



THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

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.**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

As of September 30, 2013

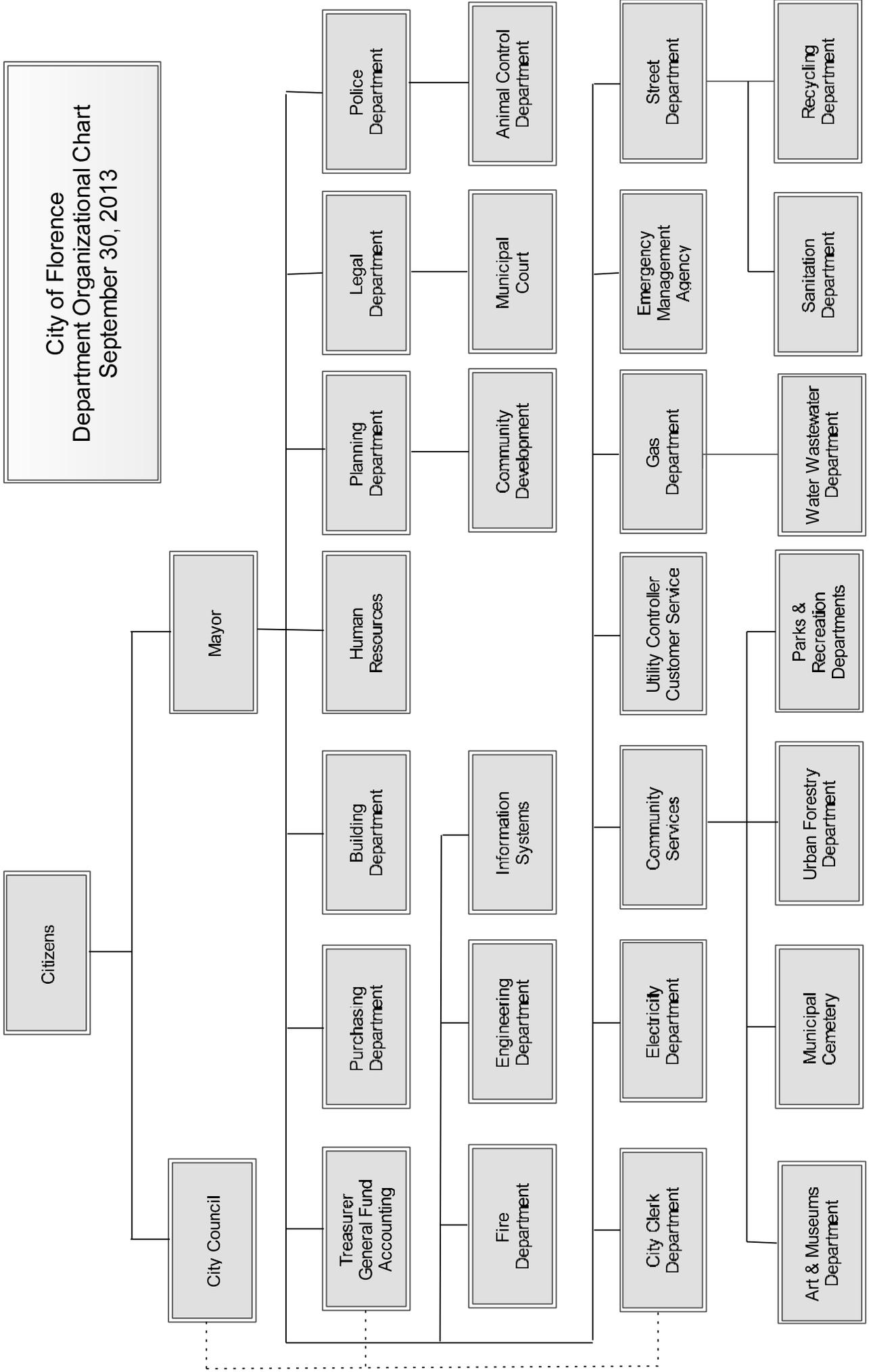
Elected Officials

Mayor	Mickey Haddock
Council Member—District 1	Dave Smith
Council Member—District 2	William D. Jordan, President
Council Member—District 3	Hermon T. Graham
Council Member—District 4	Barry Morris
Council Member—District 5	Blake Edwards
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 Director	Alanna Sullivan
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

City of Florence
 Department Organizational Chart
 September 30, 2013



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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 from material misstatement.

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 4 through 27 and 71 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

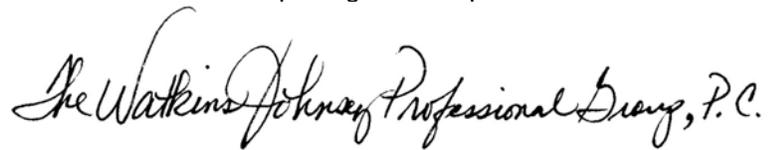
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 basic financial statements as a whole.

The introductory section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2014, 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* in considering the City of Florence, Alabama's internal control over financial reporting and compliance.

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 typed name of the firm.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
April 2, 2014



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2013

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, 2013. 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 Position 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 position* 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 position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

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, 2013 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, 2013 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 31 and 33.

Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 30 and 32 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 77.

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 34-36 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 37-38 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 79-81 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 41-70 of this report.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 77-81. Required supplementary information can be found on pages 71-76 of this report. Other Supplementary Schedules follow, starting on page 77.

Government-Wide Financial Analysis

As noted earlier, net position 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 \$303,327,774 (net position). Of this amount, \$51,085,692 is unrestricted net position. The City's net position includes \$105,384,406 from Governmental Activities and \$197,943,368 from Business-Type Activities, as reported on page 28.

By far the largest portion of the City's net position (80.90%) 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 position (2.26%) 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 48-49 under the heading Fund Balance. The remaining balance of unrestricted net position 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 position, 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 2013		Fiscal Year 2012		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 30,577,309	55.91%	\$ 29,209,166	55.48%	4.68%
Property Taxes and Equivalents	11,766,134	21.51%	11,894,095	22.59%	-1.08%
Motor Fuel	1,049,222	1.92%	1,025,699	1.95%	2.29%
Alcoholic Beverages	1,034,844	1.89%	1,026,682	1.95%	0.79%
Other	405,170	0.74%	457,458	0.87%	-11.43%
Licenses and Permits	3,642,518	6.66%	3,364,294	6.39%	8.27%
Court Fines and Forfeitures	1,163,765	2.13%	1,209,229	2.30%	-3.76%
Charges for Services	1,804,200	3.30%	1,754,639	3.33%	2.82%
Intergovernmental	2,726,499	4.99%	2,149,115	4.08%	26.87%
Interest Revenues	135,070	0.25%	83,918	0.16%	60.95%
Other	383,646	0.70%	470,203	0.89%	-18.41%
Total	<u>\$ 54,688,377</u>	<u>100.00%</u>	<u>\$ 52,644,497</u>	<u>100.00%</u>	<u>3.88%</u>

Sales and Use taxes are the largest revenue source for the City comprising 55.91% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2012 to September 30, 2013 by \$1,368,143 or 4.68%. Property taxes are the second largest revenue source for the City comprising 21.51% of governmental revenues. For the year ended September 30, 2013, taxes of real property inside the City limits produced revenues of \$4,542,182 while personal property taxes for the period were \$659,964. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,563,988.

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 2013		Fiscal Year 2012		Change
Current Operating					
General Administration	\$ 5,269,499	9.56%	\$ 5,533,830	9.88%	-4.78%
Public Safety	17,836,352	32.35%	17,128,509	30.58%	4.13%
Public Works	5,473,574	9.93%	5,237,174	9.35%	4.51%
Culture and Recreation	6,962,244	12.63%	6,542,027	11.68%	6.42%
Other	1,576,732	2.86%	1,739,496	3.11%	-9.36%
Education	9,345,767	16.95%	9,051,021	16.16%	3.26%
Capital Outlay and Improvements	3,249,453	5.89%	1,761,384	3.14%	84.48%
Debt Service					
Principal Payments	3,718,810	6.74%	7,505,000	13.40%	-50.45%
Interest and Fiscal Charges	1,711,543	3.10%	1,522,086	2.72%	12.45%
Total	<u>\$ 55,143,974</u>	<u>100.00%</u>	<u>\$ 56,020,527</u>	<u>100.00%</u>	<u>-1.56%</u>

Analysis of the Governmental Funds

As of the end of the 2013 fiscal year, the City's governmental funds reported a combined ending fund balance of \$39,120,252. In the City's General Fund, the ending fund balance was \$12,506,848.

The General Fund's fund balance is approximately 23.92% 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 \$4,663,795 or 59.46%.

Changes in Fund Balance – Governmental Funds

	Governmental Funds			Total
	General	Series 2013-B G.O. Warrants	Other Governmental Funds	
Fund Balance-Beginning	\$ 12,497,525	\$ -	\$ 5,740,674	\$ 18,238,199
Fund Balance-Ending	12,506,848	19,100,729	7,512,675	39,120,252
Net Change in Fund Balances	\$ 9,323	\$ 19,100,729	\$ 1,772,001	\$ 20,882,053

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2013	FY 2012	Variance	
			Dollars	Percent
Current Assets	\$ 56,174,079	\$ 34,810,029	\$ 21,364,050	61.37%
Restricted Assets	196,943	150,000	46,943	31.30%
Other Assets	666,965	478,517	188,448	39.38%
Capital Assets, Net	113,951,376	114,280,450	(329,074)	-0.29%
Total Assets	\$ 170,989,363	\$ 149,718,996	\$ 21,270,367	14.21%
Current Liabilities	\$ 12,028,334	\$ 10,074,085	\$ 1,954,249	19.40%
Long-term Liabilities	53,576,623	37,272,667	16,303,956	43.74%
Total Liabilities	\$ 65,604,957	\$ 47,346,752	\$ 18,258,205	38.56%
Net Investment in Capital Assets	\$ 80,440,915	\$ 78,304,642	\$ 2,136,273	2.73%
Restricted	2,374,885	2,547,782	(172,897)	-6.79%
Unrestricted	22,568,606	21,519,820	1,048,786	4.87%
Total Net Position	\$ 105,384,406	\$ 102,372,244	\$ 3,012,162	2.94%

Changes in Net Position – Governmental Activities

Governmental Activities Changes in Net Position

	FY 2013	FY 2012	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 30,577,309	\$ 29,209,166	\$ 1,368,143	4.68%
Property	11,766,134	11,894,095	(127,961)	-1.08%
Motor Fuel	1,049,222	1,025,699	23,523	2.29%
Alcoholic Beverages	1,034,844	1,026,682	8,162	0.79%
Other	405,170	457,458	(52,288)	-11.43%
Interest Revenues	152,551	103,561	48,990	47.31%
Gain (Loss) on Disposal of Assets	6,838	37,483	(30,645)	-81.76%
Total General Revenues	<u>\$ 44,992,068</u>	<u>\$ 43,754,144</u>	<u>\$ 1,237,924</u>	<u>2.83%</u>
Program Revenues				
Charges for Services	\$ 7,965,014	\$ 7,538,880	\$ 426,134	5.65%
Operating Grants and Contributions	859,366	869,560	(10,194)	-1.17%
Capital Grants and Contributions	1,229,317	2,453,140	(1,223,823)	-49.89%
Total Program Revenues	<u>\$ 10,053,697</u>	<u>\$ 10,861,580</u>	<u>\$ (807,883)</u>	<u>-7.44%</u>
Total Revenues	<u>\$ 55,045,765</u>	<u>\$ 54,615,724</u>	<u>\$ 430,041</u>	<u>0.79%</u>
Governmental Expenses				
General Administration	\$ 5,749,051	\$ 5,654,580	\$ 94,471	1.67%
Public Safety	18,273,738	17,731,206	542,532	3.06%
Public Works	5,428,018	5,263,463	164,555	3.13%
Public Ways and Facilities	1,206,880	1,081,449	125,431	11.60%
Culture and Recreation	9,011,756	8,655,072	356,684	4.12%
Other	1,576,732	1,739,496	(162,764)	-9.36%
Education—Funding for School District	9,345,767	9,051,021	294,746	3.26%
Interest and Fiscal Charges	1,441,661	1,256,153	185,508	14.77%
Total Expenses	<u>\$ 52,033,603</u>	<u>\$ 50,432,440</u>	<u>\$ 1,601,163</u>	<u>3.17%</u>
Change in Net Position	\$ 3,012,162	\$ 4,183,284	\$ (1,171,122)	-28.00%
Total Net Position - Beginning	<u>102,372,244</u>	<u>98,188,960</u>	<u>4,183,284</u>	<u>4.26%</u>
Total Net Position - Ending	<u>\$ 105,384,406</u>	<u>\$ 102,372,244</u>	<u>\$ 3,012,162</u>	<u>2.94%</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 position: Electricity increased \$4.1 million or 5%; Gas increased \$1.2 million or 3%; Water and Wastewater increased \$2.5 million or 4%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.0 million or 3%; Gas decreased \$.4 million or 1%; Water and Wastewater increased \$4.5 million or 4%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$3.0 million or 3%; Gas increased \$2.4 million or 17%; Water and Wastewater decreased \$.1 million or 1%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$1.0 million or 1%; Gas increased \$.7 million or 5%; Water and Wastewater increased \$.3 million or 2%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$85,700 or 38%; Gas decreased about \$259,800 or 61%; Water and Wastewater decreased about \$42,600 or 79%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity increased \$40,000 or 17%; Gas decreased \$400 or 100%; Water and Wastewater increased \$324,000 or 15%.

Electricity Department

The Electricity Department's net position increased from last year by \$4,056,668 or about 5%. The summaries below focus on the Electricity Department's net position and changes in net position during the years presented.

Electricity Department Statements of Net Position

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 38,231,275	\$ 37,519,638	\$ 711,637	1.90%
Capital Assets, Net	74,716,020	72,701,528	2,014,492	2.77%
Other Noncurrent Assets	14,096,996	7,877,297	6,219,699	78.96%
Total Assets	\$ 127,044,291	\$ 118,098,463	\$ 8,945,828	7.57%
Current Liabilities	\$ 25,992,422	\$ 26,766,023	\$ (773,601)	-2.89%
Noncurrent Liabilities	18,282,207	12,619,446	5,662,761	44.87%
Total Liabilities	\$ 44,274,629	\$ 39,385,469	\$ 4,889,160	12.41%
Net Investment in Capital Assets	\$ 69,757,586	\$ 67,348,927	\$ 2,408,659	3.58%
Restricted for Debt Service	979,952	785,834	194,118	24.70%
Unrestricted	12,032,124	10,578,233	1,453,891	13.74%
Total Net Position	\$ 82,769,662	\$ 78,712,994	\$ 4,056,668	5.15%

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

The following table indicates operating revenues increased approximately \$3.0 million or about 3% from FY 2012. During FY 2013, 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 3% increase in kilowatt-hours sold in FY 2013 compared to FY 2012. Consequently, the cost of sales increased also. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced an increase in nonoperating expenses, primarily debt expense, by \$40,010 or about 17% as the result of issuing new debt in FY 2013.

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

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 120,747,245</u>	<u>\$ 117,716,208</u>	<u>\$ 3,031,037</u>	<u>2.57%</u>
Operating Expenses				
Cost of Sales	\$ 94,529,545	\$ 94,048,593	\$ 480,952	0.51%
Operations	9,036,452	8,615,709	420,743	4.88%
Maintenance	5,320,332	5,388,513	(68,181)	-1.27%
Depreciation	4,628,512	4,508,125	120,387	2.67%
Taxes and Tax Equivalents	3,209,637	3,109,188	100,449	3.23%
Total Operating Expenses	<u>\$ 116,724,478</u>	<u>\$ 115,670,128</u>	<u>\$ 1,054,350</u>	<u>0.91%</u>
Operating Income	<u>\$ 4,022,767</u>	<u>\$ 2,046,080</u>	<u>\$ 1,976,687</u>	<u>96.61%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 312,757	\$ 227,053	\$ 85,704	37.75%
Nonoperating Expenses	(278,856)	(238,846)	(40,010)	16.75%
Total Nonoperating Revenues (Exp)	<u>\$ 33,901</u>	<u>\$ (11,793)</u>	<u>\$ 45,694</u>	<u>387.47%</u>
Change in Net Position	\$ 4,056,668	\$ 2,034,287	\$ 2,022,381	99.41%
Total Net Position - Beginning	<u>78,712,994</u>	<u>76,678,707</u>	<u>2,034,287</u>	<u>2.65%</u>
Total Net Position - Ending	<u><u>\$ 82,769,662</u></u>	<u><u>\$ 78,712,994</u></u>	<u><u>\$ 4,056,668</u></u>	<u><u>5.15%</u></u>

Gas Department

The Gas Department's net position increased from last year by \$1,249,611 or about 3%. The summaries below focus on the Gas Department's net position and changes in net position during the years presented.

