



THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

Our Mission

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

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

CITY OF FLORENCE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

As of September 30, 2015

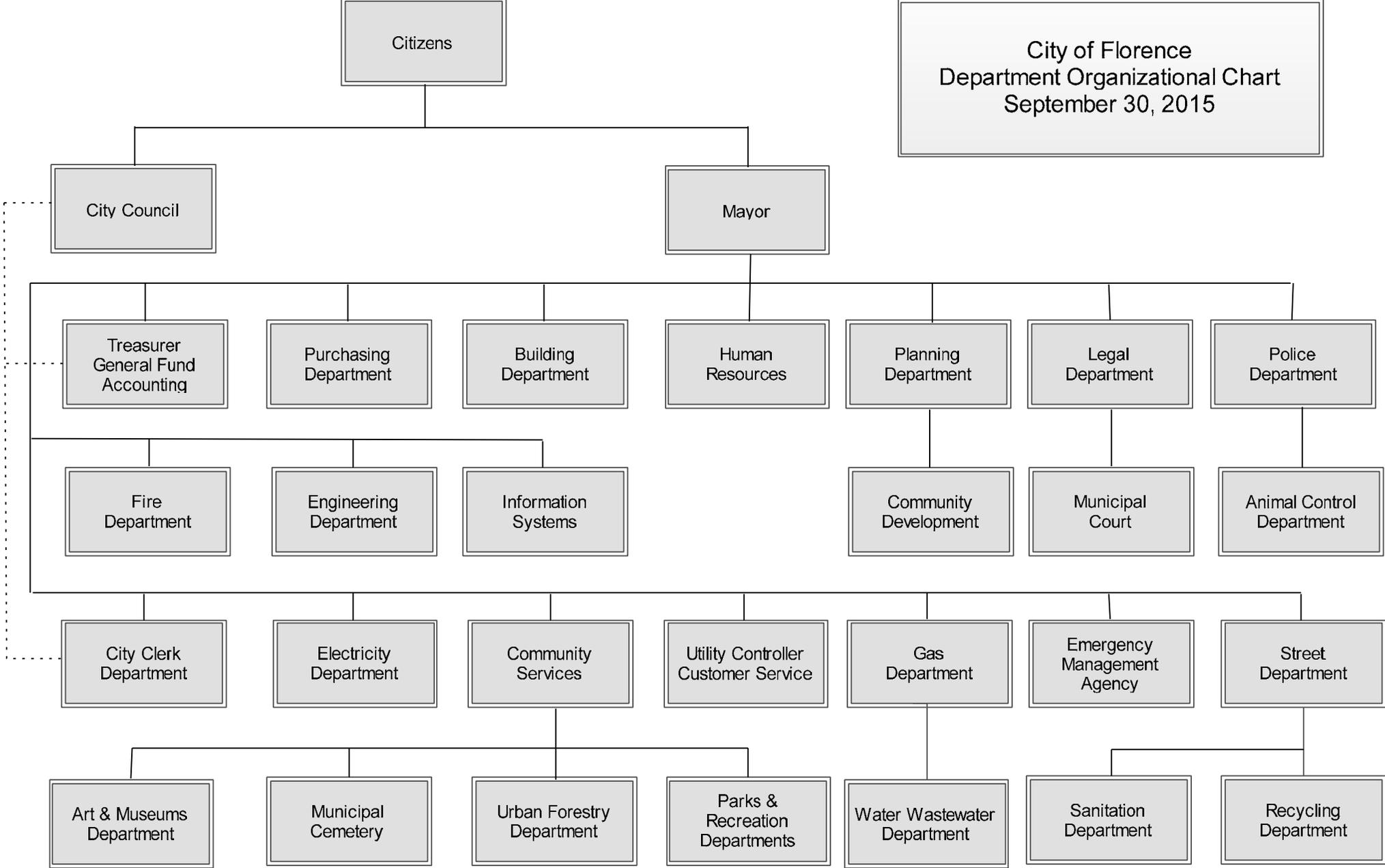
Elected Officials

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
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Jeff Perkins
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, 2015



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, 2015, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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, 2015, 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.

Emphasis of Matter

As described in Note 21 to the financial statements, in 2015, the City of Florence, Alabama adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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 81 through 89 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 combining and individual nonmajor fund financial statements and other supplementary information 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 and other supplementary information 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 March 30, 2016, 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 black ink that reads "The Watkins Johnsey Professional Group, P.C." in a cursive script.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 30, 2016



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2015

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, 2015. 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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, 2015 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, 2015 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 90.

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 37-40 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 92-94 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 43-80 of this report.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 90-94. Required supplementary information can be found on pages 81-89 of this report. Other Supplementary Schedules follow, starting on page 90.

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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$293,299,547 (net position). Of this amount, \$34,525,922 is unrestricted net position. The City's net position includes \$96,936,359 from Governmental Activities and \$196,363,188 from Business-Type Activities, as reported on page 28.

By far the largest portion of the City's net position (84.71%) 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 (3.52%) 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. 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 2015		Fiscal Year 2014		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 31,552,493	56.76%	\$ 31,066,478	55.96%	1.56%
Property Taxes and Equivalents	11,938,539	21.48%	11,909,695	21.45%	0.24%
Motor Fuel	1,054,870	1.90%	1,031,687	1.86%	2.25%
Alcoholic Beverages	1,003,811	1.81%	1,015,240	1.83%	-1.13%
Other	435,591	0.78%	368,207	0.66%	18.30%
Licenses and Permits	3,465,737	6.23%	3,533,404	6.37%	-1.92%
Court Fines and Forfeitures	1,393,623	2.51%	1,261,180	2.27%	10.50%
Charges for Services	1,785,611	3.21%	1,838,325	3.31%	-2.87%
Intergovernmental	1,932,143	3.48%	2,863,358	5.16%	-32.52%
Interest Revenues	91,495	0.16%	96,476	0.17%	-5.16%
Other	937,255	1.69%	527,542	0.95%	77.66%
Total	<u>\$ 55,591,168</u>	<u>100.00%</u>	<u>\$ 55,511,592</u>	<u>100.00%</u>	<u>0.14%</u>

Sales and Use taxes are the largest revenue source for the City comprising 56.76% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2014 to September 30, 2015 by \$486,015 or 1.56%. Property taxes are the second largest revenue source for the City comprising 21.48% of governmental revenues. For the year ended September 30, 2015, taxes of real property inside the City limits produced revenues of \$4,736,997 while personal property taxes for the period were \$663,443. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,538,099.

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 2015		Fiscal Year 2014		Change
Current Operating					
General Administration	\$ 5,763,626	9.78%	\$ 5,540,834	8.73%	4.02%
Public Safety	17,980,114	30.51%	18,207,176	28.70%	-1.25%
Public Works	5,547,877	9.42%	6,003,863	9.46%	-7.59%
Culture and Recreation	7,165,954	12.16%	7,040,707	11.10%	1.78%
Other	1,546,148	2.62%	4,778,010	7.53%	-67.64%
Education	9,686,775	16.44%	9,556,992	15.06%	1.36%
Capital Outlay and Improvements	4,147,419	7.04%	5,282,403	8.33%	-21.49%
Debt Service					
Principal Payments	5,193,825	8.81%	4,978,936	7.85%	4.32%
Interest and Fiscal Charges	1,893,082	3.21%	2,061,031	3.25%	-8.15%
Total	<u>\$ 58,924,820</u>	<u>100.00%</u>	<u>\$ 63,449,952</u>	<u>100.00%</u>	<u>-7.13%</u>

Analysis of the Governmental Funds

As of the end of the 2015 fiscal year, the City's governmental funds reported a combined ending fund balance of \$27,848,240. In the City's General Fund, the ending fund balance was \$12,783,749.

The General Fund's fund balance is 23.68% 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 \$4,686,350 or 57.87%.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 12,664,220	\$ 18,517,672	\$ 31,181,892
Fund Balance-Ending	12,783,749	15,064,491	27,848,240
Net Change in Fund Balances	<u>\$ 119,529</u>	<u>\$ (3,453,181)</u>	<u>\$ (3,333,652)</u>

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2015	FY 2014	Variance	
			Dollars	Percent
Current Assets	\$ 44,555,292	\$ 48,237,764	\$ (3,682,472)	-7.63%
Restricted Assets	150,000	150,000	-	0.00%
Capital Assets, Net	115,941,776	116,068,523	(126,747)	-0.11%
Total Assets	<u>\$ 160,647,068</u>	<u>\$ 164,456,287</u>	<u>\$ (3,809,219)</u>	<u>-2.32%</u>
Deferred Outflows of Resources	\$ 3,963,491	\$ 1,233,194	\$ 2,730,297	221.40%
Current Liabilities	\$ 11,121,428	\$ 12,690,798	\$ (1,569,370)	-12.37%
Long-term Liabilities	55,769,714	49,581,352	6,188,362	12.48%
Total Liabilities	<u>\$ 66,891,142</u>	<u>\$ 62,272,150</u>	<u>\$ 4,618,992</u>	<u>7.42%</u>
Deferred Inflows of Resources	\$ 783,058	\$ -	\$ 783,058	100.00%
Net Investment in				
Capital Assets	\$ 82,813,880	\$ 80,045,458	\$ 2,768,422	3.46%
Restricted	1,667,314	2,227,675	(560,361)	-25.15%
Unrestricted	12,455,165	21,144,198	(8,689,033)	-41.09%
Total Net Position	<u>\$ 96,936,359</u>	<u>\$ 103,417,331</u>	<u>\$ (6,480,972)</u>	<u>-6.27%</u>

Changes in Net Position – Governmental Activities

Governmental Activities Changes in Net Position

	FY 2015	FY 2014	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 31,552,493	\$ 31,066,478	\$ 486,015	1.56%
Property	11,938,539	11,909,695	28,844	0.24%
Motor Fuel	1,054,870	1,031,687	23,183	2.25%
Alcoholic Beverages	1,003,811	1,015,240	(11,429)	-1.13%
Other	435,591	368,207	67,384	18.30%
Interest Revenues	108,360	114,035	(5,675)	-4.98%
Gain (Loss) on Disposal of Assets	501,145	63,267	437,878	692.11%
Total General Revenues	<u>\$ 46,594,809</u>	<u>\$ 45,568,609</u>	<u>\$ 1,026,200</u>	<u>2.25%</u>
Program Revenues				
Charges for Services	\$ 8,125,172	\$ 8,066,438	\$ 58,734	0.73%
Operating Grants and Contributions	552,852	1,192,583	(639,731)	-53.64%
Capital Grants and Contributions	334,737	1,535,542	(1,200,805)	-78.20%
Total Program Revenues	<u>\$ 9,012,761</u>	<u>\$ 10,794,563</u>	<u>\$ (1,781,802)</u>	<u>-16.51%</u>
Total Revenues	<u>\$ 55,607,570</u>	<u>\$ 56,363,172</u>	<u>\$ (755,602)</u>	<u>-1.34%</u>
Governmental Expenses				
General Administration	\$ 6,016,797	\$ 5,971,816	\$ 44,981	0.75%
Public Safety	18,239,480	18,827,919	(588,439)	-3.13%
Public Works	5,651,354	6,098,579	(447,225)	-7.33%
Public Ways and Facilities	1,310,088	1,251,560	58,528	4.68%
Culture and Recreation	9,356,693	9,221,002	135,691	1.47%
Other	1,546,148	4,778,010	(3,231,862)	-67.64%
Education—Funding for School District	9,686,775	9,556,992	129,783	1.36%
Interest and Fiscal Charges	1,789,364	1,957,404	(168,040)	-8.58%
Total Expenses	<u>\$ 53,596,699</u>	<u>\$ 57,663,282</u>	<u>\$ (4,066,583)</u>	<u>-7.05%</u>
Change in Net Position	\$ 2,010,871	\$ (1,300,110)	\$ 3,310,981	254.67%
Total Net Position - Beginning, as Restated	<u>94,925,488</u>	<u>104,717,441</u>	<u>(9,791,953)</u>	<u>-9.35%</u>
Total Net Position - Ending	<u>\$ 96,936,359</u>	<u>\$ 103,417,331</u>	<u>\$ (6,480,972)</u>	<u>-6.27%</u>

The fiscal year 2015 beginning net position has been restated to reflect the cumulative effect of an \$8,491,843 decrease due to the implementation of GASB Statements No. 68 and 71.

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 decreased \$4.7 million or 6%; Gas decreased \$1.5 million or 3%; Water and Wastewater increased \$.4 million or .6%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$5.0 million or 6%; Gas increased \$.8 million or 3%; Water and Wastewater increased \$2.3 million or 2%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$1.6 million or 1%; Gas increased \$.8 million or 4%; Water and Wastewater increased \$.7 million or 4%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$.3 million or .2%; Gas increased \$.6 million or 3%; Water and Wastewater increased \$45,000 or .3%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$22,200 or 14%; Gas increased about \$3,700 or 3%; Water and Wastewater decreased about \$4,400 or 53%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$20,800 or 6%; Gas had no nonoperating expenses in FY 2014 or 2015; Water and Wastewater increased \$405,000 or 20%.

Electricity Department

The Electricity Department's net position decreased from last year by \$4,662,039 or about 6%. 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 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 39,206,110	\$ 40,339,754	\$ (1,133,644)	-2.81%
Capital Assets, Net	82,315,981	77,349,662	4,966,319	6.42%
Other Noncurrent Assets	7,214,641	11,243,642	(4,029,001)	-35.83%
Total Assets	\$ 128,736,732	\$ 128,933,058	\$ (196,326)	-0.15%
Deferred Outflows of Resources	\$ 1,781,779	\$ 131,987	\$ 1,649,792	1249.97%
Current Liabilities	\$ 27,247,935	\$ 26,739,700	\$ 508,235	1.90%
Noncurrent Liabilities	22,680,188	17,552,312	5,127,876	29.21%
Total Liabilities	\$ 49,928,123	\$ 44,292,012	\$ 5,636,111	12.72%
Deferred Inflows of Resources	\$ 479,394	\$ -	\$ 479,394	100.00%
Net Investment in Capital Assets	\$ 72,754,891	\$ 70,523,632	\$ 2,231,259	3.16%
Restricted for Debt Service	983,728	981,628	2,100	0.21%
Unrestricted	6,372,375	13,267,773	(6,895,398)	-51.97%
Total Net Position	\$ 80,110,994	\$ 84,773,033	\$ (4,662,039)	-5.50%

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.

As the following table indicates, operating revenues decreased approximately \$1.6 million or about 1% from FY 2014. During FY 2015, 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% decrease in kilowatt-hours sold in FY 2015 compared to FY 2014. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses by \$20,756 or about 6%. The Electricity Department's restated beginning net position reflects the cumulative effect of a \$5,537,736 decrease due to the implementation of GASB Statements No. 68 and 71.

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

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 122,288,703</u>	<u>\$ 123,872,164</u>	<u>\$ (1,583,461)</u>	<u>-1.28%</u>
Operating Expenses				
Cost of Sales	\$ 98,677,848	\$ 98,841,170	\$ (163,322)	-0.17%
Operations	9,003,944	9,068,833	(64,889)	-0.72%
Maintenance	5,267,929	5,510,894	(242,965)	-4.41%
Depreciation	4,929,365	4,775,924	153,441	3.21%
Taxes and Tax Equivalents	3,319,618	3,275,364	44,254	1.35%
Total Operating Expenses	<u>\$ 121,198,704</u>	<u>\$ 121,472,185</u>	<u>\$ (273,481)</u>	<u>-0.23%</u>
Operating Income	<u>\$ 1,089,999</u>	<u>\$ 2,399,979</u>	<u>\$ (1,309,980)</u>	<u>-54.58%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 140,468	\$ 162,669	\$ (22,201)	-13.65%
Nonoperating Expenses	(354,770)	(375,526)	20,756	-5.53%
Total Nonoperating Revenues (Exp)	<u>\$ (214,302)</u>	<u>\$ (212,857)</u>	<u>\$ (1,445)</u>	<u>-0.68%</u>
Change in Net Position	\$ 875,697	\$ 2,187,122	\$ (1,311,425)	-59.96%
Total Net Position - Beginning, Restated	<u>79,235,297</u>	<u>82,585,911</u>	<u>(3,350,614)</u>	<u>-4.06%</u>
Total Net Position - Ending	<u><u>\$ 80,110,994</u></u>	<u><u>\$ 84,773,033</u></u>	<u><u>\$ (4,662,039)</u></u>	<u><u>-5.50%</u></u>

Gas Department

The Gas Department's net position decreased from last year by \$1,500,782 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 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 14,316,160	\$ 14,102,049	\$ 214,111	1.52%
Capital Assets, Net	32,016,513	31,170,225	846,288	2.72%
Total Assets	\$ 46,332,673	\$ 45,272,274	\$ 1,060,399	2.34%
Deferred Outflows of Resources	\$ 264,827	\$ -	\$ 264,827	100.00%
Current Liabilities	\$ 1,643,478	\$ 1,462,214	\$ 181,264	12.40%
Noncurrent Liabilities	2,800,295	324,742	2,475,553	762.31%
Total Liabilities	\$ 4,443,773	\$ 1,786,956	\$ 2,656,817	148.68%
Deferred Inflows of Resources	\$ 169,191	\$ -	\$ 169,191	100.00%
Net Investment in Capital Assets	\$ 32,016,513	\$ 31,170,225	\$ 846,288	2.72%
Unrestricted	9,968,023	12,315,093	(2,347,070)	-19.06%
Total Net Position	\$ 41,984,536	\$ 43,485,318	\$ (1,500,782)	-3.45%

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 \$.8 million or about 4% from FY 2014. The last general rate change in FY 2015 was effective February 2015. The Gas Department experienced an approximate 10.0% decrease in overall sales volume in FY 2015 compared to FY 2014. Cost of sales increased by \$.5 million or about 6% due to a large customer changing from transport only customer to purchasing gas from the Department. The Gas Department experienced an increase in nonoperating revenues of \$3,652 or about 3%. The Gas Department did not have nonoperating expenses in FY 2014 or FY 2015. The Gas Department's restated beginning net position reflects the cumulative effect of a \$2,364,324 decrease due to the implementation of GASB Statements No. 68 and 71.

