 3,100,000	\$ 3,251,822	\$ 151,822
Non-business	113,000	113,000	112,472	(528)
Total licenses and permits	<u>\$ 3,198,000</u>	<u>\$ 3,213,000</u>	<u>\$ 3,364,294</u>	<u>\$ 151,294</u>
Fines and forfeitures	<u>\$ 1,353,750</u>	<u>\$ 1,301,750</u>	<u>\$ 1,209,229</u>	<u>\$ (92,521)</u>
Charges for services:				
Cultural and recreational	\$ 1,537,600	\$ 1,537,600	\$ 1,627,856	\$ 90,256
Highways and streets	64,700	64,700	69,144	4,444
Other	59,600	59,600	57,639	(1,961)
Total charges for services	<u>\$ 1,661,900</u>	<u>\$ 1,661,900</u>	<u>\$ 1,754,639</u>	<u>\$ 92,739</u>
Intergovernmental	<u>\$ 977,650</u>	<u>\$ 1,019,650</u>	<u>\$ 1,018,257</u>	<u>\$ (1,393)</u>
Other:				
Interest	\$ 30,000	\$ 30,000	\$ 26,760	\$ (3,240)
Other	50,000	50,000	77,112	27,112
Total other	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 103,872</u>	<u>\$ 23,872</u>
Transfers from other funds	<u>\$ 301,000</u>	<u>\$ 301,000</u>	<u>\$ 300,528</u>	<u>\$ (472)</u>
Amounts available for appropriation	<u>\$ 61,200,254</u>	<u>\$ 61,845,254</u>	<u>\$ 62,906,861</u>	<u>\$ 1,061,607</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 259,180	\$ 259,580	\$ 258,547	\$ 1,033
City council	272,040	272,040	263,648	8,392
Urban forestry	152,690	152,690	137,132	15,558
Purchasing and grants administration	207,655	207,655	209,488	(1,833)
Legal	230,650	230,650	225,141	5,509
Accounting	471,375	476,525	465,596	10,929
City clerk	522,790	522,790	540,729	(17,939)
Planning	291,625	291,625	335,027	(43,402)
Human resources	255,725	309,355	293,847	15,508
Administrative buildings	585,775	592,435	989,700	(397,265)
Building	630,615	630,615	627,772	2,843
Engineering	696,855	700,855	676,290	24,565
Elections	40,000	40,000	43,818	(3,818)
Total general administration	<u>\$ 4,616,975</u>	<u>\$ 4,686,815</u>	<u>\$ 5,066,735</u>	<u>\$ (379,920)</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget— Positive
	Original	Final	(See Note A)	(Negative)
Public safety:				
Police	\$ 8,445,265	\$ 8,445,265	\$ 8,737,739	\$ (292,474)
Jail	439,000	459,000	377,262	81,738
Municipal court	482,890	486,890	448,507	38,383
Animal control	406,215	407,465	409,629	(2,164)
Fire	6,657,680	6,668,955	6,642,110	26,845
Total public safety	<u>\$ 16,431,050</u>	<u>\$ 16,467,575</u>	<u>\$ 16,615,247</u>	<u>\$ (147,672)</u>
Public works:				
Streets	\$ 3,615,725	\$ 3,621,225	\$ 3,706,492	\$ (85,267)
Municipal lighting and utilities	960,225	960,225	1,013,099	(52,874)
Cemetery	252,700	253,500	246,828	6,672
Parking deck facility	96,200	96,200	82,129	14,071
Total public works	<u>\$ 4,924,850</u>	<u>\$ 4,931,150</u>	<u>\$ 5,048,548</u>	<u>\$ (117,398)</u>
Culture and recreation:				
Parks and recreation administration	\$ 1,736,565	\$ 1,736,565	\$ 1,900,858	\$ (164,293)
Parks	2,881,230	2,886,230	2,974,484	(88,254)
Golf course	1,184,150	1,184,150	1,201,654	(17,504)
Braly municipal stadium	198,570	198,570	152,079	46,491
Arts and museums	295,125	295,125	295,220	(95)
Total culture and recreation	<u>\$ 6,295,640</u>	<u>\$ 6,300,640</u>	<u>\$ 6,524,295</u>	<u>\$ (223,655)</u>
Nondepartmental:				
Other	\$ 1,321,300	\$ 1,321,300	\$ 1,283,502	\$ 37,798
Education—funding for school district	7,313,180	7,456,780	7,672,905	(216,125)
Transfers to other funds	8,085,625	8,234,196	8,198,104	36,092
Total nondepartmental	<u>\$ 16,720,105</u>	<u>\$ 17,012,276</u>	<u>\$ 17,154,511</u>	<u>\$ (142,235)</u>
Total charges to appropriations	<u>\$ 48,988,620</u>	<u>\$ 49,398,456</u>	<u>\$ 50,409,336</u>	<u>\$ (1,010,880)</u>
Budgetary fund balance—ending	<u>\$ 12,211,634</u>	<u>\$ 12,446,798</u>	<u>\$ 12,497,525</u>	<u>\$ 50,727</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
 Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 62,906,861
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(12,198,954)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(300,528)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 50,407,379</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 50,409,336
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,198,104)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 42,211,232</u></u>



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CITY OF FLORENCE, ALABAMA

Schedules of Funding Progress

Employees' Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2011	\$ 69,076,688	\$ 97,078,177	\$ 28,001,489	71.2%	\$ 28,743,659	97.4%
October 1, 2010	69,626,436	93,878,767	24,252,331	74.2%	28,074,105	86.4%
October 1, 2009	67,757,315	80,549,687	12,792,372	84.1%	26,775,834	47.8%

Postretirement Benefits Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2011	\$ 683,821	\$ 8,666,316	\$ 7,982,495	7.9%	\$ 28,103,737	28.4%
October 1, 2009	483,054	4,487,605	4,004,551	10.8%	25,726,624	15.6%
October 1, 2007	—	4,186,288	4,186,288	0.0%	26,065,584	16.1%

The City has elected to perform an actuarial valuation on the plan on a biennial basis.