Gas Department Statements of Net Position

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 13,512,539	\$ 11,608,341	\$ 1,904,198	16.40%
Capital Assets, Net	30,891,576	31,303,658	(412,082)	-1.32%
Total Assets	\$ 44,404,115	\$ 42,911,999	\$ 1,492,116	3.48%
Current Liabilities	\$ 1,259,557	\$ 990,153	\$ 269,404	27.21%
Noncurrent Liabilities	311,476	338,375	(26,899)	-7.95%
Total Liabilities	\$ 1,571,033	\$ 1,328,528	\$ 242,505	18.25%
Net Investment in Capital Assets	\$ 30,891,576	\$ 31,303,658	\$ (412,082)	-1.32%
Unrestricted	11,941,506	10,279,813	1,661,693	16.16%
Total Net Position	\$ 42,833,082	\$ 41,583,471	\$ 1,249,611	3.01%

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

As the following table indicates, operating revenues increased approximately \$2.4 million or about 17% from FY 2012. The last general rate increase was effective July 2012. The Gas Department experienced an approximate 12.1% increase in overall sales volume in FY 2013 compared to FY 2012. Cost of sales increased by \$772,669 or about 10% due to increased sales volume. The Gas Department experienced a decrease in nonoperating revenues of \$259,822 or about 61%. The decrease was due to the timing of payments from the new Tennessee Gas Pipeline Marketing Assistance Program and the final reimbursement from Tennessee Gas Pipeline of recoverable costs of the PCB/HSL project was made in FY 2012. Additionally, the City did not have an auction for the sale of surplus equipment in FY 2013. The Gas Department's nonoperating expenses remained substantially unchanged.

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

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 16,715,581</u>	<u>\$ 14,286,953</u>	<u>\$ 2,428,628</u>	<u>17.00%</u>
Operating Expenses				
Cost of Sales	\$ 8,157,714	\$ 7,385,045	\$ 772,669	10.46%
Operations	3,002,805	3,077,940	(75,135)	-2.44%
Maintenance	1,558,528	1,602,658	(44,130)	-2.75%
Depreciation and Amortization	1,396,039	1,355,048	40,991	3.03%
Taxes and Tax Equivalents	1,517,295	1,522,235	(4,940)	-0.32%
Total Operating Expenses	<u>\$ 15,632,381</u>	<u>\$ 14,942,926</u>	<u>\$ 689,455</u>	<u>4.61%</u>
Operating Income (Loss)	<u>\$ 1,083,200</u>	<u>\$ (655,973)</u>	<u>\$ 1,739,173</u>	<u>265.13%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 166,411	\$ 426,233	\$ (259,822)	-60.96%
Nonoperating Expenses	-	(353)	353	100.00%
Total Nonoperating Revenues (Exp)	<u>\$ 166,411</u>	<u>\$ 425,880</u>	<u>\$ (259,469)</u>	<u>-60.93%</u>
Change in Net Position	\$ 1,249,611	\$ (230,093)	\$ 1,479,704	643.09%
Total Net Position - Beginning	<u>41,583,471</u>	<u>41,813,564</u>	<u>(230,093)</u>	<u>-0.55%</u>
Total Net Position - Ending	<u><u>\$ 42,833,082</u></u>	<u><u>\$ 41,583,471</u></u>	<u><u>\$ 1,249,611</u></u>	<u><u>3.01%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,542,377 or about 4%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department Statements of Net Position

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 8,632,160	\$ 9,430,320	\$ (798,160)	-8.46%
Capital Assets, Net	106,314,361	101,767,527	4,546,834	4.47%
Other Noncurrent Assets	19,678,723	23,802,711	(4,123,988)	-17.33%
Total Assets	\$ 134,625,244	\$ 135,000,558	\$ (375,314)	-0.28%
Current Liabilities	\$ 5,916,266	\$ 6,211,559	\$ (295,293)	-4.75%
Noncurrent Liabilities	57,539,009	60,161,407	(2,622,398)	-4.36%
Total Liabilities	\$ 63,455,275	\$ 66,372,966	\$ (2,917,691)	-4.40%
Net Investment in Capital Assets	\$ 60,281,407	\$ 57,395,671	\$ 2,885,736	5.03%
Restricted for Debt Service	3,497,004	3,379,839	117,165	3.47%
Unrestricted	7,391,558	7,852,082	(460,524)	-5.86%
Total Net Position	\$ 71,169,969	\$ 68,627,592	\$ 2,542,377	3.70%

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

The following table indicates operating revenues decreased approximately \$.1 million or about 1% from FY 2012 revenues. The decrease in operating revenues was largely due to the summer weather being wetter than normal. Operating expenses increased by \$.3 million or about 2%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$42,583 or 79%. The City did not have a sale of surplus equipment in FY 2013. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$324,358 or 15% primarily due to retirement of capital assets that were not fully depreciated.

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

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 18,784,696</u>	<u>\$ 18,896,354</u>	<u>\$ (111,658)</u>	<u>-0.59%</u>
Operating Expenses				
Water Treatment and Pumping	\$ 2,707,180	\$ 2,680,144	\$ 27,036	1.01%
Sewage Disposal	2,162,646	2,172,603	(9,957)	-0.46%
Transmission and Distribution	1,277,071	1,246,190	30,881	2.48%
Accounting and Collections	1,058,064	1,075,799	(17,735)	-1.65%
Administrative and General	1,855,677	1,716,284	139,393	8.12%
Depreciation	3,049,453	2,929,129	120,324	4.11%
Taxes and Tax Equivalents	1,622,099	1,611,554	10,545	0.65%
Total Operating Expenses	<u>\$ 13,732,190</u>	<u>\$ 13,431,703</u>	<u>\$ 300,487</u>	<u>2.24%</u>
Operating Income	<u>\$ 5,052,506</u>	<u>\$ 5,464,651</u>	<u>\$ (412,145)</u>	<u>-7.54%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 11,174	\$ 53,757	\$ (42,583)	-79.21%
Nonoperating Expenses	<u>(2,521,303)</u>	<u>(2,196,945)</u>	<u>(324,358)</u>	<u>14.76%</u>
Total Nonoperating Revenues (Exp)	<u>\$ (2,510,129)</u>	<u>\$ (2,143,188)</u>	<u>\$ (366,941)</u>	<u>17.12%</u>
Change in Net Position	\$ 2,542,377	\$ 3,321,463	\$ (779,086)	-23.46%
Total Net Position - Beginning	<u>68,627,592</u>	<u>65,306,129</u>	<u>3,321,463</u>	<u>5.09%</u>
Total Net Position - Ending	<u>\$ 71,169,969</u>	<u>\$ 68,627,592</u>	<u>\$ 2,542,377</u>	<u>3.70%</u>

Solid Waste Fund – Sanitation and Recycling Departments

Established in 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 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 \$1,006,552 and nonoperating income of \$280,284 for the fiscal year ended September 30, 2013. This operating loss results from a planned spend-down of capital pending the study and adoption of a new fee structure for the city's entire solid waste disposal systems.
- Total net position was \$3,222,238. This is a decrease of \$726,268 or 18.39% from the prior year.
- Of the Fund's \$2,677,545 in liabilities, \$2,277,903 is noncurrent, reported as accrued landfill closure and postclosure care costs of \$2,160,500, and accrued compensated absences of \$117,403. Reserves for these costs exceed the Fund's current assets by \$396,877 or 21.10%.
- The Solid Waste Fund's operating revenues increased \$553,635 or 13.10% from the prior year while operating expenses increased \$473,233 or 8.91%. This increase includes expenses reimbursed by a Recycling grant during the period, including the pass-through expenses of \$27,443 for a recycling vehicle and trailer for the Township of Rogersville, Alabama and \$19,792 for a vehicle and recycling bins for the University of North Alabama.
- Nonoperating revenues increased by \$81,399 or 40.93%. The recycling grant made available through the Alabama Department of Environmental Management was increased in fiscal year 2013 by \$180,545. The total grant revenue of \$283,128 is recognized as nonoperating revenue for the period.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$3,222,238.
- An increase in fees for waste collection and disposal was enacted by the City Council on March 5, 2013. Fully implemented in May 2013 the increase was applicable to both residential and commercial fees.

The Solid Waste Fund's net position decreased from last year by \$726,268 or 18.39%. The table below focuses on the changes in net position for the fiscal year:

		Solid Waste Fund Net Position		Variance	
				Dollars	Percent
	FY 2013	FY 2012			
Current Assets	\$ 1,881,026	\$ 2,505,540	\$ (624,514)		-24.93%
Capital Assets, Net	4,018,757	3,942,578	76,179		1.93%
Total Assets	\$ 5,899,783	\$ 6,448,118	\$ (548,335)		-8.50%
Current Liabilities	\$ 399,642	\$ 315,319	\$ 84,323		26.74%
Noncurrent Liabilities	2,277,903	2,184,293	93,610		4.29%
Total Liabilities	\$ 2,677,545	\$ 2,499,612	\$ 177,933		7.12%
Net Position					
Net Investment in Capital Assets	\$ 4,018,757	\$ 3,942,578	\$ 76,179		1.93%
Unrestricted	(796,519)	5,928	(802,447)		-13536.56%
Total Net Position	\$ 3,222,238	\$ 3,948,506	\$ (726,268)		-18.39%

The following table indicates Solid Waste Fund operating revenues increased \$553,635 or 13.10% from the prior year while operating expenses increased \$473,233 or 8.91%:

		Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
				Dollars	Percent
	FY 2013	FY 2012			
Operating Revenues					
Garbage Service Fees	\$ 3,998,995	\$ 3,250,311	\$ 748,684		23.03%
Landfill Fees	127,889	250,273	(122,384)		-48.90%
Recycling Revenue and Fees	649,413	720,648	(71,235)		-9.88%
Other Operating Revenues	3,870	5,300	(1,430)		-26.98%
Total Operating Revenues	\$ 4,780,167	\$ 4,226,532	\$ 553,635		13.10%
Operating Expenses					
Sanitation	\$ 4,820,925	\$ 4,479,248	\$ 341,677		7.63%
Recycling	965,794	834,238	131,556		15.77%
Total Operating Expenses	\$ 5,786,719	\$ 5,313,486	\$ 473,233		8.91%
Operating Income (Loss)	\$ (1,006,552)	\$ (1,086,954)	\$ 80,402		-7.40%
Nonoperating Revenues	280,284	198,885	81,399		40.93%
Change in Net Position	\$ (726,268)	\$ (888,069)	\$ 161,801		-18.22%
Total Net Position-Beginning	3,948,506	4,836,575	(888,069)		-18.36%
Total Net Position-Ending	\$ 3,222,238	\$ 3,948,506	\$ (726,268)		-18.39%

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 September 18, 2012. This budget was revised for changes in revenue and expenditures on January 15, 2013 and July 2, 2013. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 71-73.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$52,453,720 compared to the final budget of \$52,287,020. Revenues were \$166,700 over the final budgeted amount. Total expenditures and appropriations for the period were \$52,444,397 compared to the final budget of \$52,117,592.

The General Fund's departmental operating budgets and actual performance are shown on pages 71-73 of this report.

General Fund Budgetary Comparison Schedule

	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 12,497,525	\$ 12,497,525	\$ 12,497,525	\$ -	-
Resources (Inflows)					
Taxes	44,117,300	44,067,300	44,184,745	117,445	0.27%
Licenses and Permits	3,335,750	3,470,750	3,642,518	171,768	4.95%
Fines and Forfeitures	1,358,500	1,353,500	1,163,765	(189,735)	-14.02%
Charges for Services	1,844,700	1,851,800	1,804,200	(47,600)	-2.57%
Intergovernmental	1,004,850	1,144,850	1,306,172	161,322	14.09%
Other	92,000	97,820	31,955	(65,865)	-67.33%
Transfers From Other Funds	301,000	301,000	320,365	19,365	6.43%
Amounts Available for Appropriation	<u>\$ 64,551,625</u>	<u>\$ 64,784,545</u>	<u>\$ 64,951,245</u>	<u>\$ 166,700</u>	<u>0.26%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 4,856,138	\$ 4,903,538	\$ 4,796,891	\$ 106,647	2.17%
Public Safety	17,684,276	17,725,346	17,683,225	42,121	0.24%
Public Works	5,037,907	5,040,107	5,076,166	(36,059)	-0.72%
Cultural and Recreation	6,626,488	6,641,263	6,919,845	(278,582)	-4.19%
Non-Departmental	17,807,338	17,807,338	17,968,270	(160,932)	-0.90%
Total Charges to Appropriations	<u>\$ 52,012,147</u>	<u>\$ 52,117,592</u>	<u>\$ 52,444,397</u>	<u>\$ (326,805)</u>	<u>-0.63%</u>
Budgetary Fund Balance Ending	<u>\$ 12,539,478</u>	<u>\$ 12,666,953</u>	<u>\$ 12,506,848</u>	<u>\$ (160,105)</u>	<u>-1.26%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2013 original budgets for the Gas and Water and Wastewater Departments were adopted on May 15, 2012. The original budget for the Electricity Department was adopted on June 19, 2012. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on September 18, 2012. 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 Required 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 Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 121,675,000	\$ 120,747,245	\$ (927,755)	-0.76%
Operating Expenses	119,783,000	116,724,478	3,058,522	2.55%
Operating Income	\$ 1,892,000	\$ 4,022,767	\$ 2,130,767	112.62%
Nonoperating Revenues (Expenses)	(18,200)	33,901	52,101	286.27%
Change in Net Position	\$ 1,873,800	\$ 4,056,668	\$ 2,182,868	116.49%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$2,182,868. This is approximately 2% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the cost of sales of electricity accounted for most of the budget operating expenses variance amount. 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 Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 18,426,300	\$ 16,715,581	\$ (1,710,719)	-9.28%
Operating Expenses	17,947,200	15,632,381	2,314,819	12.90%
Operating Income	\$ 479,100	\$ 1,083,200	\$ 604,100	126.09%
Nonoperating Revenues (Expenses)	152,200	166,411	14,211	9.34%
Change in Net Position	\$ 631,300	\$ 1,249,611	\$ 618,311	97.94%

The Gas Department exceeded the budgeted Change in Net Position by \$618,311, or approximately 3% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was more than offset by the variance in cost of sales.

Water and Wastewater Department

Water and Wastewater Department Schedule of Revenues, Expenses, and Changes in Fund Net Position Budget and Actual (GAAP Budgetary Basis) For the Year Ended June 30, 2013

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 19,745,800	\$ 18,784,696	\$ (961,104)	-4.87%
Operating Expenses	14,192,100	13,732,190	459,910	3.24%
Operating Income	\$ 5,553,700	\$ 5,052,506	\$ (501,194)	-9.02%
Nonoperating Revenues (Expenses)	(2,204,800)	(2,510,129)	(305,329)	-13.85%
Change in Net Position	\$ 3,348,900	\$ 2,542,377	\$ (806,523)	-24.08%

The Water and Wastewater Department did not meet the budgeted Change in Net Position by \$806,523. This represents about 4% of final budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water sales, transmission and distribution operating expenses, and an unbudgeted loss on retirement of capital assets.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on September 8, 2012. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. On a quarterly basis, the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. A budget comparison schedule is included in the Required Supplementary Information of this annual report.

Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Position- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2013

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 3,331,370	\$ 3,331,370	\$ 3,998,995	\$ 667,625	20.04%
Landfill Fees	147,250	147,250	127,889	(19,361)	-13.15%
Recycling Revenue and Fees	751,000	751,000	649,413	(101,587)	-13.53%
Other Operating Revenues	4,000	4,000	3,870	(130)	-3.25%
Total Operating Revenues	\$ 4,233,620	\$ 4,233,620	\$ 4,780,167	\$ 546,547	12.91%
Operating Expenses					
Sanitation	\$ 4,635,336	\$ 4,635,336	\$ 4,820,925	\$ (185,589)	-4.00%
Recycling	948,188	948,188	965,794	(17,606)	-1.86%
Total Operating Expenses	\$ 5,583,524	\$ 5,583,524	\$ 5,786,719	\$ (203,195)	-3.64%
Operating Loss	\$ (1,349,904)	\$ (1,349,904)	\$ (1,006,552)	\$ 343,352	25.44%
Nonoperating Revenues	248,895	248,895	280,284	31,389	12.61%
Change in Net Position	\$ (1,101,009)	\$ (1,101,009)	\$ (726,268)	\$ 374,741	34.04%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2013, 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, 2013 amounted to \$329,892,090.