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

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 18,513,461</u>	<u>\$ 17,750,840</u>	<u>\$ 762,621</u>	<u>4.30%</u>
Operating Expenses				
Cost of Sales	\$ 10,297,285	\$ 9,748,755	\$ 548,530	5.63%
Operations	2,856,290	2,879,775	(23,485)	-0.82%
Maintenance	1,615,883	1,663,162	(47,279)	-2.84%
Depreciation and Amortization	1,523,920	1,454,272	69,648	4.79%
Taxes and Tax Equivalents	1,497,567	1,490,014	7,553	0.51%
Total Operating Expenses	<u>\$ 17,790,945</u>	<u>\$ 17,235,978</u>	<u>\$ 554,967</u>	<u>3.22%</u>
Operating Income	<u>\$ 722,516</u>	<u>\$ 514,862</u>	<u>\$ 207,654</u>	<u>40.33%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 141,026	\$ 137,374	\$ 3,652	2.66%
Total Nonoperating Revenues (Exp)	<u>\$ 141,026</u>	<u>\$ 137,374</u>	<u>\$ 3,652</u>	<u>2.66%</u>
Change in Net Position	\$ 863,542	\$ 652,236	\$ 211,306	32.40%
Total Net Position - Beginning, Restated	<u>41,120,994</u>	<u>42,833,082</u>	<u>(1,712,088)</u>	<u>-4.00%</u>
Total Net Position - Ending	<u><u>\$ 41,984,536</u></u>	<u><u>\$ 43,485,318</u></u>	<u><u>\$ (1,500,782)</u></u>	<u><u>-3.45%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$438,988 or about 1%. 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 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 11,334,842	\$ 9,692,877	\$ 1,641,965	16.94%
Capital Assets, Net	117,039,044	114,703,932	2,335,112	2.04%
Other Noncurrent Assets	8,577,094	9,949,561	(1,372,467)	-13.79%
Total Assets	\$ 136,950,980	\$ 134,346,370	\$ 2,604,610	1.94%
Deferred Outflows of Resources	\$ 636,056	\$ 232,893	\$ 403,163	173.11%
Current Liabilities	\$ 6,402,913	\$ 6,745,736	\$ (342,823)	-5.08%
Noncurrent Liabilities	57,638,707	54,895,172	2,743,535	5.00%
Total Liabilities	\$ 64,041,620	\$ 61,640,908	\$ 2,400,712	3.89%
Deferred Inflows of Resources	\$ 168,073	\$ -	\$ 168,073	100.00%
Net Investment in Capital Assets	\$ 57,989,289	\$ 61,892,552	\$ (3,903,263)	-6.31%
Restricted for Debt Service	7,677,451	3,620,455	4,056,996	112.06%
Unrestricted	7,710,603	7,425,348	285,255	3.84%
Total Net Position	\$ 73,377,343	\$ 72,938,355	\$ 438,988	0.60%

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.

As the following table indicates, operating revenues increased approximately \$.7 million or about 4% from FY 2014 revenues. The increase in operating revenues was largely due to a rate increase implemented July 2014. Operating expenses increased by about \$45,400 or about .3%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of about \$4,400 or 53%. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$405,000 or 20% primarily due to nonrecurring retirements of capital assets that were not fully depreciated in FY 2015. The Water and Wastewater Department's restated beginning net position reflects the cumulative effect of a \$1,883,333 decrease due to the implementation of GASB Statements No. 68 and 71.

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

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 19,126,420	\$ 18,418,797	\$ 707,623	3.84%
Operating Expenses				
Water Treatment and Pumping	\$ 2,896,453	\$ 2,875,811	\$ 20,642	0.72%
Sewage Disposal	2,017,003	2,270,622	(253,619)	-11.17%
Transmission and Distribution	1,597,297	1,387,053	210,244	15.16%
Accounting and Collections	930,891	980,305	(49,414)	-5.04%
Administrative and General	1,789,913	1,824,139	(34,226)	-1.88%
Depreciation	3,458,344	3,335,619	122,725	3.68%
Taxes and Tax Equivalents	1,638,279	1,609,253	29,026	1.80%
Total Operating Expenses	\$ 14,328,180	\$ 14,282,802	\$ 45,378	0.32%
Operating Income	\$ 4,798,240	\$ 4,135,995	\$ 662,245	16.01%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 3,965	\$ 8,410	\$ (4,445)	-52.85%
Nonoperating Expenses	(2,479,884)	(2,075,194)	(404,690)	19.50%
Total Nonoperating Revenues (Exp)	\$ (2,475,919)	\$ (2,066,784)	\$ (409,135)	19.80%
Change in Net Position	\$ 2,322,321	\$ 2,069,211	\$ 253,110	12.23%
Total Net Position - Beginning, Restated	71,055,022	70,869,144	185,878	0.26%
Total Net Position - Ending	\$ 73,377,343	\$ 72,938,355	\$ 438,988	0.60%

Financial Highlights – 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 \$55,602 and non-operating income of \$579,132 for the fiscal year ended September 30, 2015. This operating loss results from direct Grant expenses of \$75,736 included in operating expenses while the revenue is recognized as non-operating income. Most of the grant's purchases were capitalized and will be expensed through depreciation over the next five years.
- Total net position for the year ended September 30, 2015 was \$3,409,219. Prior period's net position was restated as a result of GASB Statement No. 68 pension reporting requirements. After restatement, 2015 Net Position increased by \$523,530 or 18.14% over the prior year.
- Of the Fund's \$3,410,550 in total liabilities, \$3,089,440 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$2,254,730, accrued compensated absences of \$136,559 and accrued pension liability of \$698,151.
- The Solid Waste Fund's operating revenues declined \$74,703 or 1.34% from the prior year while operating expenses decreased \$95,899 or 1.69%.
- Nonoperating revenues increased by \$173,042 or 42.61%. The total grant revenue of \$562,000 is recognized as nonoperating revenue for the period.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$3,409,219.
- 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. There were no adjustments to this fee schedule during the current fiscal year.

The Solid Waste Fund's net position decreased from last year by \$142,311 or 4.01%. The table below focuses on the changes in net position for the fiscal year:

Solid Waste Fund Net Position				
	FY 2015	FY 2014	Variance	
			Dollars	Percent
Current Assets	\$ 3,875,718	\$ 4,220,036	\$ (344,318)	-8.16%
Capital Assets, Net	2,870,559	1,951,383	919,176	47.10%
Total Assets	<u>\$ 6,746,277</u>	<u>\$ 6,171,419</u>	<u>\$ 574,858</u>	<u>9.31%</u>
Deferred Outflows of Resources	\$ 143,378	\$ -	\$ 143,378	100.00%
Current Liabilities	\$ 321,110	\$ 285,848	\$ 35,262	12.34%
Noncurrent Liabilities	3,089,440	2,334,041	755,399	32.36%
Total Liabilities	<u>\$ 3,410,550</u>	<u>\$ 2,619,889</u>	<u>\$ 790,661</u>	<u>30.18%</u>
Deferred Inflows of Resources	\$ 69,886	\$ -	\$ 69,886	100.00%
Net Position				
Net Investment in Capital Assets	\$ 2,870,559	\$ 1,951,383	\$ 919,176	47.10%
Unrestricted	538,660	1,600,147	(1,061,487)	-66.34%
Total Net Position	<u>\$ 3,409,219</u>	<u>\$ 3,551,530</u>	<u>\$ (142,311)</u>	<u>-4.01%</u>

As the following table indicates, Solid Waste Fund operating revenues decreased \$74,703 or 1.34% from the prior year while operating expenses decreased \$95,899 or 1.69%:

Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position				
	FY 2015	FY 2014	Variance	
			Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 4,652,059	\$ 4,679,031	\$ (26,972)	-0.58%
Landfill Fees	191,669	214,957	(23,288)	-10.83%
Recycling Revenue and Fees	665,874	690,010	(24,136)	-3.50%
Other Operating Revenues	3,593	3,900	(307)	-7.87%
Total Operating Revenues	<u>\$ 5,513,195</u>	<u>\$ 5,587,898</u>	<u>\$ (74,703)</u>	<u>-1.34%</u>
Operating Expenses				
Sanitation	\$ 4,533,572	\$ 4,598,444	\$ (64,872)	-1.41%
Recycling	1,035,225	1,066,252	(31,027)	-2.91%
Total Operating Expenses	<u>\$ 5,568,797</u>	<u>\$ 5,664,696</u>	<u>\$ (95,899)</u>	<u>-1.69%</u>
Operating Income (Loss)	\$ (55,602)	\$ (76,798)	\$ 21,196	27.60%
Nonoperating Revenues	579,132	406,090	173,042	42.61%
Change in Net Position	\$ 523,530	\$ 329,292	\$ 194,238	58.99%
Total Net Position-Beginning, Restated	2,885,689	3,222,238	(336,549)	-10.44%
Total Net Position-Ending	<u>\$ 3,409,219</u>	<u>\$ 3,551,530</u>	<u>\$ (142,311)</u>	<u>-4.01%</u>

The Solid Waste Fund's restated beginning net position reflects the cumulative effect of a \$665,841 decrease due to the implementation of GASB Statements No. 68 and 71.

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 October 7, 2014. This original budget was not revised during the fiscal year. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 81-83.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$53,613,372 compared to the final budget of \$53,982,662. Revenues were \$369,290 under the final budgeted amount. Total expenditures and appropriations for the period were \$53,493,843 compared to the final budget of \$53,969,326.

The General Fund's departmental operating budgets and actual performance are shown on pages 81-83 of this report.

	General Fund Budgetary Comparison Schedule				
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 12,664,220	\$ 12,664,220	\$ 12,664,220	\$ -	-
Resources (Inflows)					
Taxes	45,646,332	45,646,332	45,360,399	(285,933)	-0.63%
Licenses and Permits	3,484,500	3,484,500	3,465,737	(18,763)	-0.54%
Fines and Forfeitures	1,249,750	1,249,750	1,393,623	143,873	11.51%
Charges for Services	2,003,025	2,003,025	1,785,611	(217,414)	-10.85%
Intergovernmental	1,214,055	1,214,055	1,244,254	30,199	2.49%
Other	85,000	85,000	63,217	(21,783)	-25.63%
Transfers From Other Funds	300,000	300,000	300,531	531	0.18%
Amounts Available for Appropriation	<u>\$ 66,646,882</u>	<u>\$ 66,646,882</u>	<u>\$ 66,277,592</u>	<u>\$ (369,290)</u>	<u>-0.55%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 5,165,170	\$ 5,165,170	\$ 5,055,507	\$ (109,663)	-2.12%
Public Safety	17,985,770	17,985,770	17,812,139	(173,631)	-0.97%
Public Works	5,102,226	5,102,226	5,011,216	(91,010)	-1.78%
Cultural and Recreation	6,967,478	6,967,478	7,028,521	61,043	0.88%
Non-Departmental	18,748,682	18,748,682	18,586,460	(162,222)	-0.87%
Total Charges to Appropriations	<u>\$ 53,969,326</u>	<u>\$ 53,969,326</u>	<u>\$ 53,493,843</u>	<u>\$ (475,483)</u>	<u>-0.88%</u>
Budgetary Fund Balance Ending	<u>\$ 12,677,556</u>	<u>\$ 12,677,556</u>	<u>\$ 12,783,749</u>	<u>\$ 106,193</u>	<u>0.84%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2015 original budgets for the Gas and Water and Wastewater Departments were adopted on July 15, 2014. The original budget for the Electricity Department was adopted on October 7, 2014. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were not amended in FY 2015. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 120,956,000	\$ 122,288,703	\$ 1,332,703	1.10%
Operating Expenses	119,202,200	121,198,704	(1,996,504)	-1.67%
Operating Income	\$ 1,753,800	\$ 1,089,999	\$ (663,801)	-37.85%
Nonoperating Revenues (Expenses)	(172,300)	(214,302)	(42,002)	-24.38%
Change in Net Position	\$ 1,581,500	\$ 875,697	\$ (705,803)	-44.63%

As the above budget report shows, the Electricity Department did not meet the budgeted Change in Net Position by \$705,803 or approximately 45%. As you can see on the budget schedule in the 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, 2015

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 19,707,200	\$ 18,513,461	\$ (1,193,739)	-6.06%
Operating Expenses	19,478,200	17,790,945	1,687,255	8.66%
Operating Income	\$ 229,000	\$ 722,516	\$ 493,516	215.51%
Nonoperating Revenues (Expenses)	154,500	141,026	(13,474)	-8.72%
Change in Net Position	\$ 383,500	\$ 863,542	\$ 480,042	125.17%

The Gas Department exceeded the budgeted Change in Net Position by \$480,042, or approximately 125%. As you can see on the budget schedule in the supplementary information, the total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was largely 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, 2015

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 19,475,300	\$ 19,126,420	\$ (348,880)	-1.79%
Operating Expenses	15,322,800	14,328,180	994,620	6.49%
Operating Income	\$ 4,152,500	\$ 4,798,240	\$ 645,740	15.55%
Nonoperating Revenues (Expenses)	(2,002,250)	(2,475,919)	(473,669)	-23.66%
Change in Net Position	\$ 2,150,250	\$ 2,322,321	\$ 172,071	8.00%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$172,071, or approximately 8%. As you can see on the budget schedule in the supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water sales, sewage disposal expense, depreciation expense, and loss on disposition of assets.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 7, 2014. 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 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, 2015

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,652,059	\$ (63,426)	-1.35%
Landfill Fees	200,000	200,000	191,669	(8,331)	-4.17%
Recycling Revenue and Fees	754,000	754,000	665,874	(88,126)	-11.69%
Other Operating Revenues	4,000	4,000	3,593	(407)	-10.18%
Total Operating Revenues	\$ 5,673,485	\$ 5,673,485	\$ 5,513,195	\$ (160,290)	-2.83%
Operating Expenses					
Sanitation	\$ 4,598,338	\$ 4,598,338	\$ 4,533,572	\$ 64,766	1.41%
Recycling	1,003,358	1,003,358	1,035,225	(31,867)	-3.18%
Total Operating Expenses	\$ 5,601,696	\$ 5,601,696	\$ 5,568,797	\$ 32,899	0.59%
Operating Income (Loss)	\$ 71,789	\$ 71,789	\$ (55,602)	\$ (127,391)	177.45%
Nonoperating Revenues	184,500	184,500	579,132	394,632	213.89%
Change in Net Position	\$ 256,289	\$ 256,289	\$ 523,530	\$ 267,241	104.27%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2015, 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, 2015 amounted to \$350,183,873.

Governmental Activities

	Governmental Activities				
	Capital Assets, Net				
	FY 2015	FY 2014	Variance		
		Dollars	Percent		
Land	\$ 7,103,200	\$ 6,775,200	\$ 328,000	4.84%	
Construction in Progress	1,912,286	4,409,822	(2,497,536)	-56.64%	
Land Improvements	26,006,987	23,379,006	2,627,981	11.24%	
Accumulated Depreciation	(11,404,362)	(10,501,189)	(903,173)	-8.60%	
Buildings	43,009,582	42,431,621	577,961	1.36%	
Accumulated Depreciation	(19,525,937)	(18,447,899)	(1,078,038)	-5.84%	
Equipment and Vehicles	23,011,975	23,036,144	(24,169)	-0.10%	
Accumulated Depreciation	(20,062,771)	(19,687,984)	(374,787)	-1.90%	
Infrastructure	164,359,170	161,149,402	3,209,768	1.99%	
Accumulated Depreciation	(98,468,354)	(96,475,600)	(1,992,754)	-2.07%	
Net Capital Assets	\$ 115,941,776	\$ 116,068,523	\$ (126,747)	-0.11%	

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$840,563, infrastructure improvements including the completion of a Sportsplex addition and various storm drainage projects totaling \$3,209,768, and building renovations and additions of \$577,961. Of this year's capital additions, \$5,101,649 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2015, \$1,912,286 of capital projects were recorded as construction in progress.

Business-Type Activities

At the end of FY 2015, 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 2015

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 162,127,921	\$ 156,353,379	\$ 5,774,542	3.69%
Construction in Progress	5,720,497	4,260,295	1,460,202	34.27%
Less: Accumulated Depreciation	(85,532,437)	(83,264,012)	(2,268,425)	2.72%
Net Utility Plant	<u>\$ 82,315,981</u>	<u>\$ 77,349,662</u>	<u>\$ 4,966,319</u>	<u>6.42%</u>

As the above table shows, the Electricity Department experienced a 6.42% increase in net utility plant. In FY 2015, the Department spent the remaining approximately \$3.5 million of warrant proceeds on capital projects authorized in the warrant documents. The Department plans to finance capital expenditures in FY 2016 through cash generated from current operations and cash reserves.