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Funding Progress

Employees' Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
September 30, 2011	\$ 584,485	\$ 905,003	\$ 320,518	64.6%	\$ 384,964	83.3%
September 30, 2010	535,845	873,335	337,490	61.4%	370,130	91.2%
September 30, 2009	501,096	883,522	382,426	56.7%	336,398	113.7%

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Postretirement Benefits Plan		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
September 30, 2012	\$ 756,308	100.0%
September 30, 2011		
September 30, 2010	460,057	100.0%
September 30, 2009		
September 30, 2008	469,977	100.0%

The City has elected to perform an actuarial valuation on the plan on a biennial basis.



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Special Revenue Funds

	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant
ASSETS									
Cash and cash equivalents	\$ 290,148	\$ 244,449	\$ 430,282	\$ 60,095	\$	\$ (284)	\$ 3,818,853	\$ 13,790	\$ 128,038
Receivables (net)	13,295	14,208	31,153	40,372			132,111		55,511
Loan receivables (net)						394,036	103,518		
Interfund receivables					40,873		615,359		4,689
Total assets	\$ 303,443	\$ 258,657	\$ 461,435	\$ 100,467	\$ 40,873	\$ 393,752	\$ 4,669,841	\$ 13,790	\$ 188,238
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued expenses	\$ 1,335	\$ 1,335	\$ 2,670	\$ 20,360	\$	\$ 13,131	\$ 1,706,693	\$ 13,785	\$ 86,764
Interfund payables		786		52,479			798,750		
Total liabilities	\$ 1,335	\$ 2,121	\$ 2,670	\$ 72,839	\$ —	\$ 13,131	\$ 2,505,443	\$ 13,785	\$ 86,764
Fund balances									
Nonspendable:									
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:									
Street resurfacing and improvements	302,108	256,536	458,765						
Culture and recreation					40,873				
Public safety								5	101,474
HUD community development and rehabilitation						380,621			
Capital improvements—municipal facilities									
Assigned to:									
Capital projects							2,164,398		
Municipal building maintenance									
Economic development									
Unassigned				27,628					
Total fund balances	\$ 302,108	\$ 256,536	\$ 458,765	\$ 27,628	\$ 40,873	\$ 380,621	\$ 2,164,398	\$ 5	\$ 101,474
Total liabilities and fund balance	\$ 303,443	\$ 258,657	\$ 461,435	\$ 100,467	\$ 40,873	\$ 393,752	\$ 4,669,841	\$ 13,790	\$ 188,238