Governmental Activities

	Governmental Activities				
	Capital Assets, Net				
	FY 2013	FY 2012	Variance		
		Dollars	Percent		
Land	\$ 6,775,200	\$ 6,715,158	\$ 60,042	0.89%	
Construction in Progress	2,218,938	1,118,143	1,100,795	98.45%	
Land Improvements	23,376,289	23,367,535	8,754	0.04%	
Accumulated Depreciation	(9,597,558)	(8,693,928)	(903,630)	-10.39%	
Buildings	40,186,869	39,738,326	448,543	1.13%	
Accumulated Depreciation	(17,421,888)	(16,401,863)	(1,020,025)	-6.22%	
Equipment and Vehicles	22,263,174	21,040,443	1,222,731	5.81%	
Accumulated Depreciation	(18,981,929)	(18,416,099)	(565,830)	-3.07%	
Infrastructure	159,673,655	158,459,219	1,214,436	0.77%	
Accumulated Depreciation	(94,541,374)	(92,646,484)	(1,894,890)	-2.05%	
Net Capital Assets	<u>\$ 113,951,376</u>	<u>\$ 114,280,450</u>	<u>\$ (329,074)</u>	<u>-0.29%</u>	

Major capital additions for the fiscal year include expenditures for the purchase of land of \$60,042, vehicles and capital equipment of \$1,729,262, infrastructure improvements including the completion of various small storm drainage projects totaling \$1,214,436, and building renovations and additions of \$448,543. Of this year's capital additions, \$640,669 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2013, \$2,218,938 of capital projects were recorded as construction in progress.

Business-Type Activities

At the end of FY 2013, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets. Information that is more detailed is presented for each department in the supplementary schedules section.

Electricity Department

Electricity Department Capital Assets, Net FY 2013

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 153,615,233	\$ 149,190,959	\$ 4,424,274	2.97%
Construction in Progress	1,257,177	1,249,834	7,343	0.59%
Less: Accumulated Depreciation	(80,156,390)	(77,739,265)	(2,417,125)	3.11%
Net Utility Plant	<u>\$ 74,716,020</u>	<u>\$ 72,701,528</u>	<u>\$ 2,014,492</u>	<u>2.77%</u>

The table above shows the Electricity Department experienced a 2.77% increase in net utility plant. The department plans to finance capital expenditures in FY 2014 through cash generated from current operations, cash reserves, and proceeds from warrants issued in FY 2013.

Gas Department

Gas Department Capital Assets, Net FY 2013

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 53,208,002	\$ 52,516,394	\$ 691,608	1.32%
Acquisition Adjustment (net of amortization)	190,125	200,786	(10,661)	-5.31%
Construction in Progress	69,191	34,050	35,141	103.20%
Less: Accumulated Depreciation	(22,575,742)	(21,447,572)	(1,128,170)	5.26%
Net Utility Plant	<u>\$ 30,891,576</u>	<u>\$ 31,303,658</u>	<u>\$ (412,082)</u>	<u>-1.32%</u>

The above table shows, the Gas Department decreased net utility plant by 1.32%. The department plans to finance capital expenditures in FY 2014 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2013

	FY 2013	FY 2012	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 154,490,212	\$ 144,531,504	\$ 9,958,708	6.89%
Construction in Progress	1,647,994	5,526,809	(3,878,815)	-70.18%
Less: Accumulated Depreciation	(49,823,845)	(48,290,786)	(1,533,059)	3.17%
Net Utility Plant	<u>\$ 106,314,361</u>	<u>\$ 101,767,527</u>	<u>\$ 4,546,834</u>	<u>4.47%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 4.47%. In FY 2013, 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 2014 with cash reserves, cash generated from current operations, various grants, and the proceeds from the Water & Sewer Revenue Warrants, Series 2011. The Department anticipates issuing approximately \$5.8 million of new SRF warrants in FY 2014, with some of the proceeds being used in FY 2014 for capital expenditures

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2013, net capital assets comprised 68.12% of the Fund's total assets. Capital assets are maintained in six 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 For the Year Ended September 30, 2013

	FY 2013	FY 2012	Variance	
			Dollars	Percent
Land	\$ 1,316,853	\$ 1,316,853	\$ -	0.00%
Land Improvements	3,712,276	3,675,418	36,858	1.00%
Accumulated Depreciation	(3,581,675)	(3,552,194)	(29,481)	-0.83%
Construction in Progress	120,883	-	120,883	100.00%
Buildings	1,758,282	1,758,282	-	0.00%
Accumulated Depreciation	(566,099)	(525,041)	(41,058)	-7.82%
Equipment	4,264,744	4,084,780	179,964	4.41%
Accumulated Depreciation	(3,682,796)	(3,392,387)	(290,409)	-8.56%
Vehicles	3,289,916	2,969,848	320,068	10.78%
Accumulated Depreciation	(2,613,627)	(2,392,981)	(220,646)	-9.22%
Net Capital Assets	<u>\$ 4,018,757</u>	<u>\$ 3,942,578</u>	<u>\$ 76,179</u>	<u>1.93%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2013 fiscal year, the Governmental Activities of the City had total long-term debt of \$56,424,049. Of this amount, \$53,513,214 comprises debt serviced by revenues from governmental activities. Of the \$53,513,214, \$2,850,457 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

During Fiscal Year 2013, the City issued two general obligation warrants. Series 2013 – G. O. Warrants in the amount of \$2,000,000 is a taxable issue with proceeds to construct a Tourism – Visitor’s Center. The debt service for this issue will come from Lodging Tax through a lease-back agreement with the Florence – Lauderdale Tourism Board. The second series designated Series 2013-B G. O. Warrants in the amount of \$18,805,000 will provide the funding for various capital projects including: Animal Control facility, Senior Citizens Center, Indian Mound Museum, Streetscape Phase II, River Heritage Park Phase IV, and an addition to the City’s Sportsplex. Also from this issue, the City will assist the University of North Alabama with the construction of a Science Building.

In addition to the outstanding general obligation debt, \$2,910,835 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).

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 ranging from 1.50% to 3.65%. It was issued with an underlying rating of A1 and AA- by Moody’s and Standard & Poor’s, respectively. The Electric Revenue Warrants, Series 2013, were issued in March 2013. Their interest rates range from 1.75% to 4.00%. It was issued with an underlying rating of Aa2 and AA-/ Stable by Moody’s and Standard & Poor’s, respectively. These issues require 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 2013, the Electricity Department exceeded that requirement at about 10.62 times.

At the beginning of the fiscal year, there was an outstanding line of credit warrant with CB&S Bank, the Electric Taxable Revenue Warrants, Series 2008, issued in April 2008. The Department did not utilize this line of credit. This line of credit expired in January 2013. This warrant had an interest rate of 4.99%. The Department did not replace this line of credit due to its stable and healthy net working capital.

The Department does not anticipate issuing new debt in FY 2014.

Gas Department

The Department did not have any outstanding debt issues in FY 2013. At this time the Department does not have any plans to issue any new debt in FY 2014.

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. 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. At year-end, approximately \$14.9 million of the proceeds of the 2011 issue remain available.

The Department did not issue any long-term debt during FY 2013. The Department anticipates issuing approximately \$5.8 million of SRF Warrants during FY 2014.

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 2013, the Water and Wastewater Department exceeded that requirement at about 1.48 times.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2013, the Solid Waste Fund had no debt other than routine operating liabilities (\$399,642), accrued liability for employee annual and sick leave (\$117,403), and a reserve for landfill closure and post-closure care (\$2,160,500).

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 2013–2014 budget on October 1, 2013.

The fiscal year 2013–2014 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$53,533,195. This is an increase of \$1,246,175 or 2.38% compared to the previous fiscal year's final budget and an increase of \$1,079,475 over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$53,509,927. This is an increase of \$1,392,335 or 2.67% compared to the prior year's final budget and an increase of \$1,065,530 compared to the prior year's actual performance. The 2013 – 2014 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$23,268 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 2013 was 6.4% as compared to 8.6% for July 2012. The State of Alabama's unemployment rates were 6.6% for July 2013, and 8.3% for July 2012. 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 2014 through September 2013 for electricity have decreased from the same period last year by 7.2%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2013 through September 2013, as compared to sales for the same period in the previous fiscal year, have increased approximately 1.3%. FY 2014 sales revenues from water and wastewater operations through September 2013 have decreased 7.1% over the same period in FY 2013.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2014 budgets on June 4, 2013. The budgets for the Gas and Water and Wastewater Departments were amended on October 1, 2013. The City Council adopted the Electricity Department's FY 2014 budget on September 3, 2013. The Electricity Department's budget was amended on October 1, 2013.

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. TVA is implementing a rate increase in October 2013. The City will pass this rate increase to our customers but does not anticipate having a rate increase to benefit the Electricity Department.

The Gas Department's rate ordinance allows for gas increases/decreases without further City Council action. The Department last 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 Water and Wastewater Department does not plan to seek a rate increase in FY 2014.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Fund's fiscal year 2014 budget on October 1, 2013. The fiscal year 2014 budget has expected combined revenues of \$6,017,458 and expenses of \$5,677,533, including grant revenue and expense of \$282,723. As adopted, the budget would yield a net income of \$339,925. With the municipal solid waste portion of the landfill near capacity, the City has ceased its municipal solid waste operations at the 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 2014 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 were in full effect with the May 2013 billing cycle.

During the 2010 fiscal year, the City purchased land and buildings adjacent to the current landfill for possible expansion. With the City's decision to close the municipal solid waste portion of the landfill, the City Council determined this property was no longer needed and declared it surplus property. The property was sold to a private concern on November 22, 2013. The City fully recovered all of the capital outlay used to acquire the property. The unrestricted funds from the sale will have a favorable impact on the Solid Waste Fund's net position in fiscal year 2014.

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 \$763,000 to the Library in this fiscal year. These appropriations are approximately 57.60% 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 39-40. 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 POSITION
SEPTEMBER 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 47,765,127	\$ 35,199,445	\$ 82,964,572	\$ 2,218,558
Receivables (net)	5,278,749	16,390,254	21,669,003	1,372
Accrued interest receivable	5,589	2,552	8,141	
Loan receivables (net)	928,461		928,461	
Pledge receivable			—	69,900
Internal balances	2,051,583	(2,051,583)	—	
Inventories	144,570	3,308,165	3,452,735	6,095
Prepaid expenses		7,356,584	7,356,584	
Restricted assets:				
Cash and investments	196,943	26,231,915	26,428,858	
Conservation loans receivables		6,853,277	6,853,277	
Capital assets (net)	113,951,376	215,940,714	329,892,090	542,838
Other:				
Unamortized debt issuance costs	666,965	690,527	1,357,492	
Total assets	\$ 170,989,363	\$ 309,921,850	\$ 480,911,213	\$ 2,838,763
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,780,411	\$ 20,036,088	\$ 25,816,499	\$ 68,166
Customer deposits		7,046,267	7,046,267	
Deferred revenues		7,175	7,175	
Liabilities payable from restricted assets:				
Accrued interest		818,967	818,967	
Advances for conservation loans		7,054,301	7,054,301	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	5,083,589	4,488,268	9,571,857	
Compensated absences	1,164,334	1,171,122	2,335,456	10,208
Promise to give			—	5,000
Portion due or payable after one year:				
Warrants and notes payable	48,429,625	67,439,112	115,868,737	
Compensated absences	1,746,501	1,756,682	3,503,183	
Promise to give			—	64,900
Claims reserve	3,400,497		3,400,497	
Accrued landfill closure and postclosure care costs		2,160,500	2,160,500	
Total liabilities	\$ 65,604,957	\$ 111,978,482	\$ 177,583,439	\$ 148,274
NET POSITION				
Net investment in capital assets	\$ 80,440,915	\$ 164,949,326	\$ 245,390,241	\$ 542,838
Restricted for:				
Debt service	46,943	4,476,956	4,523,899	
Street resurfacing and improvements	413,738		413,738	
HUD community development and rehabilitation	355,480		355,480	
Capital projects	982,975		982,975	
Other purposes—expendable	335,079		335,079	516
Other purposes—nonexpendable	240,670		240,670	2,000,000
Unrestricted	22,568,606	28,517,086	51,085,692	147,135
Total net position	\$ 105,384,406	\$ 197,943,368	\$ 303,327,774	\$ 2,690,489

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General administration	\$ 5,749,051	\$ 4,833,693	\$	\$	\$ (915,358)		\$ (915,358)	
Public safety	18,273,738	1,389,264	148,568	23,405	(16,712,501)		(16,712,501)	
Public works	5,428,018	67,290	680,798		(4,679,930)		(4,679,930)	
Public ways and facilities	1,206,880			1,205,912	(968)		(968)	
Culture and recreation	9,011,756	1,674,767	30,000		(7,306,989)		(7,306,989)	
Other	1,576,732				(1,576,732)		(1,576,732)	
Education—funding for school district	9,345,767				(9,345,767)		(9,345,767)	
Interest and fiscal charges	1,441,661				(1,441,661)		(1,441,661)	
Total governmental activities	<u>\$ 52,033,603</u>	<u>\$ 7,965,014</u>	<u>\$ 859,366</u>	<u>\$ 1,229,317</u>	<u>\$ (41,979,906)</u>		<u>\$ (41,979,906)</u>	
Business-type activities:								
Electricity	\$ 117,074,761	\$ 120,855,938	\$	\$	\$	\$ 3,781,177	\$ 3,781,177	
Gas	15,664,560	16,863,112				1,198,552	1,198,552	
Water and wastewater	15,930,637	18,784,696				2,854,059	2,854,059	
Solid waste	5,795,331	4,780,167	283,128			(732,036)	(732,036)	
Total business-type activities	<u>\$ 154,465,289</u>	<u>\$ 161,283,913</u>	<u>\$ 283,128</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,101,752</u>	<u>\$ 7,101,752</u>	
Total primary government	<u>\$ 206,498,892</u>	<u>\$ 169,248,927</u>	<u>\$ 1,142,494</u>	<u>\$ 1,229,317</u>	<u>\$ (41,979,906)</u>	<u>\$ 7,101,752</u>	<u>\$ (34,878,154)</u>	
Component units:								
All	<u>\$ 1,422,528</u>	<u>\$ 116,369</u>	<u>\$ 1,201,863</u>	<u>\$ 6,413</u>				<u>\$ (97,883)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 30,577,309	\$	\$ 30,577,309	\$
Property					11,766,134		11,766,134	
Motor fuel					1,049,222		1,049,222	
Alcoholic beverages					1,034,844		1,034,844	
Other					405,170		405,170	
Interest revenues					152,551	66,310	218,861	9,637
Gain (loss) on disposal of capital assets					6,838	(176,265)	(169,427)	
Total general revenues					<u>\$ 44,992,068</u>	<u>\$ (109,955)</u>	<u>\$ 44,882,113</u>	<u>\$ 9,637</u>
Change in net position					\$ 3,012,162	\$ 6,991,797	\$ 10,003,959	\$ (88,246)
Net position—beginning					102,372,244	190,951,571	293,323,815	2,778,735
Net position—ending					<u>\$ 105,384,406</u>	<u>\$ 197,943,368</u>	<u>\$ 303,327,774</u>	<u>\$ 2,690,489</u>

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Series 2013-B G.O. Warrants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 12,453,546	\$ 19,079,266	\$ 8,091,750	\$ 39,624,562
Investments		46,943		46,943
Receivables (net)	4,228,631		670,842	4,899,473
Accrued interest receivable	2,127	690	1,280	4,097
Loan receivables (net)	470,257		458,204	928,461
Interfund receivables	826,629	1,480	1,333,737	2,161,846
Inventories	144,570			144,570
Total assets	<u>\$ 18,125,760</u>	<u>\$ 19,128,379</u>	<u>\$ 10,555,813</u>	<u>\$ 47,809,952</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenses	\$ 3,119,962	\$ 27,650	\$ 2,390,098	\$ 5,537,710
Compensated absences	1,164,334			1,164,334
Interfund payables	1,334,616		653,040	1,987,656
Total liabilities	<u>\$ 5,618,912</u>	<u>\$ 27,650</u>	<u>\$ 3,043,138</u>	<u>\$ 8,689,700</u>
Fund balances				
Nonspendable:				
Inventories	\$ 144,570	\$	\$	\$ 144,570
Loan receivables	470,257			470,257
Permanent fund principal			240,670	240,670
Restricted for:				
Debt service		46,943		46,943
Street resurfacing and improvements			413,738	413,738
Culture and recreation			39,882	39,882
Public safety			145,257	145,257
HUD community development and rehabilitation			355,480	355,480
Capital projects		19,053,786	1,931,942	20,985,728
Assigned to:				
Capital projects			3,243,462	3,243,462
Municipal building maintenance			17,134	17,134
Economic development			1,125,110	1,125,110
Unassigned	11,892,021			11,892,021
Total fund balances	<u>\$ 12,506,848</u>	<u>\$ 19,100,729</u>	<u>\$ 7,512,675</u>	<u>\$ 39,120,252</u>
Total liabilities and fund balances	<u>\$ 18,125,760</u>	<u>\$ 19,128,379</u>	<u>\$ 10,555,813</u>	<u>\$ 47,809,952</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 POSITION
SEPTEMBER 30, 2013

