



THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

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, 2014

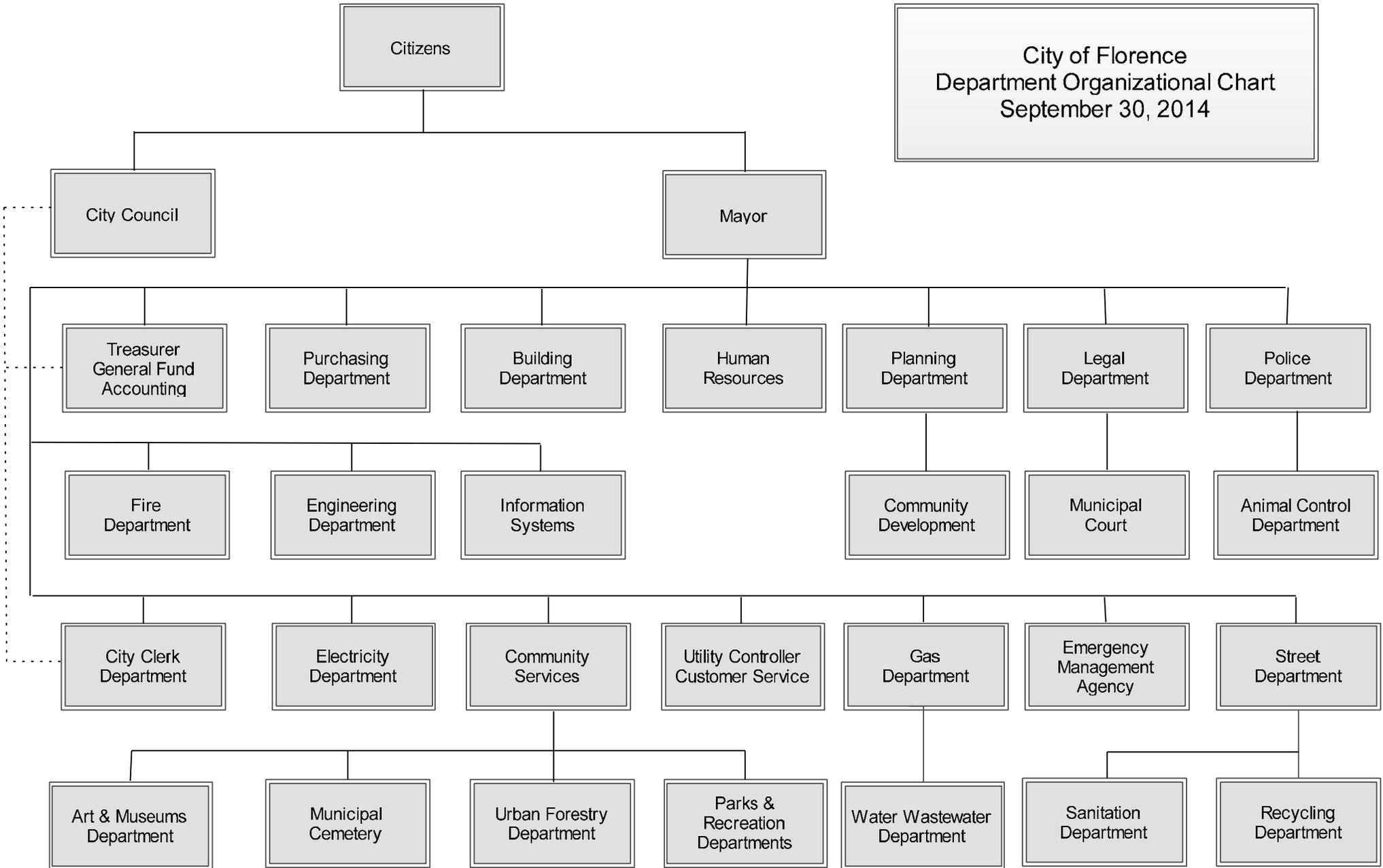
Elected Officials

Mayor	Mickey Haddock
Council Member—District 1	Dave Smith
Council Member—District 2	William D. Jordan, President
Council Member—District 3	Hermon T. Graham
Council Member—District 4	Barry Morris
Council Member—District 5	Blake Edwards
Council Member—District 6	Andrew Betterton

Department Heads

Treasurer / Chief Accountant	Dan D. Barger
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Arts and Museums	Barbara Broach
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Terry Willett (Interim)
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, 2014



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, 2014, 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, 2014, 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 2014, the City of Florence, Alabama adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 72 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City of Florence, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Alabama's internal control over financial reporting and compliance.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2015



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2014

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, 2014. 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, 2014 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, 2014 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 78.

Proprietary funds - Proprietary funds are used to report the business-type activities in the government-wide financial statements. The City uses Proprietary funds to account for its Electricity, Gas, Water and Wastewater, and Solid Waste departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basis of accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 37-38 of this report.

Internal Service funds - Internal Service funds are used by the City for the administration of its self-insured Employee Group Health Insurance, General Liability Insurance, and Workers' Compensation Insurance. The internal service fund financial statements can be found on pages 80-82 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-71 of this report.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 78-82. Required supplementary information can be found on pages 72-77 of this report. Other Supplementary Schedules follow, starting on page 78.

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 at the close of the most recent fiscal year by \$305,788,595 (net position). Of this amount, \$53,375,587 is unrestricted net position. The City's net position includes \$103,417,331 from Governmental Activities and \$202,371,264 from Business-Type Activities, as reported on page 28.

By far the largest portion of the City's net position (80.31%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, City infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.23%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. This is a change in reporting restricted assets resulting from the implementation of GASB Statement No. 54. This standard establishes fund balance classifications that provide a hierarchy based on the extent to which constraints are imposed upon the use of fund balance resources. The various classifications of these constraints are detailed on pages 48-49 under the heading Fund Balance. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

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

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

Revenues – Governmental Funds

	Fiscal Year 2014		Fiscal Year 2013		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 31,066,478	55.96%	\$ 30,577,309	55.91%	1.60%
Property Taxes and Equivalents	11,909,695	21.45%	11,766,134	21.51%	1.22%
Motor Fuel	1,031,687	1.86%	1,049,222	1.92%	-1.67%
Alcoholic Beverages	1,015,240	1.83%	1,034,844	1.89%	-1.89%
Other	368,207	0.66%	405,170	0.74%	-9.12%
Licenses and Permits	3,533,404	6.37%	3,642,518	6.66%	-3.00%
Court Fines and Forfeitures	1,261,180	2.27%	1,163,765	2.13%	8.37%
Charges for Services	1,838,325	3.31%	1,804,200	3.30%	1.89%
Intergovernmental	2,863,358	5.16%	2,726,499	4.99%	5.02%
Interest Revenues	96,476	0.17%	135,070	0.25%	-28.57%
Other	527,542	0.95%	383,646	0.70%	37.51%
Total	<u>\$ 55,511,592</u>	<u>100.00%</u>	<u>\$ 54,688,377</u>	<u>100.00%</u>	<u>1.51%</u>

Sales and Use taxes are the largest revenue source for the City comprising 55.96% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2013 to September 30, 2014 by \$489,169 or 1.60%. Property taxes are the second largest revenue source for the City comprising 21.45% of governmental revenues. For the year ended September 30, 2014, taxes of real property inside the City limits produced revenues of \$4,702,381 while personal property taxes for the period were \$660,328. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,546,986.

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 2014		Fiscal Year 2013		Change
Current Operating					
General Administration	\$ 5,540,834	8.73%	\$ 5,269,499	9.56%	5.15%
Public Safety	18,207,176	28.70%	17,836,352	32.35%	2.08%
Public Works	6,003,863	9.46%	5,473,574	9.93%	9.69%
Culture and Recreation	7,040,707	11.10%	6,962,244	12.63%	1.13%
Other	4,778,010	7.53%	1,576,732	2.86%	203.03%
Education	9,556,992	15.06%	9,345,767	16.95%	2.26%
Capital Outlay and Improvements	5,282,403	8.33%	3,249,453	5.89%	62.56%
Debt Service					
Principal Payments	4,978,936	7.85%	3,718,810	6.74%	33.89%
Interest and Fiscal Charges	2,061,031	3.25%	1,711,543	3.10%	20.42%
Total	<u>\$ 63,449,952</u>	<u>100.00%</u>	<u>\$ 55,143,974</u>	<u>100.00%</u>	<u>15.06%</u>

Analysis of the Governmental Funds

As of the end of the 2014 fiscal year, the City's governmental funds reported a combined ending fund balance of \$31,181,892. In the City's General Fund, the ending fund balance was \$12,664,220.

The General Fund's fund balance is approximately 23.66% 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 \$4,634,241 or 57.71%.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 12,506,848	\$ 26,613,404	\$ 39,120,252
Fund Balance-Ending	12,664,220	18,517,672	31,181,892
Net Change in Fund Balances	\$ 157,372	\$ (8,095,732)	\$ (7,938,360)

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2014	FY 2013	Variance	
			Dollars	Percent
Current Assets	\$ 48,237,764	\$ 56,174,079	\$ (7,936,315)	-14.13%
Restricted Assets	150,000	196,943	(46,943)	-23.84%
Other Assets		666,965	(666,965)	-100.00%
Capital Assets, Net	116,068,523	113,951,376	2,117,147	1.86%
Total Assets	\$ 164,456,287	\$ 170,989,363	\$ (6,533,076)	-3.82%
Deferred Outflows of Resources	\$ 1,233,194	\$ -	\$ 1,233,194	100.00%
Current Liabilities	\$ 12,690,798	\$ 12,028,334	\$ 662,464	5.51%
Long-term Liabilities	49,581,352	53,576,623	(3,995,271)	-7.46%
Total Liabilities	\$ 62,272,150	\$ 65,604,957	\$ (3,332,807)	-5.08%
Net Investment in Capital Assets	\$ 80,045,458	\$ 80,440,915	\$ (395,457)	-0.49%
Restricted	2,227,675	2,374,885	(147,210)	-6.20%
Unrestricted	21,144,198	22,568,606	(1,424,408)	-6.31%
Total Net Position	\$ 103,417,331	\$ 105,384,406	\$ (1,967,075)	-1.87%

Changes in Net Position – Governmental Activities

	Governmental Activities Changes in Net Position			
	FY 2014	FY 2013	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 31,066,478	\$ 30,577,309	\$ 489,169	1.60%
Property	11,909,695	11,766,134	143,561	1.22%
Motor Fuel	1,031,687	1,049,222	(17,535)	-1.67%
Alcoholic Beverages	1,015,240	1,034,844	(19,604)	-1.89%
Other	368,207	405,170	(36,963)	-9.12%
Interest Revenues	114,035	152,551	(38,516)	-25.25%
Gain (Loss) on Disposal of Assets	63,267	6,838	56,429	825.23%
Total General Revenues	<u>\$ 45,568,609</u>	<u>\$ 44,992,068</u>	<u>\$ 576,541</u>	<u>1.28%</u>
Program Revenues				
Charges for Services	\$ 8,066,438	\$ 7,965,014	\$ 101,424	1.27%
Operating Grants and Contributions	1,192,583	859,366	333,217	38.77%
Capital Grants and Contributions	1,535,542	1,229,317	306,225	24.91%
Total Program Revenues	<u>\$ 10,794,563</u>	<u>\$ 10,053,697</u>	<u>\$ 740,866</u>	<u>7.37%</u>
Total Revenues	<u>\$ 56,363,172</u>	<u>\$ 55,045,765</u>	<u>\$ 1,317,407</u>	<u>2.39%</u>
Governmental Expenses				
General Administration	\$ 5,971,816	\$ 5,749,051	\$ 222,765	3.87%
Public Safety	18,827,919	18,273,738	554,181	3.03%
Public Works	6,098,579	5,428,018	670,561	12.35%
Public Ways and Facilities	1,251,560	1,206,880	44,680	3.70%
Culture and Recreation	9,221,002	9,011,756	209,246	2.32%
Other	4,778,010	1,576,732	3,201,278	203.03%
Education–Funding for School District	9,556,992	9,345,767	211,225	2.26%
Interest and Fiscal Charges	1,957,404	1,441,661	515,743	35.77%
Total Expenses	<u>\$ 57,663,282</u>	<u>\$ 52,033,603</u>	<u>\$ 5,629,679</u>	<u>10.82%</u>
Change in Net Position	\$ (1,300,110)	\$ 3,012,162	\$ (4,312,272)	-143.16%
Total Net Position - Beginning	<u>104,717,441</u>	<u>102,372,244</u>	<u>2,345,197</u>	<u>2.29%</u>
Total Net Position - Ending	<u>\$ 103,417,331</u>	<u>\$ 105,384,406</u>	<u>\$ (1,967,075)</u>	<u>-1.87%</u>

Business-Type Activities

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

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

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$2.2 million or 3%; Gas increased \$.7 million or 2%; Water and Wastewater increased \$2.1 million or 3%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.6 million or 4%; Gas increased \$.3 million or 1%; Water and Wastewater increased \$8.4 million or 8%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$3.1 million or 3%; Gas increased \$1.0 million or 6%; Water and Wastewater decreased \$.4 million or 2%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$4.7 million or 4%; Gas increased \$1.6 million or 10%; Water and Wastewater increased \$.6 million or 4%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$150,100 or 48%; Gas decreased about \$29,000 or 17%; Water and Wastewater decreased about \$2,800 or 25%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$1,200 or .3%; Gas had no nonoperating expenses in FY 2013 or 2014; Water and Wastewater decreased \$433,000 or 17%.

Electricity Department

The Electricity Department's net position increased from last year by \$2,187,122 or about 3%. 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 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 40,339,754	\$ 38,231,275	\$ 2,108,479	5.52%
Capital Assets, Net	77,349,662	74,716,020	2,633,642	3.52%
Other Noncurrent Assets	11,243,642	13,913,245	(2,669,603)	-19.19%
Total Assets	\$ 128,933,058	\$ 126,860,540	\$ 2,072,518	1.63%
Deferred Outflows of Resources	\$ 131,987	\$ -	\$ 131,987	100.00%
Current Liabilities	\$ 26,739,700	\$ 25,992,422	\$ 747,278	2.87%
Noncurrent Liabilities	17,552,312	18,282,207	(729,895)	-3.99%
Total Liabilities	\$ 44,292,012	\$ 44,274,629	\$ 17,383	0.04%
Net Investment in Capital Assets	\$ 70,523,632	\$ 69,757,586	\$ 766,046	1.10%
Restricted for Debt Service	981,628	979,952	1,676	0.17%
Unrestricted	13,267,773	11,848,373	1,419,400	11.98%
Total Net Position	\$ 84,773,033	\$ 82,585,911	\$ 2,187,122	2.65%

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 increased approximately \$3.1 million or about 3% from FY 2013. During FY 2014, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. The Electricity Department experienced an approximate 3% increase in kilowatt-hours sold in FY 2014 compared to FY 2013. Consequently, the cost of sales increased also. The large decrease in nonoperating revenues is due to a nonrecurring sale of scrap in FY 2013 for \$150,000. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses, primarily debt expense, by \$1,202 or about .3%.