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Continued)**

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Total		
ASSETS									
Cash and cash equivalents	\$ 146,746	\$ 14,060	\$ 5,146,177	\$ —	\$ 730,576	\$ 1,133,732	\$ 1,864,308	\$ 240,948	\$ 7,251,433
Receivables (net)	2,679	98,415	387,744	—	88	—	88	—	387,832
Loan receivables (net)	—	—	497,554	—	—	—	—	—	497,554
Interfund receivables	—	—	660,921	—	—	—	—	—	660,921
Total assets	<u>\$ 149,425</u>	<u>\$ 112,475</u>	<u>\$ 6,692,396</u>	<u>\$ —</u>	<u>\$ 730,664</u>	<u>\$ 1,133,732</u>	<u>\$ 1,864,396</u>	<u>\$ 240,948</u>	<u>\$ 8,797,740</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued expenses	\$ 115,645	\$ 29,141	\$ 1,990,859	\$ —	\$ 113,009	\$ —	\$ 113,009	\$ —	\$ 2,103,868
Interfund payables	33,780	66,200	951,995	—	725	—	725	478	953,198
Total liabilities	<u>\$ 149,425</u>	<u>\$ 95,341</u>	<u>\$ 2,942,854</u>	<u>\$ —</u>	<u>\$ 113,734</u>	<u>\$ —</u>	<u>\$ 113,734</u>	<u>\$ 478</u>	<u>\$ 3,057,066</u>
Fund balances									
Nonspendable:									
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,470	\$ 240,470
Restricted for:									
Street resurfacing and improvements	—	—	1,017,409	—	—	—	—	—	1,017,409
Culture and recreation	—	—	40,873	—	—	—	—	—	40,873
Public safety	—	—	101,479	—	—	—	—	—	101,479
HUD community development and rehabilitation	—	—	380,621	—	—	—	—	—	380,621
Capital improvements—municipal facilities	—	—	—	—	616,930	—	616,930	—	616,930
Assigned to:									
Capital projects	—	—	2,164,398	—	—	—	—	—	2,164,398
Municipal building maintenance	—	17,134	17,134	—	—	—	—	—	17,134
Economic development	—	—	—	—	—	1,133,732	1,133,732	—	1,133,732
Unassigned	—	—	27,628	—	—	—	—	—	27,628
Total fund balances	<u>\$ —</u>	<u>\$ 17,134</u>	<u>\$ 3,749,542</u>	<u>\$ —</u>	<u>\$ 616,930</u>	<u>\$ 1,133,732</u>	<u>\$ 1,750,662</u>	<u>\$ 240,470</u>	<u>\$ 5,740,674</u>
Total liabilities and fund balance	<u>\$ 149,425</u>	<u>\$ 112,475</u>	<u>\$ 6,692,396</u>	<u>\$ —</u>	<u>\$ 730,664</u>	<u>\$ 1,133,732</u>	<u>\$ 1,864,396</u>	<u>\$ 240,948</u>	<u>\$ 8,797,740</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds								
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant
REVENUES									
Taxes	\$ 147,007	\$ 158,088	\$ 350,916	\$	\$	\$	\$	\$	\$
Intergovernmental				373,625		256,402	5,000		164,072
Interest revenues	492	487	526	34			50,838	16	261
Program revenues				26,700		12,793			84,808
Miscellaneous							23,674		
Total revenues	<u>\$ 147,499</u>	<u>\$ 158,575</u>	<u>\$ 351,442</u>	<u>\$ 400,359</u>	<u>\$ —</u>	<u>\$ 269,195</u>	<u>\$ 79,512</u>	<u>\$ 16</u>	<u>\$ 249,141</u>
EXPENDITURES									
Current operating:									
General administration	\$		\$	\$		\$ 51,483	\$ 62,450		\$
Public safety				300,077					212,557
Public works		69,407				93,755	25,464		
Culture and recreation				6,450	5,092		6,190		
Other						229,675	150,000		
Education—funding for school district							1,378,116		
Capital outlay and improvements			6,850	46,274			1,144,320		18,734
Debt service:									
Principal payments									
Interest and fiscal charges							3,750		
Total expenditures	<u>\$ —</u>	<u>\$ 69,407</u>	<u>\$ 6,850</u>	<u>\$ 352,801</u>	<u>\$ 5,092</u>	<u>\$ 374,913</u>	<u>\$ 2,770,290</u>	<u>\$ —</u>	<u>\$ 231,291</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 147,499</u>	<u>\$ 89,168</u>	<u>\$ 344,592</u>	<u>\$ 47,558</u>	<u>\$ (5,092)</u>	<u>\$ (105,718)</u>	<u>\$ (2,690,778)</u>	<u>\$ 16</u>	<u>\$ 17,850</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	\$	\$	\$	\$	\$	\$	\$ 7,824,804	\$ 3,675	\$
Proceeds from refunding warrants									
Premium on debt issuance									
Payment to refunded debt escrow agent									
Transfers out	(79,480)	(79,480)	(158,960)				(3,713,693)		
Total other financing sources (uses)	<u>\$ (79,480)</u>	<u>\$ (79,480)</u>	<u>\$ (158,960)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,111,111</u>	<u>\$ 3,675</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 68,019</u>	<u>\$ 9,688</u>	<u>\$ 185,632</u>	<u>\$ 47,558</u>	<u>\$ (5,092)</u>	<u>\$ (105,718)</u>	<u>\$ 1,420,333</u>	<u>\$ 3,691</u>	<u>\$ 17,850</u>
Fund balances—beginning	234,089	246,848	273,133	(19,930)	45,965	486,339	744,065	(3,686)	83,624
Fund balances—ending	<u>\$ 302,108</u>	<u>\$ 256,536</u>	<u>\$ 458,765</u>	<u>\$ 27,628</u>	<u>\$ 40,873</u>	<u>\$ 380,621</u>	<u>\$ 2,164,398</u>	<u>\$ 5</u>	<u>\$ 101,474</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Total		
REVENUES									
Taxes	\$	\$	\$ 656,011	\$	\$	\$	\$ —	\$	\$ 656,011
Intergovernmental			799,099		331,759		331,759		1,130,858
Interest revenues		105	52,759		1,521	2,878	4,399		57,158
Program revenues		244,532	368,833					584	369,417
Miscellaneous			23,674						23,674
Total revenues	\$ —	\$ 244,637	\$ 1,900,376	\$ —	\$ 333,280	\$ 2,878	\$ 336,158	\$ 584	\$ 2,237,118
EXPENDITURES									
Current operating:									
General administration	\$	\$ 328,437	\$ 442,370	\$	\$ 24,725	\$	\$ 24,725	\$	\$ 467,095
Public safety			512,634		628		628		513,262
Public works			188,626						188,626
Culture and recreation			17,732						17,732
Other			379,675			76,319	76,319		455,994
Education—funding for school district			1,378,116						1,378,116
Capital outlay and improvements			1,216,178		309,028	236,178	545,206		1,761,384
Debt service:									
Principal payments			—	7,505,000					7,505,000
Interest and fiscal charges			3,750	1,518,336					1,522,086
Total expenditures	\$ —	\$ 328,437	\$ 4,139,081	\$ 9,023,336	\$ 334,381	\$ 312,497	\$ 646,878	\$ —	\$ 13,809,295
Excess (deficiency) of revenues over expenditures	\$ —	\$ (83,800)	\$ (2,238,705)	\$ (9,023,336)	\$ (1,101)	\$ (309,619)	\$ (310,720)	\$ 584	\$ (11,572,177)
OTHER FINANCING SOURCES (USES)									
Transfers in	\$	\$ 83,800	\$ 7,912,279	\$ 4,017,438	\$	\$	\$ —	\$	\$ 11,929,717
Proceeds from refunding warrants			—	22,765,000					22,765,000
Premium on debt issuance			—	2,649,130					2,649,130
Payment to refunded debt escrow agent			—	(20,408,232)					(20,408,232)
Transfers out			(4,031,613)					(528)	(4,032,141)
Total other financing sources (uses)	\$ —	\$ 83,800	\$ 3,880,666	\$ 9,023,336	\$ —	\$ —	\$ —	\$ (528)	\$ 12,903,474
Net change in fund balances	\$ —	\$ —	\$ 1,641,961	\$ —	\$ (1,101)	\$ (309,619)	\$ (310,720)	\$ 56	\$ 1,331,297
Fund balances—beginning		17,134	2,107,581	—	618,031	1,443,351	2,061,382	240,414	4,409,377
Fund balances—ending	\$ —	\$ 17,134	\$ 3,749,542	\$ —	\$ 616,930	\$ 1,133,732	\$ 1,750,662	\$ 240,470	\$ 5,740,674

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 51,968	\$ 4,467,599	\$ 3,036,821	\$ 7,556,388
Receivables (net)	606,463	1,561	674	608,698
Interfund receivables		498,750	300,000	798,750
Total current assets	\$ 658,431	\$ 4,967,910	\$ 3,337,495	\$ 8,963,836
Noncurrent assets				
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total noncurrent assets	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total assets	\$ 658,431	\$ 5,017,910	\$ 3,437,495	\$ 9,113,836
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 90,352	\$ 30,676	\$ 65,237	\$ 186,265
Interfund payables	568,079			568,079
Noncurrent liabilities				
Claims reserve		961,207	2,439,290	3,400,497
Total liabilities	\$ 658,431	\$ 991,883	\$ 2,504,527	\$ 4,154,841
NET ASSETS				
Restricted for:				
Other purposes	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted		3,976,027	832,968	4,808,995
Total net assets	\$ —	\$ 4,026,027	\$ 932,968	\$ 4,958,995