Total fund balances—governmental funds		\$ 39,120,252
Amounts reported for governmental activities in the statement of net position 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	\$ 254,494,125	
Accumulated depreciation	<u>(140,542,749)</u>	113,951,376
Certain receivables are not available to pay for current period expenditures and, therefore, are not reported as receivables in the governmental funds.		
		166,074
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 position.		
Unamortized debt issuance costs		666,965
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	\$ (52,081,190)	
Unamortized debt discount, premium, and loss on refunding	(1,432,024)	
Compensated absences	<u>(1,746,501)</u>	(55,259,715)
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 position.		
		<u>6,739,454</u>
Net position of governmental activities		<u><u>\$ 105,384,406</u></u>

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Series 2013-B G.O. Warrants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 44,184,745	\$	\$ 647,934	\$ 44,832,679
Licenses and permits	3,642,518			3,642,518
Fines and forfeitures	1,163,765			1,163,765
Charges for services	1,804,200			1,804,200
Intergovernmental	1,306,172		1,420,327	2,726,499
Interest revenues	26,120	47,771	61,179	135,070
Other	5,835		377,811	383,646
Total revenues	<u>\$ 52,133,355</u>	<u>\$ 47,771</u>	<u>\$ 2,507,251</u>	<u>\$ 54,688,377</u>
EXPENDITURES				
Current operating:				
General administration	\$ 4,796,891	\$ 101	\$ 472,507	\$ 5,269,499
Public safety	17,683,225		153,127	17,836,352
Public works	5,076,166		397,408	5,473,574
Culture and recreation	6,919,845		42,399	6,962,244
Other	1,353,594		223,138	1,576,732
Education—funding for school district	7,815,607		1,530,160	9,345,767
Capital outlay and improvements		30,863	3,218,590	3,249,453
Debt service:				
Principal payments			3,718,810	3,718,810
Interest and fiscal charges			1,711,543	1,711,543
Total expenditures	<u>\$ 43,645,328</u>	<u>\$ 30,964</u>	<u>\$ 11,467,682</u>	<u>\$ 55,143,974</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,488,027</u>	<u>\$ 16,807</u>	<u>\$ (8,960,431)</u>	<u>\$ (455,597)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 320,365	\$	\$ 13,723,277	\$ 14,043,642
Proceeds from warrants		18,805,000	2,000,000	20,805,000
Premium on debt issuance		532,650		532,650
Transfers out	(8,799,069)	(253,728)	(4,990,845)	(14,043,642)
Total other financing sources (uses)	<u>\$ (8,478,704)</u>	<u>\$ 19,083,922</u>	<u>\$ 10,732,432</u>	<u>\$ 21,337,650</u>
Net change in fund balances	<u>\$ 9,323</u>	<u>\$ 19,100,729</u>	<u>\$ 1,772,001</u>	<u>\$ 20,882,053</u>
Fund balances—beginning	12,497,525		5,740,674	18,238,199
Fund balances—ending	<u>\$ 12,506,848</u>	<u>\$ 19,100,729</u>	<u>\$ 7,512,675</u>	<u>\$ 39,120,252</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, 2013**

Total net change in fund balances—governmental funds		\$ 20,882,053
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	\$ 4,241,832	
Current year depreciation expense	<u>(4,873,996)</u>	(632,164)
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 position differs from the change in fund balance by the net book value of the capital assets sold.		
		(16,910)
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.		
		320,000
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.		
		36,818
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 position. 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 position 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	\$ 3,718,810	
Proceeds from warrants	(20,805,000)	
Premium on debt issued	(532,650)	
Payment of debt issuance costs	253,728	
Amortization of debt discount, premium, issuance costs, and loss on refunding	<u>16,154</u>	(17,348,958)
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		(88,144)
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>(140,533)</u>
Change in net position of governmental activities		<u>\$ 3,012,162</u>

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

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

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2013	June 30, 2013	June 30, 2013	September 30, 2013		Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 16,459,058	\$ 11,554,051	\$ 5,923,045	\$ 1,263,291	\$ 35,199,445	\$ 8,140,565
Receivables (net)	12,934,147	970,686	1,898,453	586,968	16,390,254	213,202
Accrued interest receivable	2,304			248	2,552	1,492
Inventories	1,712,333	968,033	597,280	30,519	3,308,165	
Prepaid expenses	7,123,433	19,769	213,382		7,356,584	
Total current assets	\$ 38,231,275	\$ 13,512,539	\$ 8,632,160	\$ 1,881,026	\$ 62,257,000	\$ 8,355,259
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 7,059,968	\$	\$ 19,171,947	\$	\$ 26,231,915	\$ 150,000
Receivables from customers for conservation loans	6,853,277				6,853,277	
Capital assets:						
Utility plant in service (at cost)	153,615,233	53,208,002	154,490,212	14,462,954	375,776,401	
Acquisition adjustment (net of amortization)		190,125			190,125	
Construction in progress	1,257,177	69,191	1,647,994		2,974,362	
Less: accumulated depreciation	80,156,390	22,575,742	49,823,845	10,444,197	163,000,174	
Unamortized debt issuance costs	183,751		506,776		690,527	
Total noncurrent assets	\$ 88,813,016	\$ 30,891,576	\$ 125,993,084	\$ 4,018,757	\$ 249,716,433	\$ 150,000
Total assets	\$ 127,044,291	\$ 44,404,115	\$ 134,625,244	\$ 5,899,783	\$ 311,973,433	\$ 8,505,259

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2013	June 30, 2013	June 30, 2013	September 30, 2013		Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 17,591,303	\$ 1,051,906	\$ 1,088,662	\$ 304,217	\$ 20,036,088	\$ 242,701
Interfund payables					—	174,190
Deferred interest income—TVA DEU program	7,175				7,175	
Compensated absences—payable within one year	621,716	207,651	263,486	78,269	1,171,122	
Customer deposits	7,029,111			17,156	7,046,267	
Total current liabilities	<u>\$ 25,249,305</u>	<u>\$ 1,259,557</u>	<u>\$ 1,352,148</u>	<u>\$ 399,642</u>	<u>\$ 28,260,652</u>	<u>\$ 416,891</u>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 745,000	\$ —	\$ 3,810,000	\$ —	\$ 4,555,000	\$ —
Unamortized debt premium (discount), net	(4,359)		2,121		(2,238)	
Unamortized deferred loss on early retirement of debt	(26,397)		(38,097)		(64,494)	
Accrued interest	28,873		790,094		818,967	
Advances from TVA for conservation loans	7,054,301				7,054,301	
Total liabilities payable from restricted assets	<u>\$ 7,797,418</u>	<u>\$ —</u>	<u>\$ 4,564,118</u>	<u>\$ —</u>	<u>\$ 12,361,536</u>	<u>\$ —</u>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 10,445,000	\$ —	\$ 57,330,000	\$ —	\$ 67,775,000	\$ —
Unamortized debt premium (discount), net	(17,679)		46,671		28,992	
Unamortized deferred loss on early retirement of debt	(131,988)		(232,892)		(364,880)	
Compensated absences—payable after one year	932,573	311,476	395,230	117,403	1,756,682	
Accrued landfill closure and postclosure care costs				2,160,500	2,160,500	
Claims reserve					—	3,400,497
Total noncurrent liabilities	<u>\$ 11,227,906</u>	<u>\$ 311,476</u>	<u>\$ 57,539,009</u>	<u>\$ 2,277,903</u>	<u>\$ 71,356,294</u>	<u>\$ 3,400,497</u>
Total liabilities	<u>\$ 44,274,629</u>	<u>\$ 1,571,033</u>	<u>\$ 63,455,275</u>	<u>\$ 2,677,545</u>	<u>\$ 111,978,482</u>	<u>\$ 3,817,388</u>
NET POSITION						
Net investment in capital assets	\$ 69,757,586	\$ 30,891,576	\$ 60,281,407	\$ 4,018,757	\$ 164,949,326	\$ —
Restricted for debt service	979,952		3,497,004		4,476,956	
Restricted for other purposes—expendable					—	150,000
Unrestricted	12,032,124	11,941,506	7,391,558	(796,519)	30,568,669	4,537,871
Total net position	<u>\$ 82,769,662</u>	<u>\$ 42,833,082</u>	<u>\$ 71,169,969</u>	<u>\$ 3,222,238</u>	<u>\$ 199,994,951</u>	<u>\$ 4,687,871</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,051,583)	
Net position of business-type activities					<u>\$ 197,943,368</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2013	June 30, 2013	June 30, 2013	September 30, 2013		Internal Service
Operating revenues						
User charges	\$ 120,108,044	\$ 16,702,977	\$ 18,499,885	\$ 4,776,297	\$ 160,087,203	\$ 2,774,798
Other	639,201	12,604	284,811	3,870	940,486	
Total operating revenues	\$ 120,747,245	\$ 16,715,581	\$ 18,784,696	\$ 4,780,167	\$ 161,027,689	\$ 2,774,798
Operating expenses						
Cost of sales	\$ 94,529,545	\$ 8,157,714	\$	\$	\$ 102,687,259	\$
Operations, maintenance, and administration	14,356,784	4,561,333	9,060,638	5,035,599	33,014,354	144,233
Depreciation	4,628,512	1,385,378	3,049,453	614,959	9,678,302	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,209,637	1,517,295	1,622,099	136,161	6,485,192	
Insurance premiums and claims (net of refunds)					—	2,919,170
Total operating expenses	\$ 116,724,478	\$ 15,632,381	\$ 13,732,190	\$ 5,786,719	\$ 151,875,768	\$ 3,063,403
Operating income (loss)	\$ 4,022,767	\$ 1,083,200	\$ 5,052,506	\$ (1,006,552)	\$ 9,151,921	\$ (288,605)
Nonoperating revenues (expenses)						
Interest revenues	\$ 38,947	\$ 12,080	\$ 11,174	\$ 4,109	\$ 66,310	\$ 17,481
Gain (loss) on disposal of capital assets	165,117	6,800	(341,229)	(6,953)	(176,265)	
Miscellaneous nonoperating income	108,693	147,531			256,224	
Grants				283,128	283,128	
Interest expense	(233,606)		(2,122,064)		(2,355,670)	
Amortization of debt premium, discount, and costs	(45,250)		(58,010)		(103,260)	
Total nonoperating revenues (expenses)	\$ 33,901	\$ 166,411	\$ (2,510,129)	\$ 280,284	\$ (2,029,533)	\$ 17,481
Change in net position	\$ 4,056,668	\$ 1,249,611	\$ 2,542,377	\$ (726,268)	\$ 7,122,388	\$ (271,124)
Net position—beginning	78,712,994	41,583,471	68,627,592	3,948,506		4,958,995
Net position—ending	\$ 82,769,662	\$ 42,833,082	\$ 71,169,969	\$ 3,222,238		\$ 4,687,871
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(130,591)	
Change in net position of business-type activities					\$ 6,991,797	

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
	June 30, 2013	June 30, 2013	June 30, 2013	September 30, 2013		Internal Service Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 120,008,353	\$ 16,613,848	\$ 18,423,258	\$ 4,828,779	\$ 159,874,238	\$ 3,170,294
Receipts from interfund services provided	2,483,750	116,494	150,185		2,750,429	
Payments to suppliers	(100,781,841)	(8,003,555)	(3,814,391)	(1,927,343)	(114,527,130)	(3,006,967)
Payments to employees for services and benefits—exclusive of capitalized costs	(10,261,797)	(3,079,230)	(4,290,886)	(2,751,633)	(20,383,546)	
Payments for interfund services used	(3,008,837)	(2,460,806)	(2,814,386)	(294,016)	(8,578,045)	
Net cash from operating activities	\$ 8,439,628	\$ 3,186,751	\$ 7,653,780	\$ (144,213)	\$ 19,135,946	\$ 163,327
Cash flows from noncapital financing activities:						
Decrease in receivables from customers for conservation loans	\$ 105,010	\$	\$	\$	\$ 105,010	\$
Decrease in advances from TVA for conservation loans	(72,347)				(72,347)	
Deferred TVA DEU program (net)	25,000				25,000	
Net cash from noncapital financing activities	\$ 57,663	\$ —	\$ —	\$ —	\$ 57,663	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (6,395,050)	\$ (918,637)	\$ (7,937,516)	\$ (704,422)	\$ (15,955,625)	\$
Removal costs of retirements of capital assets	(573,650)	(65,320)			(638,970)	
Salvage value of retirements of capital assets	5,171				5,171	
Proceeds from disposition of capital assets	165,117	6,800		6,331	178,248	
Net proceeds from capital debt	6,350,000		1,118,157		7,468,157	
Principal paid on capital debt	(730,000)		(3,675,000)		(4,405,000)	
Interest paid on capital debt	(219,698)		(2,159,218)		(2,378,916)	
Payment of debt premium and issuance costs	(105,989)				(105,989)	
Net cash from capital and related financing activities	\$ (1,504,099)	\$ (977,157)	\$ (12,653,577)	\$ (698,091)	\$ (15,832,924)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 40,424	\$ 12,080	\$ 13,082	\$ 3,861	\$ 69,447	\$ 15,989
Due to (from) other funds					—	404,861
Net cash from investing activities	\$ 40,424	\$ 12,080	\$ 13,082	\$ 3,861	\$ 69,447	\$ 420,850
Net increase (decrease) in cash and cash equivalents	\$ 7,033,616	\$ 2,221,674	\$ (4,986,715)	\$ (838,443)	\$ 3,430,132	\$ 584,177
Cash and cash equivalents—beginning of the year	16,485,410	9,332,377	30,081,707	2,101,734	58,001,228	7,706,388
Cash and cash equivalents—end of the year	\$ 23,519,026	\$ 11,554,051	\$ 25,094,992	\$ 1,263,291	\$ 61,431,360	\$ 8,290,565

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2013	June 30, 2013	June 30, 2013	September 30, 2013		Funds
Classified as:						
Current assets	\$ 16,459,058	\$ 11,554,051	\$ 5,923,045	\$ 1,263,291	\$ 35,199,445	\$ 8,140,565
Restricted assets	7,059,968		19,171,947		26,231,915	150,000
Totals	<u>\$ 23,519,026</u>	<u>\$ 11,554,051</u>	<u>\$ 25,094,992</u>	<u>\$ 1,263,291</u>	<u>\$ 61,431,360</u>	<u>\$ 8,290,565</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 4,022,767	\$ 1,083,200	\$ 5,052,506	\$ (1,006,552)	\$ 9,151,921	\$ (288,605)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 4,949,037	\$ 1,385,378	\$ 3,049,453	\$ 614,959	\$ 9,998,827	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				90,767	90,767	
Miscellaneous nonoperating income	108,693	147,531			256,224	
Proceeds from grants				283,128	283,128	
Changes in assets and liabilities:						
Receivables (net)	(847,586)	(269,903)	(47,114)	(234,516)	(1,399,119)	395,496
Inventories	(56,975)	587,435	(18,047)	20,835	533,248	
Prepaid expenses	965,894	(56)	(23,348)		942,490	
Accounts payables and accrued expenses	(702,202)	242,505	(359,670)	87,166	(732,201)	56,436
Total adjustments	<u>\$ 4,416,861</u>	<u>\$ 2,103,551</u>	<u>\$ 2,601,274</u>	<u>\$ 862,339</u>	<u>\$ 9,984,025</u>	<u>\$ 451,932</u>
Net cash from operating activities	<u>\$ 8,439,628</u>	<u>\$ 3,186,751</u>	<u>\$ 7,653,780</u>	<u>\$ (144,213)</u>	<u>\$ 19,135,946</u>	<u>\$ 163,327</u>

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013**

	<u>Postretirement Benefits Plan</u>
ASSETS	
Receivables	
Employer	\$ 1,142,547
Total assets	<u>\$ 1,142,547</u>
NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	<u><u>\$ 1,142,547</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Postretirement Benefits Plan
ADDITIONS	
Contributions	
Employer	\$ 172,431
Investment income	
Interest	3,312
NET INCREASE	\$ 175,743
 NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	966,804
End of year	\$ 1,142,547

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

	<u>Florence- Lauderdale Public Library September 30, 2013</u>	<u>Florence Library Foundation, Inc. June 30, 2013</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 67,164	\$ 2,151,394	\$ 2,218,558
Accounts receivable		1,372	1,372
Inventories	6,095		6,095
Pledge receivable		69,900	69,900
Capital assets (net)	542,838		542,838
Total assets	<u>\$ 616,097</u>	<u>\$ 2,222,666</u>	<u>\$ 2,838,763</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 68,166	\$	\$ 68,166
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	10,208		10,208
Promise to give	5,000		5,000
Portion due or payable after one year:			
Promise to give	64,900		64,900
Total liabilities	<u>\$ 148,274</u>	<u>\$ —</u>	<u>\$ 148,274</u>
NET POSITION			
Net investment in capital assets	\$ 542,838	\$	\$ 542,838
Restricted for:			
Other purposes-expendable		516	516
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	(75,015)	222,150	147,135
Total net position	<u>\$ 467,823</u>	<u>\$ 2,222,666</u>	<u>\$ 2,690,489</u>

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Florence- Lauderdale Public Library</u>	<u>Florence Library Foundation, Inc.</u>	<u>Total</u>
Component units:							
<u>September 30, 2013</u>							
Florence-Lauderdale Public Library	\$ 1,343,872	\$ 116,369	\$ 1,201,863	\$ 6,413	\$ (19,227)	\$	\$ (19,227)
<u>June 30, 2013</u>							
Florence Library Foundation, Inc.	78,656					(78,656)	(78,656)
Total component units	<u>\$ 1,422,528</u>	<u>\$ 116,369</u>	<u>\$ 1,201,863</u>	<u>\$ 6,413</u>	\$ (19,227)	\$ (78,656)	\$ (97,883)
General revenues:							
Interest revenues					17	9,620	9,637
Change in net position					\$ (19,210)	\$ (69,036)	\$ (88,246)
Net position—beginning					487,033	2,291,702	2,778,735
Net position—ending					<u>\$ 467,823</u>	<u>\$ 2,222,666</u>	<u>\$ 2,690,489</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, 2013**

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, 2013
(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 position 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 position 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, 2013
(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 funds:

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.