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

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 123,872,164</u>	<u>\$ 120,747,245</u>	<u>\$ 3,124,919</u>	<u>2.59%</u>
Operating Expenses				
Cost of Sales	\$ 98,841,170	\$ 94,529,545	\$ 4,311,625	4.56%
Operations	9,068,833	9,036,452	32,381	0.36%
Maintenance	5,510,894	5,320,332	190,562	3.58%
Depreciation	4,775,924	4,628,512	147,412	3.18%
Taxes and Tax Equivalents	3,275,364	3,209,637	65,727	2.05%
Total Operating Expenses	<u>\$ 121,472,185</u>	<u>\$ 116,724,478</u>	<u>\$ 4,747,707</u>	<u>4.07%</u>
Operating Income	<u>\$ 2,399,979</u>	<u>\$ 4,022,767</u>	<u>\$ (1,622,788)</u>	<u>-40.34%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 162,669	\$ 312,757	\$ (150,088)	-47.99%
Nonoperating Expenses	(375,526)	(376,728)	1,202	0.32%
Total Nonoperating Revenues (Exp)	<u>\$ (212,857)</u>	<u>\$ (63,971)</u>	<u>\$ (148,886)</u>	<u>-232.74%</u>
Change in Net Position	\$ 2,187,122	\$ 3,958,796	\$ (1,771,674)	-44.75%
Total Net Position - Beginning	<u>82,585,911</u>	<u>78,627,115</u>	<u>3,958,796</u>	<u>5.03%</u>
Total Net Position - Ending	<u><u>\$ 84,773,033</u></u>	<u><u>\$ 82,585,911</u></u>	<u><u>\$ 2,187,122</u></u>	<u><u>2.65%</u></u>

Gas Department

The Gas Department's net position increased from last year by \$652,236 or about 2%. 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 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 14,102,049	\$ 13,512,539	\$ 589,510	4.36%
Capital Assets, Net	31,170,225	30,891,576	278,649	0.90%
Total Assets	<u>\$ 45,272,274</u>	<u>\$ 44,404,115</u>	<u>\$ 868,159</u>	<u>1.96%</u>
Current Liabilities	\$ 1,462,214	\$ 1,259,557	\$ 202,657	16.09%
Noncurrent Liabilities	324,742	311,476	13,266	4.26%
Total Liabilities	<u>\$ 1,786,956</u>	<u>\$ 1,571,033</u>	<u>\$ 215,923</u>	<u>13.74%</u>
Net Investment in Capital Assets	\$ 31,170,225	\$ 30,891,576	\$ 278,649	0.90%
Unrestricted	12,315,093	11,941,506	373,587	3.13%
Total Net Position	<u>\$ 43,485,318</u>	<u>\$ 42,833,082</u>	<u>\$ 652,236</u>	<u>1.52%</u>

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 \$1.0 million or about 6% from FY 2013. The last general rate change was effective June 2014. The Gas Department experienced an approximate 10.4% increase in overall sales volume in FY 2014 compared to FY 2013. Cost of sales increased by \$1,591,041 or about 20% due to increased sales volume. The Gas Department experienced a decrease in nonoperating revenues of \$29,037 or about 17%. The Gas Department did not have nonoperating expenses in FY 2013 or FY 2014.

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

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,750,840	\$ 16,715,581	\$ 1,035,259	6.19%
Operating Expenses				
Cost of Sales	\$ 9,748,755	\$ 8,157,714	\$ 1,591,041	19.50%
Operations	2,879,775	3,002,805	(123,030)	-4.10%
Maintenance	1,663,162	1,558,528	104,634	6.71%
Depreciation and Amortization	1,454,272	1,396,039	58,233	4.17%
Taxes and Tax Equivalents	1,490,014	1,517,295	(27,281)	-1.80%
Total Operating Expenses	<u>\$ 17,235,978</u>	<u>\$ 15,632,381</u>	<u>\$ 1,603,597</u>	<u>10.26%</u>
Operating Income	<u>\$ 514,862</u>	<u>\$ 1,083,200</u>	<u>\$ (568,338)</u>	<u>-52.47%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 137,374	\$ 166,411	\$ (29,037)	-17.45%
Total Nonoperating Revenues (Exp)	<u>\$ 137,374</u>	<u>\$ 166,411</u>	<u>\$ (29,037)</u>	<u>-17.45%</u>
Change in Net Position	\$ 652,236	\$ 1,249,611	\$ (597,375)	-47.80%
Total Net Position - Beginning	<u>42,833,082</u>	<u>41,583,471</u>	<u>1,249,611</u>	<u>3.01%</u>
Total Net Position - Ending	<u><u>\$ 43,485,318</u></u>	<u><u>\$ 42,833,082</u></u>	<u><u>\$ 652,236</u></u>	<u><u>1.52%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,069,211 or about 3%. 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 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 9,692,877	\$ 8,632,160	\$ 1,060,717	12.29%
Capital Assets, Net	114,703,932	106,314,361	8,389,571	7.89%
Other Noncurrent Assets	9,949,561	19,377,898	(9,428,337)	-48.66%
Total Assets	\$ 134,346,370	\$ 134,324,419	\$ 21,951	0.02%
Deferred Outflows of Resources	\$ 232,893	\$ -	\$ 232,893	100.00%
Current Liabilities	\$ 6,745,736	\$ 5,916,266	\$ 829,470	14.02%
Noncurrent Liabilities	54,895,172	57,539,009	(2,643,837)	-4.59%
Total Liabilities	\$ 61,640,908	\$ 63,455,275	\$ (1,814,367)	-2.86%
Net Investment in Capital Assets	\$ 61,892,552	\$ 60,281,407	\$ 1,611,145	2.67%
Restricted for Debt Service	3,620,455	3,497,004	123,451	3.53%
Unrestricted	7,425,348	7,090,733	334,615	4.72%
Total Net Position	\$ 72,938,355	\$ 70,869,144	\$ 2,069,211	2.92%

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 decreased approximately \$.4 million or about 2% from FY 2013 revenues. The decrease in operating revenues was largely due to the summer weather being wetter than normal. Operating expenses increased by \$.6 million or about 4%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$2,764 or 25%. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$433,029 or 17% primarily due to nonrecurring retirements of capital assets that were not fully depreciated in FY 2013.

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

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 18,418,797	\$ 18,784,696	\$ (365,899)	-1.95%
Operating Expenses				
Water Treatment and Pumping	\$ 2,875,811	\$ 2,707,180	\$ 168,631	6.23%
Sewage Disposal	2,270,622	2,162,646	107,976	4.99%
Transmission and Distribution	1,387,053	1,277,071	109,982	8.61%
Accounting and Collections	980,305	1,058,064	(77,759)	-7.35%
Administrative and General	1,824,139	1,855,677	(31,538)	-1.70%
Depreciation	3,335,619	3,049,453	286,166	9.38%
Taxes and Tax Equivalents	1,609,253	1,622,099	(12,846)	-0.79%
Total Operating Expenses	\$ 14,282,802	\$ 13,732,190	\$ 550,612	4.01%
Operating Income	\$ 4,135,995	\$ 5,052,506	\$ (916,511)	-18.14%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 8,410	\$ 11,174	\$ (2,764)	-24.74%
Nonoperating Expenses	(2,075,194)	(2,508,223)	433,029	17.26%
Total Nonoperating Revenues (Exp)	\$ (2,066,784)	\$ (2,497,049)	\$ 430,265	17.23%
Change in Net Position	\$ 2,069,211	\$ 2,555,457	\$ (486,246)	-19.03%
Total Net Position - Beginning	70,869,144	68,313,687	2,555,457	3.74%
Total Net Position - Ending	\$ 72,938,355	\$ 70,869,144	\$ 2,069,211	2.92%

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 \$76,798 and nonoperating income of \$406,090 for the fiscal year ended September 30, 2014. This operating loss results from Grant expenses of \$292,884 included in operating expenses while the revenue is recognized as nonoperating.
- Total net position was \$3,551,530. This is an increase of \$329,292 or 10.22% over the prior year.
- Of the Fund's \$2,619,889 in total liabilities, \$2,334,041 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$2,205,450 and accrued compensated absences of \$128,591.
- The Solid Waste Fund's operating revenues increased \$807,731 or 16.90% from the prior year while operating expenses decreased \$122,023 or 2.11%.
- Nonoperating revenues increased by \$125,806 or 44.89%. The recycling grant made available through the Alabama Department of Environmental Management was increased in fiscal year 2014 by \$9,756. The total grant revenue of \$292,884 is recognized as nonoperating revenue for the period.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$3,551,530.
- 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.
- During the 2010 fiscal year, the City purchased land and buildings adjacent to the current landfill for possible landfill expansion. In fiscal year 2012, the City closed the municipal solid waste portion of the landfill. The City Council determined this property was no longer needed and declared it surplus property. The property was sold to a private concern on November 22, 2013. The City fully recovered all of the capital outlay used to acquire the property. This sale is reflected in the change in capital assets for the year ended September 30, 2014.

The Solid Waste Fund's net position increased from last year by \$329,292 or 10.22%. The table below focuses on the changes in net position for the fiscal year:

	Solid Waste Fund Net Position		Variance	
	FY 2014	FY 2013	Dollars	Percent
Current Assets	\$ 4,220,036	\$ 1,881,026	\$ 2,339,010	124.35%
Capital Assets, Net	1,951,383	4,018,757	(2,067,374)	-51.44%
Total Assets	<u>\$ 6,171,419</u>	<u>\$ 5,899,783</u>	<u>\$ 271,636</u>	<u>4.60%</u>
Current Liabilities	\$ 285,848	\$ 399,642	\$ (113,794)	-28.47%
Noncurrent Liabilities	2,334,041	2,277,903	56,138	2.46%
Total Liabilities	<u>\$ 2,619,889</u>	<u>\$ 2,677,545</u>	<u>\$ (57,656)</u>	<u>-2.15%</u>
Net Position				
Net Investment in Capital Assets	\$ 1,951,383	\$ 4,018,757	\$ (2,067,374)	-51.44%
Unrestricted	1,600,147	(796,519)	2,396,666	-300.89%
Total Net Position	<u><u>\$ 3,551,530</u></u>	<u><u>\$ 3,222,238</u></u>	<u><u>\$ 329,292</u></u>	<u><u>10.22%</u></u>

As the following table indicates, Solid Waste Fund operating revenues increased \$807,731 or 16.90% from the prior year while operating expenses decreased \$122,023 or 2.11%:

	Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
	FY 2014	FY 2013	Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 4,679,031	\$ 3,998,995	\$ 680,036	17.01%
Landfill Fees	214,957	127,889	87,068	68.08%
Recycling Revenue and Fees	690,010	649,413	40,597	6.25%
Other Operating Revenues	3,900	3,870	30	0.78%
Total Operating Revenues	<u>\$ 5,587,898</u>	<u>\$ 4,780,167</u>	<u>\$ 807,731</u>	<u>16.90%</u>
Operating Expenses				
Sanitation	\$ 4,598,444	\$ 4,820,925	\$ (222,481)	-4.61%
Recycling	1,066,252	965,794	100,458	10.40%
Total Operating Expenses	<u>\$ 5,664,696</u>	<u>\$ 5,786,719</u>	<u>\$ (122,023)</u>	<u>-2.11%</u>
Operating Income (Loss)	\$ (76,798)	\$ (1,006,552)	\$ 929,754	92.37%
Nonoperating Revenues	406,090	280,284	125,806	44.89%
Change in Net Position	\$ 329,292	\$ (726,268)	\$ 1,055,560	145.34%
Total Net Position-Beginning	<u>3,222,238</u>	<u>3,948,506</u>	<u>(726,268)</u>	<u>-18.39%</u>
Total Net Position-Ending	<u><u>\$ 3,551,530</u></u>	<u><u>\$ 3,222,238</u></u>	<u><u>\$ 329,292</u></u>	<u><u>10.22%</u></u>

BUDGETARY HIGHLIGHTS

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

Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's budget on October 1, 2013. This budget was revised for changes in revenue and expenditures on December 3, 2013. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 72-74.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$53,177,219 compared to the final budget of \$53,533,195. Revenues were \$355,976 under the final budgeted amount. Total expenditures and appropriations for the period were \$53,019,847 compared to the final budget of \$53,510,077.

The General Fund's departmental operating budgets and actual performance are shown on pages 72-74 of this report.

	General Fund Budgetary Comparison Schedule				
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 12,506,848	\$ 12,506,848	\$ 12,506,848	\$ -	-
Resources (Inflows)					
Taxes	45,295,550	45,295,550	44,773,049	(522,501)	-1.15%
Licenses and Permits	3,470,500	3,470,500	3,533,404	62,904	1.81%
Fines and Forfeitures	1,231,000	1,231,000	1,261,180	30,180	2.45%
Charges for Services	1,915,040	1,915,040	1,838,325	(76,715)	-4.01%
Intergovernmental	1,233,105	1,233,105	1,378,047	144,942	11.75%
Other	87,000	87,000	92,684	5,684	6.53%
Transfers From Other Funds	301,000	301,000	300,530	(470)	-0.16%
Amounts Available for Appropriation	<u>\$ 66,040,043</u>	<u>\$ 66,040,043</u>	<u>\$ 65,684,067</u>	<u>\$ (355,976)</u>	<u>-0.54%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 5,133,678	\$ 5,133,678	\$ 4,873,679	\$ 259,999	5.06%
Public Safety	17,840,455	17,840,455	17,946,448	(105,993)	-0.59%
Public Works	5,083,458	5,083,458	5,057,197	26,261	0.52%
Cultural and Recreation	6,931,265	6,931,265	6,940,662	(9,397)	-0.14%
Non-Departmental	18,521,221	18,521,221	18,201,861	319,360	1.72%
Total Charges to Appropriations	<u>\$ 53,510,077</u>	<u>\$ 53,510,077</u>	<u>\$ 53,019,847</u>	<u>\$ 490,230</u>	<u>0.92%</u>
Budgetary Fund Balance Ending	<u>\$ 12,529,966</u>	<u>\$ 12,529,966</u>	<u>\$ 12,664,220</u>	<u>\$ 134,254</u>	<u>1.07%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2014 original budgets for the Gas and Water and Wastewater Departments were adopted on June 4, 2013. The original budget for the Electricity Department was adopted on September 3, 2013. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 1, 2013. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Required Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 121,732,000	\$ 123,872,164	\$ 2,140,164	1.76%
Operating Expenses	120,274,100	121,472,185	(1,198,085)	-1.00%
Operating Income	\$ 1,457,900	\$ 2,399,979	\$ 942,079	64.62%
Nonoperating Revenues (Expenses)	(173,800)	(212,857)	(39,057)	-22.47%
Change in Net Position	\$ 1,284,100	\$ 2,187,122	\$ 903,022	70.32%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$903,022. This is approximately 1% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the cost of sales of electricity accounted for most of the budget operating expenses variance amount. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts.

Gas Department

Gas Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 17,246,700	\$ 17,750,840	\$ 504,140	2.92%
Operating Expenses	17,063,100	17,235,978	(172,878)	-1.01%
Operating Income	\$ 183,600	\$ 514,862	\$ 331,262	180.43%
Nonoperating Revenues (Expenses)	162,500	137,374	(25,126)	-15.46%
Change in Net Position	\$ 346,100	\$ 652,236	\$ 306,136	88.45%

The Gas Department exceeded the budgeted Change in Net Position by \$306,136, or approximately 2% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was 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, 2014

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 19,382,800	\$ 18,418,797	\$ (964,003)	-4.97%
Operating Expenses	14,291,150	14,282,802	8,348	0.06%
Operating Income	\$ 5,091,650	\$ 4,135,995	\$ (955,655)	-18.77%
Nonoperating Revenues (Expenses)	(2,241,300)	(2,066,784)	174,516	7.79%
Change in Net Position	\$ 2,850,350	\$ 2,069,211	\$ (781,139)	-27.41%

The Water and Wastewater Department did not meet the budgeted Change in Net Position by \$781,139. This represents about 4% of final budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water sales, sewage disposal expense, depreciation expense, and interest expense.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 1, 2013. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. On a quarterly basis the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. A budget comparison schedule is included in the Required Supplementary Information of this annual report.

Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Position- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2014

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,679,031	\$ (36,454)	-0.77%
Landfill Fees	147,250	147,250	214,957	67,707	45.98%
Recycling Revenue and Fees	754,000	754,000	690,010	(63,990)	-8.49%
Other Operating Revenues	4,000	4,000	3,900	(100)	-2.50%
Total Operating Revenues	\$ 5,620,735	\$ 5,620,735	\$ 5,587,898	\$ (32,837)	-0.58%
Operating Expenses					
Sanitation	\$ 4,547,905	\$ 4,547,905	\$ 4,598,444	\$ (50,539)	-1.11%
Recycling	1,129,628	1,129,628	1,066,252	63,376	5.61%
Total Operating Expenses	\$ 5,677,533	\$ 5,677,533	\$ 5,664,696	\$ 12,837	0.23%
Operating Loss	\$ (56,798)	\$ (56,798)	\$ (76,798)	\$ (20,000)	-35.21%
Nonoperating Revenues	396,723	396,723	406,090	9,367	2.36%
Change in Net Position	\$ 339,925	\$ 339,925	\$ 329,292	\$ (10,633)	-3.13%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2014, 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, 2014 amounted to \$341,243,725.