**CITY OF FLORENCE, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Activities—Internal Service Funds			Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	
Operating revenues				
User charges	\$ 1,210,488	\$ 325,176	\$ 509,870	\$ 2,045,534
Total operating revenues	<u>\$ 1,210,488</u>	<u>\$ 325,176</u>	<u>\$ 509,870</u>	<u>\$ 2,045,534</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 1,274,803	\$ 324,673	\$ 773,743	\$ 2,373,219
Operations and administration	16,886	174,748	98,548	290,182
Total operating expenses	<u>\$ 1,291,689</u>	<u>\$ 499,421</u>	<u>\$ 872,291</u>	<u>\$ 2,663,401</u>
Operating income (loss)	<u>\$ (81,201)</u>	<u>\$ (174,245)</u>	<u>\$ (362,421)</u>	<u>\$ (617,867)</u>
Non-operating revenues (expenses)				
Interest revenues	301	11,719	7,623	19,643
Change in net assets	<u>\$ (80,900)</u>	<u>\$ (162,526)</u>	<u>\$ (354,798)</u>	<u>\$ (598,224)</u>
Net assets—beginning	80,900	4,188,553	1,287,766	5,557,219
Net assets—ending	<u>\$ —</u>	<u>\$ 4,026,027</u>	<u>\$ 932,968</u>	<u>\$ 4,958,995</u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 666,900	\$ 323,615	\$ 509,196	\$ 1,499,711
Payments to suppliers	(1,296,022)	(408,072)	(690,757)	(2,394,851)
Net cash provided (used) by operating activities	\$ (629,122)	\$ (84,457)	\$ (181,561)	\$ (895,140)
Cash flows from investing activities				
Interest on investments	\$ 301	\$ 11,719	\$ 7,623	\$ 19,643
Due to (from) other funds	568,079	490,300	310,950	1,369,329
Net cash provided (used) by investing activities	\$ 568,380	\$ 502,019	\$ 318,573	\$ 1,388,972
Net increase (decrease) in cash and cash equivalents	\$ (60,742)	\$ 417,562	\$ 137,012	\$ 493,832
Cash and cash equivalents—beginning	112,710	4,100,037	2,999,809	7,212,556
Cash and cash equivalents—ending	\$ 51,968	\$ 4,517,599	\$ 3,136,821	\$ 7,706,388
<i>Classified as:</i>				
Current assets	\$ 51,968	\$ 4,467,599	\$ 3,036,821	\$ 7,556,388
Restricted assets		50,000	100,000	150,000
Totals	\$ 51,968	\$ 4,517,599	\$ 3,136,821	\$ 7,706,388
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ (81,201)	\$ (174,245)	\$ (362,421)	\$ (617,867)
Changes in assets and liabilities				
Receivables (net)	\$ (543,588)	\$ (1,561)	\$ (674)	\$ (545,823)
Accounts payable and accrued expenses	(4,333)	91,349	181,534	268,550
Total adjustments	\$ (547,921)	\$ 89,788	\$ 180,860	\$ (277,273)
Net cash provided (used) by operating activities	\$ (629,122)	\$ (84,457)	\$ (181,561)	\$ (895,140)

