







THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

Our Mission

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

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

As of September 30, 2017

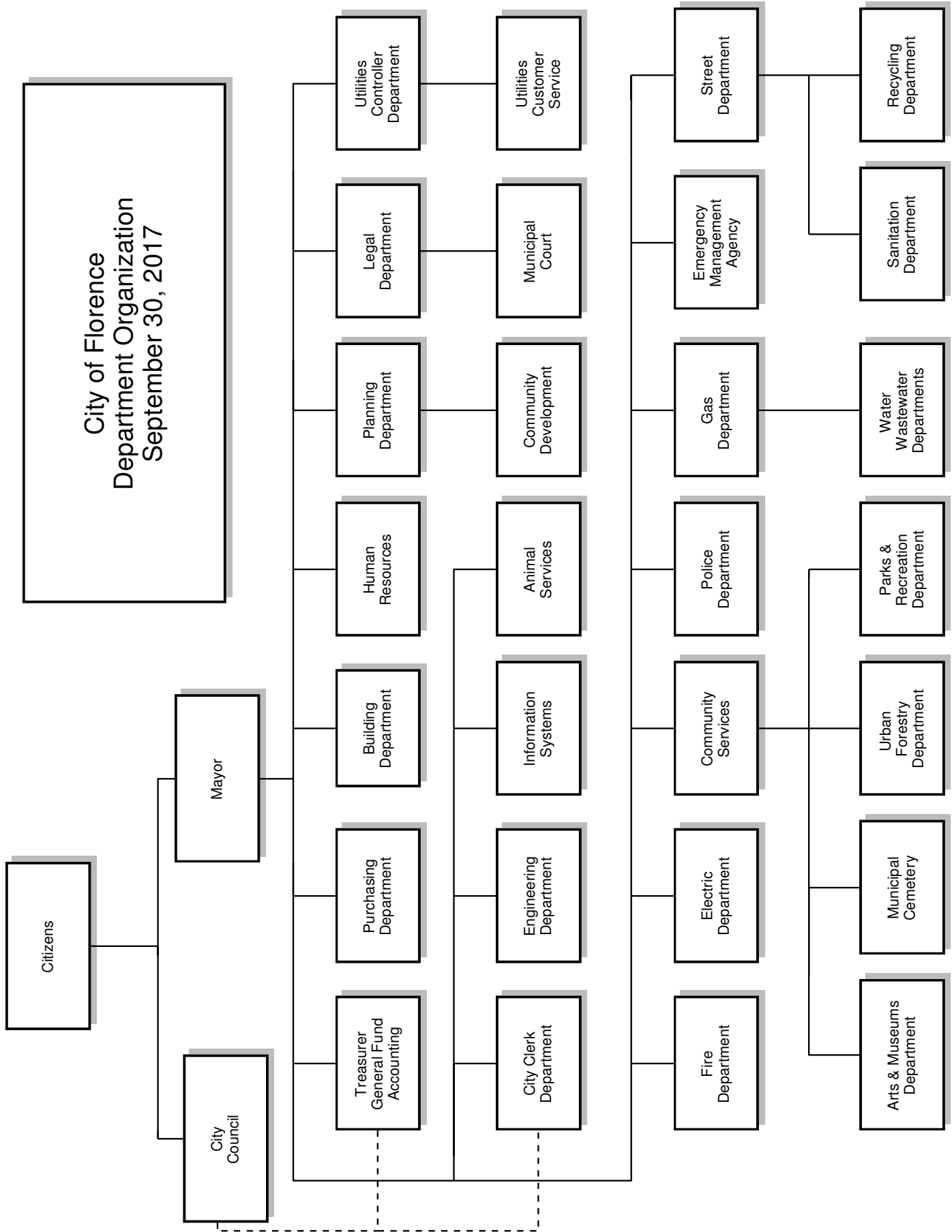
Elected Officials

Mayor	Steve Holt
Council Member—District 1	Kaytrina P. Simmons
Council Member—District 2	William D. Jordan, President
Council Member—District 3	David P. Bradley, Jr.
Council Member—District 4	Michelle Rupe Eubanks
Council Member—District 5	Blake Edwards
Council Member—District 6	Andrew Betterton

Department Heads

Treasurer	Dan D. Barger
Chief Accountant	Shannon Olive
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Jeff Perkins
Information Systems	Steve Price
Insurance	Ben Maharrey
Parks and Recreation	Tina Kitchens
Human Resources Director	Keith Owsley
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 Organization September 30, 2017



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, 2017, 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, Water and Wastewater, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 4 through 27 and 81 through 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 13, 2018, 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 13, 2018



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2017

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, 2017. 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, 2017 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, 2017 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.