Series 2013-B G.O. Warrants Fund—In August 2013, the City issued General Obligation Warrants in the amount of \$18,805,000 to provide funding for several capital improvement projects. This fund was created to receive and expend the proceeds from these warrants.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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 position, 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.

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 position and changes in net position. 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, 2013
(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 POSITION 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 position/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 position, 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, 2013
(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, 2013
(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-quarter 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 position. 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, 2013
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

- ◆ *Net investment in capital assets*—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 position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ *Unrestricted*—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the governing body.

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, 2013
(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 U.S. generally accepted accounting principles 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 2010, 2011, and 2012 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, 2013
(Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

The following funds incurred expenditures in excess of appropriations of the following amount for the year ended September 30, 2013:

Series 2013 G.O. Warrants (Tourism)	\$ 1,051,033
Debt service	442,797
Series 2013-B G.O. Warrants	284,692

The excess expenditures were provided for by transfers from other funds and the proceeds from the issuance of general obligation warrants.

C. DEFICIT FUND EQUITY

Discretely Presented Component Unit—Library

As of September 30, 2013, the General Fund had a deficit fund balance of \$61,680. 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	\$ 119,422	\$ 3,554,956	\$ 708,412	\$ 11,915	\$ 4,394,705
Other governmental funds	30,448	53,184	587,210		670,842
Internal service funds			213,202		213,202
Total—governmental activities	\$ 149,870	\$ 3,608,140	\$ 1,508,824	\$ 11,915	\$ 5,278,749
Business-type Activities					
Electricity	\$ 10,702,191	\$ —	\$ 607,857	\$ 1,965,598	\$ 13,275,646
Gas	975,936		18,455	10,258	1,004,649
Water and wastewater	1,889,227		95,241	1,599	1,986,067
Solid waste	526,667			91,420	618,087
Less: allowance for bad debts	494,195				494,195
Total—business-type activities	\$ 13,599,826	\$ —	\$ 721,553	\$ 2,068,875	\$ 16,390,254
Component Unit					
Public Library	\$ —	\$ —	\$ 1,372	\$ —	\$ 1,372

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 \$1,831,061 at year-end, net of an allowance for bad debts of \$902,600. Of the customer accounts receivable for the Gas Department, \$73,777 is not due to be collected in the subsequent fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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	\$ 1,713,723	\$ 166,113	\$ 1,240,126	\$ —	\$ 3,119,962
Series 2013-B G.O. Warrants	27,650				27,650
Other governmental funds	365,399		1,726,182	298,517	2,390,098
Internal service funds	242,701				242,701
Total—governmental activities	\$ 2,349,473	\$ 166,113	\$ 2,966,308	\$ 298,517	\$ 5,780,411
Business-type Activities					
Electricity	\$ 16,771,909	\$ 805,269	\$ 14,125	\$ —	\$ 17,591,303
Gas	771,759	109,655	170,492		1,051,906
Water and wastewater	660,013	153,401	275,248		1,088,662
Solid waste	289,866	14,351			304,217
Total—business-type activities	\$ 18,493,547	\$ 1,082,676	\$ 459,865	\$ —	\$ 20,036,088
Component Unit					
Public Library	\$ 40,096	\$ 28,070	\$ —	\$ —	\$ 68,166

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, 2013 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 652,439	\$ 174,190	\$ 826,629
	Series 2013-B G.O. Warrants	1,480			1,480
	Other governmental	1,333,136	601		1,333,737
	Total	\$ 1,334,616	\$ 653,040	\$ 174,190	\$ 2,161,846

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 were fully repaid in fiscal year 2013.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE 5—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013 consisted of the following:

	Transfer from			
	General Fund	Series 2013-B G.O. Warrants	Other Governmental	Total
Transfer to General Fund	\$ —	\$ —	\$ 320,365	\$ 320,365
Other governmental	8,799,069	253,728	4,670,480	13,723,277
Total	\$ 8,799,069	\$ 253,728	\$ 4,990,845	\$ 14,043,642

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.

An escrow fund was created for debt service by the Series 2013-B G.O. Warrants indenture. The balance as of September 30, 2013 was \$46,943.

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 capital construction and debt service by the bond financing agreements are as follows:

Series 2009 Debt Service Reserve Fund	\$ 725,000
Series 2009 Warrant Funds	75,528
Series 2013 Debt Service Reserve Fund	192,869
Series 2013 Warrant Funds	15,428
Series 2013 Construction Fund	6,051,143
Total restricted cash and cash equivalents	<u>\$ 7,059,968</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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	\$	114,736
SRF Series 2007 Warrant Funds		439,177
SRF Series 2010-A Warrant Funds		701,449
SRF Series 2010-B Warrant Funds		1,187,188
SRF Series 2010-C Warrant Funds		1,150,715
SRF Series 2010-D Warrant Funds		288,985
Series 2011 Warrant Funds		404,848
Series 2011 Construction Fund		<u>14,884,849</u>
Total restricted cash and cash equivalents		<u><u>\$ 19,171,947</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, 2013, the Department had \$668,604 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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	\$ 60,042	\$ —	\$ 6,775,200
Construction in progress	1,118,143	1,741,464	640,669	2,218,938
Depreciable assets:				
Land improvements	23,367,535	8,754		23,376,289
Buildings	39,738,326	448,543		40,186,869
Equipment and vehicles	21,040,443	1,729,262	506,531	22,263,174
Infrastructure	158,459,219	1,214,436		159,673,655
Total capital assets	\$ 250,438,824	\$ 5,202,501	\$ 1,147,200	\$ 254,494,125
Less accumulated depreciation:				
Land improvements	\$ 8,693,928	\$ 903,630	\$ —	\$ 9,597,558
Buildings	16,401,863	1,020,025		17,421,888
Equipment and vehicles	18,416,099	1,055,451	489,621	18,981,929
Infrastructure	92,646,484	1,894,890		94,541,374
Total accumulated depreciation	\$ 136,158,374	\$ 4,873,996	\$ 489,621	\$ 140,542,749
Net capital assets—governmental activities	\$ 114,280,450	\$ 328,505	\$ 657,579	\$ 113,951,376
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,249,834	\$ 7,343	\$ —	\$ 1,257,177
Gas	34,050	35,141		69,191
Water and wastewater	5,526,809		3,878,815	1,647,994
Solid waste		120,883		120,883
Depreciable assets:				
Utility plant in service:				
Electricity	149,190,959	6,388,416	1,964,142	153,615,233
Gas	52,516,394	883,496	191,888	53,208,002
Water and wastewater	144,531,504	11,816,331	1,857,623	154,490,212
Solid waste	13,805,181	583,539	46,649	14,342,071
Acquisition adjustment (net):				
Gas	200,786		10,661	190,125
Total capital assets	\$ 367,055,517	\$ 19,835,149	\$ 7,949,778	\$ 378,940,888
Less accumulated depreciation:				
Electricity	\$ 77,739,265	\$ 4,949,037	\$ 2,531,912	\$ 80,156,390
Gas	21,447,572	1,385,378	257,208	22,575,742
Water and wastewater	48,290,786	3,049,453	1,516,394	49,823,845
Solid waste	9,862,603	614,959	33,365	10,444,197
Total accumulated depreciation	\$ 157,340,226	\$ 9,998,827	\$ 4,338,879	\$ 163,000,174
Net capital assets—business-type activities	\$ 209,715,291	\$ 9,836,322	\$ 3,610,899	\$ 215,940,714

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE 8—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 392,843
Public safety	740,333
Public works	282,080
Public ways and facilities	1,206,880
Culture and recreation	<u>2,251,860</u>
Total	<u><u>\$ 4,873,996</u></u>

Discretely Presented Component Unit—Library

	Beginning	Additions	Retirements	Ending
Governmental Activities	Balance	Balance	Balance	Balance
Depreciable assets:				
Furniture and fixtures	\$ 136,258	\$ —	\$ —	\$ 136,258
Equipment	406,856	39,600		446,456
Library collection	1,836,824	83,658	103,040	1,817,442
Total capital assets	<u>\$ 2,379,938</u>	<u>\$ 123,258</u>	<u>\$ 103,040</u>	<u>\$ 2,400,156</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ 95,265	\$ 10,792	\$ —	\$ 106,057
Equipment	330,630	31,887		362,517
Library collection	1,386,283	105,501	103,040	1,388,744
Total accumulated depreciation	<u>\$ 1,812,178</u>	<u>\$ 148,180</u>	<u>\$ 103,040</u>	<u>\$ 1,857,318</u>
Net capital assets—governmental activities	<u><u>\$ 567,760</u></u>	<u><u>\$ (24,922)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 542,838</u></u>

Depreciation expense was charged to the government function as follows:

Library services	<u><u>\$ 148,180</u></u>
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Business-type Activities

Electricity Department

As of June 30, 2013, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,188,366.

Depreciation for the fiscal year 2013 totaled \$4,949,037 of which \$4,628,512 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$320,525 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 position 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, 2013, accumulated depreciation amounted to \$79,310.

Gas Department

As of June 30, 2013, 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 \$1,385,378 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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, 2013, accumulated amortization amounted to \$165,248.

Water and Wastewater Department

As of June 30, 2013, 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 \$3,049,453 for the fiscal year.

Solid Waste Fund

As of September 30, 2013, 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 \$614,959 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, 2013, a total of \$6,853,277 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 \$7,054,301 for the year ended June 30, 2013.

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 \$6,956,180 as of June 30, 2013 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, 2013, the balance of the investments was \$32,175 reported as current prepaid purchased power. The balance of the deferred interest income was \$7,175 reported as current deferred interest income.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS

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

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Warrants,					
Series 2009-B	\$ 8,550,000	\$ —	\$ 1,125,000	\$ 7,425,000	\$ 1,145,000
Debt discount	(79,444)		(11,916)	(67,528)	(11,917)
Deferred loss on early retirement	(142,733)		(21,410)	(121,323)	(21,410)
Series 2012	22,255,000		1,220,000	21,035,000	1,765,000
Debt premium	2,589,821		237,236	2,352,585	237,236
Deferred loss on early retirement	(1,387,475)		(127,097)	(1,260,378)	(127,097)
Series 2013		2,000,000	33,810	1,966,190	69,962
Series 2013-B		18,805,000		18,805,000	605,000
Debt premium		532,650	4,439	528,211	26,633
General Obligation School Warrants,					
Series 2004	4,190,000		1,340,000	2,850,000	1,395,000
Debt premium	639		182	457	182
Compensated absences	2,763,928	1,252,478	1,105,571	2,910,835	1,164,334
Total—governmental activities	\$ 38,739,736	\$ 22,590,128	\$ 4,905,815	\$ 56,424,049	\$ 6,247,923
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2009	\$ 5,570,000	\$ —	\$ 730,000	\$ 4,840,000	\$ 745,000
Debt discount	(32,617)		(4,660)	(27,957)	(4,660)
Deferred loss on early retirement	(184,782)		(26,397)	(158,385)	(26,397)
Series 2013		6,350,000		6,350,000	—
Debt premium		6,019	100	5,919	301
Compensated absences	1,386,608	722,324	554,643	1,554,289	621,716
<u>Gas</u>					
Compensated absences	563,958	180,752	225,583	519,127	207,651
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	3,255,000		170,000	3,085,000	175,000
SRF Series 2007	6,741,843	1,118,157	345,000	7,515,000	355,000
SRF Series 2010-A	7,005,000		665,000	6,340,000	690,000
SRF Series 2010-B	11,835,000		1,125,000	10,710,000	1,170,000
SRF Series 2010-C	11,400,000		1,100,000	10,300,000	1,135,000
SRF Series 2010-D	2,860,000		270,000	2,590,000	285,000
Deferred loss on early retirement	(309,086)		(38,097)	(270,989)	(38,097)
Series 2011	20,600,000			20,600,000	—
Debt premium	50,913		2,121	48,792	2,121
Compensated absences	602,934	296,955	241,173	658,716	263,486
<u>Solid waste</u>					
Compensated absences	190,933	81,112	76,373	195,672	78,269
Total—business-type activities	\$ 71,535,704	\$ 8,755,319	\$ 5,435,839	\$ 74,855,184	\$ 5,659,390

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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	\$ 9,653	\$ 555	\$ —	\$ 10,208	\$ 10,208
Promise to give	69,900			69,900	5,000
Total—governmental activities	\$ 79,553	\$ 555	\$ —	\$ 80,108	\$ 15,208

Governmental Activities

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 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 for the current refunding of the General Obligation Warrants, Series 2007. These warrants bear interest rates from 1.00% to 5.00% and will be fully paid in 2023.

On February 25, 2013, the City issued General Obligation Warrants, Series 2013 in the amount of \$2,000,000 to construct the Vistor's Center for use by the Florence-Lauderdale Tourism Board. These warrants bear interest at a rate of 3.75% and are payable in semi-annual installments based on a twenty-year amortization with a balloon payment due at maturity on February 25, 2028.

On August 20, 2013, the City issued General Obligation Warrants, Series 2013-B in the amount of \$18,805,000 for capital improvements. These warrants bear interest rates from 3.00% to 5.00% and will be fully paid in 2033.

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
2014	\$ 4,979,962	\$ 2,055,435	\$ 7,035,397
2015	5,157,610	1,886,851	7,044,461
2016	7,715,359	1,858,521	9,573,880
2017	2,713,211	1,482,933	4,196,144
2018	2,471,171	1,394,384	3,865,555
2019—2023	16,919,337	4,947,987	21,867,324
2024—2028	6,039,540	2,187,211	8,226,751
2029—2033	6,085,000	850,818	6,935,818
Totals	\$ 52,081,190	\$ 16,664,140	\$ 68,745,330

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, 2013
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

Electricity Department

The City issued Electric Taxable Revenue Warrants, Series 2008, dated 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. The line of credit agreement was closed on January 30, 2013.

The City issued Electric Revenue Refunding Warrants, Series 2009, dated June 1, 2009, in the amount of \$7,250,000 with interest rates ranging from 1.50% to 3.65% for the current refunding of 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.

The City issued Electric Revenue Warrants, Series 2013, dated March 1, 2013, in the amount of \$6,350,000 with interest rates ranging from 1.75% to 4.00% for the purpose of purchasing and constructing capital improvements to the system. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually beginning on June 1, 2020. Interest is payable semi-annually on each June 1 and December 1.