Governmental Activities

	Governmental Activities			
	Capital Assets, Net			
	FY 2014	FY 2013	Variance	
			Dollars	Percent
Land	\$ 6,775,200	\$ 6,775,200	\$ -	0.00%
Construction in Progress	4,409,822	2,218,938	2,190,884	98.74%
Land Improvements	23,379,006	23,376,289	2,717	0.01%
Accumulated Depreciation	(10,501,189)	(9,597,558)	(903,631)	-9.42%
Buildings	42,431,621	40,186,869	2,244,752	5.59%
Accumulated Depreciation	(18,447,899)	(17,421,888)	(1,026,011)	-5.89%
Equipment and Vehicles	23,036,144	22,263,174	772,970	3.47%
Accumulated Depreciation	(19,687,984)	(18,981,929)	(706,055)	-3.72%
Infrastructure	161,149,402	159,673,655	1,475,747	0.92%
Accumulated Depreciation	(96,475,600)	(94,541,374)	(1,934,226)	-2.05%
Net Capital Assets	\$ 116,068,523	\$ 113,951,376	\$ 2,117,147	1.86%

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$1,237,251, infrastructure improvements including the completion of various storm drainage projects totaling \$1,475,747, and building renovations and additions of \$2,244,752. Of this year's capital additions, \$1,052,433 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2014, \$4,409,822 of capital projects were recorded as construction in progress.

Business-Type Activities

At the end of FY 2014, 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 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 156,353,379	\$ 153,615,233	\$ 2,738,146	1.78%
Construction in Progress	4,260,295	1,257,177	3,003,118	238.88%
Less: Accumulated Depreciation	(83,264,012)	(80,156,390)	(3,107,622)	3.88%
Net Utility Plant	<u>\$ 77,349,662</u>	<u>\$ 74,716,020</u>	<u>\$ 2,633,642</u>	<u>3.52%</u>

As the above table shows, the Electricity Department experienced a 3.52% increase in net utility plant. In FY 2014, the Department spent approximately \$2.6 million of warrant proceeds on capital projects authorized in the warrant documents. The Department plans to finance capital expenditures in FY 2015 through cash generated from current operations, cash reserves, and the remaining proceeds from warrants issued in FY 2013.

Gas Department

Gas Department Capital Assets, Net FY 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 54,829,398	\$ 53,208,002	\$ 1,621,396	3.05%
Acquisition Adjustment (net of amortization)	179,463	190,125	(10,662)	-5.61%
Construction in Progress	104,418	69,191	35,227	50.91%
Less: Accumulated Depreciation	(23,943,054)	(22,575,742)	(1,367,312)	6.06%
Net Utility Plant	<u>\$ 31,170,225</u>	<u>\$ 30,891,576</u>	<u>\$ 278,649</u>	<u>0.90%</u>

As the above table shows, the Gas Department increased net utility plant by .90%. The Department plans to finance capital expenditures in FY 2015 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 157,132,064	\$ 154,490,212	\$ 2,641,852	1.71%
Construction in Progress	10,758,933	1,647,994	9,110,939	552.85%
Less: Accumulated Depreciation	(53,187,065)	(49,823,845)	(3,363,220)	6.75%
Net Utility Plant	<u>\$ 114,703,932</u>	<u>\$ 106,314,361</u>	<u>\$ 8,389,571</u>	<u>7.89%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 7.89%. In FY 2014, the Department spent a significant amount on capital improvements. At year-end, there were several large projects in progress. In FY 2014, the Department spent about \$9.5 million of Series 2011 Revenue Warrants' proceeds on approved capital projects. The Department spent about \$1 million of proceeds from the 2013 SRF warrants. The Department plans to finance capital expenditures in FY 2015 with cash reserves, cash generated from current operations, various grants, the proceeds from the Water and Sewer Revenue Warrants, Series 2011, and the proceeds from the Water and Sewer Revenue Warrants, SRF Series 2013.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2014, net capital assets comprised 31.62% 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, 2014

	FY 2014	FY 2013	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 1,316,853	\$ (1,112,500)	-84.48%
Landfill Improvements	3,602,276	3,712,276	(110,000)	-2.96%
Accumulated Depreciation	(3,567,016)	(3,581,675)	14,659	0.41%
Construction In Progress	-	120,883	(120,883)	-100.00%
Buildings	943,615	1,758,282	(814,667)	-46.33%
Accumulated Depreciation	(504,648)	(566,099)	61,451	10.86%
Equipment	4,576,962	4,264,744	312,218	7.32%
Accumulated Depreciation	(3,954,128)	(3,682,796)	(271,332)	-7.37%
Vehicles	3,380,852	3,289,916	90,936	2.76%
Accumulated Depreciation	(2,730,883)	(2,613,627)	(117,256)	-4.49%
Net Capital Assets	<u>\$ 1,951,383</u>	<u>\$ 4,018,757</u>	<u>\$ (2,067,374)</u>	<u>-51.44%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2014 fiscal year, the Governmental Activities of the City had total long-term debt of \$52,650,785. Of this amount, \$49,663,845 comprises debt serviced by revenues from governmental activities. Of the \$49,663,845, \$1,455,275 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

The City did not issue new debt in fiscal year 2014. Moody's Investors Service assigns an Aa3 rating to the City. This rating was reaffirmed during the 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. Results of this review have not been received.

In addition to the City's outstanding general obligation debt, \$2,986,940 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 2014, the Electricity Department exceeded that requirement at about 9.19 times. The Department does not anticipate issuing new debt in FY 2015.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2014. The Department does not have any plans to issue any new debt in FY 2015.

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 \$5.4 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, approximately \$4.8 million of the proceeds remain available. The Department does not anticipate issuing new debt in FY 2015.

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 2014, the Water and Wastewater Department exceeded that requirement at about 1.35 times.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2014, the Solid Waste Fund had no debt other than routine operating liabilities (\$285,848), accrued liability for employee annual and sick leave (\$128,591), and a reserve for landfill closure and post-closure care cost (\$2,205,450).

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 2014–2015 budget on October 7, 2014.

The fiscal year 2014–2015 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$53,982,662. This is an increase of \$449,467 or .84% compared to the previous fiscal year's final budget and an increase of \$805,443 over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$53,869,326. This is an increase of \$359,249 or .67% compared to the prior year's final budget and an increase of \$849,479 compared to the prior year's actual performance. The 2014 – 2015 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$113,336 increase in net position.

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 2014 was 7.4% as compared to 6.3% for August 2013. The State of Alabama's unemployment rates were 6.9% for August 2014 and 6.3% for August 2013. In FY 2014, Hillshire Brands announced the closing of 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 2015 through September 2014 for electricity have increased from the same period last year by 2.4%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2014 through September 2014, as compared to sales for the same period in the previous fiscal year, have decreased approximately 5.7%. FY 2015 sales revenues from water and wastewater operations through September 2014 have increased 8.7% over the same period in FY 2014, largely due to our rate increase.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2015 budgets on July 15, 2014. The City Council adopted the Electricity Department's FY 2015 budget on October 1, 2014. There have not been any budget amendments for FY 2015 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 change in June 2014. 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 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 Fund's fiscal year 2015 budget on October 7, 2014. The fiscal year 2015 budget has expected combined revenues of \$5,857,985 and expenses of \$5,601,696, including grant revenue and expense of \$156,500. As adopted, the budget would yield a net income of \$256,289. With the municipal solid waste portion of the landfill near capacity, the City has ceased its municipal solid waste operations at the landfill. A waste transportation and disposal agreement with North Alabama Transfer was entered into for a three-year period beginning on July 9, 2012. Under this agreement the City's municipal solid waste is transported to a regional landfill in Mississippi. The City's remaining landfill space will be used for the disposal of construction waste and debris. Collection fees were addressed by the City Council in fiscal year 2013. Residential fees that had been in place for more than 10 years were increased by 33% and commercial fees increased 45% in fiscal year 2013. Fiscal year 2015 will be the second year under the new rate structure and there are no plans to adjust these rates in fiscal year 2015.

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 \$756,000 to the Library in this fiscal year. These appropriations are approximately 26.92% of the Library's total revenues. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report and can be found on pages 39-40. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

**CITY OF FLORENCE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 40,550,339	\$ 41,000,911	\$ 81,551,250	\$ 3,065,206
Amounts held by the Foundation			—	1,350,674
Receivables (net)	4,360,642	16,007,324	20,367,966	1,372
Accrued interest receivable		2,212	2,212	
Loan receivables (net)	824,758		824,758	
Internal balances	2,376,972	(2,376,972)	—	
Inventories	125,053	3,432,728	3,557,781	8,652
Prepaid expenses		7,911,541	7,911,541	
Restricted assets:				
Cash and investments	150,000	14,230,663	14,380,663	
Conservation loans receivables		6,765,544	6,765,544	
Capital assets (net)	116,068,523	225,175,202	341,243,725	576,485
Prepaid debt related costs (net)		196,996	196,996	
Total assets	\$ 164,456,287	\$ 312,346,149	\$ 476,802,436	\$ 5,002,389
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 1,233,194	\$ 364,880	\$ 1,598,074	\$ —
LIABILITIES				
Accounts payable and accrued expenses	\$ 6,086,185	\$ 21,547,685	\$ 27,633,870	\$ 93,901
Amounts held on behalf of the Library			—	847,603
Customer deposits		6,982,163	6,982,163	
Liabilities payable from restricted assets:				
Accrued interest		778,753	778,753	
Advances for conservation loans		6,955,761	6,955,761	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	5,409,837	4,717,762	10,127,599	
Compensated absences	1,194,776	1,207,135	2,401,911	13,828
Portion due or payable after one year:				
Warrants and notes payable	44,254,008	64,134,355	108,388,363	
Compensated absences	1,792,164	1,810,701	3,602,865	
Claims reserve	3,535,180		3,535,180	
Accrued landfill closure and postclosure care costs		2,205,450	2,205,450	
Total liabilities	\$ 62,272,150	\$ 110,339,765	\$ 172,611,915	\$ 955,332
NET POSITION				
Net investment in capital assets	\$ 80,045,458	\$ 165,537,792	\$ 245,583,250	\$ 576,485
Restricted for:				
Debt service		4,602,083	4,602,083	
Street resurfacing and improvements	424,548		424,548	
HUD community development and rehabilitation	315,336		315,336	
Capital projects	845,368		845,368	
Other purposes—expendable	401,553		401,553	821
Other purposes—nonexpendable	240,870		240,870	2,000,000
Unrestricted	21,144,198	32,231,389	53,375,587	1,469,751
Total net position	\$ 103,417,331	\$ 202,371,264	\$ 305,788,595	\$ 4,047,057

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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General administration	\$ 5,971,816	\$ 4,882,429	\$	\$	\$ (1,089,387)		\$ (1,089,387)	
Public safety	18,827,919	1,449,827	301,825		(17,076,267)		(17,076,267)	
Public works	6,098,579	72,961	859,915		(5,165,703)		(5,165,703)	
Public ways and facilities	1,251,560			1,335,542	83,982		83,982	
Culture and recreation	9,221,002	1,661,221	30,843	200,000	(7,328,938)		(7,328,938)	
Other	4,778,010				(4,778,010)		(4,778,010)	
Education—funding for school district	9,556,992				(9,556,992)		(9,556,992)	
Interest and fiscal charges	1,957,404				(1,957,404)		(1,957,404)	
Total governmental activities	<u>\$ 57,663,282</u>	<u>\$ 8,066,438</u>	<u>\$ 1,192,583</u>	<u>\$ 1,535,542</u>	<u>\$ (46,868,719)</u>		<u>\$ (46,868,719)</u>	
Business-type activities:								
Electricity	\$ 122,015,732	\$ 123,989,761	\$	\$	\$	\$ 1,974,029	\$ 1,974,029	
Gas	17,323,968	17,889,188				565,220	565,220	
Water and wastewater	16,397,887	18,418,797				2,020,910	2,020,910	
Solid waste	5,693,830	5,587,898	292,884			186,952	186,952	
Total business-type activities	<u>\$ 161,431,417</u>	<u>\$ 165,885,644</u>	<u>\$ 292,884</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,747,111</u>	<u>\$ 4,747,111</u>	
Total primary government	<u>\$ 219,094,699</u>	<u>\$ 173,952,082</u>	<u>\$ 1,485,467</u>	<u>\$ 1,535,542</u>	<u>\$ (46,868,719)</u>	<u>\$ 4,747,111</u>	<u>\$ (42,121,608)</u>	
Component units:								
All	<u>\$ 1,456,725</u>	<u>\$ 116,825</u>	<u>\$ 2,655,016</u>	<u>\$ 33,000</u>				<u>\$ 1,348,116</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 31,066,478	\$	\$ 31,066,478	\$
Property					11,909,695		11,909,695	
Motor fuel					1,031,687		1,031,687	
Alcoholic beverages					1,015,240		1,015,240	
Other					368,207		368,207	
Interest revenues					114,035	39,887	153,922	8,452
Gain (loss) on disposal of capital assets					63,267	125,474	188,741	
Total general revenues					<u>\$ 45,568,609</u>	<u>\$ 165,361</u>	<u>\$ 45,733,970</u>	<u>\$ 8,452</u>
Change in net position					\$ (1,300,110)	\$ 4,912,472	\$ 3,612,362	\$ 1,356,568
Net position—beginning					104,717,441	197,458,792	302,176,233	2,690,489
Net position—ending					<u>\$ 103,417,331</u>	<u>\$ 202,371,264</u>	<u>\$ 305,788,595</u>	<u>\$ 4,047,057</u>

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 12,201,838	\$ 20,554,285	\$ 32,756,123
Receivables (net)	3,988,249	217,218	4,205,467
Loan receivables (net)	411,475	413,283	824,758
Interfund receivables	853,021	797,470	1,650,491
Inventories	125,053		125,053
Total assets	<u>\$ 17,579,636</u>	<u>\$ 21,982,256</u>	<u>\$ 39,561,892</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 2,970,114	\$ 2,990,704	\$ 5,960,818
Compensated absences	1,194,776		1,194,776
Interfund payables	750,526	473,880	1,224,406
Total liabilities	<u>\$ 4,915,416</u>	<u>\$ 3,464,584</u>	<u>\$ 8,380,000</u>
Fund balances			
Nonspendable:			
Inventories	\$ 125,053	\$	\$ 125,053
Loan receivables	411,475		411,475
Permanent fund principal		240,870	240,870
Restricted for:			
Street resurfacing and improvements		424,548	424,548
Culture and recreation		67,490	67,490
Public safety		184,063	184,063
HUD community development and rehabilitation		315,336	315,336
Capital projects		13,252,954	13,252,954
Assigned to:			
Capital projects		3,167,788	3,167,788
Municipal building maintenance		17,134	17,134
Economic development		847,489	847,489
Unassigned	12,127,692		12,127,692
Total fund balances	<u>\$ 12,664,220</u>	<u>\$ 18,517,672</u>	<u>\$ 31,181,892</u>
Total liabilities and fund balances	<u>\$ 17,579,636</u>	<u>\$ 21,982,256</u>	<u>\$ 39,561,892</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, 2014

Total fund balances—governmental funds		\$ 31,181,892
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	\$ 261,181,195	
Accumulated depreciation	<u>(145,112,672)</u>	116,068,523
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	\$ (47,102,254)	
Unamortized debt discount and premium	(2,561,591)	
Deferred expense on refunding debt	1,233,194	
Compensated absences	<u>(1,792,164)</u>	(50,222,815)
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>6,389,731</u>
Net position of governmental activities		<u><u>\$ 103,417,331</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 44,773,049	\$ 618,258	\$ 45,391,307
Licenses and permits	3,533,404		3,533,404
Fines and forfeitures	1,261,180		1,261,180
Charges for services	1,838,325		1,838,325
Intergovernmental	1,378,047	1,485,311	2,863,358
Interest revenues	27,553	68,923	96,476
Other	65,131	462,411	527,542
Total revenues	<u>\$ 52,876,689</u>	<u>\$ 2,634,903</u>	<u>\$ 55,511,592</u>
EXPENDITURES			
Current operating:			
General administration	\$ 4,873,679	\$ 667,155	\$ 5,540,834
Public safety	17,946,448	260,728	18,207,176
Public works	5,057,197	946,666	6,003,863
Culture and recreation	6,940,662	100,045	7,040,707
Other	1,342,103	3,435,907	4,778,010
Education—funding for school district	7,980,011	1,576,981	9,556,992
Capital outlay and improvements		5,282,403	5,282,403
Debt service:			
Principal payments		4,978,936	4,978,936
Interest and fiscal charges		2,061,031	2,061,031
Total expenditures	<u>\$ 44,140,100</u>	<u>\$ 19,309,852</u>	<u>\$ 63,449,952</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,736,589</u>	<u>\$ (16,674,949)</u>	<u>\$ (7,938,360)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 300,530	\$ 15,469,175	\$ 15,769,705
Transfers out	(8,879,747)	(6,889,958)	(15,769,705)
Total other financing sources (uses)	<u>\$ (8,579,217)</u>	<u>\$ 8,579,217</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 157,372</u>	<u>\$ (8,095,732)</u>	<u>\$ (7,938,360)</u>
Fund balances—beginning	12,506,848	26,613,404	39,120,252
Fund balances—ending	<u>\$ 12,664,220</u>	<u>\$ 18,517,672</u>	<u>\$ 31,181,892</u>