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 234,089	\$ 234,089	\$ 234,089	\$ —
Resources (inflows):				
Taxes	149,500	149,500	147,007	(2,493)
Interest revenues	1,500	1,500	492	(1,008)
Amounts available for appropriation	<u>\$ 385,089</u>	<u>\$ 385,089</u>	<u>\$ 381,588</u>	<u>\$ (3,501)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 42,525	\$ 42,525	\$	\$ 42,525
Transfers to other funds	108,475	108,475	79,480	28,995
Total charges to appropriations	<u>\$ 151,000</u>	<u>\$ 151,000</u>	<u>\$ 79,480</u>	<u>\$ 71,520</u>
Budgetary fund balance—ending	<u>\$ 234,089</u>	<u>\$ 234,089</u>	<u>\$ 302,108</u>	<u>\$ 68,019</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 381,588
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(234,089)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 147,499</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 79,480
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(79,480)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 246,848	\$ 246,848	\$ 246,848	\$ —
Resources (inflows):				
Taxes	166,000	166,000	158,088	(7,912)
Interest revenues	1,100	1,100	487	(613)
Amounts available for appropriation	<u>\$ 413,948</u>	<u>\$ 413,948</u>	<u>\$ 405,423</u>	<u>\$ (8,525)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 35,000	\$ 35,000	\$ 69,407	\$ (34,407)
Capital outlay and improvements	23,625	23,625		23,625
Transfers to other funds	108,475	108,475	79,480	28,995
Total charges to appropriations	<u>\$ 167,100</u>	<u>\$ 167,100</u>	<u>\$ 148,887</u>	<u>\$ 18,213</u>
Budgetary fund balance—ending	<u>\$ 246,848</u>	<u>\$ 246,848</u>	<u>\$ 256,536</u>	<u>\$ 9,688</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures
Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 405,423
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(246,848)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 158,575</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 148,887
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(79,480)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 69,407</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 273,133	\$ 273,133	\$ 273,133	\$ —
Resources (inflows):				
Taxes	320,000	320,000	350,916	30,916
Interest revenues	1,600	1,600	526	(1,074)
Amounts available for appropriation	<u>\$ 594,733</u>	<u>\$ 594,733</u>	<u>\$ 624,575</u>	<u>\$ 29,842</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 106,555	\$ 106,555	\$ 6,850	\$ 99,705
Transfers to other funds	215,045	215,045	158,960	56,085
Total charges to appropriations	<u>\$ 321,600</u>	<u>\$ 321,600</u>	<u>\$ 165,810</u>	<u>\$ 155,790</u>
Budgetary fund balance—ending	<u>\$ 273,133</u>	<u>\$ 273,133</u>	<u>\$ 458,765</u>	<u>\$ 185,632</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 624,575
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(273,133)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 351,442</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 165,810
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(158,960)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,850</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ (19,930)	\$ (19,930)	\$ (19,930)	\$ —
Resources (inflows):				
Intergovernmental	590,000	590,000	373,625	(216,375)
Interest revenues	200	200	34	(166)
Program revenues	60,000	60,000	26,700	(33,300)
Amounts available for appropriation	<u>\$ 630,270</u>	<u>\$ 630,270</u>	<u>\$ 380,429</u>	<u>\$ (249,841)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 35,000	\$ 35,000	\$	\$ 35,000
Public safety	615,200	615,200	300,077	315,123
Culture and recreation			6,450	(6,450)
Capital outlay and improvements			46,274	(46,274)
Total charges to appropriations	<u>\$ 650,200</u>	<u>\$ 650,200</u>	<u>\$ 352,801</u>	<u>\$ 297,399</u>
Budgetary fund balance—ending	<u>\$ (19,930)</u>	<u>\$ (19,930)</u>	<u>\$ 27,628</u>	<u>\$ 47,558</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 380,429
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	19,930
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 400,359</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 352,801
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 352,801</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 45,965	\$ 45,965	\$ 45,965	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 16,000	\$ 16,000	\$ 5,092	\$ 10,908
Total charges to appropriations	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 5,092</u>	<u>\$ 10,908</u>
Budgetary fund balance—ending	<u>\$ 29,965</u>	<u>\$ 29,965</u>	<u>\$ 40,873</u>	<u>\$ 10,908</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 45,965
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(45,965)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,092
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,092</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 486,339	\$ 486,339	\$ 486,339	\$ —
Resources (inflows):				
Intergovernmental	378,982	378,982	256,402	(122,580)
Program revenues	40,000	40,000	12,793	(27,207)
Amounts available for appropriation	<u>\$ 905,321</u>	<u>\$ 905,321</u>	<u>\$ 755,534</u>	<u>\$ (149,787)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 86,000	\$ 113,200	\$ 51,483	\$ 61,717
Public works	146,982	557,920	93,755	464,165
Other	146,000	198,050	229,675	(31,625)
Total charges to appropriations	<u>\$ 378,982</u>	<u>\$ 869,170</u>	<u>\$ 374,913</u>	<u>\$ 494,257</u>
Budgetary fund balance—ending	<u>\$ 526,339</u>	<u>\$ 36,151</u>	<u>\$ 380,621</u>	<u>\$ 344,470</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 755,534
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(486,339)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 269,195</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 374,913
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 374,913</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 744,065	\$ 744,065	\$ 744,065	\$ —
Resources (inflows):				
Intergovernmental			5,000	5,000
Interest revenues	7,200	7,200	50,838	43,638
Miscellaneous			23,674	23,674
Transfers from other funds	7,585,720	7,585,720	7,824,804	239,084
Amounts available for appropriation	<u>\$ 8,336,985</u>	<u>\$ 8,336,985</u>	<u>\$ 8,648,381</u>	<u>\$ 311,396</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 92,400	\$ 92,400	\$ 62,450	\$ 29,950
Public works	20,000	20,000	25,464	(5,464)
Culture and recreation			6,190	(6,190)
Other			150,000	(150,000)
Education—funding for school district	1,295,955	1,295,955	1,378,116	(82,161)
Capital outlay and improvements	453,260	453,260	1,144,320	(691,060)
Debt service:				
Principal payments	800,000	800,000		800,000
Interest and fiscal charges	8,000	8,000	3,750	4,250
Transfers to other funds	4,923,305	4,923,305	3,713,693	1,209,612
Total charges to appropriations	<u>\$ 7,592,920</u>	<u>\$ 7,592,920</u>	<u>\$ 6,483,983</u>	<u>\$ 1,108,937</u>
Budgetary fund balance—ending	<u>\$ 744,065</u>	<u>\$ 744,065</u>	<u>\$ 2,164,398</u>	<u>\$ 1,420,333</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 8,648,381
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(744,065)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(7,824,804)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 79,512</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,483,983
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,713,693)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,770,290</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ (3,686)	\$ (3,686)	\$ (3,686)	\$ —
Resources (inflows):				
Interest revenues			16	16
Program revenues	3,000	3,000		(3,000)
Transfers from other funds			3,675	3,675
Amounts available for appropriation	<u>\$ (686)</u>	<u>\$ (686)</u>	<u>\$ 5</u>	<u>\$ 691</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 3,000	\$ 3,000	\$ —	\$ 3,000
Total charges to appropriations	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ 3,000</u>
Budgetary fund balance—ending	<u>\$ (3,686)</u>	<u>\$ (3,686)</u>	<u>\$ 5</u>	<u>\$ 3,691</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	3,686
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(3,675)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 16</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ —
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 83,624	\$ 83,624	\$ 83,624	\$ —
Resources (inflows):				
Intergovernmental	260,000	260,000	164,072	(95,928)
Interest revenues			261	261
Program revenues			84,808	84,808
Amounts available for appropriation	<u>\$ 343,624</u>	<u>\$ 343,624</u>	<u>\$ 332,765</u>	<u>\$ (10,859)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 260,000	\$ 260,000	\$ 212,557	\$ 47,443
Capital outlay and improvements			18,734	(18,734)
Total charges to appropriations	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ 231,291</u>	<u>\$ 28,709</u>
Budgetary fund balance—ending	<u>\$ 83,624</u>	<u>\$ 83,624</u>	<u>\$ 101,474</u>	<u>\$ 17,850</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 332,765
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(83,624)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 249,141</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 231,291
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 231,291</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 17,134	\$ 17,134	\$ 17,134	\$ —
Resources (inflows):				
Interest revenues	100	100	105	5
Program revenues	257,000	257,000	244,532	(12,468)
Transfers from other funds	75,000	75,000	83,800	8,800
Amounts available for appropriation	<u>\$ 349,234</u>	<u>\$ 349,234</u>	<u>\$ 345,571</u>	<u>\$ (3,663)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 332,100	\$ 332,100	\$ 328,437	\$ 3,663
Total charges to appropriations	<u>\$ 332,100</u>	<u>\$ 332,100</u>	<u>\$ 328,437</u>	<u>\$ 3,663</u>
Budgetary fund balance—ending	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ —</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 345,571
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(17,134)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(83,800)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 244,637</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 328,437
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 328,437</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	5,491,115	5,491,115	4,017,438	(1,473,677)
Proceeds from refunding warrants			22,765,000	22,765,000
Premium on debt issuance			2,649,130	2,649,130
Amounts available for appropriation	<u>\$ 5,491,115</u>	<u>\$ 5,491,115</u>	<u>\$ 29,431,568</u>	<u>\$ 23,940,453</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,965,000	\$ 3,965,000	\$ 7,505,000	\$ (3,540,000)
Interest and fiscal charges	1,526,115	1,526,115	1,518,336	7,779
Payment to refunded debt escrow agent			20,408,232	(20,408,232)
Total charges to appropriations	<u>\$ 5,491,115</u>	<u>\$ 5,491,115</u>	<u>\$ 29,431,568</u>	<u>\$ (23,940,453)</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 29,431,568
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,017,438)
Proceeds from refunding warrants are inflows of budgetary resources but are not revenues for financial reporting purposes	(22,765,000)
Net premium on debt issuance are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,649,130)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 29,431,568
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Payment to refunded debt escrow agent is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	(20,408,232)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 9,023,336</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$23,940,453 for the year ended September 30, 2012. The excess expenditures were provided for by proceeds from the issuance of general obligation warrants.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 618,031	\$ 618,031	\$ 618,031	\$ —
Resources (inflows):				
Intergovernmental	230,000	230,000	331,759	101,759
Interest revenues	1,000	1,000	1,521	521
Amounts available for appropriation	<u>\$ 849,031</u>	<u>\$ 849,031</u>	<u>\$ 951,311</u>	<u>\$ 102,280</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$	\$	\$ 24,725	\$ (24,725)
Public safety			628	(628)
Culture and recreation	2,900	2,900		2,900
Capital outlay and improvements	352,600	352,600	309,028	43,572
Total charges to appropriations	<u>\$ 355,500</u>	<u>\$ 355,500</u>	<u>\$ 334,381</u>	<u>\$ 21,119</u>
Budgetary fund balance—ending	<u>\$ 493,531</u>	<u>\$ 493,531</u>	<u>\$ 616,930</u>	<u>\$ 123,399</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 951,311
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(618,031)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 333,280</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 334,381
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 334,381</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 1,443,351	\$ 1,443,351	\$ 1,443,351	\$ —
Resources (inflows):				
Interest revenues	8,000	8,000	2,878	(5,122)
Amounts available for appropriation	<u>\$ 1,451,351</u>	<u>\$ 1,451,351</u>	<u>\$ 1,446,229</u>	<u>\$ (5,122)</u>
Charges to appropriations (outflows):				
Current operating:				
Other	\$ 250,000	\$ 250,000	\$ 76,319	\$ 173,681
Capital outlay and improvements			236,178	(236,178)
Total charges to appropriations	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 312,497</u>	<u>\$ (62,497)</u>
Budgetary fund balance—ending	<u><u>\$ 1,201,351</u></u>	<u><u>\$ 1,201,351</u></u>	<u><u>\$ 1,133,732</u></u>	<u><u>\$ (67,619)</u></u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,446,229
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,443,351)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 2,878</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 312,497
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 312,497</u></u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 240,414	\$ 240,414	\$ 240,414	\$ —
Resources (inflows):				
Program revenues	3,200	3,200	584	(2,616)
Amounts available for appropriation	<u>\$ 243,614</u>	<u>\$ 243,614</u>	<u>\$ 240,998</u>	<u>\$ (2,616)</u>
Charges to appropriations (outflows):				
Transfers to other funds	\$ 1,200	\$ 1,200	\$ 528	\$ 672
Total charges to appropriations	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 528</u>	<u>\$ 672</u>
Budgetary fund balance—ending	<u>\$ 242,414</u>	<u>\$ 242,414</u>	<u>\$ 240,470</u>	<u>\$ (1,944)</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 240,998
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(240,414)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 584</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 528
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(528)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 128,145,000	\$ 128,145,000	\$ 117,098,030	\$ (11,046,970)
Other	650,000	650,000	618,178	(31,822)
Total operating revenues	<u>\$ 128,795,000</u>	<u>\$ 128,795,000</u>	<u>\$ 117,716,208</u>	<u>\$ (11,078,792)</u>
Operating expenses				
Costs of sales	\$ 103,000,000	\$ 103,000,000	\$ 94,048,593	\$ 8,951,407
Operations, maintenance, and administration	14,206,400	14,206,400	14,004,222	202,178
Depreciation	4,500,000	4,500,000	4,508,125	(8,125)
Taxes and tax equivalents	3,206,000	3,206,000	3,109,188	96,812
Total operating expenses	<u>\$ 124,912,400</u>	<u>\$ 124,912,400</u>	<u>\$ 115,670,128</u>	<u>\$ 9,242,272</u>
Operating income (loss)	<u>\$ 3,882,600</u>	<u>\$ 3,882,600</u>	<u>\$ 2,046,080</u>	<u>\$ (1,836,520)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 48,000	\$ 48,000	\$ 43,704	\$ (4,296)
Merchandising revenues (net of costs)	145,000	145,000	182,536	37,536
Miscellaneous nonoperating income			813	813
Interest expense	(195,300)	(195,300)	(195,205)	95
Amortization of debt discount and costs	(43,700)	(43,700)	(43,641)	59
Total nonoperating revenues (expenses)	<u>\$ (46,000)</u>	<u>\$ (46,000)</u>	<u>\$ (11,793)</u>	<u>\$ 34,207</u>
Change in net assets	<u>\$ 3,836,600</u>	<u>\$ 3,836,600</u>	<u>\$ 2,034,287</u>	<u>\$ (1,802,313)</u>