Gas Department

Gas Department Capital Assets, Net FY 2015

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 56,049,850	\$ 54,829,398	\$ 1,220,452	2.23%
Acquisition Adjustment (net of amortization)	168,802	179,463	(10,661)	-5.94%
Construction in Progress	12,002	104,418	(92,416)	-88.51%
Less: Accumulated Depreciation	(24,214,141)	(23,943,054)	(271,087)	1.13%
Net Utility Plant	<u>\$ 32,016,513</u>	<u>\$ 31,170,225</u>	<u>\$ 846,288</u>	<u>2.72%</u>

As the above table shows, the Gas Department increased net utility plant by 2.7%. The increase in capital assets was largely due to installation of radio read meters. The Department plans to finance capital expenditures in FY 2016 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2015

	FY 2015	FY 2014	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 167,971,612	\$ 157,132,064	\$ 10,839,548	6.90%
Construction in Progress	4,634,093	10,758,933	(6,124,840)	-56.93%
Less: Accumulated Depreciation	(55,566,661)	(53,187,065)	(2,379,596)	4.47%
Net Utility Plant	<u>\$ 117,039,044</u>	<u>\$ 114,703,932</u>	<u>\$ 2,335,112</u>	<u>2.04%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 2.04%. In FY 2015, the Department spent a significant amount on capital improvements. At year-end, there were several large projects in progress. In FY 2015, the Department spent about \$1.5 million of Series 2011 Revenue Warrants' proceeds on approved capital projects. The Department spent about \$5.1 million of proceeds from the 2013 SRF warrants and about \$143,000 from TVA and the Florence Industrial Economic Development funds. The Department plans to finance capital expenditures in FY 2016 with cash reserves, cash generated from current operations, various grants, and the remaining proceeds from the Water and Sewer Revenue Warrants, Series 2011.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2015, net capital assets comprised 42.55% of the Fund's total assets. Capital assets are maintained in six distinct asset categories: land, landfill 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, 2015

	FY 2015	FY 2014	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Landfill Improvements	3,611,786	3,602,276	9,510	0.26%
Accumulated Depreciation	(3,568,489)	(3,567,016)	(1,474)	-0.04%
Construction In Progress	9,650	-	9,650	-100.00%
Buildings	954,335	943,615	10,720	1.14%
Accumulated Depreciation	(523,189)	(504,648)	(18,541)	-3.67%
Equipment	5,475,829	4,576,962	898,867	19.64%
Accumulated Depreciation	(4,130,881)	(3,954,128)	(176,753)	-4.47%
Vehicles	3,722,337	3,380,852	341,485	10.10%
Accumulated Depreciation	(2,885,172)	(2,730,883)	(154,289)	-5.65%
Net Capital Assets	<u>\$ 2,870,559</u>	<u>\$ 1,951,383</u>	<u>\$ 919,176</u>	<u>47.10%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2015 fiscal year, the Governmental Activities of the City had total long-term debt of \$47,218,794. Of this amount, \$44,217,795 comprises debt serviced by revenues from governmental activities.

The City did not issue new debt in fiscal year 2015. During 2013, Moody's Investors Service assigned an Aa3 rating to the City. This rating was reaffirmed during the 2014 fiscal year. In September 2014, Standard & Poor's upgraded the City's credit rating from AA- to AA (Stable). In January 2015, Standard & Poor's undertook another review of the City based on changes within the local Metropolitan Service Area. This review resulted in the City's credit rating being reassigned the AA- credit rating.

In addition to the City's outstanding general obligation debt, \$3,000,999 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,535,180 has been accrued as an actuarially determined claims reserve in the Internal Service Funds for Liability Insurance (\$948,655) and Workers' Compensation Insurance (\$2,586,525).

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 2015, the Electricity Department exceeded that requirement at about 8.14 times. The Department does not anticipate issuing new debt in FY 2016.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2015. The Department does not have any plans to issue any new debt in FY 2016.

Water and Wastewater Department

The Water and Wastewater Department has eight 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%, (7) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, and (8) Water and Sewer Revenue Warrants, SRF Series 2013-DWSRF-DL, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter. 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 water and wastewater systems. 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 \$3.9 million of the proceeds of the 2011 issue remain available. The Department issued Water and Sewer Revenue Warrant, SRF Series 2013-DWSRF-DL for \$5.825 million in FY 2014. At year-end, the proceeds had been expended. 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 2015, the Water and Wastewater Department exceeded that requirement at about 1.39 times. The Department does not anticipate issuing new debt in FY 2016.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2015, the Solid Waste Fund had no debt other than routine operating liabilities (\$211,029), Customer Deposits (\$19,042), accrued liability for employee annual and sick leave (\$227,598), non-current liabilities including Pensions (\$698,151), and a reserve for landfill closure and post-closure care costs (\$2,254,730).

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 2015–2016 budget on October 6, 2015.

The fiscal year 2015–2016 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$54,568,916. This is an increase of \$586,254 or 1.09% compared to the previous fiscal year's final budget and an increase of \$955,544 over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$54,452,416. This is an increase of \$483,090 or 0.90% compared to the prior year's final budget and an increase of \$958,573 compared to the prior year's actual performance. The 2015 – 2016 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$116,500 increase in budgetary fund balance.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The geographic area served by Florence Utilities is facing a slightly decreasing economic environment. The Florence MSA's unemployment rate for August 2015 was 7.8% as compared to 7.4% for August 2014. The State of Alabama's unemployment rates were 6.2% for August 2015 and 6.9% for August 2014. Early in FY 2015, Hillshire Brands closed its plant in Florence, one of our larger customers in all services. 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 2016 through September 2015 for electricity have increased from the same period last year by 2.5%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2015 through September 2015, as compared to sales for the same period in the previous fiscal year, have decreased approximately 13.7%. The decrease in sales volume was due to the loss of two customers, Hillshire Brands and Hon. FY 2016 sales revenues from water and wastewater operations through September 2015 have decreased about .01% over the same period in FY 2015.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2016 budgets on June 16, 2015. The City Council adopted the Electricity Department's FY 2016 budget on October 6, 2015. There have not been any budget amendments for FY 2016 at this point.

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

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate increase in December 2015. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

On June 17, 2014, the City Council approved a rate increase for the Water and Wastewater Department, effective July 1, 2014. The new rate ordinance includes a provision to increase the water and sewer rates annually based upon increase in Consumer Price Index, subject to certain restrictions. The Water and Wastewater Department had a rate increase effective July 1, 2015. The ordinance is available for review on the City's website at www.florenceutilities.com along with some prior rate ordinances.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Solid Waste Fund's fiscal year 2016 budget on October 6, 2015. The fiscal year 2016 budget has expected combined revenues of \$5,781,485 and expenses of \$5,733,385, including grant revenue and expense of \$90,000. As adopted, the budget would yield a net income of \$48,100. 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 July 2015. 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. Collection fees were addressed by the City Council in fiscal year 2013. Fiscal year 2016 will be the third year under the new rate structure and there are no plans to adjust these rates in fiscal year 2016. It is projected that the Fund will have operating deficits over the next few fiscal years. This planned drawdown of capital was anticipated at the time the 2013 rates were adjusted.

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 \$730,000 to the Library in this fiscal year. These appropriations are approximately 40.53% 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 41-42. 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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 36,826,459	\$ 40,733,029	\$ 77,559,488	\$ 3,967,003
Amounts held by the Foundation			—	1,856,819
Receivables (net)	4,386,615	15,031,020	19,417,635	1,372
Accrued interest receivable	2,397	2,012	4,409	
Loan receivables (net)	725,118		725,118	
Internal balances	2,518,904	(2,518,904)	—	
Inventories	95,799	3,583,567	3,679,366	6,541
Prepaid expenses		9,383,202	9,383,202	
Restricted assets:				
Cash and investments	150,000	9,397,970	9,547,970	
Conservation loans receivables		6,205,723	6,205,723	
Capital assets (net)	115,941,776	234,242,097	350,183,873	550,033
Prepaid debt related costs (net)		188,042	188,042	
Total assets	\$ 160,647,068	\$ 316,247,758	\$ 476,894,826	\$ 6,381,768
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 1,084,687	\$ 300,383	\$ 1,385,070	\$ —
Pensions	2,878,804	2,525,657	5,404,461	37,673
Total deferred outflows of resources	\$ 3,963,491	\$ 2,826,040	\$ 6,789,531	\$ 37,673
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,833,719	\$ 21,516,093	\$ 27,349,812	\$ 76,082
Amounts held on behalf of the Library			—	1,856,819
Customer deposits		7,242,851	7,242,851	
Liabilities payable from restricted assets:				
Accrued interest		736,791	736,791	
Advances for conservation loans		6,380,922	6,380,922	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	4,087,309	4,892,762	8,980,071	
Compensated absences	1,200,400	1,226,939	2,427,339	12,313
Portion due or payable after one year:				
Warrants and notes payable	40,130,486	64,018,466	104,148,952	
Compensated absences	1,800,599	1,840,407	3,641,006	
Net pension liability	10,303,449	11,714,105	22,017,554	205,559
Claims reserve	3,535,180		3,535,180	
Accrued landfill closure and postclosure care costs		2,254,730	2,254,730	
Total liabilities	\$ 66,891,142	\$ 121,824,066	\$ 188,715,208	\$ 2,150,773
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ 783,058	\$ 886,544	\$ 1,669,602	\$ 26,344
NET POSITION				
Net investment in capital assets	\$ 82,813,880	\$ 165,631,252	\$ 248,445,132	\$ 550,033
Restricted for:				
Debt service		8,661,179	8,661,179	
Capital projects	700,188		700,188	
Other purposes—expendable	726,256		726,256	1,102
Other purposes—nonexpendable	240,870		240,870	2,000,000
Unrestricted	12,455,165	22,070,757	34,525,922	1,691,189
Total net position	\$ 96,936,359	\$ 196,363,188	\$ 293,299,547	\$ 4,242,324

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, 2015**

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	\$ 6,016,797	\$ 4,829,631	\$	\$	\$ (1,187,166)		\$ (1,187,166)	
Public safety	18,239,480	1,591,243	218,184		(16,430,053)		(16,430,053)	
Public works	5,651,354	94,972	297,686		(5,258,696)		(5,258,696)	
Public ways and facilities	1,310,088			334,737	(975,351)		(975,351)	
Culture and recreation	9,356,693	1,609,326	36,982		(7,710,385)		(7,710,385)	
Other	1,546,148				(1,546,148)		(1,546,148)	
Education—funding for school district	9,686,775				(9,686,775)		(9,686,775)	
Interest and fiscal charges	1,789,364				(1,789,364)		(1,789,364)	
Total governmental activities	\$ 53,596,699	\$ 8,125,172	\$ 552,852	\$ 334,737	\$ (44,583,938)		\$ (44,583,938)	
Business-type activities:								
Electricity	\$ 121,611,134	\$ 122,384,883	\$	\$	\$	\$ 773,749	\$ 773,749	
Gas	17,841,574	18,585,263				743,689	743,689	
Water and wastewater	16,295,886	19,126,420				2,830,534	2,830,534	
Solid waste	5,593,602	5,513,195		562,000		481,593	481,593	
Total business-type activities	\$ 161,342,196	\$ 165,609,761	\$ —	\$ 562,000	\$ —	\$ 4,829,565	\$ 4,829,565	
Total primary government	\$ 214,938,895	\$ 173,734,933	\$ 552,852	\$ 896,737	\$ (44,583,938)	\$ 4,829,565	\$ (39,754,373)	
Component units:								
All	\$ 1,414,611	\$ 111,658	\$ 1,670,145	\$ 19,461				\$ 386,653
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 31,552,493	\$	\$ 31,552,493	\$
Property					11,938,539		11,938,539	
Motor fuel					1,054,870		1,054,870	
Alcoholic beverages					1,003,811		1,003,811	
Other					435,591		435,591	
Interest revenues					108,360	28,363	136,723	7,659
Gain (loss) on disposal of capital assets					501,145	(414,770)	86,375	
Total general revenues					\$ 46,594,809	\$ (386,407)	\$ 46,208,402	\$ 7,659
Change in net position					\$ 2,010,871	\$ 4,443,158	\$ 6,454,029	\$ 394,312
Net position—beginning, as restated					94,925,488	191,920,030	286,845,518	3,848,012
Net position—ending					\$ 96,936,359	\$ 196,363,188	\$ 293,299,547	\$ 4,242,324

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 13,972,731	\$ 15,519,628	\$ 29,492,359
Receivables (net)	3,957,531	207,708	4,165,239
Accrued interest receivable	2,397		2,397
Loan receivables (net)	352,692	372,426	725,118
Interfund receivables	492,310	1,657,644	2,149,954
Inventories	95,799		95,799
Total assets	<u>\$ 18,873,460</u>	<u>\$ 17,757,406</u>	<u>\$ 36,630,866</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 3,241,667	\$ 2,429,272	\$ 5,670,939
Compensated absences	1,200,400		1,200,400
Interfund payables	1,647,644	263,643	1,911,287
Total liabilities	<u>\$ 6,089,711</u>	<u>\$ 2,692,915</u>	<u>\$ 8,782,626</u>
Fund balances			
Nonspendable:			
Inventories	\$ 95,799		\$ 95,799
Loan receivables	352,692		352,692
Permanent fund principal		240,870	240,870
Restricted for:			
Street resurfacing and improvements		49,422	49,422
Culture and recreation		58,632	58,632
Public safety		195,401	195,401
HUD community development and rehabilitation		272,801	272,801
Capital projects		10,705,400	10,705,400
Assigned to:			
Capital projects		3,023,835	3,023,835
Municipal building maintenance		17,142	17,142
Economic development		499,902	499,902
Unassigned	12,335,258	1,086	12,336,344
Total fund balances	<u>\$ 12,783,749</u>	<u>\$ 15,064,491</u>	<u>\$ 27,848,240</u>
Total liabilities and fund balances	<u>\$ 18,873,460</u>	<u>\$ 17,757,406</u>	<u>\$ 36,630,866</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, 2015

Total fund balances—governmental funds		\$	27,848,240
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		\$	265,403,200
Accumulated depreciation			<u>(149,461,424)</u>
			115,941,776
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		\$	(41,908,429)
Unamortized debt discount and premium			(2,309,366)
Deferred expense on refunding debt			1,084,687
Compensated absences			(1,800,599)
Pensions			<u>(10,303,449)</u>
			(55,237,156)
Deferred outflows of resources related to pensions are not reported in governmental funds.			
			2,878,804
Deferred inflows of resources related to pensions are not reported in governmental funds.			
			(783,058)
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>6,287,753</u>
Net position of governmental activities		\$	<u><u>96,936,359</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 45,360,399	\$ 624,905	\$ 45,985,304
Licenses and permits	3,465,737		3,465,737
Fines and forfeitures	1,393,623		1,393,623
Charges for services	1,785,611		1,785,611
Intergovernmental	1,244,254	687,889	1,932,143
Interest revenues	27,142	64,353	91,495
Other	36,075	901,180	937,255
Total revenues	<u>\$ 53,312,841</u>	<u>\$ 2,278,327</u>	<u>\$ 55,591,168</u>
EXPENDITURES			
Current operating:			
General administration	\$ 5,055,507	\$ 708,119	\$ 5,763,626
Public safety	17,812,139	167,975	17,980,114
Public works	5,011,216	536,661	5,547,877
Culture and recreation	7,028,521	137,433	7,165,954
Other	1,341,044	205,104	1,546,148
Education—funding for school district	8,078,061	1,608,714	9,686,775
Capital outlay and improvements		4,147,419	4,147,419
Debt service:			
Principal payments		5,193,825	5,193,825
Interest and fiscal charges		1,893,082	1,893,082
Total expenditures	<u>\$ 44,326,488</u>	<u>\$ 14,598,332</u>	<u>\$ 58,924,820</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,986,353</u>	<u>\$ (12,320,005)</u>	<u>\$ (3,333,652)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 300,531	\$ 15,631,914	\$ 15,932,445
Transfers out	(9,167,355)	(6,765,090)	(15,932,445)
Total other financing sources (uses)	<u>\$ (8,866,824)</u>	<u>\$ 8,866,824</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 119,529</u>	<u>\$ (3,453,181)</u>	<u>\$ (3,333,652)</u>
Fund balances—beginning	12,664,220	18,517,672	31,181,892
Fund balances—ending	<u>\$ 12,783,749</u>	<u>\$ 15,064,491</u>	<u>\$ 27,848,240</u>

**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, 2015**

Total net change in fund balances—governmental funds	\$	(3,333,652)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlays	\$ 5,086,737	
Current year depreciation expense	<u>(5,213,021)</u>	(126,284)
<p>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.</p>		
		(463)
<p>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 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:</p>		
Repayments of debt principal	\$ 5,193,825	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>103,718</u>	5,297,543
<p>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.</p>		
Change in long-term compensated absences	\$ (8,435)	
Pensions	<u>284,140</u>	275,705
<p>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.</p>		
		<u>(101,978)</u>
Change in net position of governmental activities	\$	<u><u>2,010,871</u></u>

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2015	June 30, 2015	June 30, 2015	September 30, 2015		September 30, 2015
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 18,250,351	\$ 10,397,408	\$ 8,697,198	\$ 3,388,072	\$ 40,733,029	\$ 7,334,100
Receivables (net)	12,151,384	675,580	1,754,621	449,435	15,031,020	221,376
Accrued interest receivable	1,112	788	112		2,012	
Inventories	1,591,349	1,340,842	613,165	38,211	3,583,567	
Prepaid expenses	7,211,914	1,901,542	269,746		9,383,202	
Total current assets	\$ 39,206,110	\$ 14,316,160	\$ 11,334,842	\$ 3,875,718	\$ 68,732,830	\$ 7,555,476
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 1,008,918	\$	\$ 8,389,052	\$	\$ 9,397,970	\$ 150,000
Receivables from customers for conservation loans	6,205,723				6,205,723	
Capital assets:						
Utility plant in service (at cost)	162,127,921	56,049,850	167,971,612	13,968,640	400,118,023	
Acquisition adjustment (net of amortization)		168,802			168,802	
Construction in progress	5,720,497	12,002	4,634,093	9,650	10,376,242	
Less: accumulated depreciation	85,532,437	24,214,141	55,566,661	11,107,731	176,420,970	
Prepaid debt related costs (net)			188,042		188,042	
Total noncurrent assets	\$ 89,530,622	\$ 32,016,513	\$ 125,616,138	\$ 2,870,559	\$ 250,033,832	\$ 150,000
Total assets	\$ 128,736,732	\$ 46,332,673	\$ 136,950,980	\$ 6,746,277	\$ 318,766,662	\$ 7,705,476
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$ 105,589	\$	\$ 194,794	\$	\$ 300,383	\$
Pensions	1,676,190	264,827	441,262	143,378	2,525,657	
Total deferred outflows of resources	\$ 1,781,779	\$ 264,827	\$ 636,056	\$ 143,378	\$ 2,826,040	\$ —