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

**CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Total net change in fund balances—governmental funds		\$ (7,938,360)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 6,151,256	
Current year depreciation expense	<u>(5,034,204)</u>	1,117,052
In the statement of activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, however, these are not reported as revenue in the governmental funds.		
		1,000,095
Some revenues reported in governmental funds are to be collected on a long-term basis and, therefore, are not reported as revenues in the statement of activities.		
		(166,074)
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:		
Repayments of debt principal	\$ 4,978,936	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>103,627</u>	5,082,563
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in long-term compensated absences		(45,663)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(349,723)</u>
Change in net position of governmental activities		<u>\$ (1,300,110)</u>

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

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

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2014	June 30, 2014	June 30, 2014	September 30, 2014		Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 18,031,573	\$ 12,167,777	\$ 7,295,969	\$ 3,505,592	\$ 41,000,911	\$ 7,794,216
Receivables (net)	13,017,763	760,894	1,570,502	658,165	16,007,324	155,175
Accrued interest receivable	1,473	739			2,212	
Inventories	1,646,232	1,131,583	598,634	56,279	3,432,728	
Prepaid expenses	7,642,713	41,056	227,772		7,911,541	
Total current assets	\$ 40,339,754	\$ 14,102,049	\$ 9,692,877	\$ 4,220,036	\$ 68,354,716	\$ 7,949,391
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 4,478,098		\$ 9,752,565		\$ 14,230,663	\$ 150,000
Receivables from customers for conservation loans	6,765,544				6,765,544	
Capital assets:						
Utility plant in service (at cost)	156,353,379	54,829,398	157,132,064	12,708,058	381,022,899	
Acquisition adjustment (net of amortization)		179,463			179,463	
Construction in progress	4,260,295	104,418	10,758,933		15,123,646	
Less: accumulated depreciation	83,264,012	23,943,054	53,187,065	10,756,675	171,150,806	
Prepaid debt related costs (net)			196,996		196,996	
Total noncurrent assets	\$ 88,593,304	\$ 31,170,225	\$ 124,653,493	\$ 1,951,383	\$ 246,368,405	\$ 150,000
Total assets	\$ 128,933,058	\$ 45,272,274	\$ 134,346,370	\$ 6,171,419	\$ 314,723,121	\$ 8,099,391
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$ 131,987	\$ —	\$ 232,893	\$ —	\$ 364,880	\$ —

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2014	June 30, 2014	June 30, 2014	September 30, 2014		Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,368,488	\$ 1,245,720	\$ 1,752,029	\$ 181,448	\$ 21,547,685	\$ 125,367
Interfund payables					—	426,085
Compensated absences—payable within one year	619,915	216,494	284,999	85,727	1,207,135	
Customer deposits	6,963,490			18,673	6,982,163	
Total current liabilities	<u>\$ 25,951,893</u>	<u>\$ 1,462,214</u>	<u>\$ 2,037,028</u>	<u>\$ 285,848</u>	<u>\$ 29,736,983</u>	<u>\$ 551,452</u>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 765,000	\$ —	\$ 3,955,000	\$ —	\$ 4,720,000	\$ —
Unamortized debt premium (discount), net	(4,359)		2,121		(2,238)	
Accrued interest	27,166		751,587		778,753	
Advances from TVA for conservation loans	6,955,761				6,955,761	
Total liabilities payable from restricted assets	<u>\$ 7,743,568</u>	<u>\$ —</u>	<u>\$ 4,708,708</u>	<u>\$ —</u>	<u>\$ 12,452,276</u>	<u>\$ —</u>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 9,680,000	\$ —	\$ 54,423,125	\$ —	\$ 64,103,125	\$ —
Unamortized debt premium (discount), net	(13,320)		44,550		31,230	
Compensated absences—payable after one year	929,871	324,742	427,497	128,591	1,810,701	
Accrued landfill closure and postclosure care costs				2,205,450	2,205,450	
Claims reserve					—	3,535,180
Total noncurrent liabilities	<u>\$ 10,596,551</u>	<u>\$ 324,742</u>	<u>\$ 54,895,172</u>	<u>\$ 2,334,041</u>	<u>\$ 68,150,506</u>	<u>\$ 3,535,180</u>
Total liabilities	<u>\$ 44,292,012</u>	<u>\$ 1,786,956</u>	<u>\$ 61,640,908</u>	<u>\$ 2,619,889</u>	<u>\$ 110,339,765</u>	<u>\$ 4,086,632</u>
NET POSITION						
Net investment in capital assets	\$ 70,523,632	\$ 31,170,225	\$ 61,892,552	\$ 1,951,383	\$ 165,537,792	\$ —
Restricted for debt service	981,628		3,620,455		4,602,083	
Restricted for other purposes—expendable					—	150,000
Unrestricted	13,267,773	12,315,093	7,425,348	1,600,147	34,608,361	3,862,759
Total net position	<u>\$ 84,773,033</u>	<u>\$ 43,485,318</u>	<u>\$ 72,938,355</u>	<u>\$ 3,551,530</u>	<u>\$ 204,748,236</u>	<u>\$ 4,012,759</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,376,972)	
Net position of business-type activities					<u>\$ 202,371,264</u>	

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



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

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2014	June 30, 2014	June 30, 2014	September 30, 2014		Internal Service
Operating revenues						
User charges	\$ 123,229,347	\$ 17,739,405	\$ 18,274,425	\$ 5,583,998	\$ 164,827,175	\$ 1,968,604
Other	642,817	11,435	144,372	3,900	802,524	
Total operating revenues	\$ 123,872,164	\$ 17,750,840	\$ 18,418,797	\$ 5,587,898	\$ 165,629,699	\$ 1,968,604
Operating expenses						
Cost of sales	\$ 98,841,170	\$ 9,748,755	\$	\$	\$ 108,589,925	\$
Operations, maintenance, and administration	14,579,727	4,542,937	9,337,930	4,930,549	33,391,143	194,378
Depreciation	4,775,924	1,443,611	3,335,619	593,963	10,149,117	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,275,364	1,490,014	1,609,253	140,184	6,514,815	
Insurance premiums and claims (net of refunds)					—	2,466,897
Total operating expenses	\$ 121,472,185	\$ 17,235,978	\$ 14,282,802	\$ 5,664,696	\$ 158,655,661	\$ 2,661,275
Operating income (loss)	\$ 2,399,979	\$ 514,862	\$ 4,135,995	\$ (76,798)	\$ 6,974,038	\$ (692,671)
Nonoperating revenues (expenses)						
Interest revenues	\$ 20,457	\$ 3,499	\$ 8,410	\$ 7,521	\$ 39,887	\$ 17,559
Gain (loss) on disposal of capital assets	24,615	(4,473)	(353)	105,685	125,474	
Miscellaneous nonoperating income	117,597	138,348			255,945	
Grants				292,884	292,884	
Interest expense	(344,770)		(2,019,911)		(2,364,681)	
Debt issuance costs expense			(10,000)		(10,000)	
Amortization of debt related costs	(30,756)		(44,930)		(75,686)	
Total nonoperating revenues (expenses)	\$ (212,857)	\$ 137,374	\$ (2,066,784)	\$ 406,090	\$ (1,736,177)	\$ 17,559
Change in net position	\$ 2,187,122	\$ 652,236	\$ 2,069,211	\$ 329,292	\$ 5,237,861	\$ (675,112)
Net position—beginning	82,585,911	42,833,082	70,869,144	3,222,238		4,687,871
Net position—ending	\$ 84,773,033	\$ 43,485,318	\$ 72,938,355	\$ 3,551,530		\$ 4,012,759
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(325,389)	
Change in net position of business-type activities					\$ 4,912,472	

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

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

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities Internal Service Funds
	June 30, 2014	June 30, 2014	June 30, 2014	September 30, 2014		Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 123,906,145	\$ 18,105,155	\$ 18,349,951	\$ 5,809,585	\$ 166,170,836	\$ 2,026,631
Receipts from interfund services provided	2,281,981	130,913	201,615		2,614,509	
Payments to suppliers	(104,428,664)	(10,658,792)	(2,904,172)	(2,041,797)	(120,033,425)	(2,643,926)
Payments to employees for services and benefits—exclusive of capitalized costs	(10,847,236)	(2,997,208)	(4,412,354)	(2,822,851)	(21,079,649)	
Payments for interfund services used	(3,105,218)	(2,231,708)	(2,705,611)	(289,501)	(8,332,038)	
Net cash from operating activities	\$ 7,807,008	\$ 2,348,360	\$ 8,529,429	\$ 655,436	\$ 19,340,233	\$ (617,295)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 87,733	\$	\$	\$	\$ 87,733	\$
Change in advances from TVA for conservation loans	(98,540)				(98,540)	
Net cash from noncapital financing activities	\$ (10,807)	\$ —	\$ —	\$ —	\$ (10,807)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (7,516,654)	\$ (1,717,770)	\$ (11,754,004)	\$ (536,452)	\$ (21,524,880)	\$
Removal costs of retirements of capital assets	(500,918)	(19,624)			(520,542)	
Salvage value of retirements of capital assets	2,696				2,696	
Proceeds from disposition of capital assets	279,509			2,115,548	2,395,057	
Net proceeds from capital debt			1,048,125		1,048,125	
Principal paid on capital debt	(745,000)		(3,810,000)		(4,555,000)	
Interest paid on capital debt	(346,477)		(2,058,418)		(2,404,895)	
Payment of debt issuance costs			(10,000)		(10,000)	
Net cash from capital and related financing activities	\$ (8,826,844)	\$ (1,737,394)	\$ (16,584,297)	\$ 1,579,096	\$ (25,569,439)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 21,288	\$ 2,760	\$ 8,410	\$ 7,769	\$ 40,227	\$ 19,051
Interfund receivables (payables)					—	251,895
Net cash from investing activities	\$ 21,288	\$ 2,760	\$ 8,410	\$ 7,769	\$ 40,227	\$ 270,946
Net increase (decrease) in cash and cash equivalents	\$ (1,009,355)	\$ 613,726	\$ (8,046,458)	\$ 2,242,301	\$ (6,199,786)	\$ (346,349)
Cash and cash equivalents—beginning of the year	23,519,026	11,554,051	25,094,992	1,263,291	61,431,360	8,290,565
Cash and cash equivalents—end of the year	\$ 22,509,671	\$ 12,167,777	\$ 17,048,534	\$ 3,505,592	\$ 55,231,574	\$ 7,944,216

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2014	June 30, 2014	June 30, 2014	September 30, 2014		Funds
Classified as:						
Current assets	\$ 18,031,573	\$ 12,167,777	\$ 7,295,969	\$ 3,505,592	\$ 41,000,911	\$ 7,794,216
Restricted assets	4,478,098		9,752,565		14,230,663	150,000
Totals	\$ 22,509,671	\$ 12,167,777	\$ 17,048,534	\$ 3,505,592	\$ 55,231,574	\$ 7,944,216
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,399,979	\$ 514,862	\$ 4,135,995	\$ (76,798)	\$ 6,974,038	\$ (692,671)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 5,126,341	\$ 1,443,611	\$ 3,364,080	\$ 593,963	\$ 10,527,995	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				44,950	44,950	
Miscellaneous nonoperating income	117,597	138,348			255,945	
Proceeds from grants				292,884	292,884	
Changes in assets and liabilities:						
Receivables (net)	(83,616)	209,792	327,951	(71,197)	382,930	58,027
Inventories	66,101	(163,550)	(1,354)	(25,760)	(124,563)	
Prepaid expenses	(519,280)	(21,287)	(14,390)		(554,957)	
Accounts payables and accrued expenses	699,886	215,923	717,147	(102,606)	1,530,350	17,349
Total adjustments	\$ 5,407,029	\$ 1,833,498	\$ 4,393,434	\$ 732,234	\$ 12,366,195	\$ 75,376
Net cash from operating activities	\$ 7,807,008	\$ 2,348,360	\$ 8,529,429	\$ 655,436	\$ 19,340,233	\$ (617,295)

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

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

	<u>Florence- Lauderdale Public Library September 30, 2014</u>	<u>Florence Library Foundation, Inc. June 30, 2014</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 66,672	\$ 2,998,534	\$ 3,065,206
Amounts held by the Foundation	1,350,674		1,350,674
Accounts receivable		1,372	1,372
Inventories	8,652		8,652
Capital assets (net)	576,485		576,485
Total assets	<u>\$ 2,002,483</u>	<u>\$ 2,999,906</u>	<u>\$ 5,002,389</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 93,901	\$ —	\$ 93,901
Amounts held on behalf of the Library		847,603	847,603
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	13,828		13,828
Total liabilities	<u>\$ 107,729</u>	<u>\$ 847,603</u>	<u>\$ 955,332</u>
NET POSITION			
Net investment in capital assets	\$ 576,485	\$ —	\$ 576,485
Restricted for:			
Other purposes-expendable		821	821
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	1,318,269	151,482	1,469,751
Total net position	<u>\$ 1,894,754</u>	<u>\$ 2,152,303</u>	<u>\$ 4,047,057</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, 2014</u>							
Florence-Lauderdale Public Library	\$ 1,377,930	\$ 116,825	\$ 2,655,016	\$ 33,000	\$ 1,426,911	\$ —	\$ 1,426,911
<u>June 30, 2014</u>							
Florence Library Foundation, Inc.	78,795					(78,795)	(78,795)
Total component units	<u>\$ 1,456,725</u>	<u>\$ 116,825</u>	<u>\$ 2,655,016</u>	<u>\$ 33,000</u>	\$ 1,426,911	\$ (78,795)	\$ 1,348,116
General revenues:							
Interest revenues					20	8,432	8,452
Change in net position					\$ 1,426,931	\$ (70,363)	\$ 1,356,568
Net position—beginning					467,823	2,222,666	2,690,489
Net position—ending					<u>\$ 1,894,754</u>	<u>\$ 2,152,303</u>	<u>\$ 4,047,057</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, 2014**

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, 2014
(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, 2014
(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:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from providing services in connection with the primary activity of the fund's ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services and benefit fees. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Discretely Presented Component Unit—Foundation

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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, 2014
(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, 2014
(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, 2014
(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, 2014
(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.

Net Assets—Discretely Presented Component Unit—Foundation

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes—Discretely Presented Component Unit—Foundation

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

The Foundation's federal income tax returns for 2011, 2012, and 2013 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

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. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

The following funds incurred expenditures in excess of appropriations of the following amount for the year ended September 30, 2014:

Series 2013 G.O. Warrants (Tourism)	\$	200,000
Community Development Fund		134,186
Donation Fund		108,531

The excess expenditures were provided for, in part, by available fund balance and current year's revenues. The remaining excess expenditures will be provided for through future revenues.