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 19,286,100	\$ 19,286,100	\$ 14,273,761	\$ (5,012,339)
Other	11,600	11,600	13,192	1,592
Total operating revenues	<u>\$ 19,297,700</u>	<u>\$ 19,297,700</u>	<u>\$ 14,286,953</u>	<u>\$ (5,010,747)</u>
Operating expenses				
Costs of sales	\$ 11,486,000	\$ 11,486,000	\$ 7,385,045	\$ 4,100,955
Operations, maintenance, and administration	4,649,200	4,649,200	4,680,598	(31,398)
Depreciation	1,350,000	1,350,000	1,344,387	5,613
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,546,500	1,546,500	1,522,235	24,265
Total operating expenses	<u>\$ 19,042,400</u>	<u>\$ 19,042,400</u>	<u>\$ 14,942,926</u>	<u>\$ 4,099,474</u>
Operating income (loss)	<u>\$ 255,300</u>	<u>\$ 255,300</u>	<u>\$ (655,973)</u>	<u>\$ (911,273)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 10,000	\$ 10,000	\$ 13,296	\$ 3,296
Gain (loss) on disposal of capital assets	2,500	2,500	44,382	41,882
Miscellaneous nonoperating income	172,800	172,800	368,555	195,755
Amortization of debt discount and costs	(400)	(400)	(353)	47
Total nonoperating revenues (expenses)	<u>\$ 184,900</u>	<u>\$ 184,900</u>	<u>\$ 425,880</u>	<u>\$ 240,980</u>
Change in net assets	<u>\$ 440,200</u>	<u>\$ 440,200</u>	<u>\$ (230,093)</u>	<u>\$ (670,293)</u>