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2015	June 30, 2015	June 30, 2015	September 30, 2015		Funds
					September 30, 2015	
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,596,433	\$ 1,419,025	\$ 1,289,606	\$ 211,029	\$ 21,516,093	\$ 162,780
Interfund payables					—	238,667
Compensated absences—payable within one year	616,862	224,453	294,585	91,039	1,226,939	
Customer deposits	7,223,809			19,042	7,242,851	
Total current liabilities	\$ 26,437,104	\$ 1,643,478	\$ 1,584,191	\$ 321,110	\$ 29,985,883	\$ 401,447
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 790,000	\$	\$ 4,105,000	\$	\$ 4,895,000	\$
Unamortized debt premium (discount), net	(4,359)		2,121		(2,238)	
Accrued interest	25,190		711,601		736,791	
Advances from TVA for conservation loans	6,380,922				6,380,922	
Total liabilities payable from restricted assets	\$ 7,191,753	\$ —	\$ 4,818,722	\$ —	\$ 12,010,475	\$ —
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 8,890,000	\$	\$ 55,095,000	\$	\$ 63,985,000	\$
Unamortized debt premium (discount), net	(8,962)		42,428		33,466	
Compensated absences—payable after one year	925,293	336,679	441,876	136,559	1,840,407	
Pensions	6,492,935	2,463,616	2,059,403	698,151	11,714,105	
Accrued landfill closure and postclosure care costs				2,254,730	2,254,730	
Claims reserve					—	3,535,180
Total noncurrent liabilities	\$ 16,299,266	\$ 2,800,295	\$ 57,638,707	\$ 3,089,440	\$ 79,827,708	\$ 3,535,180
Total liabilities	\$ 49,928,123	\$ 4,443,773	\$ 64,041,620	\$ 3,410,550	\$ 121,824,066	\$ 3,936,627
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 479,394	\$ 169,191	\$ 168,073	\$ 69,886	\$ 886,544	\$ —
NET POSITION						
Net investment in capital assets	\$ 72,754,891	\$ 32,016,513	\$ 57,989,289	\$ 2,870,559	\$ 165,631,252	\$
Restricted for debt service	983,728		7,677,451		8,661,179	
Restricted for other purposes—expendable					—	150,000
Unrestricted	6,372,375	9,968,023	7,710,603	538,660	24,589,661	3,618,849
Total net position	\$ 80,110,994	\$ 41,984,536	\$ 73,377,343	\$ 3,409,219	\$ 198,882,092	\$ 3,768,849
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,518,904)	
Net position of business-type activities					\$ 196,363,188	

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	Internal Service Funds
	June 30, 2015	June 30, 2015	June 30, 2015	September 30, 2015		September 30, 2015
Operating revenues						
User charges	\$ 121,673,203	\$ 18,502,264	\$ 18,993,365	\$ 5,509,602	\$ 164,678,434	\$ 870,536
Other	615,500	11,197	133,055	3,593	763,345	
Total operating revenues	\$ 122,288,703	\$ 18,513,461	\$ 19,126,420	\$ 5,513,195	\$ 165,441,779	\$ 870,536
Operating expenses						
Cost of sales	\$ 98,677,848	\$ 10,297,285	\$	\$	\$ 108,975,133	\$
Operations, maintenance, and administration	14,271,873	4,472,173	9,231,557	4,823,808	32,799,411	233,073
Depreciation	4,929,365	1,513,259	3,458,344	599,261	10,500,229	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,319,618	1,497,567	1,638,279	145,728	6,601,192	
Insurance premiums and claims (net of refunds)					—	898,238
Total operating expenses	\$ 121,198,704	\$ 17,790,945	\$ 14,328,180	\$ 5,568,797	\$ 158,886,626	\$ 1,131,311
Operating income (loss)	\$ 1,089,999	\$ 722,516	\$ 4,798,240	\$ (55,602)	\$ 6,555,153	\$ (260,775)
Nonoperating revenues (expenses)						
Interest revenues	\$ 11,719	\$ 4,190	\$ 3,965	\$ 8,489	\$ 28,363	\$ 16,865
Gain (loss) on disposition of capital assets	32,569	65,034	(521,016)	8,643	(414,770)	
Miscellaneous nonoperating income	96,180	71,802			167,982	
Grants				562,000	562,000	
Interest expense	(324,014)		(1,913,938)		(2,237,952)	
Amortization of debt related costs	(30,756)		(44,930)		(75,686)	
Total nonoperating revenues (expenses)	\$ (214,302)	\$ 141,026	\$ (2,475,919)	\$ 579,132	\$ (1,970,063)	\$ 16,865
Change in net position	\$ 875,697	\$ 863,542	\$ 2,322,321	\$ 523,530	\$ 4,585,090	\$ (243,910)
Net position—beginning, as restated	79,235,297	41,120,994	71,055,022	2,885,689		4,012,759
Net position—ending	\$ 80,110,994	\$ 41,984,536	\$ 73,377,343	\$ 3,409,219		\$ 3,768,849
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(141,932)	
Change in net position of business-type activities					\$ 4,443,158	

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 Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2015	June 30, 2015	June 30, 2015	September 30, 2015		September 30, 2015
Cash flows from operating activities:						
Receipts from customers and users	\$ 123,251,261	\$ 18,671,980	\$ 18,561,446	\$ 5,721,925	\$ 166,206,612	\$ 804,335
Receipts from interfund services provided	2,096,602	142,234	158,634		2,397,470	
Payments to suppliers	(103,209,095)	(13,163,200)	(4,070,705)	(1,734,041)	(122,177,041)	(1,093,898)
Payments to employees for services and benefits—exclusive of capitalized costs	(10,974,613)	(2,933,089)	(4,455,950)	(2,876,073)	(21,239,725)	
Payments for interfund services used	(3,075,892)	(2,187,261)	(2,615,283)	(290,026)	(8,168,462)	
Net cash from operating activities	\$ 8,088,263	\$ 530,664	\$ 7,578,142	\$ 821,785	\$ 17,018,854	\$ (289,563)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 559,821	\$	\$	\$	\$ 559,821	\$
Change in advances from TVA for conservation loans	(574,839)				(574,839)	
Net cash from noncapital financing activities	\$ (15,018)	\$ —	\$ —	\$ —	\$ (15,018)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (9,901,002)	\$ (2,343,743)	\$ (6,442,514)	\$ (1,518,548)	\$ (20,205,807)	\$
Removal costs of retirements of capital assets	(426,717)	(28,231)			(454,948)	
Proceeds from disposition of capital assets	82,982	66,800	30,283	8,754	188,819	
Proceeds from capital grants				562,000	562,000	
Net proceeds from capital debt			4,776,875		4,776,875	
Principal paid on capital debt	(765,000)		(3,955,000)		(4,720,000)	
Interest paid on capital debt	(325,990)		(1,953,924)		(2,279,914)	
Net cash from capital and related financing activities	\$ (11,335,727)	\$ (2,305,174)	\$ (7,544,280)	\$ (947,794)	\$ (22,132,975)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 12,080	\$ 4,141	\$ 3,854	\$ 8,489	\$ 28,564	\$ 16,865
Interfund receivables (payables)					—	(187,418)
Net cash from investing activities	\$ 12,080	\$ 4,141	\$ 3,854	\$ 8,489	\$ 28,564	\$ (170,553)
Net increase (decrease) in cash and cash equivalents	\$ (3,250,402)	\$ (1,770,369)	\$ 37,716	\$ (117,520)	\$ (5,100,575)	\$ (460,116)
Cash and cash equivalents—beginning of the year	22,509,671	12,167,777	17,048,534	3,505,592	55,231,574	7,944,216
Cash and cash equivalents—end of the year	\$ 19,259,269	\$ 10,397,408	\$ 17,086,250	\$ 3,388,072	\$ 50,130,999	\$ 7,484,100

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2015	June 30, 2015	June 30, 2015	September 30, 2015		Funds
						September 30, 2015
Classified as:						
Current assets	\$ 18,250,351	\$ 10,397,408	\$ 8,697,198	\$ 3,388,072	\$ 40,733,029	\$ 7,334,100
Restricted assets	1,008,918		8,389,052		9,397,970	150,000
Totals	\$ 19,259,269	\$ 10,397,408	\$ 17,086,250	\$ 3,388,072	\$ 50,130,999	\$ 7,484,100
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,089,999	\$ 722,516	\$ 4,798,240	\$ (55,602)	\$ 6,555,153	\$ (260,775)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 5,310,986	\$ 1,513,259	\$ 3,556,103	\$ 599,261	\$ 10,979,609	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				49,280	49,280	
Miscellaneous nonoperating income	96,180	71,802			167,982	
Changes in assets and liabilities:						
Receivables (net)	866,379	85,314	(184,119)	208,730	976,304	(66,201)
Inventories	54,883	(209,259)	(14,531)	18,068	(150,839)	
Prepaid expenses	430,799	(1,860,486)	(41,974)		(1,471,661)	
Deferred outflows of resources—pensions	(593,498)	33,972	(83,567)	26,158	(616,935)	
Accounts and other payables	220,315	193,201	(438,458)	42,861	17,919	37,413
Customer deposits	260,319			369	260,688	
Net pension liability	(127,493)	(199,507)	(181,625)	(137,226)	(645,851)	
Deferred inflows of resources—pensions	479,394	169,191	168,073	69,886	886,544	
Total adjustments	\$ 6,998,264	\$ (191,852)	\$ 2,779,902	\$ 877,387	\$ 10,463,701	\$ (28,788)
Net cash from operating activities	\$ 8,088,263	\$ 530,664	\$ 7,578,142	\$ 821,785	\$ 17,018,854	\$ (289,563)

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

	<u>Employees' Retirement Plan</u>
ASSETS	
Receivables:	
Contributions	\$ 421,836
Investments:	
MetLife Separate Accounts	<u>76,330,780</u>
Total assets	<u>\$ 76,752,616</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 76,752,616</u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Employees' Retirement Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 4,042,974
Employee	1,470,172
Total contributions	<u>\$ 5,513,146</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ (2,807,235)
Interest and dividends	1,898,564
Net investment income	<u>\$ (908,671)</u>
Other	\$ 13,673
Total additions	<u>\$ 4,618,148</u>
DEDUCTIONS	
Benefit payments, including refunds of member contributions	\$ 11,631,547
Administrative expenses	471,288
Total deductions	<u>\$ 12,102,835</u>
NET DECREASE IN NET POSITION	\$ (7,484,687)
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>84,237,303</u>
End of year	<u>\$ 76,752,616</u>

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

	<u>Postretirement Benefits Plan</u>
ASSETS	
Receivables	
Employer	\$ 1,145,064
Total assets	<u>\$ 1,145,064</u>
NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	<u><u>\$ 1,145,064</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Postretirement Benefits Plan
ADDITIONS	
Contributions	
Employer	\$ -
Investment income	
Interest	2,517
NET INCREASE	\$ 2,517
 NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	1,142,547
End of year	\$ 1,145,064

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

	<u>Florence- Lauderdale Public Library September 30, 2015</u>	<u>Florence Library Foundation, Inc. June 30, 2015</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 38,611	\$ 3,928,392	\$ 3,967,003
Amounts held by the Foundation	1,856,819		1,856,819
Accounts receivable		1,372	1,372
Inventories	6,541		6,541
Capital assets (net)	550,033		550,033
Total assets	<u>\$ 2,452,004</u>	<u>\$ 3,929,764</u>	<u>\$ 6,381,768</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 37,673	\$ —	\$ 37,673
LIABILITIES			
Accounts payable and accrued expenses	\$ 76,082	\$ —	\$ 76,082
Amounts held on behalf of the Library		1,856,819	1,856,819
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	12,313		12,313
Portion due or payable after one year:			
Net pension liability	205,559		205,559
Total liabilities	<u>\$ 293,954</u>	<u>\$ 1,856,819</u>	<u>\$ 2,150,773</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 26,344	\$ —	\$ 26,344
NET POSITION			
Net investment in capital assets	\$ 550,033	\$ —	\$ 550,033
Restricted for:			
Other purposes-expendable		1,102	1,102
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	1,619,346	71,843	1,691,189
Total net position	<u>\$ 2,169,379</u>	<u>\$ 2,072,945</u>	<u>\$ 4,242,324</u>

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

**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, 2015</u>							
Florence-Lauderdale Public Library	\$ 1,327,611	\$ 111,658	\$ 1,670,145	\$ 19,461	\$ 473,653	\$ —	\$ 473,653
<u>June 30, 2015</u>							
Florence Library Foundation, Inc.	87,000					(87,000)	(87,000)
Total component units	<u>\$ 1,414,611</u>	<u>\$ 111,658</u>	<u>\$ 1,670,145</u>	<u>\$ 19,461</u>	\$ 473,653	\$ (87,000)	\$ 386,653
General revenues:							
Interest revenues					17	7,642	7,659
Change in net position					\$ 473,670	\$ (79,358)	\$ 394,312
Net position—beginning, as restated					1,695,709	2,152,303	3,848,012
Net position—ending					<u>\$ 2,169,379</u>	<u>\$ 2,072,945</u>	<u>\$ 4,242,324</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, 2015**

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, 2015
(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, 2015
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

Basis of accounting refers to the point at which revenues, expenditures, expenses, and transfers (and assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property and sales taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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.

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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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, DEFERRED OUTFLOWS/INFLOWS, 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, 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, 2015
(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, 2015
(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 forty (5-40) 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 are deferred and amortized over the life of the related debt using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts 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.

Debt Discounts, Premiums, and Issuance Costs

In the fund financial statements, debt discounts and debt premiums are treated as period costs in the year of issue. Debt premiums and discounts are shown as an "Other Financing Source/Use".

In the government-wide financial statements, debt discounts and debt premiums are amortized over the term of the debt using the straight-line method. Debt discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the long-term obligation.

Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure in the period incurred.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflow/Outflow from Current Refunding or Advance Refunding of Debt

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 accounting 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Florence, Alabama Employees' Retirement Plan ("CFAERP") and additions to/deductions from CFAERP's fiduciary net position have been determined on the same basis as they are reported by CFAERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions—Discretely Presented Component Unit—Library

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of The Employees' Retirement System of Alabama (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. ERS's financial statements are prepared in accordance with GASB requirements. ERS is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012, 2013, and 2014 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.

B. DEFICIT NET POSITION

Governmental Activities

As of September 30, 2015, the Workers’ Compensation Insurance Fund had a deficit net position of \$463,157, which is expected to be funded by future revenues or transfers from the General Fund.

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	\$ 35,501	\$ 3,633,012	\$ 279,384	\$ 9,634	\$ 3,957,531
Other governmental funds	22,410	53,279	132,019		207,708
Internal service funds			218,002	3,374	221,376
Total—governmental activities	\$ 57,911	\$ 3,686,291	\$ 629,405	\$ 13,008	\$ 4,386,615
Business-type Activities					
Electricity	\$ 10,119,543	\$ —	\$ 741,947	\$ 1,585,450	\$ 12,446,940
Gas	668,710		26,722	6,043	701,475
Water and wastewater	1,631,866		185,977	1,000	1,818,843
Solid waste	448,126			23,536	471,662
Less: allowance for bad debts	407,900				407,900
Total—business-type activities	\$ 12,460,345	\$ —	\$ 954,646	\$ 1,616,029	\$ 15,031,020
Component Unit					
Public Library	\$ —	\$ —	\$ 1,372	\$ —	\$ 1,372

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES (Continued)

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 \$1,707,124 at year-end, net of an allowance for bad debts of \$982,006. Of the customer accounts receivable for the Gas Department, \$28,376 is not due to be collected in the subsequent fiscal year.