C. DEFICIT NET POSITION

Governmental Activities

As of September 30, 2014, the Employee Group Health Insurance Fund had a deficit net position of \$208,433, 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	\$ 146,852	\$ 3,546,652	\$ 283,233	\$ 11,512	\$ 3,988,249
Other governmental funds	9,306	61,186	145,106	1,620	217,218
Internal service funds			154,234	941	155,175
Total—governmental activities	\$ 156,158	\$ 3,607,838	\$ 582,573	\$ 14,073	\$ 4,360,642
Business-type Activities					
Electricity	\$ 10,913,836	\$ —	\$ 733,817	\$ 1,683,759	\$ 13,331,412
Gas	770,319		22,483	273	793,075
Water and wastewater	1,560,204		77,108		1,637,312
Solid waste	518,991			163,477	682,468
Less: allowance for bad debts	436,943				436,943
Total—business-type activities	\$ 13,326,407	\$ —	\$ 833,408	\$ 1,847,509	\$ 16,007,324
Component Unit					
Public Library	\$ —	\$ —	\$ 1,372	\$ —	\$ 1,372

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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 \$1,765,411 at year-end, net of an allowance for bad debts of \$940,653. Of the customer accounts receivable for the Gas Department, \$51,076 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	\$ 1,570,688	\$ 236,434	\$ 1,162,992	\$ —	\$ 2,970,114
Other governmental funds	914,552		1,798,229	277,923	2,990,704
Internal service funds	125,367				125,367
Total—governmental activities	\$ 2,610,607	\$ 236,434	\$ 2,961,221	\$ 277,923	\$ 6,086,185
Business-type Activities					
Electricity	\$ 17,863,466	\$ 490,252	\$ 14,770	\$ —	\$ 18,368,488
Gas	687,815	120,526	437,379		1,245,720
Water and wastewater	1,186,208	178,703	387,118		1,752,029
Solid waste	141,722	22,308	17,418		181,448
Total—business-type activities	\$ 19,879,211	\$ 811,789	\$ 856,685	\$ —	\$ 21,547,685
Component Unit					
Public Library	\$ 54,475	\$ 39,426	\$ —	\$ —	\$ 93,901

NOTE 4—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2014 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 426,936	\$ 426,085	\$ 853,021
	Other governmental	750,526	46,944		797,470
	Total	\$ 750,526	\$ 473,880	\$ 426,085	\$ 1,650,491

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, 2014
(Continued)

NOTE 5—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2014 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	General Fund	\$ —	\$ 300,530	\$ 300,530
	Other governmental	8,879,747	6,589,428	15,469,175
	Total	\$ 8,879,747	\$ 6,889,958	\$ 15,769,705

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, 2014
(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		75,488
Series 2013 Debt Service Reserve Fund		192,869
Series 2013 Warrant Funds		15,437
Series 2013 Construction Fund		3,469,304
Total restricted cash and cash equivalents	\$	4,478,098

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	\$	116,174
SRF Series 2007 Warrant Funds		447,921
SRF Series 2010-A Warrant Funds		716,862
SRF Series 2010-B Warrant Funds		1,215,910
SRF Series 2010-C Warrant Funds		1,175,227
SRF Series 2010-D Warrant Funds		295,100
Series 2011 Warrant Funds		404,848
Series 2011 Construction Fund		5,380,523
Total restricted cash and cash equivalents	\$	9,752,565

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, 2014, the Department had \$774,200 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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	\$ —	\$ —	\$ 6,775,200
Construction in progress	2,218,938	3,243,317	1,052,433	4,409,822
Depreciable assets:				
Land improvements	23,376,289	2,717		23,379,006
Buildings	40,186,869	2,244,752		42,431,621
Equipment and vehicles	22,263,174	1,237,251	464,281	23,036,144
Infrastructure	159,673,655	1,475,747		161,149,402
Total capital assets	\$254,494,125	\$ 8,203,784	\$ 1,516,714	\$261,181,195
Less accumulated depreciation:				
Land improvements	\$ 9,597,558	\$ 903,631	\$ —	\$ 10,501,189
Buildings	17,421,888	1,026,011		18,447,899
Equipment and vehicles	18,981,929	1,170,336	464,281	19,687,984
Infrastructure	94,541,374	1,934,226		96,475,600
Total accumulated depreciation	\$140,542,749	\$ 5,034,204	\$ 464,281	\$145,112,672
Net capital assets—governmental activities	\$113,951,376	\$ 3,169,580	\$ 1,052,433	\$116,068,523
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,257,177	\$ 3,003,118	\$ —	\$ 4,260,295
Gas	69,191	104,418	69,191	104,418
Water and wastewater	1,647,994	11,596,732	2,485,793	10,758,933
Solid waste	120,883		120,883	—
Depreciable assets:				
Utility plant in service:				
Electricity	153,615,233	4,513,536	1,775,390	156,353,379
Gas	53,208,002	1,682,544	61,148	54,829,398
Water and wastewater	154,490,212	2,643,065	1,213	157,132,064
Solid waste	14,342,071	657,335	2,291,348	12,708,058
Acquisition adjustment (net):				
Gas	190,124		10,661	179,463
Total capital assets	\$378,940,887	\$ 24,200,748	\$ 6,815,627	\$396,326,008
Less accumulated depreciation:				
Electricity	\$ 80,156,390	\$ 5,126,341	\$ 2,018,719	\$ 83,264,012
Gas	22,575,742	1,443,611	76,299	23,943,054
Water and wastewater	49,823,845	3,364,080	860	53,187,065
Solid waste	10,444,197	593,963	281,485	10,756,675
Total accumulated depreciation	\$163,000,174	\$ 10,527,995	\$ 2,377,363	\$171,150,806
Net capital assets—business-type activities	\$215,940,713	\$ 13,672,753	\$ 4,438,264	\$225,175,202

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 8—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 374,882
Public safety	798,332
Public works	331,004
Public ways and facilities	1,251,560
Culture and recreation	<u>2,278,426</u>
Total	<u><u>\$ 5,034,204</u></u>

Discretely Presented Component Unit—Library

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Depreciable assets:				
Furniture and fixtures	\$ 136,258	\$ —	\$ —	\$ 136,258
Equipment	446,456	56,744		503,200
Building improvements		33,000		33,000
Library collection	1,817,442	91,001	82,842	1,825,601
Total capital assets	<u>\$ 2,400,156</u>	<u>\$ 180,745</u>	<u>\$ 82,842</u>	<u>\$ 2,498,059</u>
Less accumulated depreciation:				
Furniture and fixtures	\$ 106,057	\$ 10,792	\$ —	\$ 116,849
Equipment	362,517	32,152		394,669
Building improvements		481		481
Library collection	1,388,744	103,673	82,842	1,409,575
Total accumulated depreciation	<u>\$ 1,857,318</u>	<u>\$ 147,098</u>	<u>\$ 82,842</u>	<u>\$ 1,921,574</u>
Net capital assets—governmental activities	<u><u>\$ 542,838</u></u>	<u><u>\$ 33,647</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 576,485</u></u>

Depreciation expense was charged to the government function as follows:

Library services	<u><u>\$ 147,098</u></u>
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Business-type Activities

Electricity Department

As of June 30, 2014, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,146,566.

Depreciation for the fiscal year 2014 totaled \$5,126,341 of which \$4,775,924 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$350,417 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, 2014, accumulated depreciation amounted to \$118,965.

Gas Department

As of June 30, 2014, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,747.

Depreciation expense charged against income amounted to \$1,443,611 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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, 2014, accumulated amortization amounted to \$175,910.

Water and Wastewater Department

As of June 30, 2014, 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 2014 totaled \$3,364,080 of which \$3,335,619 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$28,461 for the fiscal year.

Solid Waste Fund

As of September 30, 2014, 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 \$593,963 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, 2014, a total of \$6,765,544 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 \$6,955,761 for the year ended June 30, 2014.

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 \$7,450,425 as of June 30, 2014 is reflected as prepaid expenses.

The Department has entered into two (2) agreements with TVA under the Discounted Energy Units Program. The program entitles the Department to receive a discount of 2.5 cents per kWh on monthly contract volume of 217,500 kWh for a period of 10 years with the discount being applied to the monthly power invoice. The Department recorded the initial contract investments totaling \$1,000,000 together with deferred interest income totaling \$296,000 as deferred assets with an offsetting deferred liability for the interest income portion of the agreement. The terms of these agreements expired in December 2013.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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	\$ 7,425,000	\$ —	\$ 1,145,000	\$ 6,280,000	\$ 1,185,000
Debt discount	(67,528)		(11,917)	(55,611)	(11,917)
Series 2012	21,035,000		1,765,000	19,270,000	1,815,000
Debt premium	2,352,585		237,236	2,115,349	237,236
Series 2013	1,966,190		68,936	1,897,254	72,610
Series 2013-B	18,805,000		605,000	18,200,000	630,000
Debt premium	528,211		26,633	501,578	26,633
General Obligation School Warrants,					
Series 2004	2,850,000		1,395,000	1,455,000	1,455,000
Debt premium	457		182	275	275
Compensated absences	2,910,835	1,240,439	1,164,334	2,986,940	1,194,776
Total—governmental activities	\$ 57,805,750	\$ 1,240,439	\$ 6,395,404	\$ 52,650,785	\$ 6,604,613
Business-type Activities					
<i>Electricity</i>					
Electric Revenue Warrants,					
Series 2009	\$ 4,840,000	\$ —	\$ 745,000	\$ 4,095,000	\$ 765,000
Debt discount	(27,957)		(4,660)	(23,297)	(4,660)
Series 2013	6,350,000			6,350,000	—
Debt premium	5,919		301	5,618	301
Compensated absences	1,554,289	617,213	621,716	1,549,786	619,915
<i>Gas</i>					
Compensated absences	519,127	229,760	207,651	541,236	216,494
<i>Water and wastewater</i>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	3,085,000		175,000	2,910,000	185,000
SRF Series 2007	7,515,000		355,000	7,160,000	370,000
SRF Series 2010-A	6,340,000		690,000	5,650,000	715,000
SRF Series 2010-B	10,710,000		1,170,000	9,540,000	1,215,000
SRF Series 2010-C	10,300,000		1,135,000	9,165,000	1,175,000
SRF Series 2010-D	2,590,000		285,000	2,305,000	295,000
Series 2011	20,600,000			20,600,000	—
Debt premium	48,792		2,121	46,671	2,121
SRF Series 2013	—	1,048,125		1,048,125	—
Compensated absences	658,716	317,266	263,486	712,496	284,999
<i>Solid waste</i>					
Compensated absences	195,672	96,915	78,269	214,318	85,727
Total—business-type activities	\$ 75,284,558	\$ 2,309,279	\$ 5,723,884	\$ 71,869,953	\$ 5,924,897

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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	\$ 10,208	\$ 3,620	\$ —	\$ 13,828	\$ 13,828
Promise to give	69,900		69,900	-	-
Total—governmental activities	\$ 80,108	\$ 3,620	\$ 69,900	\$ 13,828	\$ 13,828

Governmental Activities

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

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

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

On February 25, 2013, the City issued General Obligation Warrants, Series 2013 in the amount of \$2,000,000 to construct the 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
2015	\$ 5,157,610	\$ 1,886,851	\$ 7,044,461
2016	7,715,359	1,858,521	9,573,880
2017	2,713,211	1,482,933	4,196,144
2018	2,471,171	1,394,384	3,865,555
2019	2,014,244	1,284,062	3,298,306
2020—2024	15,901,534	4,196,189	20,097,723
2025—2029	6,159,125	1,927,641	8,086,766
2030—2033	4,970,000	578,124	5,548,124
Totals	\$ 47,102,254	\$ 14,608,705	\$ 61,710,959

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, 2014
(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, 2014
(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. As of June 30, 2014, the remaining balance of the warrants to be requested from ADEM was \$4,776,875.

Interest costs for the fiscal year amounted to \$2,329,639 of which \$2,019,911 was expensed and \$309,728 was capitalized.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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
2015	\$ 765,000	\$ 325,990	\$ 1,090,990
2016	790,000	302,275	1,092,275
2017	815,000	276,205	1,091,205
2018	850,000	247,680	1,097,680
2019	875,000	217,080	1,092,080
2020—2024	2,005,000	849,338	2,854,338
2025—2029	2,265,000	592,230	2,857,230
2030—2033	2,080,000	206,850	2,286,850
Totals	\$ 10,445,000	\$ 3,017,648	\$ 13,462,648
Year Ending June 30	Water and Wastewater Department		
	Principal	Interest	Total Debt Service
2015	\$ 3,955,000	\$ 1,953,924	\$ 5,908,924
2016	4,105,000	1,845,357	5,950,357
2017	4,255,000	1,762,107	6,017,107
2018	4,640,000	1,756,001	6,396,001
2019	4,805,000	1,629,469	6,434,469
2020—2024	14,620,000	6,526,024	21,146,024
2025—2029	8,565,000	4,998,806	13,563,806
2030—2034	10,590,000	2,981,470	13,571,470
2035—2037	7,620,000	519,247	8,139,247
Totals	\$ 63,155,000	\$ 23,972,405	\$ 87,127,405
Less: amount of SRF funds available for disbursement	4,776,875		
Total long-term debt as reported in the financial statements	\$ 58,378,125		
Year Ending June 30	Totals—Business-type Activities		
	Principal	Interest	Total Debt Service
2015	\$ 4,720,000	\$ 2,279,914	\$ 6,999,914
2016	4,895,000	2,147,632	7,042,632
2017	5,070,000	2,038,312	7,108,312
2018	5,490,000	2,003,681	7,493,681
2019	5,680,000	1,846,549	7,526,549
2020—2024	16,625,000	7,375,362	24,000,362
2025—2029	10,830,000	5,591,036	16,421,036
2030—2034	12,670,000	3,188,320	15,858,320
2035—2037	7,620,000	519,247	8,139,247
Totals	\$ 73,600,000	\$ 26,990,053	\$ 100,590,053
Less: amount of SRF funds available for disbursement	4,776,875		
Total long-term debt as reported in the financial statements	\$ 68,823,125		

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 11—CONDUIT DEBT OBLIGATION

Governmental Activities

The City issued General Obligation School Warrants, Series 1998-A in the amount of \$8,700,000 and entered into a cooperation agreement with the Florence City Board of Education whereby the Board received the proceeds for the sale of the warrants and the Board will make the subsequent repayment of the warrants. On June 10, 2009, the City issued General Obligation School Warrants, Series 2009-A in the amount of \$5,550,000 to currently refund the General Obligation School Warrants, Series 1998-A. The outstanding balance of these warrants was \$3,080,000 as of September 30, 2014. 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 current fiscal year, the City's 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, 2014 of \$2,205,450 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 \$294,550 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 87 percent of the estimated capacity of the landfill as of September 30, 2014. 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, 2014
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

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

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

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

Annual required contribution	\$ 4,173,780
Interest on net pension obligation	(46,603)
Adjustment to annual required contribution	<u>76,172</u>
Annual pension cost	\$ 4,203,349
Contributions made	<u>3,887,418</u>
Increase (decrease) in net pension obligation	\$ 315,931
Net pension obligation—beginning of year	<u>(621,367)</u>
Net pension obligation—end of year	<u><u>\$ (305,436)</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
October 1, 2013	\$ 4,203,349	92.5%	\$ (305,436)
October 1, 2012	4,375,914	86.0%	(621,367)
October 1, 2011	4,241,696	91.7%	(1,232,205)

Funded Status and Funding Progress—As of October 1, 2013, the most recent actuarial valuation date, the plan was 76.1% funded. The actuarial accrued liability for benefits was \$103.1 million and the actuarial value of assets was \$78.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$24.7 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 83.2%.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Actuarial Methods and Assumptions—In the October 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.50%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level dollar amount on a closed basis, which as of October 1, 2013, was twenty-seven (27) years.

Deferred Compensation Plan

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

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

Discretely Presented Component Unit—Library

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

Substantially all employees of the Library are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Library. During the 2012 regular session of the Alabama Legislature, Act 2012-377 was enacted to create a new defined benefit plan tier ("Tier 2") for employees with no previous creditable service hired on or after January 1, 2013. Any employees who had any creditable service prior to January 1, 2013 are referred to as "Tier 1" employees. Benefits vest after 10 years of creditable service. Tier 1 employees may retire with full benefits after 25 years of creditable service or at age 60 with 10 years of creditable service. Tier 2 employees may retire with full benefits at age 62 with 10 years of creditable service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Guaranteed Minimum or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, Tier 1 retirees are allowed 2.0125% of their average compensation for the three highest years of the last ten years of creditable service and Tier 2 retirees are allowed 1.65% of their average compensation for the five highest years of the last ten years of creditable service; however, the benefit is capped at 80% of the retiree's average final compensation. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy—Tier 1 employees of the Library are required to contribute 7.5% of their annual covered salary. Tier 2 employees of the Library are required to contribute 6% of their annual covered salary. The Library is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2014 was 10.34% for Tier 1 employees and 10.17% for Tier 2 employees of annual covered payroll based on the September 30, 2011 actuarial valuation.