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 19,332,750	\$ 19,332,750	\$ 18,644,602	\$ (688,148)
Other	159,400	159,400	251,752	92,352
Total operating revenues	<u>\$ 19,492,150</u>	<u>\$ 19,492,150</u>	<u>\$ 18,896,354</u>	<u>\$ (595,796)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 8,859,200	\$ 8,859,200	\$ 8,891,020	\$ (31,820)
Depreciation	2,899,100	2,899,100	2,929,129	(30,029)
Taxes and tax equivalents	1,892,000	1,892,000	1,611,554	280,446
Total operating expenses	<u>\$ 13,650,300</u>	<u>\$ 13,650,300</u>	<u>\$ 13,431,703</u>	<u>\$ 218,597</u>
Operating income (loss)	<u>\$ 5,841,850</u>	<u>\$ 5,841,850</u>	<u>\$ 5,464,651</u>	<u>\$ (377,199)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 17,500	\$ 17,500	\$ 12,530	\$ (4,970)
Gain (loss) on disposal of capital assets			41,227	41,227
Interest expense	(1,970,500)	(1,970,500)	(2,138,935)	(168,435)
Amortization of debt discount and costs	(54,000)	(54,000)	(58,010)	(4,010)
Total nonoperating revenues (expenses)	<u>\$ (2,007,000)</u>	<u>\$ (2,007,000)</u>	<u>\$ (2,143,188)</u>	<u>\$ (136,188)</u>
Change in net assets	<u>\$ 3,834,850</u>	<u>\$ 3,834,850</u>	<u>\$ 3,321,463</u>	<u>\$ (513,387)</u>

**CITY OF FLORENCE, ALABAMA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 4,616,350	\$ 4,616,350	\$ 4,221,232	\$ (395,118)
Other	6,750	6,750	5,300	(1,450)
Total operating revenues	<u>\$ 4,623,100</u>	<u>\$ 4,623,100</u>	<u>\$ 4,226,532</u>	<u>\$ (396,568)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 3,765,106	\$ 3,765,106	\$ 4,415,121	\$ (650,015)
Depreciation	810,579	810,579	764,607	45,972
Taxes and tax equivalents	134,479	134,479	133,758	721
Total operating expenses	<u>\$ 4,710,164</u>	<u>\$ 4,710,164</u>	<u>\$ 5,313,486</u>	<u>\$ (603,322)</u>
Operating income (loss)	<u>\$ (87,064)</u>	<u>\$ (87,064)</u>	<u>\$ (1,086,954)</u>	<u>\$ (999,890)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 12,700	\$ 12,700	\$ 6,103	\$ (6,597)
Gain (loss) on disposal of capital assets	24,000	24,000	90,199	66,199
Grants	113,000	113,000	102,583	(10,417)
Total nonoperating revenues (expenses)	<u>\$ 149,700</u>	<u>\$ 149,700</u>	<u>\$ 198,885</u>	<u>\$ 49,185</u>
Change in net assets	<u>\$ 62,636</u>	<u>\$ 62,636</u>	<u>\$ (888,069)</u>	<u>\$ (950,705)</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEE GROUP HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$	\$	\$ 1,210,488	\$ 1,210,488
Total operating revenues	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,210,488</u>	<u>\$ 1,210,488</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ (17,500)	\$ (17,500)	\$ 1,274,803	\$ (1,292,303)
Operations and administration	18,500	18,500	16,886	1,614
Total operating expenses	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,291,689</u>	<u>\$ (1,290,689)</u>
Operating income (loss)	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ (81,201)</u>	<u>\$ (80,201)</u>
Nonoperating revenues				
Interest revenues	1,000	1,000	301	(699)
Change in net assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (80,900)</u>	<u>\$ (80,900)</u>

**CITY OF FLORENCE, ALABAMA
GENERAL LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 325,000	\$ 325,000	\$ 325,176	\$ 176
Total operating revenues	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 325,176</u>	<u>\$ 176</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 206,500	\$ 206,500	\$ 324,673	\$ (118,173)
Operations and administration	142,500	142,500	174,748	(32,248)
Total operating expenses	<u>\$ 349,000</u>	<u>\$ 349,000</u>	<u>\$ 499,421</u>	<u>\$ (150,421)</u>
Operating income (loss)	<u>\$ (24,000)</u>	<u>\$ (24,000)</u>	<u>\$ (174,245)</u>	<u>\$ (150,245)</u>
Nonoperating revenues				
Interest revenues	24,000	24,000	11,719	(12,281)
Change in net assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (162,526)</u>	<u>\$ (162,526)</u>