Data from the other governmental funds are combined into a single, aggregated presentation. 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.

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.

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.

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, Workers' Compensation Insurance, and the operations of an Employee Health and Wellness Center.

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.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided within this report. Required Supplementary Information and Other Supplementary Schedules are also provided.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$302,465,862 (net position). Of this amount, \$34,382,605 is unrestricted net position. The City's net position includes \$97,832,349 from Governmental Activities and \$204,633,513 from Business-Type Activities, as reported on the Statement of Net Position.

By far the largest portion of the City's net position (86.33%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, 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 (2.30%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

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

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

Revenues – Governmental Funds

	Fiscal Year 2017		Fiscal Year 2016		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 33,934,910	56.61%	\$ 33,170,944	56.64%	2.30%
Property Taxes and Equivalent	12,131,259	20.24%	12,307,587	21.01%	-1.43%
Motor Fuel	994,864	1.66%	1,089,968	1.86%	-8.73%
Alcoholic Beverages	1,035,773	1.73%	1,033,531	1.76%	0.22%
Other	466,106	0.78%	394,904	0.67%	18.03%
Licenses and Permits	4,361,466	7.28%	3,681,736	6.29%	18.46%
Court Fines and Forfeitures	1,290,455	2.15%	1,369,622	2.34%	-5.78%
Charges for Services	1,946,892	3.25%	1,995,790	3.41%	-2.45%
Intergovernmental	2,941,324	4.91%	2,998,896	5.12%	-1.92%
Interest Revenues	156,112	0.26%	130,350	0.22%	19.76%
Other	688,733	1.15%	396,249	0.68%	73.81%
Total	<u>\$ 59,947,894</u>	<u>100.00%</u>	<u>\$ 58,569,578</u>	<u>100.00%</u>	<u>2.35%</u>

Sales, Use, and Lodging taxes are the largest revenue source for the City comprising 56.61% of total governmental revenues. Sales, Use, and Lodging Tax revenues increased from fiscal year September 30, 2016 to September 30, 2017 by \$763,966 or 2.30%. Property taxes are the second largest revenue source for the City comprising 20.24% of governmental revenues. For the year ended September 30, 2017, taxes of real property inside the City limits produced revenues of \$4,889,236 while personal property taxes for the period were \$666,235. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,575,788.

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 2017		Fiscal Year 2016		Change
Current Operating					
General Administration	\$ 6,054,843	9.82%	\$ 5,921,327	9.55%	2.25%
Public Safety	19,281,110	31.27%	18,673,201	30.13%	3.26%
Public Works	5,350,495	8.68%	5,563,564	8.98%	-3.83%
Culture and Recreation	7,588,990	12.31%	7,412,884	11.96%	2.38%
Other	2,064,859	3.35%	1,590,603	2.57%	29.82%
Education	11,904,236	19.30%	11,747,520	18.95%	1.33%
Capital Outlay and Improvements	3,834,821	6.22%	5,491,867	8.86%	-30.17%
Debt Service					
Principal Payments	4,007,713	6.50%	3,873,249	6.25%	3.47%
Interest and Fiscal Charges	1,577,831	2.56%	1,704,826	2.75%	-7.45%
Total	<u>\$ 61,664,898</u>	<u>100.00%</u>	<u>\$ 61,979,041</u>	<u>100.00%</u>	<u>-0.51%</u>

Analysis of the Governmental Funds

As of the end of the 2017 fiscal year, the City's governmental funds reported a combined ending fund balance of \$22,721,773. In the City's General Fund, the ending fund balance is \$14,187,936.

The General Fund's fund balance is 24.85% 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. In fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15.00% of the General Fund's total budgeted revenue. The current fund balance exceeds this required minimum by \$5,625,361 or 65.70%.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General Fund	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 13,440,805	\$ 10,997,972	\$ 24,438,777
Fund Balance-Ending	14,187,936	8,533,837	22,721,773
Net Change in Fund Balance	\$ 747,131	\$ (2,464,135)	\$ (1,717,004)

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2017	FY 2016	Variance	
			Dollars	Percent
Current Assets	\$ 38,712,535	\$ 42,687,837	\$ (3,975,302)	-9.31%
Restricted Assets	150,100	250,100	(100,000)	-39.98%
Capital Assets, Net	114,568,914	117,878,980	(3,310,066)	-2.81%
Total Assets	\$ 153,431,549	\$ 160,816,917	\$ (7,385,368)	-4.59%
Deferred Outflows of Resources	\$ 6,566,591	\$ 7,119,007	\$ (552,416)	-7.76%
Current Liabilities	\$ 10,557,124	\$ 13,004,781	\$ (2,447,657)	-18.82%
Long-term Liabilities	50,345,962	54,979,044	(4,633,082)	-8.43%
Total Liabilities	\$ 60,903,086	\$ 67,983,825	\$ (7,080,739)	-10.42%
Deferred Inflows of Resources	\$ 1,262,705	\$ 587,293	\$ 675,412	115.00%
Net Investment in				
Capital Assets	\$ 83,234,679	\$ 85,096,276	\$ (1,861,597)	-2.19%
Restricted	1,954,601	2,005,799	(51,198)	-2.55%
Unrestricted	12,643,069	12,262,731	380,338	3.10%
Total Net Position	\$ 97,832,349	\$ 99,364,806	\$ (1,532,457)	-1.54%