Annual Pension Cost— For the year ended September 30, 2014, the Library's annual pension cost of \$44,016 was equal to the Library's required and actual contributions. The required contribution was determined as a part of the September 30, 2011 actuarial valuation. The actuarial assumptions included: (a) 8.00% investment rate of return, (b) projected salary increases ranging from 3.75% to 7.25%, and (c) no COLAs. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period was 13 years. The Library's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2014 and the two preceding years were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2014	\$44,016	100%	\$ —
September 30, 2013	\$45,265	100%	—
September 30, 2012	\$42,244	100%	—

Funded Status and Funding Progress—As of September 30, 2013, the most recent actuarial valuation date, the plan was 77.1% funded. The actuarial accrued liability for benefits was \$1,010,156 and the actuarial value of assets was \$778,904, resulting in an unfunded actuarial accrued liability (UAAL) of \$231,252. The covered payroll (annual payroll of active employees covered by the plan) was \$413,133 and the ratio of the UAAL to the covered payroll was 56.0%.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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, 2014
(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	
2015	\$ 201,372
2016	201,372
2017	201,372
2018	201,372
2019	201,372
Total	\$ 1,006,860

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(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, 2014, the fund balance was \$17,134, which will be used in the continuing operations and maintenance of the building. At such time that expenditures exceed revenues, the City will invoice the County for 50% of the shortfall. The City and County are utilizing portions of the building for administration and government services.

NOTE 18—RISK MANAGEMENT

Governmental Activities and Business-type Activities

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

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

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers' compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2014, 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, 2013	\$ 2,439,290	\$ 961,207
Provision for (adjustment to) claims	1,097,801	182,629
Payment of claims	(950,566)	(195,181)
Claims liability, September 30, 2014	\$ 2,586,525	\$ 948,655

At September 30, 2014, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$259,938, \$5,055,785, and \$2,633,668, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 19—DEPOSITS AND INVESTMENTS

Governmental Activities and Business-type Activities

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

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

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2014, 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 \$1,679,555.

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, 2014, open contracts for construction totaled \$5,195,074 of which \$4,409,822 had been recorded as construction in progress.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 20—CONTINGENCIES AND COMMITMENTS (Continued)

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

Business-type Activities

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

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

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2014, open contracts for construction totaled \$1,354,295 of which \$731,272 had been recorded as cumulative construction in progress. As of June 30, 2014, open contracts for system maintenance totaled \$4,224,651 of which \$1,734,713 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, 2014, the Department had made purchase commitments amounting to \$14,484,744 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, 2014, open contracts for construction totaled \$15,246,977 of which \$8,442,669 had been recorded as cumulative construction in progress. As of June 30, 2014, open contracts for system maintenance totaled \$189,544 of which \$53,651 had been recorded as current maintenance expense.

NOTE 21—RESTATEMENT

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of GASB No. 65 are effective for financial statements for periods beginning after December 15, 2012. Due to the implementation of this new statement, the line items below were restated.

Additionally, in prior years the loss on current refunding of debt was reported as a reduction in long-term obligations in the Statement of Net Position. Due to the implementation of this new statement, the loss on current refunding of debt will now be reported as a deferred outflow of resources on the Statement of Net Position.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

NOTE 21—RESTATEMENT (Continued)

Governmental Activities

	<i>Unamortized Debt Issuance Costs</i>
Balance as of September 30, 2013, as previously stated	\$ 666,965
Effect of 2013 restatement	(666,965)
Balance as of September 30, 2013, as restated	\$ -
<i>Net Position</i>	
Balance as of September 30, 2013, as previously stated	\$ 105,384,406
Effect of 2013 restatement	(666,965)
Balance as of September 30, 2013, as restated	\$ 104,717,441

Business-type Activities

Electricity Department

	<i>Unamortized Debt Issuance Costs</i>
Balance as of June 30, 2013, as previously stated	\$ 183,751
Effect of 2013 restatement	(183,751)
Balance as of June 30, 2013, as restated	\$ -
<i>Net Position</i>	
Balance as of June 30, 2013, as previously stated	\$ 82,769,662
Effect of 2013 restatement	(183,751)
Balance as of June 30, 2013, as restated	\$ 82,585,911

Water and Wastewater Department

	<i>Unamortized Debt Issuance Costs</i>
Balance as of June 30, 2013, as previously stated	\$ 506,776
Effect of 2013 restatement	(300,825)
Balance as of June 30, 2013, as restated	\$ 205,951
<i>Net Position</i>	
Balance as of June 30, 2013, as previously stated	\$ 71,169,969
Effect of 2013 restatement	(300,825)
Balance as of June 30, 2013, as restated	\$ 70,869,144



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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 12,506,848	\$ 12,506,848	\$ 12,506,848	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 31,560,250	\$ 31,560,250	\$ 31,066,478	\$ (493,772)
Property	11,882,300	11,882,300	11,909,695	27,395
Motor fuel	390,000	390,000	413,429	23,429
Tobacco	285,000	285,000	259,438	(25,562)
Alcoholic beverages	1,053,000	1,053,000	1,015,240	(37,760)
Other	125,000	125,000	108,769	(16,231)
Total taxes	<u>\$ 45,295,550</u>	<u>\$ 45,295,550</u>	<u>\$ 44,773,049</u>	<u>\$ (522,501)</u>
Licenses and permits:				
Business	\$ 3,354,000	\$ 3,354,000	\$ 3,413,310	\$ 59,310
Non-business	116,500	116,500	120,094	3,594
Total licenses and permits	<u>\$ 3,470,500</u>	<u>\$ 3,470,500</u>	<u>\$ 3,533,404</u>	<u>\$ 62,904</u>
Fines and forfeitures	<u>\$ 1,231,000</u>	<u>\$ 1,231,000</u>	<u>\$ 1,261,180</u>	<u>\$ 30,180</u>
Charges for services:				
Cultural and recreational	\$ 1,768,340	\$ 1,768,340	\$ 1,693,175	\$ (75,165)
Highways and streets	67,100	67,100	72,760	5,660
Other	79,600	79,600	72,390	(7,210)
Total charges for services	<u>\$ 1,915,040</u>	<u>\$ 1,915,040</u>	<u>\$ 1,838,325</u>	<u>\$ (76,715)</u>
Intergovernmental	<u>\$ 1,233,105</u>	<u>\$ 1,233,105</u>	<u>\$ 1,378,047</u>	<u>\$ 144,942</u>
Other:				
Interest	\$ 27,000	\$ 27,000	\$ 27,553	\$ 553
Other	60,000	60,000	65,131	5,131
Total other	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 92,684</u>	<u>\$ 5,684</u>
Transfers from other funds	<u>\$ 301,000</u>	<u>\$ 301,000</u>	<u>\$ 300,530</u>	<u>\$ (470)</u>
Amounts available for appropriation	<u>\$ 66,040,043</u>	<u>\$ 66,040,043</u>	<u>\$ 65,684,067</u>	<u>\$ (355,976)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 290,153	\$ 290,153	\$ 276,281	\$ 13,872
City council	302,336	302,336	287,649	14,687
Urban forestry	175,402	175,402	158,660	16,742
Purchasing and grants administration	234,999	234,999	229,106	5,893
Legal	256,050	256,050	254,207	1,843
Accounting	527,899	527,899	518,324	9,575
City clerk	555,234	555,234	557,423	(2,189)
Planning	379,636	379,636	346,018	33,618
Human resources	329,748	329,748	306,935	22,813
Administrative buildings	635,578	635,578	533,751	101,827
Building	702,206	702,206	683,852	18,354
Engineering	744,437	744,437	721,473	22,964
Total general administration	<u>\$ 5,133,678</u>	<u>\$ 5,133,678</u>	<u>\$ 4,873,679</u>	<u>\$ 259,999</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(Continued)**

	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget— Positive
	Original	Final	(See Note A)	(Negative)
Public safety:				
Police	\$ 9,458,813	\$ 9,458,813	\$ 9,671,877	\$ (213,064)
Jail	420,000	420,000	475,510	(55,510)
Municipal court	527,747	527,747	521,998	5,749
Animal control	532,627	532,627	544,436	(11,809)
Fire	6,901,268	6,901,268	6,732,627	168,641
Total public safety	<u>\$ 17,840,455</u>	<u>\$ 17,840,455</u>	<u>\$ 17,946,448</u>	<u>\$ (105,993)</u>
Public works:				
Streets	\$ 3,696,930	\$ 3,696,930	\$ 3,673,005	\$ 23,925
Municipal lighting and utilities	1,020,500	1,020,500	1,042,091	(21,591)
Cemetery	268,681	268,681	248,958	19,723
Parking deck facility	97,347	97,347	93,143	4,204
Total public works	<u>\$ 5,083,458</u>	<u>\$ 5,083,458</u>	<u>\$ 5,057,197</u>	<u>\$ 26,261</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,081,569	\$ 2,081,569	\$ 2,082,464	\$ (895)
Parks	3,027,839	3,027,839	3,052,489	(24,650)
Golf course	1,234,823	1,234,823	1,192,154	42,669
Braly municipal stadium	204,590	204,590	227,151	(22,561)
Arts and museums	382,444	382,444	386,404	(3,960)
Total culture and recreation	<u>\$ 6,931,265</u>	<u>\$ 6,931,265</u>	<u>\$ 6,940,662</u>	<u>\$ (9,397)</u>
Nondepartmental:				
Other	\$ 1,376,700	\$ 1,376,700	\$ 1,342,103	\$ 34,597
Education—funding for school district	8,006,064	8,006,064	7,980,011	26,053
Transfers to other funds	9,138,457	9,138,457	8,879,747	258,710
Total nondepartmental	<u>\$ 18,521,221</u>	<u>\$ 18,521,221</u>	<u>\$ 18,201,861</u>	<u>\$ 319,360</u>
Total charges to appropriations	<u>\$ 53,510,077</u>	<u>\$ 53,510,077</u>	<u>\$ 53,019,847</u>	<u>\$ 490,230</u>
Budgetary fund balance—ending	<u>\$ 12,529,966</u>	<u>\$ 12,529,966</u>	<u>\$ 12,664,220</u>	<u>\$ 134,254</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**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	\$ 65,684,067
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	(12,506,848)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(300,530)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 52,876,689</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 53,019,847
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,879,747)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 44,140,100</u></u>



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CITY OF FLORENCE, ALABAMA

Schedules of Funding Progress

Employees' Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2013	\$ 78,449,235	\$ 103,053,884	\$ 24,604,649	76.1%	\$ 29,562,601	83.2%
October 1, 2012	75,692,011	99,618,114	23,926,103	76.0%	27,759,757	86.2%
October 1, 2011	69,076,688	97,078,177	28,001,489	71.2%	28,743,659	97.4%

Postretirement Benefits Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 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.

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Funding Progress

Employees' Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
September 30, 2013	\$ 778,904	\$ 1,010,156	\$ 231,252	77.1%	\$ 413,133	56.0%
September 30, 2012	659,647	891,650	232,003	74.0%	381,592	60.8%
September 30, 2011	584,485	901,142	316,657	64.9%	384,964	82.3%

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Postretirement Benefits Plan		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
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 on the plan on a biennial basis.



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

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	\$ 160,415	\$ 142,678	\$ 202,184	\$ 5,027	\$	\$ 126,194	\$ 4,296,269	\$ 18,704	\$ 271,947	\$
Receivables (net)	13,183	13,617	28,323	1			24,126	3	9,359	
Loan receivables (net)						329,257	84,026			
Interfund receivables					38,075		668,097		7,191	37,163
Total assets	\$ 173,598	\$ 156,295	\$ 230,507	\$ 5,028	\$ 38,075	\$ 455,451	\$ 5,072,518	\$ 18,707	\$ 288,497	\$ 37,163
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 3,325	\$	\$	\$	\$	\$ 21,568	\$ 1,845,357	\$ 17,964	\$ 112,925	\$
Interfund payables	32,500	35,027	65,000	5,028		118,547	59,373			
Total liabilities	\$ 35,825	\$ 35,027	\$ 65,000	\$ 5,028	\$ —	\$ 140,115	\$ 1,904,730	\$ 17,964	\$ 112,925	\$ —
Fund balances										
Nonspendable:										
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:										
Street resurfacing and improvements	137,773	121,268	165,507							
Culture and recreation					38,075					29,415
Public safety								743	175,572	7,748
HUD community development and rehabilitation						315,336				
Capital projects										
Assigned to:										
Capital projects							3,167,788			
Municipal building maintenance										
Economic development										
Total fund balances	\$ 137,773	\$ 121,268	\$ 165,507	\$ —	\$ 38,075	\$ 315,336	\$ 3,167,788	\$ 743	\$ 175,572	\$ 37,163
Total liabilities and fund balance	\$ 173,598	\$ 156,295	\$ 230,507	\$ 5,028	\$ 38,075	\$ 455,451	\$ 5,072,518	\$ 18,707	\$ 288,497	\$ 37,163