**CITY OF FLORENCE, ALABAMA
WORKERS' COMPENSATION INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 509,900	\$ 509,900	\$ 509,870	\$ (30)
Total operating revenues	<u>\$ 509,900</u>	<u>\$ 509,900</u>	<u>\$ 509,870</u>	<u>\$ (30)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 422,000	\$ 422,000	\$ 773,743	\$ (351,743)
Operations and administration	99,900	99,900	98,548	1,352
Total operating expenses	<u>\$ 521,900</u>	<u>\$ 521,900</u>	<u>\$ 872,291</u>	<u>\$ (350,391)</u>
Operating income (loss)	<u>\$ (12,000)</u>	<u>\$ (12,000)</u>	<u>\$ (362,421)</u>	<u>\$ (350,421)</u>
Nonoperating revenues				
Interest revenues	12,000	12,000	7,623	(4,377)
Change in net assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (354,798)</u>	<u>\$ (354,798)</u>



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SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct programs:</i>			
<i>CDBG—Entitlement Grants Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-01-0003	\$ (56,769)
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-01-0003	367,821
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-01-0003	71,836
Total direct programs			<u>\$ 382,888</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Emergency Solutions Grants Program (Note 3)	14.231	ESG-10-001	\$ 50,392
Emergency Solutions Grants Program (Note 3)	14.231	ESG-11-001	44,530
Total pass-through program			<u>\$ 94,922</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 477,810</u>
<u>U.S. Department of Justice</u>			
<i>Direct programs:</i>			
Bulletproof Vest Partnership Program	16.607	2009BUBX09048381	\$ 6,200
Bulletproof Vest Partnership Program	16.607	2011BUBX11059798	4,932
Subtotal			<u>\$ 11,132</u>
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0039	228,889
Total direct programs			<u>\$ 240,021</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-DJ-01-018	\$ 82,361
<i>Pass-through program from—</i>			
<i>Lauderdale County Commission:</i>			
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-0397	39,929
Total pass-through programs			<u>\$ 122,290</u>
Total U.S. Department of Justice			<u>\$ 362,311</u>
<u>U.S. Department of Transportation</u>			
<i>Pass-through program from—</i>			
<i>North Alabama Highway Safety Office:</i>			
State and Community Highway Safety	20.600	12-SP-PT-003	\$ 4,000
Total U.S. Department of Transportation			<u>\$ 4,000</u>
<u>General Services Administration</u>			
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Donation of Federal Surplus Personal Property	39.003		\$ 4,210
Total General Services Administration			<u>\$ 4,210</u>
Total Expenditures of Federal Awards			<u><u>\$ 848,331</u></u>



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**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1—BASIS OF PRESENTATION

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

NOTE 2—ENTITY DEFINITION

For the purposes of this schedule, the entity is defined as the City of Florence, Alabama; however, this schedule does not include the grant activities of the City’s Electricity Department that issued a separate audit in accordance with OMB Circular A-133.

NOTE 3—SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Florence, Alabama provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Solutions Grants Program	14.231	\$ <u>91,922</u>



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Charles L. Watkins, CPA
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**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**

Honorable Mayor and Members of the City Council
City of Florence, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama as of and for the year ended September 30, 2012, which collectively comprise the City of Florence, Alabama's basic financial statements and have issued our report thereon dated May 3, 2013. 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. The financial statements of the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Florence, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.



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Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Florence, Alabama in a separate letter dated May 3, 2013.

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

A handwritten signature in black ink that reads "The Watkins Johnsey Professional Group, P.C." The signature is written in a cursive, flowing style.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
May 3, 2013



Charles L. Watkins, CPA
M. Buddy Johnsey, III, CPA

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Alabama Society of CPA's

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Florence, Alabama

Compliance

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2012. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Florence, Alabama's management. Our responsibility is to express an opinion on the City of Florence, Alabama's compliance based on our audit.

The City of Florence, Alabama's basic financial statements include the operations of the City of Florence, Alabama Water and Wastewater Department, which received \$1,042,313 in federal awards which is not included in the schedule during the year ended September 30, 2012. Our audit, described below, did not include the operations of the City of Florence, Alabama Water and Wastewater Department because the Department issued a separate audit in accordance with OMB Circular A-133.

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

In our opinion, the City of Florence, Alabama complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.



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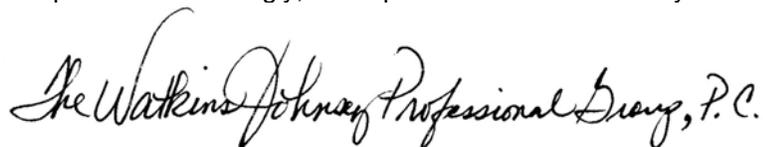
Internal Control Over Compliance

Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Florence, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Florence, Alabama's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City of Florence, Alabama's compliance but not to provide an opinion on the effectiveness of the City of Florence, Alabama's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Alabama's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
May 3, 2013

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.	CDBG—Entitlement Grants Cluster
16.710	ARRA-Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

None to be reported.

Section III—Federal Award Findings and Questioned Costs

None to be reported.



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**CITY OF FLORENCE, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

U.S. Department of Housing and Urban Development

Finding #2011-1: CDBG–Entitlement Grants Cluster

Condition: Eight cash advances could not be reconciled with specific disbursements.

Recommendation: The auditor recommended that the City should establish controls to ensure compliance with cash management provisions of federal regulations and the grant agreement.

Current Status: Controls established and corrective action complete.

Finding #2011-2: CDBG–Entitlement Grants Cluster

Condition: Planning and program administrative costs expended during the fiscal year exceeded 20 percent of its entitlement grant, plus the program income received.

Recommendation: The auditor recommended that the City should more closely monitor its planning and program administration costs to ensure adherence with the applicable federal regulations.

Current Status: Controls established and corrective action complete.