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	\$ 1,808,666	\$ 316,430	\$ 1,110,873	\$ 5,698	\$ 3,241,667
Other governmental funds	385,914		1,788,820	254,538	2,429,272
Internal service funds	162,780				162,780
Total—governmental activities	\$ 2,357,360	\$ 316,430	\$ 2,899,693	\$ 260,236	\$ 5,833,719
Business-type Activities					
Electricity	\$ 18,034,120	\$ 547,502	\$ 14,811	\$ —	\$ 18,596,433
Gas	694,003	127,277	597,745		1,419,025
Water and wastewater	553,395	196,127	540,084		1,289,606
Solid waste	156,547	30,150	24,332		211,029
Total—business-type activities	\$ 19,438,065	\$ 901,056	\$ 1,176,972	\$ —	\$ 21,516,093
Component Unit					
Public Library	\$ 42,486	\$ 33,596	\$ —	\$ —	\$ 76,082

NOTE 4—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2015 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 253,643	\$ 238,667	\$ 492,310
	Other governmental	1,647,644	10,000		1,657,644
	Total	\$ 1,647,644	\$ 263,643	\$ 238,667	\$ 2,149,954

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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 5—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2015 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	General Fund	\$ —	\$ 300,531	\$ 300,531
	Other governmental	9,167,355	6,464,559	15,631,914
	Total	\$ 9,167,355	\$ 6,765,090	\$ 15,932,445

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

NOTE 6—RESTRICTED ASSETS

Governmental Activities

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

Business-type Activities

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 6—RESTRICTED ASSETS (Continued)

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		75,594
Series 2013 Debt Service Reserve Fund		192,869
Series 2013 Warrant Funds		15,455
Total restricted cash and cash equivalents	\$	1,008,918

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	\$	116,069
SRF Series 2007 Warrant Funds		456,276
SRF Series 2010-A Warrant Funds		736,586
SRF Series 2010-B Warrant Funds		1,244,149
SRF Series 2010-C Warrant Funds		1,203,895
SRF Series 2010-D Warrant Funds		301,108
Series 2011 Warrant Funds		404,848
Series 2011 Construction Fund		3,926,121
Total restricted cash and cash equivalents	\$	8,389,052

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, 2015, the Department had \$1,002,753 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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	\$ 6,775,200	\$ 328,000	\$ —	\$ 7,103,200
Construction in progress	4,409,822	2,604,113	5,101,649	1,912,286
Depreciable assets:				
Land improvements	23,379,006	2,627,981		26,006,987
Buildings	42,431,621	577,961		43,009,582
Equipment and vehicles	23,036,144	840,563	864,732	23,011,975
Infrastructure	161,149,402	3,209,768		164,359,170
Total capital assets	\$ 261,181,195	\$ 10,188,386	\$ 5,966,381	\$ 265,403,200
Less accumulated depreciation:				
Land improvements	\$ 10,501,189	\$ 903,173	\$ —	\$ 11,404,362
Buildings	18,447,899	1,078,038		19,525,937
Equipment and vehicles	19,687,984	1,239,056	864,269	20,062,771
Infrastructure	96,475,600	1,992,754		98,468,354
Total accumulated depreciation	\$ 145,112,672	\$ 5,213,021	\$ 864,269	\$ 149,461,424
Net capital assets—governmental activities	\$ 116,068,523	\$ 4,975,365	\$ 5,102,112	\$ 115,941,776
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 4,260,295	\$ 1,460,202	\$ —	\$ 5,720,497
Gas	104,418		92,416	12,002
Water and wastewater	10,758,933		6,124,840	4,634,093
Solid waste		9,650		9,650
Depreciable assets:				
Utility plant in service:				
Electricity	156,353,379	8,440,800	2,666,258	162,127,921
Gas	54,829,398	2,436,158	1,215,706	56,049,850
Water and wastewater	157,132,064	12,567,354	1,727,806	167,971,612
Solid waste	12,708,058	1,508,898	248,316	13,968,640
Acquisition adjustment (net):				
Gas	179,463		10,661	168,802
Total capital assets	\$ 396,326,008	\$ 26,423,062	\$ 12,086,003	\$ 410,663,067
Less accumulated depreciation:				
Electricity	\$ 83,264,012	\$ 5,310,986	\$ 3,042,561	\$ 85,532,437
Gas	23,943,054	1,513,259	1,242,172	24,214,141
Water and wastewater	53,187,065	3,556,103	1,176,507	55,566,661
Solid waste	10,756,675	599,261	248,205	11,107,731
Total accumulated depreciation	\$ 171,150,806	\$ 10,979,609	\$ 5,709,445	\$ 176,420,970
Net capital assets—business-type activities	\$ 225,175,202	\$ 15,443,453	\$ 6,376,558	\$ 234,242,097

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 8—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 448,973
Public safety	785,451
Public works	360,930
Public ways and facilities	1,310,088
Culture and recreation	2,307,579
	2,307,579
Total	\$ 5,213,021

Discretely Presented Component Unit—Library

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Depreciable assets:				
Furniture and fixtures	\$ 136,258	\$ 8,337	\$ —	\$ 144,595
Equipment	503,200	16,229		519,429
Building improvements	33,000			33,000
Library collection	1,825,601	95,074	70,826	1,849,849
Total capital assets	\$ 2,498,059	\$ 119,640	\$ 70,826	\$ 2,546,873
Less accumulated depreciation:				
Furniture and fixtures	\$ 116,849	\$ 6,013	\$ —	\$ 122,862
Equipment	394,669	35,334		430,003
Building improvements	481	825		1,306
Library collection	1,409,575	103,920	70,826	1,442,669
Total accumulated depreciation	\$ 1,921,574	\$ 146,092	\$ 70,826	\$ 1,996,840
Net capital assets—governmental activities	\$ 576,485	\$ (26,452)	\$ —	\$ 550,033

Depreciation expense was charged to the government function as follows:

Library services	\$ 146,092
	\$ 146,092

Business-type Activities

Electricity Department

As of June 30, 2015, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,155,380.

Depreciation for the fiscal year 2015 totaled \$5,310,986 of which \$4,929,365 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$381,621 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, 2015, accumulated depreciation amounted to \$158,620.

Gas Department

As of June 30, 2015, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,825.

Depreciation expense charged against income amounted to \$1,513,259 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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, 2015, accumulated amortization amounted to \$186,571.

Water and Wastewater Department

As of June 30, 2015, 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 for the fiscal year 2015 totaled \$3,556,103 of which \$3,458,344 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$97,759 for the fiscal year.

Solid Waste Fund

As of September 30, 2015, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$204,353.

Depreciation expense charged against income amounted to \$599,261 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, 2015, a total of \$6,205,723 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 \$6,380,922 for the year ended June 30, 2015.

Power Programs

The Department participates in the TVA Power Invoice Prepayment Program. This program allows the Department to electronically transfer funds, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An early payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balance of \$7,042,017 as of June 30, 2015 is reflected as prepaid expenses.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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	\$ 6,280,000	\$ —	\$ 1,185,000	\$ 5,095,000	\$ 1,215,000
Debt discount	(55,611)		(11,917)	(43,694)	(11,917)
Series 2012	19,270,000		1,815,000	17,455,000	1,895,000
Debt premium	2,115,349		237,235	1,878,114	237,235
Series 2013	1,897,254		108,825	1,788,429	75,359
Series 2013-B	18,200,000		630,000	17,570,000	650,000
Debt premium	501,578		26,632	474,946	26,632
General Obligation School Warrants,					
Series 2004	1,455,000		1,455,000	—	—
Debt premium	275		275	—	—
Compensated absences	2,986,940	1,208,835	1,194,776	3,000,999	1,200,400
Total—governmental activities	\$ 52,650,785	\$ 1,208,835	\$ 6,640,826	\$ 47,218,794	\$ 5,287,709
Business-type Activities					
<i>Electricity</i>					
Electric Revenue Warrants,					
Series 2009	\$ 4,095,000	\$ —	\$ 765,000	\$ 3,330,000	\$ 790,000
Debt discount	(23,297)		(4,659)	(18,638)	(4,660)
Series 2013	6,350,000			6,350,000	—
Debt premium	5,618		301	5,317	301
Compensated absences	1,549,786	612,284	619,915	1,542,155	616,862
<i>Gas</i>					
Compensated absences	541,236	236,390	216,494	561,132	224,453
<i>Water and wastewater</i>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	2,910,000		185,000	2,725,000	190,000
SRF Series 2007	7,160,000		370,000	6,790,000	385,000
SRF Series 2010-A	5,650,000		715,000	4,935,000	745,000
SRF Series 2010-B	9,540,000		1,215,000	8,325,000	1,260,000
SRF Series 2010-C	9,165,000		1,175,000	7,990,000	1,220,000
SRF Series 2010-D	2,305,000		295,000	2,010,000	305,000
Series 2011	20,600,000			20,600,000	—
Debt premium	46,671		2,122	44,549	2,121
SRF Series 2013	1,048,125	4,776,875		5,825,000	—
Compensated absences	712,496	308,964	284,999	736,461	294,585
<i>Solid waste</i>					
Compensated absences	214,318	99,007	85,727	227,598	91,039
Total—business-type activities	\$ 71,869,953	\$ 6,033,520	\$ 5,924,899	\$ 71,978,574	\$ 6,119,701

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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	\$ 13,828	\$ —	\$ 1,515	\$ 12,313	\$ 12,313
Total—governmental activities	\$ 13,828	\$ —	\$ 1,515	\$ 12,313	\$ 12,313

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%. These warrants were fully paid during the fiscal year.

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 Visitor'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
2016	\$ 3,835,359	\$ 1,701,515	\$ 5,536,874
2017	3,968,211	1,579,003	5,547,214
2018	3,761,171	1,447,644	5,208,815
2019	3,349,244	1,291,738	4,640,982
2020	3,467,433	1,178,477	4,645,910
2021—2025	13,469,382	3,510,337	16,979,719
2026—2030	6,247,629	1,660,322	7,907,951
2031—2033	3,810,000	352,818	4,162,818
Totals	\$ 41,908,429	\$ 12,721,854	\$ 54,630,283

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, 2015
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

Electricity Department

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.

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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 10—LONG-TERM OBLIGATIONS (Continued)

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.

The City issued Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL, dated October 15, 2013, in the amount of \$5,825,000 with interest rates ranging from 1.70% to 2.45%. The warrants were issued for capital improvements to upgrade the water treatment plants, the acquisition of and installation of automatic meter reading equipment, and capital improvements to the Wilson Lake intake equipment. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Interest in the amount of \$309,728 has been accrued on the warrants until February 15, 2017 and the City, as part of the capital projects, capitalized that interest. Principal is payable annually beginning on August 15, 2017. Interest is payable semi-annually on each February 15 and August 15 beginning in February 2017.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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
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	875,000	217,080	1,092,080
2020	385,000	185,143	570,143
2021—2025	2,050,000	806,675	2,856,675
2026—2030	2,330,000	528,000	2,858,000
2031—2033	1,585,000	128,600	1,713,600
Totals	\$ 9,680,000	\$ 2,691,658	\$ 12,371,658
Water and Wastewater Department			
Year Ending June 30	Total		
	Principal	Interest	Debt Service
2016	\$ 4,105,000	\$ 1,845,357	\$ 5,950,357
2017	4,255,000	1,762,107	6,017,107
2018	4,640,000	1,756,001	6,396,001
2019	4,805,000	1,629,469	6,434,469
2020	4,985,000	1,498,225	6,483,225
2021—2025	11,225,000	6,147,839	17,372,839
2026—2030	8,900,000	4,665,630	13,565,630
2031—2035	11,090,000	2,481,035	13,571,035
2036—2037	5,195,000	232,818	5,427,818
Totals	\$ 59,200,000	\$ 22,018,481	\$ 81,218,481
Totals—Business-type Activities			
Year Ending June 30	Total		
	Principal	Interest	Debt Service
2016	\$ 4,895,000	\$ 2,147,632	\$ 7,042,632
2017	5,070,000	2,038,312	7,108,312
2018	5,490,000	2,003,681	7,493,681
2019	5,680,000	1,846,549	7,526,549
2020	5,370,000	1,683,368	7,053,368
2021—2025	13,275,000	6,954,514	20,229,514
2026—2030	11,230,000	5,193,630	16,423,630
2031—2035	12,675,000	2,609,635	15,284,635
2036—2037	5,195,000	232,818	5,427,818
Totals	\$ 68,880,000	\$ 24,710,139	\$ 93,590,139

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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 \$2,500,000 as of September 30, 2015. 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. During the 2013-2014 fiscal year, the City reevaluated the estimated total cost for closure and post-closure care costs, as well as, the total estimated capacity of the landfill for construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2015 of \$2,254,730 represents the cumulative amount reported to date based on the estimated capacity of the landfill used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$245,270 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City has used 89 percent of the estimated capacity of the landfill as of September 30, 2015. With this limited use, the City estimates that the landfill will close in 2023.

NOTE 13—PROPERTY TAXES

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

Plan Description—The City’s defined benefit pension plan, City of Florence, Alabama Employees’ Retirement Plan (CFAERP), provides pensions, disability, death, and termination benefits for all permanent full-time employees of the City. CFAERP is a single-employer defined benefit pension plan.

Benefits Provided—Retirement benefits for general employees are calculated as follows:

Normal Retirement	The monthly amount accrued or purchased under the employer’s retirement annuity plan in effect prior to October 1, 1966, plus for each month of credited service, an amount calculated as follows: <ul style="list-style-type: none"> • Before July 1, 1957, 1/24th of 1% of first \$350 of monthly earnings on October 1, 1966, plus 3/24ths of 1% of the excess; • From July 1, 1957 to October 1, 1966, 1/12th of .58% of first \$350 of monthly earnings on October 1, 1966, plus 1/12th of 1.66% of the excess; • From October 1, 1966 to October 1, 1979, 1/12th of 1.58% of first \$350 of monthly earnings, plus 1/12th of 3.16% of the excess; • From October 1, 1979 to October 1, 1988, 1/12th of 2.10% of first \$350 of monthly earnings, plus 1/12th of 3.26% of the excess; • After October 1, 1988, 1/12th of 2.31% of first \$350 of monthly earnings, plus 1/12th of 3.586% of the excess. Effective October 1, 1992, participant accrued benefits were increased by 10%.
Early Retirement	Monthly benefit determined in same manner as normal retirement benefit, based on participant’s accrued benefit as of early retirement date, and reduced by 1/180th for each of the first 24 months and 1/360th for each additional month that the early retirement date precedes age 62. However, a participant who has attained age 62 with 5 years of credited service, or age 57 with 30 years of total service, or age 52 with 25 years of total service may retire early and receive normal retirement benefit with no reduction for early commencement.
Disability Benefit	Monthly benefit equal to the accrued benefit as of the disability retirement date.
Death Benefit	A lump sum cash payment equal to the excess (if any) of the participant’s contributions plus credited interest over the pension payments (if any) received by the participant.
Termination Benefit	An amount equal to the participant’s accrued benefit. Instead of a deferred benefit, a participant may withdraw contributions with interest.

Benefits are payable as an annuity over the lifetime of the participant, with a minimum payout of the participant’s contribution plus interest. Other benefit options include:

- 120 months certain and life annuity.
- Contingent annuitant option with either 100%, 66 2/3%, or 50% of the annuity being payable to the contingent annuitant for life after the participant’s death.
- Lump-sum cash payment (only available if attained age 55 with 5 years of credited service early retirement or attained age 65 normal retirement).

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—At September 30, 2014, the following employees were covered by the benefit terms:

Active employees who have not reached age 65	653
Active participants attaining Normal Retirement Age 65	11
Inactive participants (19 in pay status)	84
Total participants	748

Contributions—The authority to establish and amend the contribution requirements of the CFAERP belongs to the City Council. The Council establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended September 30, 2014, the active employee contribution rate was 2.56% on the first \$350 of monthly compensation and 5.12% of monthly compensation in excess of \$350. The City contributes 2.75 times the employee contribution.

Investment Policy—The investment policy is structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the plan’s assets. The investment objective is to produce a result over the long term consistent with the primary objective of preserving and enhancing the purchasing power of assets. Based on an analysis of the plan’s assets and expected investment returns and risks associated with alternative asset mix strategies, the City Council has established target asset allocations for all assets of the CFAERP. There are no individual investments in the CFAERP that exceed 5% of plan assets at September 30, 2015.

Rate of Return—For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.61 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability—The City’s net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.50%, net of investment expenses

Mortality rates were based on the RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants Table for Males or Females, as appropriate, projected to 2018 with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Core Fixed Income	30.00%	4.67%
Intermediate-Term Bonds	10.00%	4.34%
Large Cap US Equity	22.00%	7.90%
Small Cap US Equity	3.00%	9.11%
Mid Cap US Equity	5.00%	8.50%
Non-US Equity	5.00%	9.28%
Developed Foreign Equity	7.00%	8.81%
Real Estate (REITs)	6.00%	7.95%
Emerging Markets Equity	3.00%	11.05%
US Large Growth	3.00%	8.67%
US Large Value	4.00%	7.74%
US Small Growth	2.00%	10.10%

Discount Rate—The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at 2.75 times the employee contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability—The following table shows the components of the changes in the net pension liability:

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2014	\$ 103,053,884	\$ 80,400,416	\$ 22,653,468
Changes for the year:			
Service cost	2,854,759		2,854,759
Interest on total pension liability	7,603,781		7,603,781
Effect of plan changes			-
Effect of economic/demographic gains/losses	1,537,047		1,537,047
Effect of assumption changes/inputs			-
Benefit payments	(9,216,405)	(9,216,405)	-
Employer contributions		3,710,391	(3,710,391)
Member contributions		1,349,233	(1,349,233)
Net investment income		7,950,048	(7,950,048)
Administrative expenses		(378,171)	378,171
Balance as of September 30, 2015 *	<u>\$ 105,833,066</u>	<u>\$ 83,815,512</u>	<u>\$ 22,017,554</u>

* The measurement date is one year earlier than the reporting date.

Plan fiduciary net position as a percentage of total pension liability 79.20%

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<i>1% Decrease (6.50%)</i>	<i>Current Discount Rate (7.50%)</i>	<i>1% Increase (8.50%)</i>
Total Pension Liability	\$ 115,380,523	\$ 105,833,066	\$ 98,705,597
Fiduciary Net Position	83,815,512	83,815,512	83,815,512
Net Pension Liability	\$ 31,565,011	\$ 22,017,554	\$ 14,890,085

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2014, the City recognized pension expense of \$3,345,018. At September 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date of September 30, 2014	\$ 4,005,400	\$ -
Differences in expected and actual experience	1,399,061	
Differences between projected and actual earnings		1,669,602

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended September 30</i>	<i>Amount</i>
2016	\$ (279,415)
2017	(279,415)
2018	(279,415)
2019	(279,413)
2020	137,986
Thereafter *	709,131

* Additional future deferred outflows and inflows of resources may impact these amounts.

Deferred outflows of resources resulting from employer contributions made subsequent to the measurement date in the amount of \$4,005,400 will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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 professional standards, the plan assets are not reported in the City's financial statements.

Discretely Presented Component Unit—Library

Plan Description—The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act Number 515 of the Legislature of 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 the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided—State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Any employees who had any creditable service prior to January 1, 2013 are referred to as "Tier 1" employees. Tier 1 employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 members of the ERS are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	21,691
Terminated employees entitled to, but not yet receiving, benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	55,883
Total	83,874

Contributions—Tier 1 members of the ERS contribute 5% of earnable compensation to the ERS as required by statute until September 30, 2011. Effective October 1, 2011, Tier 1 members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, Tier 1 members of the ERS are required by statute to contribute 7.50% of earnable compensation. Tier 2 members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2015, the Library's average active employee contribution rate was 8.03% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 8.29% of covered employee payroll.