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
(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	Series 2013 G.O. Warrants (Tourism)		
ASSETS										
Cash and cash equivalents	\$ 155,292	\$ 14,498	\$ 5,393,208	\$ —	\$ 875,321	\$ 847,336	\$ 13,197,063	\$ 14,919,720	\$ 241,357	\$ 20,554,285
Receivables (net)	9,179	81,795	179,586	—	37,144	153	292	37,589	43	217,218
Loan receivables (net)			413,283					—		413,283
Interfund receivables			750,526				46,944	46,944		797,470
Total assets	<u>\$ 164,471</u>	<u>\$ 96,293</u>	<u>\$ 6,736,603</u>	<u>\$ —</u>	<u>\$ 912,465</u>	<u>\$ 847,489</u>	<u>\$ 13,244,299</u>	<u>\$ 15,004,253</u>	<u>\$ 241,400</u>	<u>\$ 21,982,256</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 103,546	\$ 30,439	\$ 2,135,124	\$ —	\$ 45,979	\$ —	\$ 809,601	\$ 855,580	\$ —	\$ 2,990,704
Interfund payables	60,925	48,720	425,120	—	21,118	—	27,112	48,230	530	473,880
Total liabilities	<u>\$ 164,471</u>	<u>\$ 79,159</u>	<u>\$ 2,560,244</u>	<u>\$ —</u>	<u>\$ 67,097</u>	<u>\$ —</u>	<u>\$ 836,713</u>	<u>\$ 903,810</u>	<u>\$ 530</u>	<u>\$ 3,464,584</u>
Fund balances										
Nonspendable:										
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,870	\$ 240,870
Restricted for:										
Street resurfacing and improvements			424,548					—		424,548
Culture and recreation			67,490					—		67,490
Public safety			184,063					—		184,063
HUD community development and rehabilitation			315,336					—		315,336
Capital projects			—		845,368		12,407,586	13,252,954		13,252,954
Assigned to:										
Capital projects			3,167,788					—		3,167,788
Municipal building maintenance		17,134	17,134					—		17,134
Economic development			—			847,489		847,489		847,489
Total fund balances	<u>\$ —</u>	<u>\$ 17,134</u>	<u>\$ 4,176,359</u>	<u>\$ —</u>	<u>\$ 845,368</u>	<u>\$ 847,489</u>	<u>\$ 12,407,586</u>	<u>\$ 14,100,443</u>	<u>\$ 240,870</u>	<u>\$ 18,517,672</u>
Total liabilities and fund balance	<u>\$ 164,471</u>	<u>\$ 96,293</u>	<u>\$ 6,736,603</u>	<u>\$ —</u>	<u>\$ 912,465</u>	<u>\$ 847,489</u>	<u>\$ 13,244,299</u>	<u>\$ 15,004,253</u>	<u>\$ 241,400</u>	<u>\$ 21,982,256</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	\$ 146,015	\$ 156,874	\$ 315,369	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				16,804		851,536			81,524	
Interest revenues	318	310	385				57,392	33	549	
Program revenues				370		7,909		1,234	92,880	
Miscellaneous									1,000	145,694
Total revenues	<u>\$ 146,333</u>	<u>\$ 157,184</u>	<u>\$ 315,754</u>	<u>\$ 17,174</u>	<u>\$ —</u>	<u>\$ 859,445</u>	<u>\$ 57,392</u>	<u>\$ 1,267</u>	<u>\$ 175,953</u>	<u>\$ 145,694</u>
EXPENDITURES										
Current operating:										
General administration	\$	\$	\$	\$	\$	76,797	139,765	\$	\$	\$
Public safety				17,174				524	145,638	70,774
Public works						653,184	21,699			745
Culture and recreation					1,807		23,800			18,144
Other						169,608	158,000			38
Education—funding for school district							1,576,981			
Capital outlay and improvements	4,025	23,696	13,800				199,232			18,830
Debt service:										
Principal payments										
Interest and fiscal charges										
Total expenditures	<u>\$ 4,025</u>	<u>\$ 23,696</u>	<u>\$ 13,800</u>	<u>\$ 17,174</u>	<u>\$ 1,807</u>	<u>\$ 899,589</u>	<u>\$ 2,119,477</u>	<u>\$ 524</u>	<u>\$ 145,638</u>	<u>\$ 108,531</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 142,308</u>	<u>\$ 133,488</u>	<u>\$ 301,954</u>	<u>\$ —</u>	<u>\$ (1,807)</u>	<u>\$ (40,144)</u>	<u>\$ (2,062,085)</u>	<u>\$ 743</u>	<u>\$ 30,315</u>	<u>\$ 37,163</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	\$	\$	\$	\$	\$	\$	8,308,899	\$	\$	\$
Transfers out	(141,735)	(141,735)	(283,470)				(6,322,488)			
Total other financing sources (uses)	<u>\$ (141,735)</u>	<u>\$ (141,735)</u>	<u>\$ (283,470)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,986,411</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 573</u>	<u>\$ (8,247)</u>	<u>\$ 18,484</u>	<u>\$ —</u>	<u>\$ (1,807)</u>	<u>\$ (40,144)</u>	<u>\$ (75,674)</u>	<u>\$ 743</u>	<u>\$ 30,315</u>	<u>\$ 37,163</u>
Fund balances—beginning	<u>137,200</u>	<u>129,515</u>	<u>147,023</u>	<u>—</u>	<u>39,882</u>	<u>355,480</u>	<u>3,243,462</u>	<u>—</u>	<u>145,257</u>	<u>—</u>
Fund balances—ending	<u>\$ 137,773</u>	<u>\$ 121,268</u>	<u>\$ 165,507</u>	<u>\$ —</u>	<u>\$ 38,075</u>	<u>\$ 315,336</u>	<u>\$ 3,167,788</u>	<u>\$ 743</u>	<u>\$ 175,572</u>	<u>\$ 37,163</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(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	Series 2013 G.O. Warrants (Tourism)			Total
REVENUES											
Taxes	\$	\$	\$ 618,258	\$	\$	\$	\$	\$ —	\$	\$ 618,258	
Intergovernmental			949,864		335,447		200,000	535,447		1,485,311	
Interest revenues		101	59,088		2,304	1,678	5,853	9,835		68,923	
Program revenues		212,594	314,987					—	730	315,717	
Miscellaneous			146,694					—		146,694	
Total revenues	\$ —	\$ 212,695	\$ 2,088,891	\$ —	\$ 337,751	\$ 1,678	\$ 5,853	\$ 200,000	\$ 545,282	\$ 730	\$ 2,634,903
EXPENDITURES											
Current operating:											
General administration	\$	\$ 333,004	\$ 549,566	\$	\$ 117,589	\$	\$	\$ 117,589	\$	\$ 667,155	
Public safety			234,110		26,618			26,618		260,728	
Public works			675,628			271,038		271,038		946,666	
Culture and recreation			43,751		56,294			56,294		100,045	
Other			327,646			8,261	3,100,000	3,108,261		3,435,907	
Education—funding for school district			1,576,981					—		1,576,981	
Capital outlay and improvements			259,583		274,857		3,598,996	1,148,967	5,022,820	5,282,403	
Debt service:											
Principal payments			—		4,978,936			—		4,978,936	
Interest and fiscal charges			—		2,061,031			—		2,061,031	
Total expenditures	\$ —	\$ 333,004	\$ 3,667,265	\$ 7,039,967	\$ 475,358	\$ 279,299	\$ 6,698,996	\$ 1,148,967	\$ 8,602,620	\$ —	\$ 19,309,852
Excess (deficiency) of revenues over expenditures	\$ —	\$ (120,309)	\$ (1,578,374)	\$ (7,039,967)	\$ (137,607)	\$ (277,621)	\$ (6,693,143)	\$ (948,967)	\$ (8,057,338)	\$ 730	\$ (16,674,949)
OTHER FINANCING SOURCES (USES)											
Transfers in	\$	\$ 120,309	\$ 8,429,208	\$ 7,039,967	\$	\$	\$	\$ —	\$	\$ 15,469,175	
Transfers out			(6,889,428)					—	(530)	(6,889,958)	
Total other financing sources (uses)	\$ —	\$ 120,309	\$ 1,539,780	\$ 7,039,967	\$ —	\$ —	\$ —	\$ —	\$ (530)	\$ 8,579,217	
Net change in fund balances	\$ —	\$ —	\$ (38,594)	\$ —	\$ (137,607)	\$ (277,621)	\$ (6,693,143)	\$ (948,967)	\$ (8,057,338)	\$ 200	\$ (8,095,732)
Fund balances—beginning		17,134	4,214,953		982,975	1,125,110	19,100,729	948,967	22,157,781	240,670	26,613,404
Fund balances—ending	\$ —	\$ 17,134	\$ 4,176,359	\$ —	\$ 845,368	\$ 847,489	\$ 12,407,586	\$ —	\$ 14,100,443	\$ 240,870	\$ 18,517,672

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 106,167	\$ 5,054,867	\$ 2,633,182	\$ 7,794,216
Receivables (net)	153,771	918	486	155,175
Total current assets	\$ 259,938	\$ 5,055,785	\$ 2,633,668	\$ 7,949,391
Noncurrent assets				
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total noncurrent assets	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Total assets	\$ 259,938	\$ 5,105,785	\$ 2,733,668	\$ 8,099,391
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 42,286	\$ 3,402	\$ 79,679	\$ 125,367
Interfund payables	426,085			426,085
Noncurrent liabilities				
Claims reserve		948,655	2,586,525	3,535,180
Total liabilities	\$ 468,371	\$ 952,057	\$ 2,666,204	\$ 4,086,632
NET POSITION				
Restricted for:				
Other purposes	\$ (208,433)	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted	(208,433)	4,103,728	(32,536)	3,862,759
Total net position	\$ (208,433)	\$ 4,153,728	\$ 67,464	\$ 4,012,759

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Governmental Activities—Internal Service Funds			Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	
Operating revenues				
User charges	\$ 1,133,558	\$ 325,176	\$ 509,870	\$ 1,968,604
Total operating revenues	<u>\$ 1,133,558</u>	<u>\$ 325,176</u>	<u>\$ 509,870</u>	<u>\$ 1,968,604</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 1,321,150	\$ 195,181	\$ 950,566	\$ 2,466,897
Operations and administration	21,237	91,472	81,669	194,378
Total operating expenses	<u>\$ 1,342,387</u>	<u>\$ 286,653</u>	<u>\$ 1,032,235</u>	<u>\$ 2,661,275</u>
Operating income (loss)	<u>\$ (208,829)</u>	<u>\$ 38,523</u>	<u>\$ (522,365)</u>	<u>\$ (692,671)</u>
Non-operating revenues (expenses)				
Interest revenues	396	11,065	6,098	17,559
Change in net position	<u>\$ (208,433)</u>	<u>\$ 49,588</u>	<u>\$ (516,267)</u>	<u>\$ (675,112)</u>
Net position—beginning	—	4,104,140	583,731	4,687,871
Net position—ending	<u><u>\$ (208,433)</u></u>	<u><u>\$ 4,153,728</u></u>	<u><u>\$ 67,464</u></u>	<u><u>\$ 4,012,759</u></u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Governmental Activities—Internal Service Funds			
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 1,190,754	\$ 325,819	\$ 510,058	\$ 2,026,631
Payments to suppliers	(1,479,112)	(298,969)	(865,845)	(2,643,926)
Net cash provided (used) by operating activities	\$ (288,358)	\$ 26,850	\$ (355,787)	\$ (617,295)
Cash flows from investing activities				
Interest on investments	\$ 434	\$ 11,973	\$ 6,644	\$ 19,051
Interfund receivables (payables)	252,290		(395)	251,895
Net cash provided (used) by investing activities	\$ 252,724	\$ 11,973	\$ 6,249	\$ 270,946
Net increase (decrease) in cash and cash equivalents	\$ (35,634)	\$ 38,823	\$ (349,538)	\$ (346,349)
Cash and cash equivalents—beginning	141,801	5,066,044	3,082,720	8,290,565
Cash and cash equivalents—ending	\$ 106,167	\$ 5,104,867	\$ 2,733,182	\$ 7,944,216
<i>Classified as:</i>				
Current assets	\$ 106,167	\$ 5,054,867	\$ 2,633,182	\$ 7,794,216
Restricted assets		50,000	100,000	150,000
Totals	\$ 106,167	\$ 5,104,867	\$ 2,733,182	\$ 7,944,216
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>				
Operating income (loss)	\$ (208,829)	\$ 38,523	\$ (522,365)	\$ (692,671)
Changes in assets and liabilities				
Receivables (net)	\$ 57,196	\$ 643	\$ 188	\$ 58,027
Accounts payable and accrued expenses	(136,725)	(12,316)	166,390	17,349
Total adjustments	\$ (79,529)	\$ (11,673)	\$ 166,578	\$ 75,376
Net cash provided (used) by operating activities	\$ (288,358)	\$ 26,850	\$ (355,787)	\$ (617,295)