Changes in Net Position – Governmental Activities

	Governmental Activities Changes in Net Position			
	FY 2017	FY 2016	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 33,934,910	\$ 33,170,944	\$ 763,966	2.30%
Property	12,131,259	12,307,587	(176,328)	-1.43%
Motor Fuel	994,864	1,089,968	(95,104)	-8.73%
Alcoholic Beverages	1,035,773	1,033,531	2,242	0.22%
Other	466,107	394,904	71,203	18.03%
Interest Revenues	193,093	158,738	34,355	21.64%
Gain on Disposal of Assets	49,817	21,193	28,624	135.06%
Total General Revenues	<u>\$ 48,805,823</u>	<u>\$ 48,176,865</u>	<u>\$ 628,958</u>	<u>1.31%</u>
Program Revenues				
Charges for Services	\$ 9,392,234	\$ 8,848,778	\$ 543,456	6.14%
Operating Grants and Contributions	1,148,984	446,174	702,810	157.52%
Capital Grants and Contributions	637,834	1,676,149	(1,038,315)	-61.95%
Total Program Revenues	<u>\$ 11,179,052</u>	<u>\$ 10,971,101</u>	<u>\$ 207,951</u>	<u>1.90%</u>
Total Revenues	<u>\$ 59,984,875</u>	<u>\$ 59,147,966</u>	<u>\$ 836,909</u>	<u>1.41%</u>
Governmental Expenses				
General Administration	\$ 6,745,871	\$ 5,997,910	\$ 747,961	12.47%
Public Safety	19,921,500	19,008,024	913,476	4.81%
Public Works	5,597,757	5,652,774	(55,017)	-0.97%
Public Ways and Facilities	1,627,808	1,605,773	22,035	1.37%
Culture and Recreation	12,180,913	9,515,533	2,665,380	28.01%
Other	2,064,859	1,590,603	474,256	29.82%
Education—Funding for School District	11,904,236	11,747,520	156,716	1.33%
Interest and Fiscal Charges	1,474,388	1,601,382	(126,994)	-7.93%
Total Expenses	<u>\$ 61,517,332</u>	<u>\$ 56,719,519</u>	<u>\$ 4,797,813</u>	<u>8.46%</u>
Change in Net Position	\$ (1,532,457)	\$ 2,428,447	\$ (3,960,904)	-163.10%
Total Net Position - Beginning	<u>99,364,806</u>	<u>96,936,359</u>	<u>2,428,447</u>	<u>2.51%</u>
Total Net Position - Ending	<u>\$ 97,832,349</u>	<u>\$ 99,364,806</u>	<u>\$ (1,532,457)</u>	<u>-1.54%</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 \$.9 million or 1.1%; Gas decreased \$.1 million or .2%; Water and Wastewater increased \$3.3 million or 4.3%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.0 million or 2%; Gas decreased \$.2 million or .7%; Water and Wastewater decreased \$.1 million or .1%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$4.7 million or 4%; Gas decreased \$.5 million or 3%; Water and Wastewater increased \$.4 million or 2%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$4.3 million or 4%; Gas increased \$.1 million or 1%; Water and Wastewater decreased \$.1 million or 1%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$21,700 or 12%; Gas decreased about \$23,800 or 16%; Water and Wastewater increased about \$16,000 or 188%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$26,000 or 8%; Gas had no nonoperating expenses in FY 2017 or 2016; Water and Wastewater decreased \$4,700 or .2%.