The Library's contractually required contribution rate for the year ended September 30, 2015 was 8.62% of pensionable pay for Tier 1 employees and 8.48% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Library were \$40,559 for the year ended September 30, 2015.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Net Pension Liability—The Library’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 that was rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2013 (a)	\$ 1,056,894
Entry age normal cost for October 1, 2013—September 30, 2014 (b)	34,031
Actual benefit payments and refunds for October 1, 2013— September 30, 2014 (c)	(35,800)
Total pension liability as of September 30, 2014 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 1,138,245

Actuarial Assumptions—The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	3.75% - 7.25%	
Investment rate of return	8.00%, net of pension plan investment expense	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 actuarial valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%

* Includes assumed rate of inflation of 2.50%

Discount Rate—The discount rate used to measure the total pension liability was the long-term rate of return, 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability—The following table presents the changes in net pension liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2013	\$ 1,056,894	\$ 815,398	\$ 241,496
Changes for the year:			
Service cost	34,031		34,031
Interest	83,120		83,120
Contributions - employer		42,451	(42,451)
Contributions - employee		30,467	(30,467)
Net investment income		98,897	(98,897)
Benefit payments, including refunds of employee contributions	(35,800)	(35,800)	
Transfers among employers		(18,727)	18,727
Net changes	\$ 81,351	\$ 117,288	\$ (35,937)
Balances at September 30, 2014	\$ 1,138,245	\$ 932,686	\$ 205,559

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Library’s net pension liability calculated using the discount rate of 8.00%, as well as what the Library’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Library's net pension liability	\$ 366,015	\$ 205,559	\$ 72,933

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2015, the Library recognized pension expense of \$35,744. At September 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -	\$ 26,344
Employer contributions subsequent to the measurement date	37,673	
Totals	\$ 37,673	\$ 26,344

The Library reported \$37,673 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended September 30	Amount
2016	\$ (6,586)
2017	(6,586)
2018	(6,586)
2019	(6,586)

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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	\$	883,366
Interest on prior year net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost	\$	883,366
Contributions made		883,366
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, 2014	\$ 883,366	100.0%	\$ —
September 30, 2013			
September 30, 2012	756,308	100.0%	—
September 30, 2011			
September 30, 2010	460,057	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, 2015
(Continued)

NOTE 15—POSTRETIREMENT BENEFITS PLAN (Continued)

Funded Status and Funding Progress—As of October 1, 2013, the most recent actuarial valuation date, the plan was 9.7% funded. The actuarial accrued liability for benefits was \$11.7 million and the actuarial value of assets was \$1.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$29.6 million, and the ratio of the UAAL to the covered payroll was 35.8%.

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, 2013 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.0%, 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 5.6% initially that is reduced by decrements to an ultimate rate of 4.5% after eighty (80) 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, 2013 was twenty-four (24) 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	
2016	\$ 201,372
2017	201,372
2018	201,372
2019	201,372
2020	201,372
Total	\$ 1,006,860

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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, 2015, the fund balance was \$17,142, 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, 2015, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,586,525, which has been computed on a present-value basis using a discount rate of 2.6%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$948,655, 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, 2014	\$ 2,586,525	\$ 948,655
Provision for (adjustment to) claims	972,948	116,899
Payment of claims	(972,948)	(116,899)
Claims liability, September 30, 2015	\$ 2,586,525	\$ 948,655

At September 30, 2015, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$261,348, \$5,137,447, and \$2,156,681, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(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. 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, 2015, 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. 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 \$2,528,307.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

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, 2015, open contracts for construction totaled \$2,596,768 of which \$1,912,286 had been recorded as construction in progress.

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, 2015, open contracts for construction totaled \$3,746,861 of which \$1,680,717 had been recorded as cumulative construction in progress. As of June 30, 2015, open contracts for system maintenance totaled \$4,224,651 of which \$708,655 had been recorded as current maintenance expense.

Gas Department

The Department entered into an agreement 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, 2015, the Department had made purchase commitments amounting to \$13,177,254 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, 2015, open contracts for construction totaled \$4,770,780 of which \$4,069,815 had been recorded as cumulative construction in progress. As of June 30, 2015, open contracts for system maintenance totaled \$789,370 of which \$210,981 had been recorded as current maintenance expense.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 21—RESTATEMENT

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The requirements of these GASB pronouncements are effective for fiscal years beginning after June 15, 2014. Due to the implementation of these new statements, the following has been restated:

Governmental Activities

	<i>Net Position</i>
Balance as of September 30, 2014, as previously stated	\$ 103,417,331
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	1,801,669
Net pension liability	(10,293,512)
Balance as of September 30, 2014, as restated	\$ 94,925,488

Business-type Activities

Electricity Department

	<i>Net Position</i>
Balance as of June 30, 2014, as previously stated	\$ 84,773,033
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	1,082,692
Net pension liability	(6,620,428)
Balance as of June 30, 2014, as restated	\$ 79,235,297

Gas Department

	<i>Net Position</i>
Balance as of June 30, 2014, as previously stated	\$ 43,485,318
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	298,799
Net pension liability	(2,663,123)
Balance as of June 30, 2014, as restated	\$ 41,120,994

Water and Wastewater Department

	<i>Net Position</i>
Balance as of June 30, 2014, as previously stated	\$ 72,938,355
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	357,695
Net pension liability	(2,241,028)
Balance as of June 30, 2014, as restated	\$ 71,055,022

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

NOTE 21—RESTATEMENT (Continued)

Solid Waste Fund

	<i>Net Position</i>
Balance as of September 30, 2014, as previously stated	\$ 3,551,530
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	169,536
Net pension liability	(835,377)
Balance as of September 30, 2014, as restated	\$ 2,885,689

Discretely Presented Component Unit—Library

	<i>Net Position</i>
Balance as of September 30, 2014, as previously stated	\$ 1,894,754
Cumulative effect of the change in accounting principle related to:	
Deferred outflows of resources	42,451
Net pension liability	(241,496)
Balance as of September 30, 2014, as restated	\$ 1,695,709

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
Budgetary fund balance—beginning	\$ 12,664,220	\$ 12,664,220	\$ 12,664,220	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 31,542,332	\$ 31,542,332	\$ 31,552,493	\$ 10,161
Property	12,232,000	12,232,000	11,938,539	(293,461)
Motor fuel	410,000	410,000	429,965	19,965
Tobacco	280,000	280,000	263,393	(16,607)
Alcoholic beverages	1,057,000	1,057,000	1,003,811	(53,189)
Other	125,000	125,000	172,198	47,198
Total taxes	<u>\$ 45,646,332</u>	<u>\$ 45,646,332</u>	<u>\$ 45,360,399</u>	<u>\$ (285,933)</u>
Licenses and permits:				
Business	\$ 3,364,000	\$ 3,364,000	\$ 3,344,917	\$ (19,083)
Non-business	120,500	120,500	120,820	320
Total licenses and permits	<u>\$ 3,484,500</u>	<u>\$ 3,484,500</u>	<u>\$ 3,465,737</u>	<u>\$ (18,763)</u>
Fines and forfeitures	<u>\$ 1,249,750</u>	<u>\$ 1,249,750</u>	<u>\$ 1,393,623</u>	<u>\$ 143,873</u>
Charges for services:				
Cultural and recreational	\$ 1,848,375	\$ 1,848,375	\$ 1,636,056	\$ (212,319)
Highways and streets	71,600	71,600	94,972	23,372
Other	83,050	83,050	54,583	(28,467)
Total charges for services	<u>\$ 2,003,025</u>	<u>\$ 2,003,025</u>	<u>\$ 1,785,611</u>	<u>\$ (217,414)</u>
Intergovernmental	<u>\$ 1,214,055</u>	<u>\$ 1,214,055</u>	<u>\$ 1,244,254</u>	<u>\$ 30,199</u>
Other:				
Interest	\$ 27,000	\$ 27,000	\$ 27,142	\$ 142
Other	58,000	58,000	36,075	(21,925)
Total other	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 63,217</u>	<u>\$ (21,783)</u>
Transfers from other funds	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,531</u>	<u>\$ 531</u>
Amounts available for appropriation	<u>\$ 66,646,882</u>	<u>\$ 66,646,882</u>	<u>\$ 66,277,592</u>	<u>\$ (369,290)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 291,355	\$ 291,355	\$ 289,423	\$ 1,932
City council	304,718	304,718	277,217	27,501
Urban forestry	242,404	242,404	228,858	13,546
Purchasing and grants administration	228,508	228,508	212,791	15,717
Legal	260,301	260,301	277,129	(16,828)
Accounting	543,962	543,962	542,586	1,376
City clerk	555,944	555,944	547,675	8,269
Planning	340,177	340,177	323,652	16,525
Human resources	328,702	328,702	307,364	21,338
Administrative buildings	588,850	588,850	582,909	5,941
Building	725,483	725,483	709,272	16,211
Engineering	754,766	754,766	756,631	(1,865)
Total general administration	<u>\$ 5,165,170</u>	<u>\$ 5,165,170</u>	<u>\$ 5,055,507</u>	<u>\$ 109,663</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(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	\$ 9,568,529	\$ 9,568,529	\$ 9,621,024	\$ (52,495)
Jail	418,500	418,500	465,869	(47,369)
Municipal court	516,458	516,458	517,262	(804)
Animal control	616,274	616,274	590,930	25,344
Fire	6,866,009	6,866,009	6,617,054	248,955
Total public safety	<u>\$ 17,985,770</u>	<u>\$ 17,985,770</u>	<u>\$ 17,812,139</u>	<u>\$ 173,631</u>
Public works:				
Streets	\$ 3,705,972	\$ 3,705,972	\$ 3,639,858	\$ 66,114
Municipal lighting and utilities	1,032,000	1,032,000	1,017,410	14,590
Cemetery	265,557	265,557	270,256	(4,699)
Parking deck facility	98,697	98,697	83,692	15,005
Total public works	<u>\$ 5,102,226</u>	<u>\$ 5,102,226</u>	<u>\$ 5,011,216</u>	<u>\$ 91,010</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,097,489	\$ 2,097,489	\$ 2,064,301	\$ 33,188
Parks	3,032,164	3,032,164	3,151,100	(118,936)
Golf course	1,237,332	1,237,332	1,187,140	50,192
Braly municipal stadium	207,275	207,275	221,032	(13,757)
Arts and museums	393,218	393,218	404,948	(11,730)
Total culture and recreation	<u>\$ 6,967,478</u>	<u>\$ 6,967,478</u>	<u>\$ 7,028,521</u>	<u>\$ (61,043)</u>
Nondepartmental:				
Other	\$ 1,383,700	\$ 1,383,700	\$ 1,341,044	\$ 42,656
Education—funding for school district	8,117,891	8,117,891	8,078,061	39,830
Transfers to other funds	9,247,091	9,247,091	9,167,355	79,736
Total nondepartmental	<u>\$ 18,748,682</u>	<u>\$ 18,748,682</u>	<u>\$ 18,586,460</u>	<u>\$ 162,222</u>
Total charges to appropriations	<u>\$ 53,969,326</u>	<u>\$ 53,969,326</u>	<u>\$ 53,493,843</u>	<u>\$ 475,483</u>
Budgetary fund balance—ending	<u>\$ 12,677,556</u>	<u>\$ 12,677,556</u>	<u>\$ 12,783,749</u>	<u>\$ 106,193</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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	\$ 66,277,592
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	(12,664,220)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(300,531)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 53,312,841</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 53,493,843
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(9,167,355)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 44,326,488</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2014**

TOTAL PENSION LIABILITY

Service cost	\$ 2,854,759
Interest	7,603,781
Effect of plan changes	
Effect of economic/demographic gains or losses	1,537,047
Effect of assumption changes or inputs	
Benefit payments	<u>(9,216,405)</u>
Net change in total pension liability	\$ 2,779,182
Total pension liability, beginning	<u>103,053,884</u>
Total pension liability, ending (a)	<u><u>\$ 105,833,066</u></u>

PLAN FIDUCIARY NET POSITION

Contributions—employer	\$ 3,710,391
Contributions—employee	1,349,233
Investment income, net of investment expenses	7,950,048
Benefit payments	(9,216,405)
Administrative expenses	<u>(378,171)</u>
Net change in plan fiduciary net position	\$ 3,415,096
Plan fiduciary net position, beginning	<u>80,400,416</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 83,815,512</u></u>
Net pension liability, ending (a-b)	<u><u>\$ 22,017,554</u></u>
Plan fiduciary net position as a percentage of total pension liability	79.20%
Covered employee payroll	\$ 29,557,478
Net pension liability as a percentage of covered employee payroll	74.49%

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions
Last 10 Fiscal Years

Employees' Retirement Plan						
<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>	
2006	\$ 3,309,955	\$ 3,187,574	\$ 122,381	\$ 23,418,971	13.61%	
2007	3,257,216	3,330,693	(73,477)	24,300,964	13.71%	
2008	2,435,104	3,726,546	(1,291,442)	25,653,135	14.53%	
2009	2,315,374	4,029,198	(1,713,824)	26,289,687	15.33%	
2010	2,260,178	3,563,874	(1,303,696)	26,775,834	13.31%	
2011	2,920,660	3,888,126	(967,466)	28,074,105	13.85%	
2012	3,377,314	3,765,076	(387,762)	28,743,659	13.10%	
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%	
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%	
2015	4,023,027	4,005,400	17,627	29,557,478	13.55%	

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, closed

Remaining amortization period: 26 years

Asset valuation method: 4-year smoothed market

Corridor: 90.00% to 110.00% of market

Inflation: 2.50%

Salary increases: 3.00%

Investment rate of return: 7.50%, net of investment expenses

Cost of living adjustments: None

Retirement age: Normal–Attained age 65; Early–Attained age 55 with 5 years credited service, or attained age 52 with 25 years of total service

Turnover: Annual rates ranging from 12.00% at age 25 to 0.00% at age 55

Mortality: RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants Table, projected to 2018 per Scale AA

CITY OF FLORENCE, ALABAMA
Schedule of Investment Returns
Last 10 Fiscal Years

Employees' Retirement Plan										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	9.61%	-	-	-	-	-	-	-	-	-

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ending September 30

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability										
Service cost	\$ 34,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	83,120									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes of assumption	-									
Benefit payments, including refunds of employee contributions	(35,800)									
Net change in total pension liability	\$ 81,351	\$ -								
Total pension liability—beginning	1,056,894									
Total pension liability—ending (a)	\$ 1,138,245	\$ -								
Plan fiduciary net position										
Contributions - employer	\$ 42,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	30,467									
Net investment income	98,897									
Benefit payments, including refunds of employee contributions	(35,800)									
Transfers among employers	(18,727)									
Net change in plan fiduciary net position	\$ 117,288	\$ -								
Plan fiduciary net position—beginning	815,398									
Plan fiduciary net position—ending (b)	\$ 932,686	\$ -								
Net pension liability—ending (a - b)	\$ 205,559	\$ -								
Plan fiduciary net position as a percentage of the total pension liability	81.94%									
Covered-employee payroll	\$ 426,337									
Net pension liability as a percentage of covered-employee payroll	48.22%									

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Employer Contributions

Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 37,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	37,673									
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 454,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	8.29%									

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	10 years
Asset valuation method:	5-year smoothed market
Inflation:	3.00%
Salary increases:	3.75% – 7.25%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

CITY OF FLORENCE, ALABAMA
Schedules of Funding Progress

Postretirement Benefits Plan						
<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL)— Unit Credit (b)</i>	<i>Unfunded AAL (UAAL) (b - a)</i>	<i>Funded Ratio (a / b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b - a) / c)</i>
October 1, 2013	\$ 1,142,548	\$ 11,719,967	\$ 10,577,419	9.7%	\$ 29,562,601	35.8%
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%

The City has elected to perform an actuarial valuation of 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, 2015**

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	Donation Fund
ASSETS										
Cash and cash equivalents	\$ 2,472	\$ 2,813	\$ 893	\$ 1,628	\$	\$ 119,899	\$ 3,240,393	\$ 21,936	\$ 241,426	\$
Receivables (net)	14,162	14,995	24,122						4,695	
Loan receivables (net)						306,089	66,337			
Interfund receivables					35,957		1,587,456		3,314	30,917
Total assets	<u>\$ 16,634</u>	<u>\$ 17,808</u>	<u>\$ 25,015</u>	<u>\$ 1,628</u>	<u>\$ 35,957</u>	<u>\$ 425,988</u>	<u>\$ 4,894,186</u>	<u>\$ 21,936</u>	<u>\$ 249,435</u>	<u>\$ 30,917</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$	\$	\$	\$ 542	\$	\$ 34,606	\$ 1,870,351	\$ 21,536	\$ 62,155	\$
Interfund payables	10,000	35				118,581			521	
Total liabilities	<u>\$ 10,000</u>	<u>\$ 35</u>	<u>\$ —</u>	<u>\$ 542</u>	<u>\$ —</u>	<u>\$ 153,187</u>	<u>\$ 1,870,351</u>	<u>\$ 21,536</u>	<u>\$ 62,676</u>	<u>\$ —</u>
Fund balances										
Nonspendable:										
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:										
Street resurfacing and improvements	6,634	17,773	25,015							
Culture and recreation					35,957					22,675
Public safety								400	186,759	8,242
HUD community development and rehabilitation						272,801				
Capital projects										
Assigned to:										
Capital projects							3,023,835			
Municipal building maintenance										
Economic development										
Unassigned										
				1,086						
Total fund balances	<u>\$ 6,634</u>	<u>\$ 17,773</u>	<u>\$ 25,015</u>	<u>\$ 1,086</u>	<u>\$ 35,957</u>	<u>\$ 272,801</u>	<u>\$ 3,023,835</u>	<u>\$ 400</u>	<u>\$ 186,759</u>	<u>\$ 30,917</u>
Total liabilities and fund balance	<u>\$ 16,634</u>	<u>\$ 17,808</u>	<u>\$ 25,015</u>	<u>\$ 1,628</u>	<u>\$ 35,957</u>	<u>\$ 425,988</u>	<u>\$ 4,894,186</u>	<u>\$ 21,936</u>	<u>\$ 249,435</u>	<u>\$ 30,917</u>