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 137,200	\$ 137,200	\$ 137,200	\$ —
Resources (inflows):				
Taxes	148,000	148,000	146,015	(1,985)
Interest revenues	450	450	318	(132)
Amounts available for appropriation	<u>\$ 285,650</u>	<u>\$ 285,650</u>	<u>\$ 283,533</u>	<u>\$ (2,117)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 39,215	\$ 39,215	\$ 4,025	\$ 35,190
Transfers to other funds	109,235	109,235	141,735	(32,500)
Total charges to appropriations	<u>\$ 148,450</u>	<u>\$ 148,450</u>	<u>\$ 145,760</u>	<u>\$ 2,690</u>
Budgetary fund balance—ending	<u>\$ 137,200</u>	<u>\$ 137,200</u>	<u>\$ 137,773</u>	<u>\$ 573</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	\$ 283,533
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	(137,200)
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>\$ 146,333</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 145,760
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(141,735)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 4,025</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 129,515	\$ 129,515	\$ 129,515	\$ —
Resources (inflows):				
Taxes	158,150	158,150	156,874	(1,276)
Interest revenues	300	300	310	10
Amounts available for appropriation	<u>\$ 287,965</u>	<u>\$ 287,965</u>	<u>\$ 286,699</u>	<u>\$ (1,266)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 25,000	\$ 25,000	\$ —	\$ 25,000
Capital outlay and improvements	24,215	24,215	23,696	519
Transfers to other funds	109,235	109,235	141,735	(32,500)
Total charges to appropriations	<u>\$ 158,450</u>	<u>\$ 158,450</u>	<u>\$ 165,431</u>	<u>\$ (6,981)</u>
Budgetary fund balance—ending	<u>\$ 129,515</u>	<u>\$ 129,515</u>	<u>\$ 121,268</u>	<u>\$ (8,247)</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	\$ 286,699
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	(129,515)
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>\$ 157,184</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 165,431
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(141,735)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 23,696</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 147,023	\$ 147,023	\$ 147,023	\$ —
Resources (inflows):				
Taxes	375,000	375,000	315,369	(59,631)
Interest revenues	600	600	385	(215)
Amounts available for appropriation	<u>\$ 522,623</u>	<u>\$ 522,623</u>	<u>\$ 462,777</u>	<u>\$ (59,846)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 157,130	\$ 157,130	\$ 13,800	\$ 143,330
Transfers to other funds	218,470	218,470	283,470	(65,000)
Total charges to appropriations	<u>\$ 375,600</u>	<u>\$ 375,600</u>	<u>\$ 297,270</u>	<u>\$ 78,330</u>
Budgetary fund balance—ending	<u>\$ 147,023</u>	<u>\$ 147,023</u>	<u>\$ 165,507</u>	<u>\$ 18,484</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	\$ 462,777
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	(147,023)
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>\$ 315,754</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 297,270
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(283,470)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 13,800</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Intergovernmental	90,000	90,000	16,804	(73,196)
Interest revenues	50	50		(50)
Program revenues	25,000	25,000	370	(24,630)
Amounts available for appropriation	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 17,174</u>	<u>\$ (97,876)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 75,000	\$ 75,000	\$ —	\$ 75,000
Public safety	40,050	40,050	17,174	22,876
Total charges to appropriations	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 17,174</u>	<u>\$ 97,876</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	\$ 17,174
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>\$ 17,174</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 17,174
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>\$ 17,174</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 39,882	\$ 39,882	\$ 39,882	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 15,000	\$ 15,000	\$ 1,807	\$ 13,193
Total charges to appropriations	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 1,807</u>	<u>\$ 13,193</u>
Budgetary fund balance—ending	<u>\$ 24,882</u>	<u>\$ 24,882</u>	<u>\$ 38,075</u>	<u>\$ 13,193</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	\$ 39,882
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	(39,882)
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	\$ 1,807
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>\$ 1,807</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 355,480	\$ 355,480	\$ 355,480	\$ —
Resources (inflows):				
Intergovernmental	355,331	355,331	851,536	496,205
Program revenues	54,592	54,592	7,909	(46,683)
Amounts available for appropriation	<u>\$ 765,403</u>	<u>\$ 765,403</u>	<u>\$ 1,214,925</u>	<u>\$ 449,522</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 70,000	\$ 70,000	\$ 76,797	\$ (6,797)
Public works	554,110	729,110	653,184	75,926
Other	113,000	138,360	169,608	(31,248)
Total charges to appropriations	<u>\$ 737,110</u>	<u>\$ 937,470</u>	<u>\$ 899,589</u>	<u>\$ 37,881</u>
Budgetary fund balance—ending	<u>\$ 28,293</u>	<u>\$ (172,067)</u>	<u>\$ 315,336</u>	<u>\$ 487,403</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	\$ 1,214,925
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	(355,480)
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>\$ 859,445</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 899,589
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>\$ 899,589</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$134,186 for the year ended September 30, 2014. The excess expenditures were provided for, in part, by available fund balance and current year's revenues. The remaining excess expenditures will be provided for through future revenues.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 3,243,462	\$ 3,243,462	\$ 3,243,462	\$ —
Resources (inflows):				
Interest revenues	10,000	10,000	57,392	47,392
Transfers from other funds	8,467,482	8,467,482	8,308,899	(158,583)
Amounts available for appropriation	<u>\$ 11,720,944</u>	<u>\$ 11,720,944</u>	<u>\$ 11,609,753</u>	<u>\$ (111,191)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 8,000	\$ 8,000	\$ 139,765	\$ (131,765)
Public works	20,000	20,000	21,699	(1,699)
Culture and recreation			23,800	(23,800)
Other	75,000	75,000	158,000	(83,000)
Education—funding for school district	1,630,255	1,630,255	1,576,981	53,274
Capital outlay and improvements	420,687	420,687	199,232	221,455
Transfers to other funds	6,323,540	6,323,540	6,322,488	1,052
Total charges to appropriations	<u>\$ 8,477,482</u>	<u>\$ 8,477,482</u>	<u>\$ 8,441,965</u>	<u>\$ 35,517</u>
Budgetary fund balance—ending	<u>\$ 3,243,462</u>	<u>\$ 3,243,462</u>	<u>\$ 3,167,788</u>	<u>\$ (75,674)</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	\$ 11,609,753
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	(3,243,462)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(8,308,899)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 57,392</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,441,965
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,322,488)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,119,477</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 145,257	\$ 145,257	\$ 145,257	\$ —
Resources (inflows):				
Intergovernmental	108,500	108,500	81,524	(26,976)
Interest revenues			549	549
Program revenues	65,500	65,500	92,880	27,380
Miscellaneous			1,000	1,000
Amounts available for appropriation	<u>\$ 319,257</u>	<u>\$ 319,257</u>	<u>\$ 321,210</u>	<u>\$ 1,953</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 174,000	\$ 174,000	\$ 145,638	\$ 28,362
Total charges to appropriations	<u>\$ 174,000</u>	<u>\$ 174,000</u>	<u>\$ 145,638</u>	<u>\$ 28,362</u>
Budgetary fund balance—ending	<u>\$ 145,257</u>	<u>\$ 145,257</u>	<u>\$ 175,572</u>	<u>\$ 30,315</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	\$ 321,210
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	(145,257)
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>\$ 175,953</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 145,638
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>\$ 145,638</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 17,134	\$ 17,134	\$ 17,134	\$ —
Resources (inflows):				
Interest revenues	100	100	101	1
Program revenues	250,000	250,000	212,594	(37,406)
Transfers from other funds	90,000	90,000	120,309	30,309
Amounts available for appropriation	<u>\$ 357,234</u>	<u>\$ 357,234</u>	<u>\$ 350,138</u>	<u>\$ (7,096)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 340,100	\$ 340,100	\$ 333,004	\$ 7,096
Total charges to appropriations	<u>\$ 340,100</u>	<u>\$ 340,100</u>	<u>\$ 333,004</u>	<u>\$ 7,096</u>
Budgetary fund balance—ending	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ 17,134</u>	<u>\$ —</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 350,138
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>(120,309)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 212,695</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 333,004
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>\$ 333,004</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	7,040,450	7,040,450	7,039,967	(483)
Amounts available for appropriation	<u>\$ 7,040,450</u>	<u>\$ 7,040,450</u>	<u>\$ 7,039,967</u>	<u>\$ (483)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 4,979,960	\$ 4,979,960	\$ 4,978,936	\$ 1,024
Interest and fiscal charges	2,060,490	2,060,490	2,061,031	(541)
Total charges to appropriations	<u>\$ 7,040,450</u>	<u>\$ 7,040,450</u>	<u>\$ 7,039,967</u>	<u>\$ 483</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	\$ 7,039,967
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>(7,039,967)</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	\$ 7,039,967
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>\$ 7,039,967</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 982,975	\$ 982,975	\$ 982,975	\$ —
Resources (inflows):				
Intergovernmental	256,000	256,000	335,447	79,447
Interest revenues	1,650	1,650	2,304	654
Amounts available for appropriation	<u>\$ 1,240,625</u>	<u>\$ 1,240,625</u>	<u>\$ 1,320,726</u>	<u>\$ 80,101</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$	\$	\$ 117,589	\$ (117,589)
Public safety			26,618	(26,618)
Culture and recreation	15,000	15,000	56,294	(41,294)
Capital outlay and improvements	242,650	242,650	274,857	(32,207)
Total charges to appropriations	<u>\$ 257,650</u>	<u>\$ 257,650</u>	<u>\$ 475,358</u>	<u>\$ (217,708)</u>
Budgetary fund balance—ending	<u>\$ 982,975</u>	<u>\$ 982,975</u>	<u>\$ 845,368</u>	<u>\$ (137,607)</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	\$ 1,320,726
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	(982,975)
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>\$ 337,751</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 475,358
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>\$ 475,358</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 1,125,110	\$ 1,125,110	\$ 1,125,110	\$ —
Resources (inflows):				
Interest revenues	2,400	2,400	1,678	(722)
Amounts available for appropriation	<u>\$ 1,127,510</u>	<u>\$ 1,127,510</u>	<u>\$ 1,126,788</u>	<u>\$ (722)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$	\$	\$ 271,038	\$ (271,038)
Other	250,000	250,000	8,261	241,739
Total charges to appropriations	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 279,299</u>	<u>\$ (29,299)</u>
Budgetary fund balance—ending	<u>\$ 877,510</u>	<u>\$ 877,510</u>	<u>\$ 847,489</u>	<u>\$ (30,021)</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	\$ 1,126,788
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,125,110)
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>\$ 1,678</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 279,299
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>\$ 279,299</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013-B G.O. WARRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 19,100,729	\$ 19,100,729	\$ 19,100,729	\$ —
Resources (inflows):				
Interest revenues			5,853	5,853
Amounts available for appropriation	<u>\$ 19,100,729</u>	<u>\$ 19,100,729</u>	<u>\$ 19,106,582</u>	<u>\$ 5,853</u>
Charges to appropriations (outflows):				
Current operating:				
Other	\$ 3,200,000	\$ 3,200,000	\$ 3,100,000	\$ 100,000
Capital outlay and improvements	15,882,443	15,882,443	3,598,996	12,283,447
Total charges to appropriations	<u>\$ 19,082,443</u>	<u>\$ 19,082,443</u>	<u>\$ 6,698,996</u>	<u>\$ 12,383,447</u>
Budgetary fund balance—ending	<u>\$ 18,286</u>	<u>\$ 18,286</u>	<u>\$ 12,407,586</u>	<u>\$ 12,389,300</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	\$ 19,106,582
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(19,100,729)
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>\$ 5,853</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,698,996
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>\$ 6,698,996</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013 G.O. WARRANTS (TOURISM)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<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	\$ 948,967	\$ 948,967	\$ 948,967	\$ —
Resources (inflows):				
Intergovernmental			200,000	200,000
Amounts available for appropriation	<u>\$ 948,967</u>	<u>\$ 948,967</u>	<u>\$ 1,148,967</u>	<u>\$ 200,000</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 1,200,000	\$ 1,200,000	\$ 1,148,967	\$ 51,033
Total charges to appropriations	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,148,967</u>	<u>\$ 51,033</u>
Budgetary fund balance—ending	<u>\$ (251,033)</u>	<u>\$ (251,033)</u>	<u>\$ —</u>	<u>\$ 251,033</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	\$ 1,148,967
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	(948,967)
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>\$ 200,000</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,148,967
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>\$ 1,148,967</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$200,000 for the year ended September 30, 2014. The excess expenditures were provided for by available fund balance and current year's revenues.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 240,670	\$ 240,670	\$ 240,670	\$ —
Resources (inflows):				
Program revenues	550	550	730	180
Amounts available for appropriation	<u>\$ 241,220</u>	<u>\$ 241,220</u>	<u>\$ 241,400</u>	<u>\$ 180</u>
Charges to appropriations (outflows):				
Transfers to other funds	\$ 500	\$ 500	\$ 530	\$ (30)
Total charges to appropriations	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 530</u>	<u>\$ (30)</u>
Budgetary fund balance—ending	<u>\$ 240,720</u>	<u>\$ 240,720</u>	<u>\$ 240,870</u>	<u>\$ 150</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	\$ 241,400
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	(240,670)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 730</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 530
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(530)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 121,097,000	\$ 121,097,000	\$ 123,229,347	\$ 2,132,347
Other	635,000	635,000	642,817	7,817
Total operating revenues	<u>\$ 121,732,000</u>	<u>\$ 121,732,000</u>	<u>\$ 123,872,164</u>	<u>\$ 2,140,164</u>
Operating expenses				
Costs of sales	\$ 97,100,000	\$ 97,100,000	\$ 98,841,170	\$ (1,741,170)
Operations, maintenance, and administration	15,082,600	15,221,300	14,579,727	641,573
Depreciation	4,700,000	4,700,000	4,775,924	(75,924)
Taxes and tax equivalents	3,252,800	3,252,800	3,275,364	(22,564)
Total operating expenses	<u>\$ 120,135,400</u>	<u>\$ 120,274,100</u>	<u>\$ 121,472,185</u>	<u>\$ (1,198,085)</u>
Operating income (loss)	<u>\$ 1,596,600</u>	<u>\$ 1,457,900</u>	<u>\$ 2,399,979</u>	<u>\$ 942,079</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 45,000	\$ 45,000	\$ 20,457	\$ (24,543)
Merchandising revenues (net of costs)	175,000	173,700	103,848	(69,852)
Miscellaneous nonoperating income	1,000	1,000	13,749	12,749
Gain on disposition of assets			24,615	24,615
Interest expense	(344,900)	(344,900)	(344,770)	130
Amortization of debt related costs	(48,600)	(48,600)	(30,756)	17,844
Total nonoperating revenues (expenses)	<u>\$ (172,500)</u>	<u>\$ (173,800)</u>	<u>\$ (212,857)</u>	<u>\$ (39,057)</u>
Change in net position	<u>\$ 1,424,100</u>	<u>\$ 1,284,100</u>	<u>\$ 2,187,122</u>	<u>\$ 903,022</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, 2014**

	<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	\$ 17,233,400	\$ 17,233,400	\$ 17,739,405	\$ 506,005
Other	13,300	13,300	11,435	(1,865)
Total operating revenues	<u>\$ 17,246,700</u>	<u>\$ 17,246,700</u>	<u>\$ 17,750,840</u>	<u>\$ 504,140</u>
Operating expenses				
Costs of sales	\$ 9,330,500	\$ 9,330,500	\$ 9,748,755	\$ (418,255)
Operations, maintenance, and administration	4,766,300	4,799,300	4,542,937	256,363
Depreciation	1,390,000	1,390,000	1,443,611	(53,611)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,530,100	1,532,600	1,490,014	42,586
Total operating expenses	<u>\$ 17,027,600</u>	<u>\$ 17,063,100</u>	<u>\$ 17,235,978</u>	<u>\$ (172,878)</u>
Operating income (loss)	<u>\$ 219,100</u>	<u>\$ 183,600</u>	<u>\$ 514,862</u>	<u>\$ 331,262</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 15,000	\$ 15,000	\$ 3,499	\$ (11,501)
Gain (loss) on disposition of assets	10,000	10,000	(4,473)	(14,473)
Miscellaneous nonoperating income	137,500	137,500	138,348	848
Total nonoperating revenues (expenses)	<u>\$ 162,500</u>	<u>\$ 162,500</u>	<u>\$ 137,374</u>	<u>\$ (25,126)</u>
Change in net position	<u>\$ 381,600</u>	<u>\$ 346,100</u>	<u>\$ 652,236</u>	<u>\$ 306,136</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, 2014**

	<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	\$ 19,100,300	\$ 19,100,300	\$ 18,274,425	\$ (825,875)
Other	282,500	282,500	144,372	(138,128)
Total operating revenues	<u>\$ 19,382,800</u>	<u>\$ 19,382,800</u>	<u>\$ 18,418,797</u>	<u>\$ (964,003)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 9,502,500	\$ 9,548,350	\$ 9,337,930	\$ 210,420
Depreciation	3,063,800	3,063,800	3,335,619	(271,819)
Taxes and tax equivalents	1,679,000	1,679,000	1,609,253	69,747
Total operating expenses	<u>\$ 14,245,300</u>	<u>\$ 14,291,150</u>	<u>\$ 14,282,802</u>	<u>\$ 8,348</u>
Operating income (loss)	<u>\$ 5,137,500</u>	<u>\$ 5,091,650</u>	<u>\$ 4,135,995</u>	<u>\$ (955,655)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 12,700	\$ 12,700	\$ 8,410	\$ (4,290)
Gain (loss) on disposition of assets			(353)	(353)
Interest expense	(2,196,000)	(2,196,000)	(2,019,911)	176,089
Debt issuance costs expense			(10,000)	(10,000)
Amortization of debt related costs	(58,000)	(58,000)	(44,930)	13,070
Total nonoperating revenues (expenses)	<u>\$ (2,241,300)</u>	<u>\$ (2,241,300)</u>	<u>\$ (2,066,784)</u>	<u>\$ 174,516</u>
Change in net position	<u>\$ 2,896,200</u>	<u>\$ 2,850,350</u>	<u>\$ 2,069,211</u>	<u>\$ (781,139)</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, 2014**

	<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	\$ 5,616,735	\$ 5,616,735	\$ 5,583,998	\$ (32,737)
Other	4,000	4,000	3,900	(100)
Total operating revenues	<u>\$ 5,620,735</u>	<u>\$ 5,620,735</u>	<u>\$ 5,587,898</u>	<u>\$ (32,837)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 4,945,365	\$ 4,945,365	\$ 4,930,549	\$ 14,816
Depreciation	585,291	585,291	593,963	(8,672)
Taxes and tax equivalents	146,877	146,877	140,184	6,693
Total operating expenses	<u>\$ 5,677,533</u>	<u>\$ 5,677,533</u>	<u>\$ 5,664,696</u>	<u>\$ 12,837</u>
Operating income (loss)	<u>\$ (56,798)</u>	<u>\$ (56,798)</u>	<u>\$ (76,798)</u>	<u>\$ (20,000)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 8,000	\$ 8,000	\$ 7,521	\$ (479)
Gain (loss) on disposition of assets	106,000	106,000	105,685	(315)
Grants	282,723	282,723	292,884	10,161
Total nonoperating revenues (expenses)	<u>\$ 396,723</u>	<u>\$ 396,723</u>	<u>\$ 406,090</u>	<u>\$ 9,367</u>
Change in net position	<u>\$ 339,925</u>	<u>\$ 339,925</u>	<u>\$ 329,292</u>	<u>\$ (10,633)</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, 2014**

	<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	\$ 460,250	\$ 460,250	\$ 1,133,558	\$ 673,308
Total operating revenues	<u>\$ 460,250</u>	<u>\$ 460,250</u>	<u>\$ 1,133,558</u>	<u>\$ 673,308</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 444,400	\$ 444,400	\$ 1,321,150	\$ (876,750)
Operations and administration	16,000	16,000	21,237	(5,237)
Total operating expenses	<u>\$ 460,400</u>	<u>\$ 460,400</u>	<u>\$ 1,342,387</u>	<u>\$ (881,987)</u>
Operating income (loss)	<u>\$ (150)</u>	<u>\$ (150)</u>	<u>\$ (208,829)</u>	<u>\$ (208,679)</u>
Nonoperating revenues				
Interest revenues	150	150	396	246
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, 2014**

	<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)	\$ 218,100	\$ 218,100	\$ 195,181	\$ 22,919
Operations and administration	105,400	105,400	91,472	13,928
Total operating expenses	<u>\$ 323,500</u>	<u>\$ 323,500</u>	<u>\$ 286,653</u>	<u>\$ 36,847</u>
Operating income (loss)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 38,523</u>	<u>\$ 48,523</u>
Nonoperating revenues				
Interest revenues	10,000	10,000	11,065	1,065
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 49,588</u>	<u>\$ 49,588</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, 2014**

	<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)	\$ 417,000	\$ 417,000	\$ 950,566	\$ (533,566)
Operations and administration	98,900	98,900	81,669	17,231
Total operating expenses	<u>\$ 515,900</u>	<u>\$ 515,900</u>	<u>\$ 1,032,235</u>	<u>\$ (516,335)</u>
Operating income (loss)	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ (522,365)</u>	<u>\$ (516,365)</u>
Nonoperating revenues				
Interest revenues	6,000	6,000	6,098	98
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (516,267)</u>	<u>\$ (516,267)</u>

SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct programs:</i>			
<i>CDBG—Entitlement Grants Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-01-0003	\$ 215,476
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-01-0003	571,438
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-01-0003	96,284
Total direct programs			<u>\$ 883,198</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Emergency Solutions Grant Program (Note 3)	14.231	HESG-12-001	\$ 133,417
Total pass-through program			<u>\$ 133,417</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,016,615</u>
<u>U.S. Department of Justice</u>			
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-DJ-01-011	\$ 62,588
Total U.S. Department of Justice			<u>\$ 62,588</u>
<u>U.S. Department of Transportation</u>			
<i>Pass-through program from—</i>			
<i>North Alabama Highway Safety Office</i>			
State and Community Highway Safety	20.600	14-SP-PT-017	\$ 1,244
Total U.S. Department of Transportation			<u>\$ 1,244</u>
<u>General Services Administration</u>			
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Donation of Federal Surplus Personal Property	39.003		\$ 518
Total General Services Administration			<u>\$ 518</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,080,965</u></u>



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**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1—BASIS OF PRESENTATION

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

NOTE 2—ENTITY DEFINITION

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

NOTE 3—SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Solutions Grants Program	14.231	\$ <u>131,501</u>



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

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

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

We have audited 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, 2014, 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 31, 2015. 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 31, 2015.

Purpose of this Report

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

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2015



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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2014. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Florence, Alabama's basic financial statements include the operations of the City of Florence, Alabama Water and Wastewater Department, which received \$1,048,125 in federal awards which is not included in the schedule during the year ended September 30, 2014. Our audit, described below, did not include the operations of the City of Florence, Alabama Water and Wastewater Department because the Department issued a separate audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Florence, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Florence, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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Opinion on Each Major Federal Program

In our opinion, the City of Florence, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

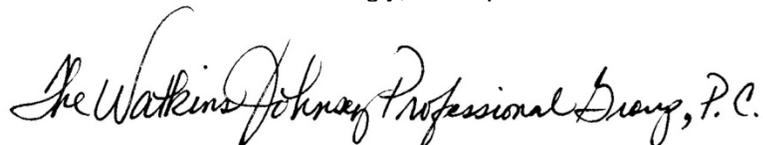
Report on Internal Control Over Compliance

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

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

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

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



The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2015

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.	CDBG—Entitlement Grants Cluster

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

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

None to be reported.

Section III—Federal Award Findings and Questioned Costs

None to be reported.