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. 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. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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 \$12,920,000 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 \$12,460,000 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 \$3,125,000 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, 2013
(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
2014	\$ 745,000	\$ 346,477	\$ 1,091,477
2015	765,000	325,990	1,090,990
2016	790,000	302,275	1,092,275
2017	815,000	276,205	1,091,205
2018	850,000	247,680	1,097,680
2019—2023	2,460,000	913,438	3,373,438
2024—2028	2,205,000	652,560	2,857,560
2029—2033	2,560,000	299,500	2,859,500
Totals	\$ 11,190,000	\$ 3,364,125	\$ 14,554,125
Year Ending June 30	Water and Wastewater Department		
	Principal	Interest	Total Debt Service
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	4,410,000	1,616,106	6,026,106
2019—2023	16,655,000	6,371,423	23,026,423
2024—2028	6,870,000	4,851,326	11,721,326
2029—2033	8,545,000	3,183,900	11,728,900
2034—2037	8,535,000	845,681	9,380,681
Totals	\$ 61,140,000	\$ 24,458,907	\$ 85,598,907
Year Ending June 30	Totals—Business-type Activities		
	Principal	Interest	Total Debt Service
2014	\$ 4,555,000	\$ 2,404,895	\$ 6,959,895
2015	4,720,000	2,279,914	6,999,914
2016	4,895,000	2,147,632	7,042,632
2017	5,070,000	2,008,977	7,078,977
2018	5,260,000	1,863,786	7,123,786
2019—2023	19,115,000	7,284,861	26,399,861
2024—2028	9,075,000	5,503,886	14,578,886
2029—2033	11,105,000	3,483,400	14,588,400
2034—2037	8,535,000	845,681	9,380,681
Totals	\$ 72,330,000	\$ 27,823,032	\$ 100,153,032

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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 \$3,650,000 as of September 30, 2013. 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 (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill closes, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. 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 that the landfill will close in 2023. The amount reported as landfill closure and postclosure care liability at September 30, 2013 of \$2,160,500 represents the total estimated costs of performing all of the closure and postclosure care in the fiscal year 2013. 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:

<u>Class</u>	<u>Description</u>	<u>Assessment Percentage</u>
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, 2013
(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	\$ 4,617,080
Interest on net pension obligation	(92,415)
Adjustment to annual required contribution	<u>(148,751)</u>
Annual pension cost	\$ 4,375,914
Contributions made	<u>3,765,076</u>
Increase (decrease) in net pension obligation	\$ 610,838
Net pension obligation—beginning of year	<u>(1,232,205)</u>
Net pension obligation—end of year	<u><u>\$ (621,367)</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
October 1, 2012	\$ 4,375,914	86.0%	\$ (621,367)
October 1, 2011	4,241,696	91.7%	(1,232,205)
October 1, 2010	4,090,863	90.4%	(1,585,775)

Funded Status and Funding Progress—As of October 1, 2012, the most recent actuarial valuation date, the plan was 76.0% funded. The actuarial accrued liability for benefits was \$99.6 million and the actuarial value of assets was \$75.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$23.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$27.8 million, and the ratio of the UAAL to the covered payroll was 86.2%.

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, 2013
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Actuarial Methods and Assumptions—In the October 1, 2012 actuarial valuation, the entry age normal actuarial cost method 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 2.50%. 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, 2012, was twenty-eight (28) 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. During the 2012 regular session of the Alabama Legislature, Act 2012-377 was enacted to create a new defined benefit plan tier ("Tier 2") for employees with no previous creditable service hired on or after January 1, 2013. Any employees who had any creditable service prior to January 1, 2013 are referred to as "Tier 1" employees. Benefits vest after 10 years of creditable service. Tier 1 employees may retire with full benefits after 25 years of creditable service or at age 60 with 10 years of creditable service. Tier 2 employees may retire with full benefits at age 62 with 10 years of creditable 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) Guaranteed Minimum or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, Tier 1 retirees are allowed 2.0125% of their average compensation for the three highest years of the last ten years of creditable service and Tier 2 retirees are allowed 1.65% of their average compensation for the five highest years of the last ten years of creditable service; however, the benefit is capped at 80% of the retiree's average final compensation. 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, 2013
(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, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy—Tier 1 employees of the Library are required to contribute 7.5% of their annual covered salary. Tier 2 employees of the Library are required to contribute 6% of their annual covered salary. The Library is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2013 was 10.44% for Tier 1 employees and 10.36% for Tier 2 employees of annual covered payroll based on the September 30, 2010 actuarial valuation, as adjusted for COLAs granted to retirees, which was subsequently revised for an actuarial experience study prepared as of September 30, 2010 for changes in the actuarial assumptions and methods adopted by the Employees' Retirement System Board of Control on January 27, 2012.

Annual Pension Cost— For the year ended September 30, 2013, the Library's annual pension cost of \$44,725 was equal to the Library's required and actual contributions. The required contribution was determined as a part of the September 30, 2010 actuarial valuation, which was subsequently revised for an actuarial experience study prepared as of September 30, 2010 for changes in the actuarial assumptions and methods adopted by the Employees' Retirement System Board of Control on January 27, 2012, using the entry age actuarial cost method. The actuarial assumptions included: (a) 8.00% investment rate of return, (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 was 13 years. The Library's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2013 and the two preceding years were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2013	\$44,725	100%	\$ —
September 30, 2012	\$40,384	100%	—
September 30, 2011	\$47,257	100%	—

Funded Status and Funding Progress—As of September 30, 2012, the most recent actuarial valuation date, the plan was 74.0% funded. The actuarial accrued liability for benefits was \$891,650 and the actuarial value of assets was \$659,647, resulting in an unfunded actuarial accrued liability (UAAL) of \$232,003. The covered payroll (annual payroll of active employees covered by the plan) was \$381,592 and the ratio of the UAAL to the covered payroll was 60.8%.

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, 2013
(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, 2013
(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	
2014	\$ 201,372
2015	201,372
2016	201,372
2017	201,372
2018	201,372
Total	\$ 1,006,860

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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, 2013, 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, 2013, 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, 2012	\$ 2,439,290	\$ 961,207
Provision for (adjustment to) claims	777,581	218,522
Payment of claims	(777,581)	(218,522)
Claims liability, September 30, 2013	\$ 2,439,290	\$ 961,207

At September 30, 2013, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$352,806, \$5,018,513, and \$2,983,940, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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, 2013, 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 \$1,726,394.

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, 2013, open contracts for construction totaled \$3,052,935 of which \$1,617,528 had been recorded as construction in progress.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(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.

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, 2013, open contracts for construction totaled \$440,766 of which \$0 had been recorded as cumulative construction in progress. As of June 30, 2013, open contracts for system maintenance totaled \$4,224,651 of which \$1,601,368 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, 2013, the Department had made purchase commitments amounting to \$4,365,214 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, 2013, open contracts for construction totaled \$11,140,261 of which \$511,169 had been recorded as cumulative construction in progress. As of June 30, 2013, open contracts for system maintenance totaled \$189,544 of which \$68,226 had been recorded as current maintenance expense.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
Budgetary fund balance—beginning	\$ 12,497,525	\$ 12,497,525	\$ 12,497,525	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 30,405,000	\$ 30,405,000	\$ 30,577,309	\$ 172,309
Property	11,846,300	11,796,300	11,766,134	(30,166)
Motor fuel	385,000	385,000	401,288	16,288
Tobacco	297,500	297,500	275,288	(22,212)
Alcoholic beverages	1,058,500	1,058,500	1,034,844	(23,656)
Other	125,000	125,000	129,882	4,882
Total taxes	<u>\$ 44,117,300</u>	<u>\$ 44,067,300</u>	<u>\$ 44,184,745</u>	<u>\$ 117,445</u>
Licenses and permits:				
Business	\$ 3,222,000	\$ 3,357,000	\$ 3,523,438	\$ 166,438
Non-business	113,750	113,750	119,080	5,330
Total licenses and permits	<u>\$ 3,335,750</u>	<u>\$ 3,470,750</u>	<u>\$ 3,642,518</u>	<u>\$ 171,768</u>
Fines and forfeitures	<u>\$ 1,358,500</u>	<u>\$ 1,353,500</u>	<u>\$ 1,163,765</u>	<u>\$ (189,735)</u>
Charges for services:				
Cultural and recreational	\$ 1,710,750	\$ 1,710,350	\$ 1,639,703	\$ (70,647)
Highways and streets	69,200	69,200	67,089	(2,111)
Other	64,750	72,250	97,408	25,158
Total charges for services	<u>\$ 1,844,700</u>	<u>\$ 1,851,800</u>	<u>\$ 1,804,200</u>	<u>\$ (47,600)</u>
Intergovernmental	<u>\$ 1,004,850</u>	<u>\$ 1,144,850</u>	<u>\$ 1,306,172</u>	<u>\$ 161,322</u>
Other:				
Interest	\$ 32,000	\$ 32,000	\$ 26,120	\$ (5,880)
Other	60,000	65,820	5,835	(59,985)
Total other	<u>\$ 92,000</u>	<u>\$ 97,820</u>	<u>\$ 31,955</u>	<u>\$ (65,865)</u>
Transfers from other funds	<u>\$ 301,000</u>	<u>\$ 301,000</u>	<u>\$ 320,365</u>	<u>\$ 19,365</u>
Amounts available for appropriation	<u>\$ 64,551,625</u>	<u>\$ 64,784,545</u>	<u>\$ 64,951,245</u>	<u>\$ 166,700</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 283,110	\$ 286,810	\$ 287,446	\$ (636)
City council	280,912	295,512	291,122	4,390
Urban forestry	176,515	179,965	167,631	12,334
Purchasing and grants administration	221,389	221,989	226,835	(4,846)
Legal	243,786	243,786	251,157	(7,371)
Accounting	506,550	507,950	500,636	7,314
City clerk	557,594	557,594	500,434	57,160
Planning	347,610	348,010	353,689	(5,679)
Human resources	254,958	278,208	286,384	(8,176)
Administrative buildings	577,275	577,275	563,475	13,800
Building	684,187	684,187	670,685	13,502
Engineering	722,252	722,252	697,397	24,855
Total general administration	<u>\$ 4,856,138</u>	<u>\$ 4,903,538</u>	<u>\$ 4,796,891</u>	<u>\$ 106,647</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

	<u>Budgeted Amounts</u>		<u>Amounts (Budgetary Basis) (See Note A)</u>	<u>Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police	\$ 9,411,000	\$ 9,416,820	\$ 9,429,770	\$ (12,950)
Jail	410,000	410,000	404,888	5,112
Municipal court	495,684	497,084	509,136	(12,052)
Animal control	481,349	508,449	508,522	(73)
Fire	6,886,243	6,892,993	6,830,909	62,084
Total public safety	<u>\$ 17,684,276</u>	<u>\$ 17,725,346</u>	<u>\$ 17,683,225</u>	<u>\$ 42,121</u>
Public works:				
Streets	\$ 3,687,807	\$ 3,687,807	\$ 3,707,827	\$ (20,020)
Municipal lighting and utilities	1,000,350	1,002,550	1,032,105	(29,555)
Cemetery	253,277	253,277	267,305	(14,028)
Parking deck facility	96,473	96,473	68,929	27,544
Total public works	<u>\$ 5,037,907</u>	<u>\$ 5,040,107</u>	<u>\$ 5,076,166</u>	<u>\$ (36,059)</u>
Culture and recreation:				
Parks and recreation administration	\$ 1,948,412	\$ 1,950,912	\$ 2,135,780	\$ (184,868)
Parks	2,957,225	2,954,725	3,016,730	(62,005)
Golf course	1,202,505	1,202,505	1,242,900	(40,395)
Braly municipal stadium	207,207	207,207	194,711	12,496
Arts and museums	311,139	325,914	329,724	(3,810)
Total culture and recreation	<u>\$ 6,626,488</u>	<u>\$ 6,641,263</u>	<u>\$ 6,919,845</u>	<u>\$ (278,582)</u>
Nondepartmental:				
Other	\$ 1,363,700	\$ 1,363,700	\$ 1,353,594	\$ 10,106
Education—funding for school district	7,765,565	7,765,565	7,815,607	(50,042)
Transfers to other funds	8,678,073	8,678,073	8,799,069	(120,996)
Total nondepartmental	<u>\$ 17,807,338</u>	<u>\$ 17,807,338</u>	<u>\$ 17,968,270</u>	<u>\$ (160,932)</u>
Total charges to appropriations	<u>\$ 52,012,147</u>	<u>\$ 52,117,592</u>	<u>\$ 52,444,397</u>	<u>\$ (326,805)</u>
Budgetary fund balance—ending	<u>\$ 12,539,478</u>	<u>\$ 12,666,953</u>	<u>\$ 12,506,848</u>	<u>\$ (160,105)</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**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	\$ 64,951,245
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	(12,497,525)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(320,365)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 52,133,355</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 52,444,397
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,799,069)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 43,645,328</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, 2012	\$ 75,692,011	\$ 99,618,114	\$ 23,926,103	76.0%	\$ 27,759,757	86.2%
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%

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						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)— Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
September 30, 2012	\$ 659,647	\$ 891,650	\$ 232,003	74.0%	\$ 381,592	60.8%
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%

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, 2013**

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	\$ 123,888	\$ 115,684	\$ 237,327	\$ 24,609	\$	\$ 119,442	\$ 3,974,838	\$ 12,929	\$ 215,992
Receivables (net)	13,290	14,215	25,679			447			20,833
Accrued interest receivable	22	21	40	4			726	2	39
Loan receivables (net)						358,595	99,609		
Interfund receivables					39,882		1,293,255		600
Total assets	<u>\$ 137,200</u>	<u>\$ 129,920</u>	<u>\$ 263,046</u>	<u>\$ 24,613</u>	<u>\$ 39,882</u>	<u>\$ 478,484</u>	<u>\$ 5,368,428</u>	<u>\$ 12,931</u>	<u>\$ 237,464</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued expenses	\$	\$	\$ 116,023	\$ 4,778	\$	\$ 4,518	\$ 1,824,966	\$ 12,901	\$ 88,331
Interfund payables		405		19,835		118,486	300,000	30	3,876
Total liabilities	<u>\$ —</u>	<u>\$ 405</u>	<u>\$ 116,023</u>	<u>\$ 24,613</u>	<u>\$ —</u>	<u>\$ 123,004</u>	<u>\$ 2,124,966</u>	<u>\$ 12,931</u>	<u>\$ 92,207</u>
Fund balances									
Nonspendable:									
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:									
Street resurfacing and improvements	137,200	129,515	147,023						
Culture and recreation					39,882				
Public safety									145,257
HUD community development and rehabilitation						355,480			
Capital projects									
Assigned to:									
Capital projects							3,243,462		
Municipal building maintenance									
Economic development									
Total fund balances	<u>\$ 137,200</u>	<u>\$ 129,515</u>	<u>\$ 147,023</u>	<u>\$ —</u>	<u>\$ 39,882</u>	<u>\$ 355,480</u>	<u>\$ 3,243,462</u>	<u>\$ —</u>	<u>\$ 145,257</u>
Total liabilities and fund balance	<u>\$ 137,200</u>	<u>\$ 129,920</u>	<u>\$ 263,046</u>	<u>\$ 24,613</u>	<u>\$ 39,882</u>	<u>\$ 478,484</u>	<u>\$ 5,368,428</u>	<u>\$ 12,931</u>	<u>\$ 237,464</u>