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

(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-B G.O. Warrants Fund	Total		
ASSETS										
Cash and cash equivalents	\$ 91,077	\$ 29,977	\$ 3,752,514	\$ —	\$ 758,441	\$ 499,902	\$ 10,267,370	\$ 11,525,713	\$ 241,401	\$ 15,519,628
Receivables (net)	64,419	85,315	207,708	—	—	—	—	—	—	207,708
Loan receivables (net)	—	—	372,426	—	—	—	—	—	—	372,426
Interfund receivables	—	—	1,657,644	—	—	—	—	—	—	1,657,644
Total assets	<u>\$ 155,496</u>	<u>\$ 115,292</u>	<u>\$ 5,990,292</u>	<u>\$ —</u>	<u>\$ 758,441</u>	<u>\$ 499,902</u>	<u>\$ 10,267,370</u>	<u>\$ 11,525,713</u>	<u>\$ 241,401</u>	<u>\$ 17,757,406</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 100,792	\$ 18,879	\$ 2,108,861	\$ —	\$ 58,253	\$ —	\$ 262,158	\$ 320,411	\$ —	\$ 2,429,272
Interfund payables	54,704	79,271	263,112	—	—	—	—	—	531	263,643
Total liabilities	<u>\$ 155,496</u>	<u>\$ 98,150</u>	<u>\$ 2,371,973</u>	<u>\$ —</u>	<u>\$ 58,253</u>	<u>\$ —</u>	<u>\$ 262,158</u>	<u>\$ 320,411</u>	<u>\$ 531</u>	<u>\$ 2,692,915</u>
Fund balances										
Nonspendable:										
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,870	\$ 240,870
Restricted for:										
Street resurfacing and improvements	—	—	49,422	—	—	—	—	—	—	49,422
Culture and recreation	—	—	58,632	—	—	—	—	—	—	58,632
Public safety	—	—	195,401	—	—	—	—	—	—	195,401
HUD community development and rehabilitation	—	—	272,801	—	—	—	—	—	—	272,801
Capital projects	—	—	—	—	700,188	—	10,005,212	10,705,400	—	10,705,400
Assigned to:										
Capital projects	—	—	3,023,835	—	—	—	—	—	—	3,023,835
Municipal building maintenance	—	17,142	17,142	—	—	—	—	—	—	17,142
Economic development	—	—	—	—	—	499,902	—	499,902	—	499,902
Unassigned	—	—	1,086	—	—	—	—	—	—	1,086
Total fund balances	<u>\$ —</u>	<u>\$ 17,142</u>	<u>\$ 3,618,319</u>	<u>\$ —</u>	<u>\$ 700,188</u>	<u>\$ 499,902</u>	<u>\$ 10,005,212</u>	<u>\$ 11,205,302</u>	<u>\$ 240,870</u>	<u>\$ 15,064,491</u>
Total liabilities and fund balance	<u>\$ 155,496</u>	<u>\$ 115,292</u>	<u>\$ 5,990,292</u>	<u>\$ —</u>	<u>\$ 758,441</u>	<u>\$ 499,902</u>	<u>\$ 10,267,370</u>	<u>\$ 11,525,713</u>	<u>\$ 241,401</u>	<u>\$ 17,757,406</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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	Donation Fund
REVENUES										
Taxes	\$ 151,649	\$ 163,128	\$ 310,128	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				14,901		270,824			67,427	
Interest revenues	204	201	323	128			56,338	44	604	
Program revenues						7,355		60	118,100	
Miscellaneous							469,752		1,452	63,877
Total revenues	\$ 151,853	\$ 163,329	\$ 310,451	\$ 15,029	\$ —	\$ 278,179	\$ 526,090	\$ 104	\$ 187,583	\$ 63,877
EXPENDITURES										
Current operating:										
General administration	\$	\$	\$	\$	\$	77,354	123,093	\$	\$	\$
Public safety				10,443				447	113,964	40,300
Public works		26,434				164,421	42,640			16,024
Culture and recreation				3,500	2,118		8,140			13,799
Other						78,939	108,665			
Education—funding for school district							1,608,714			
Capital outlay and improvements	172,988	130,386	230,936				888,525		62,432	
Debt service:										
Principal payments										
Interest and fiscal charges										
Total expenditures	\$ 172,988	\$ 156,820	\$ 230,936	\$ 13,943	\$ 2,118	\$ 320,714	\$ 2,779,777	\$ 447	\$ 176,396	\$ 70,123
Excess (deficiency) of revenues over expenditures	\$ (21,135)	\$ 6,509	\$ 79,515	\$ 1,086	\$ (2,118)	\$ (42,535)	\$ (2,253,687)	\$ (343)	\$ 11,187	\$ (6,246)
OTHER FINANCING SOURCES (USES)										
Transfers in	\$	\$	\$	\$	\$	\$	8,434,278	\$	\$	\$
Transfers out	(110,004)	(110,004)	(220,007)				(6,324,544)			
Total other financing sources (uses)	\$ (110,004)	\$ (110,004)	\$ (220,007)	\$ —	\$ —	\$ —	\$ 2,109,734	\$ —	\$ —	\$ —
Net change in fund balances	\$ (131,139)	\$ (103,495)	\$ (140,492)	\$ 1,086	\$ (2,118)	\$ (42,535)	\$ (143,953)	\$ (343)	\$ 11,187	\$ (6,246)
Fund balances—beginning	137,773	121,268	165,507		38,075	315,336	3,167,788	743	175,572	37,163
Fund balances—ending	\$ 6,634	\$ 17,773	\$ 25,015	\$ 1,086	\$ 35,957	\$ 272,801	\$ 3,023,835	\$ 400	\$ 186,759	\$ 30,917

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Permanent Fund	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	Cemetery Perpetual Care	
REVENUES										
Taxes	\$	\$	\$ 624,905	\$	\$	\$	\$	\$ —	\$	\$ 624,905
Intergovernmental			353,152		334,737			334,737		687,889
Interest revenues		139	57,981		1,662	1,721	2,989	6,372		64,353
Program revenues		222,175	347,690					—	531	348,221
Miscellaneous			535,081		17,878			17,878		552,959
Total revenues	\$ —	\$ 222,314	\$ 1,918,809	\$ —	\$ 354,277	\$ 1,721	\$ 2,989	\$ 358,987	\$ 531	\$ 2,278,327
EXPENDITURES										
Current operating:										
General administration	\$	\$ 333,035	\$ 533,482	\$	\$ 174,637	\$	\$	\$ 174,637	\$	\$ 708,119
Public safety			165,154		2,821			2,821		167,975
Public works			249,519			287,142		287,142		536,661
Culture and recreation			27,557		57,993		51,883	109,876		137,433
Other			187,604			17,500		17,500		205,104
Education—funding for school district			1,608,714					—		1,608,714
Capital outlay and improvements			1,485,267		264,006	44,666	2,353,480	2,662,152		4,147,419
Debt service:										
Principal payments			—	5,193,825				—		5,193,825
Interest and fiscal charges			—	1,893,082				—		1,893,082
Total expenditures	\$ —	\$ 333,035	\$ 4,257,297	\$ 7,086,907	\$ 499,457	\$ 349,308	\$ 2,405,363	\$ 3,254,128	\$ —	\$ 14,598,332
Excess (deficiency) of revenues over expenditures	\$ —	\$ (110,721)	\$ (2,338,488)	\$ (7,086,907)	\$ (145,180)	\$ (347,587)	\$ (2,402,374)	\$ (2,895,141)	\$ 531	\$ (12,320,005)
OTHER FINANCING SOURCES (USES)										
Transfers in	\$	\$ 110,729	\$ 8,545,007	\$ 7,086,907	\$	\$	\$	\$ —	\$	\$ 15,631,914
Transfers out			(6,764,559)					—	(531)	(6,765,090)
Total other financing sources (uses)	\$ —	\$ 110,729	\$ 1,780,448	\$ 7,086,907	\$ —	\$ —	\$ —	\$ —	\$ (531)	\$ 8,866,824
Net change in fund balances	\$ —	\$ 8	\$ (558,040)	\$ —	\$ (145,180)	\$ (347,587)	\$ (2,402,374)	\$ (2,895,141)	\$ —	\$ (3,453,181)
Fund balances—beginning		17,134	4,176,359		845,368	847,489	12,407,586	14,100,443	240,870	18,517,672
Fund balances—ending	\$ —	\$ 17,142	\$ 3,618,319	\$ —	\$ 700,188	\$ 499,902	\$ 10,005,212	\$ 11,205,302	\$ 240,870	\$ 15,064,491

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2015**

	Governmental Activities—Internal Service Funds			Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 39,972	\$ 5,137,447	\$ 2,156,681	\$ 7,334,100
Receivables (net)	221,376			221,376
Total current assets	<u>\$ 261,348</u>	<u>\$ 5,137,447</u>	<u>\$ 2,156,681</u>	<u>\$ 7,555,476</u>
Noncurrent assets				
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total noncurrent assets	<u>\$ —</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 150,000</u>
Total assets	<u>\$ 261,348</u>	<u>\$ 5,187,447</u>	<u>\$ 2,256,681</u>	<u>\$ 7,705,476</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 22,681	\$ 6,786	\$ 133,313	\$ 162,780
Interfund payables	238,667			238,667
Noncurrent liabilities				
Claims reserve		948,655	2,586,525	3,535,180
Total liabilities	<u>\$ 261,348</u>	<u>\$ 955,441</u>	<u>\$ 2,719,838</u>	<u>\$ 3,936,627</u>
NET POSITION				
Restricted for:				
Other purposes	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted		4,182,006	(563,157)	3,618,849
Total net position	<u>\$ —</u>	<u>\$ 4,232,006</u>	<u>\$ (463,157)</u>	<u>\$ 3,768,849</u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
Operating revenues				
User charges	\$ 35,490	\$ 325,176	\$ 509,870	\$ 870,536
Total operating revenues	<u>\$ 35,490</u>	<u>\$ 325,176</u>	<u>\$ 509,870</u>	<u>\$ 870,536</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ (191,609)	\$ 116,899	\$ 972,948	\$ 898,238
Operations and administration	18,954	141,239	72,880	233,073
Total operating expenses	<u>\$ (172,655)</u>	<u>\$ 258,138</u>	<u>\$ 1,045,828</u>	<u>\$ 1,131,311</u>
Operating income (loss)	<u>\$ 208,145</u>	<u>\$ 67,038</u>	<u>\$ (535,958)</u>	<u>\$ (260,775)</u>
Non-operating revenues (expenses)				
Interest revenues	288	11,240	5,337	16,865
Change in net position	<u>\$ 208,433</u>	<u>\$ 78,278</u>	<u>\$ (530,621)</u>	<u>\$ (243,910)</u>
Net position—beginning	(208,433)	4,153,728	67,464	4,012,759
Net position—ending	<u>\$ —</u>	<u>\$ 4,232,006</u>	<u>\$ (463,157)</u>	<u>\$ 3,768,849</u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Governmental Activities—Internal Service Funds			Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	
Cash flows from operating activities				
Receipts from customers and users	\$ (32,115)	\$ 326,094	\$ 510,356	\$ 804,335
Payments to suppliers	153,050	(254,754)	(992,194)	(1,093,898)
Net cash provided (used) by operating activities	<u>\$ 120,935</u>	<u>\$ 71,340</u>	<u>\$ (481,838)</u>	<u>\$ (289,563)</u>
Cash flows from investing activities				
Interest on investments	\$ 288	\$ 11,240	\$ 5,337	\$ 16,865
Interfund receivables (payables)	(187,418)			(187,418)
Net cash provided (used) by investing activities	<u>\$ (187,130)</u>	<u>\$ 11,240</u>	<u>\$ 5,337</u>	<u>\$ (170,553)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (66,195)</u>	<u>\$ 82,580</u>	<u>\$ (476,501)</u>	<u>\$ (460,116)</u>
Cash and cash equivalents—beginning	106,167	5,104,867	2,733,182	7,944,216
Cash and cash equivalents—ending	<u><u>\$ 39,972</u></u>	<u><u>\$ 5,187,447</u></u>	<u><u>\$ 2,256,681</u></u>	<u><u>\$ 7,484,100</u></u>
<i>Classified as:</i>				
Current assets	\$ 39,972	\$ 5,137,447	\$ 2,156,681	\$ 7,334,100
Restricted assets		50,000	100,000	150,000
Totals	<u><u>\$ 39,972</u></u>	<u><u>\$ 5,187,447</u></u>	<u><u>\$ 2,256,681</u></u>	<u><u>\$ 7,484,100</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ 208,145	\$ 67,038	\$ (535,958)	\$ (260,775)
Changes in assets and liabilities				
Receivables (net)	\$ (67,605)	\$ 918	\$ 486	\$ (66,201)
Accounts and other payables	(19,605)	3,384	53,634	37,413
Total adjustments	<u>\$ (87,210)</u>	<u>\$ 4,302</u>	<u>\$ 54,120</u>	<u>\$ (28,788)</u>
Net cash provided (used) by operating activities	<u><u>\$ 120,935</u></u>	<u><u>\$ 71,340</u></u>	<u><u>\$ (481,838)</u></u>	<u><u>\$ (289,563)</u></u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 137,773	\$ 137,773	\$ 137,773	\$ —
Resources (inflows):				
Taxes	148,000	148,000	151,649	3,649
Interest revenues	450	450	204	(246)
Amounts available for appropriation	<u>\$ 286,223</u>	<u>\$ 286,223</u>	<u>\$ 289,626</u>	<u>\$ 3,403</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 38,446	\$ 38,446	\$ 172,988	\$ (134,542)
Transfers to other funds	110,004	110,004	110,004	—
Total charges to appropriations	<u>\$ 148,450</u>	<u>\$ 148,450</u>	<u>\$ 282,992</u>	<u>\$ (134,542)</u>
Budgetary fund balance—ending	<u>\$ 137,773</u>	<u>\$ 137,773</u>	<u>\$ 6,634</u>	<u>\$ (131,139)</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	\$ 289,626
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	(137,773)
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>\$ 151,853</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 282,992
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(110,004)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 172,988</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 121,268	\$ 121,268	\$ 121,268	\$ —
Resources (inflows):				
Taxes	158,150	158,150	163,128	4,978
Interest revenues	300	300	201	(99)
Amounts available for appropriation	<u>\$ 279,718</u>	<u>\$ 279,718</u>	<u>\$ 284,597</u>	<u>\$ 4,879</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 25,000	\$ 25,000	\$ 26,434	\$ (1,434)
Capital outlay and improvements	23,446	23,446	130,386	(106,940)
Transfers to other funds	110,004	110,004	110,004	—
Total charges to appropriations	<u>\$ 158,450</u>	<u>\$ 158,450</u>	<u>\$ 266,824</u>	<u>\$ (108,374)</u>
Budgetary fund balance—ending	<u>\$ 121,268</u>	<u>\$ 121,268</u>	<u>\$ 17,773</u>	<u>\$ (103,495)</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	\$ 284,597
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	(121,268)
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>\$ 163,329</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 266,824
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(110,004)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 156,820</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 165,507	\$ 165,507	\$ 165,507	\$ —
Resources (inflows):				
Taxes	375,000	375,000	310,128	(64,872)
Interest revenues	600	600	323	(277)
Amounts available for appropriation	<u>\$ 541,107</u>	<u>\$ 541,107</u>	<u>\$ 475,958</u>	<u>\$ (65,149)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 155,593	\$ 155,593	\$ 230,936	\$ (75,343)
Transfers to other funds	220,007	220,007	220,007	—
Total charges to appropriations	<u>\$ 375,600</u>	<u>\$ 375,600</u>	<u>\$ 450,943</u>	<u>\$ (75,343)</u>
Budgetary fund balance—ending	<u>\$ 165,507</u>	<u>\$ 165,507</u>	<u>\$ 25,015</u>	<u>\$ (140,492)</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	\$ 475,958
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	(165,507)
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>\$ 310,451</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 450,943
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(220,007)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 230,936</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Intergovernmental	90,000	90,000	14,901	(75,099)
Interest revenues	50	50	128	78
Program revenues	25,000	25,000		(25,000)
Amounts available for appropriation	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 15,029</u>	<u>\$ (100,021)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 75,000	\$ 75,000	\$ —	\$ 75,000
Public safety	40,050	40,050	10,443	29,607
Culture and recreation			3,500	(3,500)
Total charges to appropriations	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 13,943</u>	<u>\$ 101,107</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,086</u>	<u>\$ 1,086</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	\$ 15,029
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	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 15,029</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 13,943
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>\$ 13,943</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<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	\$ 38,075	\$ 38,075	\$ 38,075	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 15,000	\$ 15,000	\$ 2,118	\$ 12,882
Total charges to appropriations	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 2,118</u>	<u>\$ 12,882</u>
Budgetary fund balance—ending	<u>\$ 23,075</u>	<u>\$ 23,075</u>	<u>\$ 35,957</u>	<u>\$ 12,882</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	\$ 38,075
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	(38,075)
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	\$ 2,118
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>\$ 2,118</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 315,336	\$ 315,336	\$ 315,336	\$ —
Resources (inflows):				
Intergovernmental	287,844	287,844	270,824	(17,020)
Program revenues			7,355	7,355
Amounts available for appropriation	<u>\$ 603,180</u>	<u>\$ 603,180</u>	<u>\$ 593,515</u>	<u>\$ (9,665)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 66,000	\$ 66,000	\$ 77,354	\$ (11,354)
Public works	130,887	180,887	164,421	16,466
Other	110,000	146,000	78,939	67,061
Total charges to appropriations	<u>\$ 306,887</u>	<u>\$ 392,887</u>	<u>\$ 320,714</u>	<u>\$ 72,173</u>
Budgetary fund balance—ending	<u>\$ 296,293</u>	<u>\$ 210,293</u>	<u>\$ 272,801</u>	<u>\$ 62,508</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	\$ 593,515
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	(315,336)
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>\$ 278,179</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 320,714
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>\$ 320,714</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 3,167,788	\$ 3,167,788	\$ 3,167,788	\$ —
Resources (inflows):				
Interest revenues	10,000	10,000	56,338	46,338
Miscellaneous			469,752	469,752
Transfers from other funds	8,464,039	8,464,039	8,434,278	(29,761)
Amounts available for appropriation	<u>\$ 11,641,827</u>	<u>\$ 11,641,827</u>	<u>\$ 12,128,156</u>	<u>\$ 486,329</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 62,556	\$ 62,556	\$ 123,093	\$ (60,537)
Public works	20,000	20,000	42,640	(22,640)
Culture and recreation			8,140	(8,140)
Other			108,665	(108,665)
Education—funding for school district	1,622,784	1,622,784	1,608,714	14,070
Capital outlay and improvements	442,431	442,431	888,525	(446,094)
Transfers to other funds	6,326,268	6,326,268	6,324,544	1,724
Total charges to appropriations	<u>\$ 8,474,039</u>	<u>\$ 8,474,039</u>	<u>\$ 9,104,321</u>	<u>\$ (630,282)</u>
Budgetary fund balance—ending	<u>\$ 3,167,788</u>	<u>\$ 3,167,788</u>	<u>\$ 3,023,835</u>	<u>\$ (143,953)</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	\$ 12,128,156
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(3,167,788)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(8,434,278)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 526,090</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,104,321
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(6,324,544)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,779,777</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 175,572	\$ 175,572	\$ 175,572	\$ —
Resources (inflows):				
Intergovernmental	108,500	108,500	67,427	(41,073)
Interest revenues			604	604
Program revenues	65,500	65,500	118,100	52,600
Miscellaneous			1,452	1,452
Amounts available for appropriation	<u>\$ 349,572</u>	<u>\$ 349,572</u>	<u>\$ 363,155</u>	<u>\$ 13,583</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 174,000	\$ 174,000	\$ 113,964	\$ 60,036
Capital outlay and improvements			62,432	(62,432)
Total charges to appropriations	<u>\$ 174,000</u>	<u>\$ 174,000</u>	<u>\$ 176,396</u>	<u>\$ (2,396)</u>
Budgetary fund balance—ending	<u><u>\$ 175,572</u></u>	<u><u>\$ 175,572</u></u>	<u><u>\$ 186,759</u></u>	<u><u>\$ 11,187</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	\$ 363,155
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	(175,572)
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>\$ 187,583</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 176,396
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 176,396</u></u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 37,163	\$ 37,163	\$ 37,163	\$ —
Resources (inflows):				
Miscellaneous	85,000	85,000	63,877	(21,123)
Amounts available for appropriation	<u>\$ 122,163</u>	<u>\$ 122,163</u>	<u>\$ 101,040</u>	<u>\$ (21,123)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 75,000	\$ 75,000	\$ 40,300	\$ 34,700
Public works			16,024	(16,024)
Culture and recreation	10,000	10,000	13,799	(3,799)
Total charges to appropriations	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 70,123</u>	<u>\$ 14,877</u>
Budgetary fund balance—ending	<u>\$ 37,163</u>	<u>\$ 37,163</u>	<u>\$ 30,917</u>	<u>\$ (6,246)</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	\$ 101,040
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	(37,163)
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>\$ 63,877</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 70,123
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>\$ 70,123</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<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	139	39
Program revenues	255,000	255,000	222,175	(32,825)
Transfers from other funds	95,000	95,000	110,729	15,729
Amounts available for appropriation	<u>\$ 367,234</u>	<u>\$ 367,234</u>	<u>\$ 350,177</u>	<u>\$ (17,057)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 350,100	\$ 350,100	\$ 333,035	\$ 17,065
Total charges to appropriations	<u>\$ 350,100</u>	<u>\$ 350,100</u>	<u>\$ 333,035</u>	<u>\$ 17,065</u>
Budgetary fund balance—ending	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ 17,142</u>	<u>\$ 8</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	\$ 350,177
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>(110,729)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 222,314</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 333,035
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>\$ 333,035</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	7,049,337	7,049,337	7,086,907	37,570
Amounts available for appropriation	<u>\$ 7,049,337</u>	<u>\$ 7,049,337</u>	<u>\$ 7,086,907</u>	<u>\$ 37,570</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 5,157,610	\$ 5,157,610	\$ 5,193,825	\$ (36,215)
Interest and fiscal charges	1,891,727	1,891,727	1,893,082	(1,355)
Total charges to appropriations	<u>\$ 7,049,337</u>	<u>\$ 7,049,337</u>	<u>\$ 7,086,907</u>	<u>\$ (37,570)</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	\$ 7,086,907
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>(7,086,907)</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	\$ 7,086,907
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>\$ 7,086,907</u>

Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$37,570 for the year ended September 30, 2015. The excess expenditures were provided for by current year's revenues.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 845,368	\$ 845,368	\$ 845,368	\$ —
Resources (inflows):				
Intergovernmental	320,000	320,000	334,737	14,737
Interest revenues	2,025	2,025	1,662	(363)
Miscellaneous			17,878	17,878
Amounts available for appropriation	<u>\$ 1,167,393</u>	<u>\$ 1,167,393</u>	<u>\$ 1,199,645</u>	<u>\$ 32,252</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 175,000	\$ 175,000	\$ 174,637	\$ 363
Public safety			2,821	(2,821)
Culture and recreation	24,800	24,800	57,993	(33,193)
Capital outlay and improvements	347,225	347,225	264,006	83,219
Total charges to appropriations	<u>\$ 547,025</u>	<u>\$ 547,025</u>	<u>\$ 499,457</u>	<u>\$ 47,568</u>
Budgetary fund balance—ending	<u>\$ 620,368</u>	<u>\$ 620,368</u>	<u>\$ 700,188</u>	<u>\$ 79,820</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	\$ 1,199,645
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	(845,368)
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>\$ 354,277</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 499,457
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>\$ 499,457</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 847,489	\$ 847,489	\$ 847,489	\$ —
Resources (inflows):				
Interest revenues	2,400	2,400	1,721	(679)
Amounts available for appropriation	<u>\$ 849,889</u>	<u>\$ 849,889</u>	<u>\$ 849,210</u>	<u>\$ (679)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$	\$	\$ 287,142	\$ (287,142)
Other	250,000	250,000	17,500	232,500
Capital outlay and improvements			44,666	(44,666)
Total charges to appropriations	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 349,308</u>	<u>\$ (99,308)</u>
Budgetary fund balance—ending	<u>\$ 599,889</u>	<u>\$ 599,889</u>	<u>\$ 499,902</u>	<u>\$ (99,987)</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	\$ 849,210
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	(847,489)
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>\$ 1,721</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 349,308
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>\$ 349,308</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013-B G.O. WARRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 12,407,586	\$ 12,407,586	\$ 12,407,586	\$ —
Resources (inflows):				
Interest revenues	5,000	5,000	2,989	(2,011)
Amounts available for appropriation	<u>\$ 12,412,586</u>	<u>\$ 12,412,586</u>	<u>\$ 12,410,575</u>	<u>\$ (2,011)</u>
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$	\$	\$ 51,883	\$ (51,883)
Capital outlay and improvements	12,188,866	12,188,866	2,353,480	9,835,386
Total charges to appropriations	<u>\$ 12,188,866</u>	<u>\$ 12,188,866</u>	<u>\$ 2,405,363</u>	<u>\$ 9,783,503</u>
Budgetary fund balance—ending	<u>\$ 223,720</u>	<u>\$ 223,720</u>	<u>\$ 10,005,212</u>	<u>\$ 9,781,492</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	\$ 12,410,575
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(12,407,586)
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>\$ 2,989</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,405,363
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>\$ 2,405,363</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 240,870	\$ 240,870	\$ 240,870	\$ —
Resources (inflows):				
Program revenues	550	550	531	(19)
Amounts available for appropriation	<u>\$ 241,420</u>	<u>\$ 241,420</u>	<u>\$ 241,401</u>	<u>\$ (19)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 50	\$ 50	\$	\$ 50
Transfers to other funds	500	500	531	(31)
Total charges to appropriations	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 531</u>	<u>\$ 19</u>
Budgetary fund balance—ending	<u>\$ 240,870</u>	<u>\$ 240,870</u>	<u>\$ 240,870</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	\$ 241,401
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	(240,870)
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>\$ 531</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 531
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(531)</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, 2015**

	<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	\$ 120,306,000	\$ 120,306,000	\$ 121,673,203	\$ 1,367,203
Other	650,000	650,000	615,500	(34,500)
Total operating revenues	<u>\$ 120,956,000</u>	<u>\$ 120,956,000</u>	<u>\$ 122,288,703</u>	<u>\$ 1,332,703</u>
Operating expenses				
Costs of sales	\$ 95,850,000	\$ 95,850,000	\$ 98,677,848	\$ (2,827,848)
Operations, maintenance, and administration	15,200,200	15,200,200	14,271,873	928,327
Depreciation	4,850,000	4,850,000	4,929,365	(79,365)
Taxes and tax equivalents	3,302,000	3,302,000	3,319,618	(17,618)
Total operating expenses	<u>\$ 119,202,200</u>	<u>\$ 119,202,200</u>	<u>\$ 121,198,704</u>	<u>\$ (1,996,504)</u>
Operating income (loss)	<u>\$ 1,753,800</u>	<u>\$ 1,753,800</u>	<u>\$ 1,089,999</u>	<u>\$ (663,801)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 24,000	\$ 24,000	\$ 11,719	\$ (12,281)
Merchandising revenues (net of costs)	175,000	175,000	67,882	(107,118)
Miscellaneous nonoperating income	1,500	1,500	28,298	26,798
Gain on disposition of assets			32,569	32,569
Interest expense	(324,100)	(324,100)	(324,014)	86
Amortization of debt related costs	(48,700)	(48,700)	(30,756)	17,944
Total nonoperating revenues (expenses)	<u>\$ (172,300)</u>	<u>\$ (172,300)</u>	<u>\$ (214,302)</u>	<u>\$ (42,002)</u>
Change in net position	<u>\$ 1,581,500</u>	<u>\$ 1,581,500</u>	<u>\$ 875,697</u>	<u>\$ (705,803)</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, 2015**

	<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	\$ 19,694,900	\$ 19,694,900	\$ 18,502,264	\$ (1,192,636)
Other	12,300	12,300	11,197	(1,103)
Total operating revenues	<u>\$ 19,707,200</u>	<u>\$ 19,707,200</u>	<u>\$ 18,513,461</u>	<u>\$ (1,193,739)</u>
Operating expenses				
Costs of sales	\$ 11,877,800	\$ 11,877,800	\$ 10,297,285	\$ 1,580,515
Operations, maintenance, and administration	4,632,000	4,632,000	4,472,173	159,827
Depreciation	1,450,000	1,450,000	1,513,259	(63,259)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,507,700	1,507,700	1,497,567	10,133
Total operating expenses	<u>\$ 19,478,200</u>	<u>\$ 19,478,200</u>	<u>\$ 17,790,945</u>	<u>\$ 1,687,255</u>
Operating income (loss)	<u>\$ 229,000</u>	<u>\$ 229,000</u>	<u>\$ 722,516</u>	<u>\$ 493,516</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 5,000	\$ 5,000	\$ 4,190	\$ (810)
Gain (loss) on disposition of assets	10,000	10,000	65,034	55,034
Miscellaneous nonoperating income	139,500	139,500	71,802	(67,698)
Total nonoperating revenues (expenses)	<u>\$ 154,500</u>	<u>\$ 154,500</u>	<u>\$ 141,026</u>	<u>\$ (13,474)</u>
Change in net position	<u>\$ 383,500</u>	<u>\$ 383,500</u>	<u>\$ 863,542</u>	<u>\$ 480,042</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, 2015**

	<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	\$ 19,270,300	\$ 19,270,300	\$ 18,993,365	\$ (276,935)
Other	205,000	205,000	133,055	(71,945)
Total operating revenues	<u>\$ 19,475,300</u>	<u>\$ 19,475,300</u>	<u>\$ 19,126,420</u>	<u>\$ (348,880)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 10,231,500	\$ 10,231,500	\$ 9,231,557	\$ 999,943
Depreciation	3,353,100	3,353,100	3,458,344	(105,244)
Taxes and tax equivalents	1,738,200	1,738,200	1,638,279	99,921
Total operating expenses	<u>\$ 15,322,800</u>	<u>\$ 15,322,800</u>	<u>\$ 14,328,180</u>	<u>\$ 994,620</u>
Operating income (loss)	<u>\$ 4,152,500</u>	<u>\$ 4,152,500</u>	<u>\$ 4,798,240</u>	<u>\$ 645,740</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 10,350	\$ 10,350	\$ 3,965	\$ (6,385)
Gain (loss) on disposition of assets			(521,016)	(521,016)
Interest expense	(1,954,000)	(1,954,000)	(1,913,938)	40,062
Amortization of debt related costs	(58,600)	(58,600)	(44,930)	13,670
Total nonoperating revenues (expenses)	<u>\$ (2,002,250)</u>	<u>\$ (2,002,250)</u>	<u>\$ (2,475,919)</u>	<u>\$ (473,669)</u>
Change in net position	<u>\$ 2,150,250</u>	<u>\$ 2,150,250</u>	<u>\$ 2,322,321</u>	<u>\$ 172,071</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, 2015**

	<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	\$ 5,669,485	\$ 5,669,485	\$ 5,509,602	\$ (159,883)
Other	4,000	4,000	3,593	(407)
Total operating revenues	<u>\$ 5,673,485</u>	<u>\$ 5,673,485</u>	<u>\$ 5,513,195</u>	<u>\$ (160,290)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 4,911,436	\$ 4,911,436	\$ 4,823,808	\$ 87,628
Depreciation	540,580	540,580	599,261	(58,681)
Taxes and tax equivalents	149,680	149,680	145,728	3,952
Total operating expenses	<u>\$ 5,601,696</u>	<u>\$ 5,601,696</u>	<u>\$ 5,568,797</u>	<u>\$ 32,899</u>
Operating income (loss)	<u>\$ 71,789</u>	<u>\$ 71,789</u>	<u>\$ (55,602)</u>	<u>\$ (127,391)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 8,000	\$ 8,000	\$ 8,489	\$ 489
Gain (loss) on disposition of assets	20,000	20,000	8,643	(11,357)
Grants	156,500	156,500	562,000	405,500
Total nonoperating revenues (expenses)	<u>\$ 184,500</u>	<u>\$ 184,500</u>	<u>\$ 579,132</u>	<u>\$ 394,632</u>
Change in net position	<u>\$ 256,289</u>	<u>\$ 256,289</u>	<u>\$ 523,530</u>	<u>\$ 267,241</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, 2015**

	<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	\$ 398,250	\$ 398,250	\$ 35,490	\$ (362,760)
Total operating revenues	<u>\$ 398,250</u>	<u>\$ 398,250</u>	<u>\$ 35,490</u>	<u>\$ (362,760)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 379,400	\$ 379,400	\$ (191,609)	\$ 571,009
Operations and administration	19,250	19,250	18,954	296
Total operating expenses	<u>\$ 398,650</u>	<u>\$ 398,650</u>	<u>\$ (172,655)</u>	<u>\$ 571,305</u>
Operating income (loss)	<u>\$ (400)</u>	<u>\$ (400)</u>	<u>\$ 208,145</u>	<u>\$ 208,545</u>
Nonoperating revenues				
Interest revenues	400	400	288	(112)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 208,433</u>	<u>\$ 208,433</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, 2015**

	<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)	\$ 236,000	\$ 236,000	\$ 116,899	\$ 119,101
Operations and administration	83,000	83,000	141,239	(58,239)
Total operating expenses	<u>\$ 319,000</u>	<u>\$ 319,000</u>	<u>\$ 258,138</u>	<u>\$ 60,862</u>
Operating income (loss)	<u>\$ (5,500)</u>	<u>\$ (5,500)</u>	<u>\$ 67,038</u>	<u>\$ 72,538</u>
Nonoperating revenues				
Interest revenues	5,500	5,500	11,240	5,740
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 78,278</u>	<u>\$ 78,278</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, 2015**

	<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)	\$ 443,000	\$ 443,000	\$ 972,948	\$ (529,948)
Operations and administration	72,900	72,900	72,880	20
Total operating expenses	<u>\$ 515,900</u>	<u>\$ 515,900</u>	<u>\$ 1,045,828</u>	<u>\$ (529,928)</u>
Operating income (loss)	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ (535,958)</u>	<u>\$ (529,958)</u>
Nonoperating revenues				
Interest revenues	6,000	6,000	5,337	(663)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (530,621)</u>	<u>\$ (530,621)</u>

**OTHER REPORTING REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

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Practice Section
Alabama Society of CPA's

**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 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, 2015, 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 March 30, 2016. We conducted our audit 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 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc.

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 may 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 March 30, 2016.

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 cursive script that reads "The Watkins Johnsey Professional Group, P.C.".

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 30, 2016