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013
(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	Series 2013 G.O. Warrants (Tourism)	Total		
ASSETS										
Cash and cash equivalents	\$ 126,422	\$ 29,273	\$ 4,980,404	\$ —	\$ 1,103,273	\$ 635,562	\$ 1,131,554	\$ 2,870,389	\$ 240,957	\$ 8,091,750
Receivables (net)	5,372	83,496	163,332			507,510		507,510		670,842
Accrued interest receivable	35	9	898		203	136		339	43	1,280
Loan receivables (net)			458,204					—		458,204
Interfund receivables			1,333,737					—		1,333,737
Total assets	<u>\$ 131,829</u>	<u>\$ 112,778</u>	<u>\$ 6,936,575</u>	<u>\$ —</u>	<u>\$ 1,103,476</u>	<u>\$ 1,143,208</u>	<u>\$ 1,131,554</u>	<u>\$ 3,378,238</u>	<u>\$ 241,000</u>	<u>\$ 10,555,813</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 112,086	\$ 22,185	\$ 2,185,788	\$ —	\$ 7,525	\$ 18,098	\$ 178,687	\$ 204,310	\$ —	\$ 2,390,098
Interfund payables	19,743	73,459	535,834		112,976		3,900	116,876	330	653,040
Total liabilities	<u>\$ 131,829</u>	<u>\$ 95,644</u>	<u>\$ 2,721,622</u>	<u>\$ —</u>	<u>\$ 120,501</u>	<u>\$ 18,098</u>	<u>\$ 182,587</u>	<u>\$ 321,186</u>	<u>\$ 330</u>	<u>\$ 3,043,138</u>
Fund balances										
Nonspendable:										
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,670	\$ 240,670
Restricted for:										
Street resurfacing and improvements			413,738					—		413,738
Culture and recreation			39,882					—		39,882
Public safety			145,257					—		145,257
HUD community development and rehabilitation			355,480					—		355,480
Capital projects			—		982,975		948,967	1,931,942		1,931,942
Assigned to:										
Capital projects			3,243,462					—		3,243,462
Municipal building maintenance		17,134	17,134					—		17,134
Economic development			—			1,125,110		1,125,110		1,125,110
Total fund balances	<u>\$ —</u>	<u>\$ 17,134</u>	<u>\$ 4,214,953</u>	<u>\$ —</u>	<u>\$ 982,975</u>	<u>\$ 1,125,110</u>	<u>\$ 948,967</u>	<u>\$ 3,057,052</u>	<u>\$ 240,670</u>	<u>\$ 7,512,675</u>
Total liabilities and fund balance	<u>\$ 131,829</u>	<u>\$ 112,778</u>	<u>\$ 6,936,575</u>	<u>\$ —</u>	<u>\$ 1,103,476</u>	<u>\$ 1,143,208</u>	<u>\$ 1,131,554</u>	<u>\$ 3,378,238</u>	<u>\$ 241,000</u>	<u>\$ 10,555,813</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	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	\$ 145,327	\$ 155,903	\$ 346,704	\$	\$	\$	\$	\$	\$
Intergovernmental						439,331	4,000		91,084
Interest revenues	445	388	603	59			55,024		350
Program revenues				23,405		10,121			75,866
Miscellaneous							20,000		26,667
Total revenues	<u>\$ 145,772</u>	<u>\$ 156,291</u>	<u>\$ 347,307</u>	<u>\$ 23,464</u>	<u>\$ —</u>	<u>\$ 449,452</u>	<u>\$ 79,024</u>	<u>\$ —</u>	<u>\$ 193,967</u>
EXPENDITURES									
Current operating:									
General administration	\$	\$	\$	\$	\$	46,769	87,520	\$	\$
Public safety				1,317				5	143,785
Public works		25,732				329,686	41,990		
Culture and recreation					991		1,110		
Other						98,138	125,000		
Education—funding for school district							1,530,160		
Capital outlay and improvements	203,100	150,000	443,894	29,940			849,824		6,399
Debt service:									
Principal payments									
Interest and fiscal charges									
Total expenditures	<u>\$ 203,100</u>	<u>\$ 175,732</u>	<u>\$ 443,894</u>	<u>\$ 31,257</u>	<u>\$ 991</u>	<u>\$ 474,593</u>	<u>\$ 2,635,604</u>	<u>\$ 5</u>	<u>\$ 150,184</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (57,328)</u>	<u>\$ (19,441)</u>	<u>\$ (96,587)</u>	<u>\$ (7,793)</u>	<u>\$ (991)</u>	<u>\$ (25,141)</u>	<u>\$ (2,556,580)</u>	<u>\$ (5)</u>	<u>\$ 43,783</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	\$	\$	\$	\$	\$	\$	8,175,809	\$	\$
Proceeds from warrants									
Transfers out	(107,580)	(107,580)	(215,155)	(19,835)			(4,540,165)		
Total other financing sources (uses)	<u>\$ (107,580)</u>	<u>\$ (107,580)</u>	<u>\$ (215,155)</u>	<u>\$ (19,835)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,635,644</u>	<u>\$ —</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ (164,908)</u>	<u>\$ (127,021)</u>	<u>\$ (311,742)</u>	<u>\$ (27,628)</u>	<u>\$ (991)</u>	<u>\$ (25,141)</u>	<u>\$ 1,079,064</u>	<u>\$ (5)</u>	<u>\$ 43,783</u>
Fund balances—beginning	<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>
Fund balances—ending	<u>\$ 137,200</u>	<u>\$ 129,515</u>	<u>\$ 147,023</u>	<u>\$ —</u>	<u>\$ 39,882</u>	<u>\$ 355,480</u>	<u>\$ 3,243,462</u>	<u>\$ —</u>	<u>\$ 145,257</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(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	Series 2013 G.O. Warrants (Tourism)	Total		
REVENUES										
Taxes	\$		\$ 647,934	\$	\$		\$	\$ —	\$	\$ 647,934
Intergovernmental			534,415			885,912		885,912		1,420,327
Interest revenues		81	56,950			1,851	2,378	4,229		61,179
Program revenues		221,022	330,414						730	331,144
Miscellaneous			46,667							46,667
Total revenues	\$ —	\$ 221,103	\$ 1,616,380	\$ —	\$ 887,763	\$ 2,378	\$ —	\$ 890,141	\$ 730	\$ 2,507,251
EXPENDITURES										
Current operating:										
General administration	\$	\$ 338,218	\$ 472,507	\$	\$		\$	\$ —	\$	\$ 472,507
Public safety			145,107			8,020		8,020		153,127
Public works			397,408							397,408
Culture and recreation			2,101			40,298		40,298		42,399
Other			223,138							223,138
Education—funding for school district			1,530,160							1,530,160
Capital outlay and improvements			1,683,157			473,400	11,000	1,051,033		3,218,590
Debt service:										
Principal payments			—			3,718,810				3,718,810
Interest and fiscal charges			—			1,711,543				1,711,543
Total expenditures	\$ —	\$ 338,218	\$ 4,453,578	\$ 5,430,353	\$ 521,718	\$ 11,000	\$ 1,051,033	\$ 1,583,751	\$ —	\$ 11,467,682
Excess (deficiency) of revenues over expenditures	\$ —	\$ (117,115)	\$ (2,837,198)	\$ (5,430,353)	\$ 366,045	\$ (8,622)	\$ (1,051,033)	\$ (693,610)	\$ 730	\$ (8,960,431)
OTHER FINANCING SOURCES (USES)										
Transfers in	\$	\$ 117,115	\$ 8,292,924	\$ 5,430,353	\$	\$	\$	\$ —	\$	\$ 13,723,277
Proceeds from warrants			—					2,000,000		2,000,000
Transfers out			(4,990,315)						(530)	(4,990,845)
Total other financing sources (uses)	\$ —	\$ 117,115	\$ 3,302,609	\$ 5,430,353	\$ —	\$ —	\$ 2,000,000	\$ 2,000,000	\$ (530)	\$ 10,732,432
Net change in fund balances	\$ —	\$ —	\$ 465,411	\$ —	\$ 366,045	\$ (8,622)	\$ 948,967	\$ 1,306,390	\$ 200	\$ 1,772,001
Fund balances—beginning		17,134	3,749,542	—	616,930	1,133,732	—	1,750,662	240,470	5,740,674
Fund balances—ending	\$ —	\$ 17,134	\$ 4,214,953	\$ —	\$ 982,975	\$ 1,125,110	\$ 948,967	\$ 3,057,052	\$ 240,670	\$ 7,512,675

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2013**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 141,801	\$ 5,016,044	\$ 2,982,720	\$ 8,140,565
Receivables (net)	210,967	1,561	674	213,202
Accrued interest receivable	38	908	546	1,492
Total current assets	\$ 352,806	\$ 5,018,513	\$ 2,983,940	\$ 8,355,259
Noncurrent assets				
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total noncurrent assets	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total assets	\$ 352,806	\$ 5,068,513	\$ 3,083,940	\$ 8,505,259
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 179,011	\$ 3,166	\$ 60,524	\$ 242,701
Interfund payables	173,795		395	174,190
Noncurrent liabilities				
Claims reserve		961,207	2,439,290	3,400,497
Total liabilities	\$ 352,806	\$ 964,373	\$ 2,500,209	\$ 3,817,388
NET POSITION				
Restricted for:				
Other purposes	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted		4,054,140	483,731	4,537,871
Total net position	\$ —	\$ 4,104,140	\$ 583,731	\$ 4,687,871

**CITY OF FLORENCE, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Governmental Activities—Internal Service Funds			Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	
Operating revenues				
User charges	\$ 1,939,752	\$ 325,176	\$ 509,870	\$ 2,774,798
Total operating revenues	<u>\$ 1,939,752</u>	<u>\$ 325,176</u>	<u>\$ 509,870</u>	<u>\$ 2,774,798</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 1,923,067	\$ 218,522	\$ 777,581	\$ 2,919,170
Operations and administration	17,080	39,021	88,132	144,233
Total operating expenses	<u>\$ 1,940,147</u>	<u>\$ 257,543</u>	<u>\$ 865,713</u>	<u>\$ 3,063,403</u>
Operating income (loss)	<u>\$ (395)</u>	<u>\$ 67,633</u>	<u>\$ (355,843)</u>	<u>\$ (288,605)</u>
Non-operating revenues (expenses)				
Interest revenues	395	10,480	6,606	17,481
Change in net position	<u>\$ —</u>	<u>\$ 78,113</u>	<u>\$ (349,237)</u>	<u>\$ (271,124)</u>
Net position—beginning	—	4,026,027	932,968	4,958,995
Net position—ending	<u><u>\$ —</u></u>	<u><u>\$ 4,104,140</u></u>	<u><u>\$ 583,731</u></u>	<u><u>\$ 4,687,871</u></u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	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	\$ 2,335,248	\$ 325,176	\$ 509,870	\$ 3,170,294
Payments to suppliers	(1,851,488)	(285,053)	(870,426)	(3,006,967)
Net cash provided (used) by operating activities	\$ 483,760	\$ 40,123	\$ (360,556)	\$ 163,327
Cash flows from investing activities				
Interest on investments	\$ 357	\$ 9,572	\$ 6,060	\$ 15,989
Due to (from) other funds	(394,284)	498,750	300,395	404,861
Net cash provided (used) by investing activities	\$ (393,927)	\$ 508,322	\$ 306,455	\$ 420,850
Net increase (decrease) in cash and cash equivalents	\$ 89,833	\$ 548,445	\$ (54,101)	\$ 584,177
Cash and cash equivalents—beginning	51,968	4,517,599	3,136,821	7,706,388
Cash and cash equivalents—ending	\$ 141,801	\$ 5,066,044	\$ 3,082,720	\$ 8,290,565
<i>Classified as:</i>				
Current assets	\$ 141,801	\$ 5,016,044	\$ 2,982,720	\$ 8,140,565
Restricted assets		50,000	100,000	150,000
Totals	\$ 141,801	\$ 5,066,044	\$ 3,082,720	\$ 8,290,565
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ (395)	\$ 67,633	\$ (355,843)	\$ (288,605)
Changes in assets and liabilities				
Receivables (net)	\$ 395,496	\$ —	\$ —	\$ 395,496
Accounts payable and accrued expenses	88,659	(27,510)	(4,713)	56,436
Total adjustments	\$ 484,155	\$ (27,510)	\$ (4,713)	\$ 451,932
Net cash provided (used) by operating activities	\$ 483,760	\$ 40,123	\$ (360,556)	\$ 163,327

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 302,108	\$ 302,108	\$ 302,108	\$ —
Resources (inflows):				
Taxes	148,000	148,000	145,327	(2,673)
Interest revenues	250	250	445	195
Amounts available for appropriation	<u>\$ 450,358</u>	<u>\$ 450,358</u>	<u>\$ 447,880</u>	<u>\$ (2,478)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 39,335	\$ 200,000	\$ 203,100	\$ (3,100)
Transfers to other funds	108,915	108,915	107,580	1,335
Total charges to appropriations	<u>\$ 148,250</u>	<u>\$ 308,915</u>	<u>\$ 310,680</u>	<u>\$ (1,765)</u>
Budgetary fund balance—ending	<u>\$ 302,108</u>	<u>\$ 141,443</u>	<u>\$ 137,200</u>	<u>\$ (4,243)</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	\$ 447,880
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	(302,108)
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>\$ 145,772</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 310,680
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(107,580)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 203,100</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 256,536	\$ 256,536	\$ 256,536	\$ —
Resources (inflows):				
Taxes	163,150	163,150	155,903	(7,247)
Interest revenues	300	300	388	88
Amounts available for appropriation	<u>\$ 419,986</u>	<u>\$ 419,986</u>	<u>\$ 412,827</u>	<u>\$ (7,159)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 40,000	\$ 40,000	\$ 25,732	\$ 14,268
Capital outlay and improvements	14,535	164,535	150,000	14,535
Transfers to other funds	108,915	108,915	107,580	1,335
Total charges to appropriations	<u>\$ 163,450</u>	<u>\$ 313,450</u>	<u>\$ 283,312</u>	<u>\$ 30,138</u>
Budgetary fund balance—ending	<u>\$ 256,536</u>	<u>\$ 106,536</u>	<u>\$ 129,515</u>	<u>\$ 22,979</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	\$ 412,827
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	(256,536)
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>\$ 156,291</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 283,312
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(107,580)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 175,732</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 458,765	\$ 458,765	\$ 458,765	\$ —
Resources (inflows):				
Taxes	330,000	330,000	346,704	16,704
Interest revenues	350	350	603	253
Amounts available for appropriation	<u>\$ 789,115</u>	<u>\$ 789,115</u>	<u>\$ 806,072</u>	<u>\$ 16,957</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 112,525	\$ 328,000	\$ 443,894	\$ (115,894)
Transfers to other funds	217,825	217,825	215,155	2,670
Total charges to appropriations	<u>\$ 330,350</u>	<u>\$ 545,825</u>	<u>\$ 659,049</u>	<u>\$ (113,224)</u>
Budgetary fund balance—ending	<u>\$ 458,765</u>	<u>\$ 243,290</u>	<u>\$ 147,023</u>	<u>\$ (96,267)</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	\$ 806,072
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	(458,765)
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>\$ 347,307</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 659,049
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(215,155)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 443,894</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 27,628	\$ 27,628	\$ 27,628	\$ —
Resources (inflows):				
Intergovernmental	90,000	90,000		(90,000)
Interest revenues	50	50	59	9
Program revenues	25,000	25,000	23,405	(1,595)
Amounts available for appropriation	<u>\$ 142,678</u>	<u>\$ 142,678</u>	<u>\$ 51,092</u>	<u>\$ (91,586)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 75,000	\$ 75,000	\$ —	\$ 75,000
Public safety	40,050	40,050	1,317	38,733
Capital outlay and improvements			29,940	(29,940)
Transfers to other funds			19,835	(19,835)
Total charges to appropriations	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 51,092</u>	<u>\$ 63,958</u>
Budgetary fund balance—ending	<u>\$ 27,628</u>	<u>\$ 27,628</u>	<u>\$ —</u>	<u>\$ (27,628)</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	\$ 51,092
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	(27,628)
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>\$ 23,464</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 51,092
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(19,835)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 31,257</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 40,873	\$ 40,873	\$ 40,873	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 16,000	\$ 16,000	\$ 991	\$ 15,009
Total charges to appropriations	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 991</u>	<u>\$ 15,009</u>
Budgetary fund balance—ending	<u>\$ 24,873</u>	<u>\$ 24,873</u>	<u>\$ 39,882</u>	<u>\$ 15,009</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	\$ 40,873
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	(40,873)
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	\$ 991
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>\$ 991</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 380,621	\$ 380,621	\$ 380,621	\$ —
Resources (inflows):				
Intergovernmental	321,117	321,117	439,331	118,214
Program revenues	45,000	45,000	10,121	(34,879)
Amounts available for appropriation	<u>\$ 746,738</u>	<u>\$ 746,738</u>	<u>\$ 830,073</u>	<u>\$ 83,335</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 64,000	\$ 64,000	\$ 46,769	\$ 17,231
Public works	169,117	847,000	329,686	517,314
Other	88,000	120,000	98,138	21,862
Total charges to appropriations	<u>\$ 321,117</u>	<u>\$ 1,031,000</u>	<u>\$ 474,593</u>	<u>\$ 556,407</u>
Budgetary fund balance—ending	<u>\$ 425,621</u>	<u>\$ (284,262)</u>	<u>\$ 355,480</u>	<u>\$ 639,742</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	\$ 830,073
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	(380,621)
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>\$ 449,452</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 474,593
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>\$ 474,593</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 2,164,398	\$ 2,164,398	\$ 2,164,398	\$ —
Resources (inflows):				
Intergovernmental			4,000	4,000
Interest revenues	4,500	4,500	55,024	50,524
Miscellaneous			20,000	20,000
Transfers from other funds	8,161,430	8,161,430	8,175,809	14,379
Amounts available for appropriation	<u>\$ 10,330,328</u>	<u>\$ 10,330,328</u>	<u>\$ 10,419,231</u>	<u>\$ 88,903</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 92,500	\$ 168,500	\$ 87,520	\$ 80,980
Public works	20,000	125,000	41,990	83,010
Culture and recreation		1,200	1,110	90
Other	100,000	125,000	125,000	—
Education—funding for school district	1,518,235	1,518,235	1,530,160	(11,925)
Capital outlay and improvements	1,214,925	1,266,425	849,824	416,601
Debt service:				
Interest and fiscal charges	804,000	804,000		804,000
Transfers to other funds	4,416,270	4,416,270	4,540,165	(123,895)
Total charges to appropriations	<u>\$ 8,165,930</u>	<u>\$ 8,424,630</u>	<u>\$ 7,175,769</u>	<u>\$ 1,248,861</u>
Budgetary fund balance—ending	<u>\$ 2,164,398</u>	<u>\$ 1,905,698</u>	<u>\$ 3,243,462</u>	<u>\$ 1,337,764</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	\$ 10,419,231
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	(2,164,398)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(8,175,809)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 79,024</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,175,769
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,540,165)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,635,604</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 101,474	\$ 101,474	\$ 101,474	\$ —
Resources (inflows):				
Intergovernmental	150,000	150,000	91,084	(58,916)
Interest revenues			350	350
Program revenues	45,500	45,500	75,866	30,366
Miscellaneous			26,667	26,667
Amounts available for appropriation	<u>\$ 296,974</u>	<u>\$ 296,974</u>	<u>\$ 295,441</u>	<u>\$ (1,533)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 195,500	\$ 195,500	\$ 143,785	\$ 51,715
Capital outlay and improvements			6,399	(6,399)
Total charges to appropriations	<u>\$ 195,500</u>	<u>\$ 195,500</u>	<u>\$ 150,184</u>	<u>\$ 45,316</u>
Budgetary fund balance—ending	<u>\$ 101,474</u>	<u>\$ 101,474</u>	<u>\$ 145,257</u>	<u>\$ 43,783</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	\$ 295,441
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	(101,474)
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>\$ 193,967</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 150,184
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>\$ 150,184</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 17,134	\$ 17,134	\$ 17,134	\$ —
Resources (inflows):				
Interest revenues	100	100	81	(19)
Program revenues	240,000	240,000	221,022	(18,978)
Transfers from other funds	80,000	80,000	117,115	37,115
Amounts available for appropriation	<u>\$ 337,234</u>	<u>\$ 337,234</u>	<u>\$ 355,352</u>	<u>\$ 18,118</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 320,100	\$ 320,100	\$ 338,218	\$ (18,118)
Total charges to appropriations	<u>\$ 320,100</u>	<u>\$ 320,100</u>	<u>\$ 338,218</u>	<u>\$ (18,118)</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	\$ 355,352
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>(117,115)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 221,103</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 338,218
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>\$ 338,218</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$984 for the year ended September 30, 2013. The excess expenditures were provided for by transfers from other funds.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	4,987,556	4,987,556	5,430,353	442,797
Amounts available for appropriation	<u>\$ 4,987,556</u>	<u>\$ 4,987,556</u>	<u>\$ 5,430,353</u>	<u>\$ 442,797</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,685,000	\$ 3,685,000	\$ 3,718,810	\$ (33,810)
Interest and fiscal charges	1,302,556	1,302,556	1,711,543	(408,987)
Total charges to appropriations	<u>\$ 4,987,556</u>	<u>\$ 4,987,556</u>	<u>\$ 5,430,353</u>	<u>\$ (442,797)</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	\$ 5,430,353
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	<u>(5,430,353)</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	\$ 5,430,353
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>\$ 5,430,353</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$442,797 for the year ended September 30, 2013. 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, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 616,930	\$ 616,930	\$ 616,930	\$ —
Resources (inflows):				
Intergovernmental	250,000	250,000	885,912	635,912
Interest revenues	500	500	1,851	1,351
Amounts available for appropriation	<u>\$ 867,430</u>	<u>\$ 867,430</u>	<u>\$ 1,504,693</u>	<u>\$ 637,263</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 13,200	\$ 13,200	\$ 8,020	\$ 5,180
Culture and recreation	40,950	40,950	40,298	652
Capital outlay and improvements	196,350	228,350	473,400	(245,050)
Total charges to appropriations	<u>\$ 250,500</u>	<u>\$ 282,500</u>	<u>\$ 521,718</u>	<u>\$ (239,218)</u>
Budgetary fund balance—ending	<u>\$ 616,930</u>	<u>\$ 584,930</u>	<u>\$ 982,975</u>	<u>\$ 398,045</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	\$ 1,504,693
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	(616,930)
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>\$ 887,763</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 521,718
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>\$ 521,718</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 1,133,732	\$ 1,133,732	\$ 1,133,732	\$ —
Resources (inflows):				
Interest revenues	2,000	2,000	2,378	378
Amounts available for appropriation	<u>\$ 1,135,732</u>	<u>\$ 1,135,732</u>	<u>\$ 1,136,110</u>	<u>\$ 378</u>
Charges to appropriations (outflows):				
Current operating:				
Other	\$ 250,000	\$ 250,000	\$ —	\$ 250,000
Capital outlay and improvements			11,000	(11,000)
Total charges to appropriations	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 11,000</u>	<u>\$ 239,000</u>
Budgetary fund balance—ending	<u>\$ 885,732</u>	<u>\$ 885,732</u>	<u>\$ 1,125,110</u>	<u>\$ 239,378</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	\$ 1,136,110
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	(1,133,732)
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>\$ 2,378</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,000
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>\$ 11,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 240,470	\$ 240,470	\$ 240,470	\$ —
Resources (inflows):				
Program revenues	400	400	730	330
Amounts available for appropriation	<u>\$ 240,870</u>	<u>\$ 240,870</u>	<u>\$ 241,200</u>	<u>\$ 330</u>
Charges to appropriations (outflows):				
Transfers to other funds	\$ 400	\$ 400	\$ 530	\$ (130)
Total charges to appropriations	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 530</u>	<u>\$ (130)</u>
Budgetary fund balance—ending	<u>\$ 240,470</u>	<u>\$ 240,470</u>	<u>\$ 240,670</u>	<u>\$ 200</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	\$ 241,200
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	(240,470)
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>\$ 730</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 530
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(530)</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 POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 121,045,000	\$ 121,045,000	\$ 120,108,044	\$ (936,956)
Other	630,000	630,000	639,201	9,201
Total operating revenues	<u>\$ 121,675,000</u>	<u>\$ 121,675,000</u>	<u>\$ 120,747,245</u>	<u>\$ (927,755)</u>
Operating expenses				
Costs of sales	\$ 97,250,000	\$ 97,250,000	\$ 94,529,545	\$ 2,720,455
Operations, maintenance, and administration	14,517,800	14,731,000	14,356,784	374,216
Depreciation	4,600,000	4,600,000	4,628,512	(28,512)
Taxes and tax equivalents	3,202,000	3,202,000	3,209,637	(7,637)
Total operating expenses	<u>\$ 119,569,800</u>	<u>\$ 119,783,000</u>	<u>\$ 116,724,478</u>	<u>\$ 3,058,522</u>
Operating income (loss)	<u>\$ 2,105,200</u>	<u>\$ 1,892,000</u>	<u>\$ 4,022,767</u>	<u>\$ 2,130,767</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 40,000	\$ 40,000	\$ 38,947	\$ (1,053)
Merchandising revenues (net of costs)	175,000	172,200	106,082	(66,118)
Miscellaneous nonoperating income			2,611	2,611
Gain on disposition of assets			165,117	165,117
Interest expense	(186,700)	(186,700)	(233,606)	(46,906)
Amortization of debt discount and costs	(43,700)	(43,700)	(45,250)	(1,550)
Total nonoperating revenues (expenses)	<u>\$ (15,400)</u>	<u>\$ (18,200)</u>	<u>\$ 33,901</u>	<u>\$ 52,101</u>
Change in net position	<u>\$ 2,089,800</u>	<u>\$ 1,873,800</u>	<u>\$ 4,056,668</u>	<u>\$ 2,182,868</u>

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 18,413,200	\$ 18,413,200	\$ 16,702,977	\$ (1,710,223)
Other	13,100	13,100	12,604	(496)
Total operating revenues	<u>\$ 18,426,300</u>	<u>\$ 18,426,300</u>	<u>\$ 16,715,581</u>	<u>\$ (1,710,719)</u>
Operating expenses				
Costs of sales	\$ 10,251,500	\$ 10,251,500	\$ 8,157,714	\$ 2,093,786
Operations, maintenance, and administration	4,746,700	4,797,500	4,561,333	236,167
Depreciation	1,350,000	1,350,000	1,385,378	(35,378)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,537,500	1,537,500	1,517,295	20,205
Total operating expenses	<u>\$ 17,896,400</u>	<u>\$ 17,947,200</u>	<u>\$ 15,632,381</u>	<u>\$ 2,314,819</u>
Operating income (loss)	<u>\$ 529,900</u>	<u>\$ 479,100</u>	<u>\$ 1,083,200</u>	<u>\$ 604,100</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 13,500	\$ 13,500	\$ 12,080	\$ (1,420)
Gain on disposition of assets	3,500	3,500	6,800	3,300
Miscellaneous nonoperating income	135,200	135,200	147,531	12,331
Total nonoperating revenues (expenses)	<u>\$ 152,200</u>	<u>\$ 152,200</u>	<u>\$ 166,411</u>	<u>\$ 14,211</u>
Change in net position	<u>\$ 682,100</u>	<u>\$ 631,300</u>	<u>\$ 1,249,611</u>	<u>\$ 618,311</u>

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 19,509,300	\$ 19,509,300	\$ 18,499,885	\$ (1,009,415)
Other	236,500	236,500	284,811	48,311
Total operating revenues	<u>\$ 19,745,800</u>	<u>\$ 19,745,800</u>	<u>\$ 18,784,696</u>	<u>\$ (961,104)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 9,458,200	\$ 9,534,200	\$ 9,060,638	\$ 473,562
Depreciation	2,977,300	2,977,300	3,049,453	(72,153)
Taxes and tax equivalents	1,680,600	1,680,600	1,622,099	58,501
Total operating expenses	<u>\$ 14,116,100</u>	<u>\$ 14,192,100</u>	<u>\$ 13,732,190</u>	<u>\$ 459,910</u>
Operating income (loss)	<u>\$ 5,629,700</u>	<u>\$ 5,553,700</u>	<u>\$ 5,052,506</u>	<u>\$ (501,194)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 12,500	\$ 12,500	\$ 11,174	\$ (1,326)
Gain (loss) on disposition of assets			(341,229)	(341,229)
Interest expense	(2,159,300)	(2,159,300)	(2,122,064)	37,236
Amortization of debt discount and costs	(58,000)	(58,000)	(58,010)	(10)
Total nonoperating revenues (expenses)	<u>\$ (2,204,800)</u>	<u>\$ (2,204,800)</u>	<u>\$ (2,510,129)</u>	<u>\$ (305,329)</u>
Change in net position	<u>\$ 3,424,900</u>	<u>\$ 3,348,900</u>	<u>\$ 2,542,377</u>	<u>\$ (806,523)</u>

**CITY OF FLORENCE, ALABAMA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 4,229,620	\$ 4,229,620	\$ 4,776,297	\$ 546,677
Other	4,000	4,000	3,870	(130)
Total operating revenues	<u>\$ 4,233,620</u>	<u>\$ 4,233,620</u>	<u>\$ 4,780,167</u>	<u>\$ 546,547</u>
Operating expenses				
Operations, maintenance, and administration	\$ 4,780,014	\$ 4,780,014	\$ 5,035,599	\$ (255,585)
Depreciation	660,020	660,020	614,959	45,061
Taxes and tax equivalents	143,490	143,490	136,161	7,329
Total operating expenses	<u>\$ 5,583,524</u>	<u>\$ 5,583,524</u>	<u>\$ 5,786,719</u>	<u>\$ (203,195)</u>
Operating income (loss)	<u>\$ (1,349,904)</u>	<u>\$ (1,349,904)</u>	<u>\$ (1,006,552)</u>	<u>\$ 343,352</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 6,600	\$ 6,600	\$ 4,109	\$ (2,491)
Gain (loss) on disposition of assets	24,000	24,000	(6,953)	(30,953)
Grants	218,295	218,295	283,128	64,833
Total nonoperating revenues (expenses)	<u>\$ 248,895</u>	<u>\$ 248,895</u>	<u>\$ 280,284</u>	<u>\$ 31,389</u>
Change in net position	<u>\$ (1,101,009)</u>	<u>\$ (1,101,009)</u>	<u>\$ (726,268)</u>	<u>\$ 374,741</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEE GROUP HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 297,000	\$ 297,000	\$ 1,939,752	\$ 1,642,752
Total operating revenues	<u>\$ 297,000</u>	<u>\$ 297,000</u>	<u>\$ 1,939,752</u>	<u>\$ 1,642,752</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 282,200	\$ 282,200	\$ 1,923,067	\$ (1,640,867)
Operations and administration	15,000	15,000	17,080	(2,080)
Total operating expenses	<u>\$ 297,200</u>	<u>\$ 297,200</u>	<u>\$ 1,940,147</u>	<u>\$ (1,642,947)</u>
Operating income (loss)	<u>\$ (200)</u>	<u>\$ (200)</u>	<u>\$ (395)</u>	<u>\$ (195)</u>
Nonoperating revenues				
Interest revenues	200	200	395	195
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
GENERAL LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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	\$ 313,500	\$ 313,500	\$ 325,176	\$ 11,676
Total operating revenues	<u>\$ 313,500</u>	<u>\$ 313,500</u>	<u>\$ 325,176</u>	<u>\$ 11,676</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 209,500	\$ 240,600	\$ 218,522	\$ 22,078
Operations and administration	114,000	82,900	39,021	43,879
Total operating expenses	<u>\$ 323,500</u>	<u>\$ 323,500</u>	<u>\$ 257,543</u>	<u>\$ 65,957</u>
Operating income (loss)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 67,633</u>	<u>\$ 77,633</u>
Nonoperating revenues				
Interest revenues	10,000	10,000	10,480	480
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 78,113</u>	<u>\$ 78,113</u>

**CITY OF FLORENCE, ALABAMA
 WORKERS' COMPENSATION INSURANCE FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
 BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<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)	\$ 403,400	\$ 403,400	\$ 777,581	\$ (374,181)
Operations and administration	114,000	114,000	88,132	25,868
Total operating expenses	<u>\$ 517,400</u>	<u>\$ 517,400</u>	<u>\$ 865,713</u>	<u>\$ (348,313)</u>
Operating income (loss)	<u>\$ (7,500)</u>	<u>\$ (7,500)</u>	<u>\$ (355,843)</u>	<u>\$ (348,343)</u>
Nonoperating revenues				
Interest revenues	7,500	7,500	6,606	(894)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (349,237)</u>	<u>\$ (349,237)</u>

SINGLE AUDIT SECTION

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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-11-MC-01-0003	\$ 25,006
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-01-0003	420,003
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-01-0003	35,448
Total direct programs			<u>\$ 480,457</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Emergency Solutions Grant Program (Note 3)	14.231	ESG-11-001	\$ 55,470
Emergency Solutions Grant Program (Note 3)	14.231	ESG-12-001	11,403
Total pass-through program			<u>\$ 66,873</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 547,330</u>
<u>U.S. Department of Justice</u>			
<i>Direct programs:</i>			
Joint Law Enforcement Operations	16.111	JLEOTFS3	<u>\$ 30,095</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	\$ 37,227
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-DJ-01-021	69,999
<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	113
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1158	11,607
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0883	5,780
Total pass-through programs			<u>\$ 124,726</u>
Total U.S. Department of Justice			<u>\$ 154,821</u>
<u>U.S. Department of Homeland Security</u>			
<i>Pass-through program from—</i>			
<i>Alabama Emergency Management Agency:</i>			
Disaster Grants - Public Assistance	97.036	FEMA-1971-DR-AL	<u>\$ 223,267</u>
Total U.S. Department of Homeland Security			<u>\$ 223,267</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		<u>\$ 194</u>
Total General Services Administration			<u>\$ 194</u>
Total Expenditures of Federal Awards			<u><u>\$ 925,612</u></u>

The accompanying notes are an integral part of this schedule.



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**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 Water and Wastewater 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>66,873</u>



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

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**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements, and have issued our report thereon dated April 2, 2014. 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

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

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

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



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

We noted certain other matters that we reported to management of the City of Florence, Alabama in a separate letter dated April 2, 2014.

Purpose of this Report

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

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
April 2, 2014



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 ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

The City of Florence, Alabama's basic financial statements include the operations of the City of Florence, Alabama Water and Wastewater Department, which received \$1,118,157 in federal awards which is not included in the schedule during the year ended September 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

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



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Opinion on Each Major Federal Program

In our opinion, the City of Florence, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

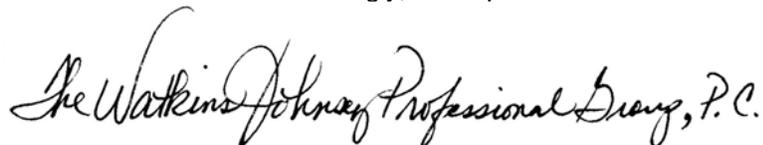
Report on Internal Control Over Compliance

Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Florence, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
April 2, 2014

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

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.