Electricity Department

The Electricity Department's net position increased from last year by \$872,548 or about 1%. 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 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 33,743,801	\$ 36,165,832	\$ (2,422,031)	-6.70%
Capital Assets, Net	87,066,751	85,085,872	1,980,879	2.33%
Other Noncurrent Assets	4,697,673	5,898,871	(1,201,198)	-20.36%
Total Assets	\$ 125,508,225	\$ 127,150,575	\$ (1,642,350)	-1.29%
Deferred Outflows of Resources	\$ 3,767,723	\$ 3,745,667	\$ 22,056	0.59%
Current Liabilities	\$ 26,555,899	\$ 27,287,766	\$ (731,867)	-2.68%
Noncurrent Liabilities	20,568,891	22,681,270	(2,112,379)	-9.31%
Total Liabilities	\$ 47,124,790	\$ 49,969,036	\$ (2,844,246)	-5.69%
Deferred Inflows of Resources	\$ 710,949	\$ 359,545	\$ 351,404	97.74%
Net Investment in Capital Assets	\$ 79,049,148	\$ 76,284,026	\$ 2,765,122	3.62%
Restricted for Debt Service	989,547	985,834	3,713	0.38%
Unrestricted	1,401,514	3,297,801	(1,896,287)	-57.50%
Total Net Position	\$ 81,440,209	\$ 80,567,661	\$ 872,548	1.08%

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 table below indicates, operating revenues increased approximately \$4.7 million or about 4% from FY 2016. During FY 2017, 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 1% increase in kilowatt-hours sold in FY 2017 compared to FY 2016. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses by \$26,275 or about 8%.

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

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 121,718,018</u>	<u>\$ 117,015,869</u>	<u>\$ 4,702,149</u>	<u>4.02%</u>
Operating Expenses				
Cost of Sales	\$ 97,233,123	\$ 92,637,438	\$ 4,595,685	4.96%
Operations	9,154,696	8,794,834	359,862	4.09%
Maintenance	5,553,101	6,533,678	(980,577)	-15.01%
Depreciation	5,255,576	5,063,677	191,899	3.79%
Taxes and Tax Equivalentts	3,553,432	3,386,033	167,399	4.94%
Total Operating Expenses	<u>\$ 120,749,928</u>	<u>\$ 116,415,660</u>	<u>\$ 4,334,268</u>	<u>3.72%</u>
Operating Income	<u>\$ 968,090</u>	<u>\$ 600,209</u>	<u>\$ 367,881</u>	<u>61.29%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 209,042	\$ 187,317	\$ 21,725	11.60%
Nonoperating Expenses	(304,584)	(330,859)	26,275	-7.94%
Total Nonoperating Revenues (Exp)	<u>\$ (95,542)</u>	<u>\$ (143,542)</u>	<u>\$ 48,000</u>	<u>-33.44%</u>
Change in Net Position	\$ 872,548	\$ 456,667	\$ 415,881	91.07%
Total Net Position - Beginning	<u>80,567,661</u>	<u>80,110,994</u>	<u>456,667</u>	<u>0.57%</u>
Total Net Position - Ending	<u>\$ 81,440,209</u>	<u>\$ 80,567,661</u>	<u>\$ 872,548</u>	<u>1.08%</u>

Gas Department

The Gas Department's net position decreased from last year by \$98,840 or less than 1%. 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 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 14,965,691	\$ 14,625,859	\$ 339,832	2.32%
Capital Assets, Net	31,644,383	31,867,752	(223,369)	-0.70%
Total Assets	<u>\$ 46,610,074</u>	<u>\$ 46,493,611</u>	<u>\$ 116,463</u>	<u>0.25%</u>
Deferred Outflows of Resources	\$ 1,302,201	\$ 1,507,962	\$ (205,761)	-13.64%
Current Liabilities	\$ 1,128,222	\$ 1,122,338	\$ 5,884	0.52%
Noncurrent Liabilities	4,158,941	4,242,299	(83,358)	-1.96%
Total Liabilities	<u>\$ 5,287,163</u>	<u>\$ 5,364,637</u>	<u>\$ (77,474)</u>	<u>-1.44%</u>
Deferred Inflows of Resources	\$ 213,909	\$ 126,893	\$ 87,016	68.57%
Net Investment in Capital Assets	\$ 31,644,383	\$ 31,867,752	\$ (223,369)	-0.70%
Unrestricted	10,766,820	10,642,291	124,529	1.17%
Total Net Position	<u>\$ 42,411,203</u>	<u>\$ 42,510,043</u>	<u>\$ (98,840)</u>	<u>-0.23%</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 decreased approximately \$.5 million or about 3% from FY 2016. The Department had two rate changes in FY 2017. The Gas Department experienced an approximate 10.2% decrease in overall sales volume in FY 2017 compared to FY 2016. Cost of sales decreased by \$.2 million or about 3% due to decreased sales caused by a mild winter. The Gas Department experienced a decrease in nonoperating revenues of \$23,839 or about 16%. The Gas Department did not have nonoperating expenses in FY 2017 or FY 2016.

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

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 14,096,954</u>	<u>\$ 14,574,944</u>	<u>\$ (477,990)</u>	<u>-3.28%</u>
Operating Expenses				
Cost of Sales	\$ 6,658,476	\$ 6,873,074	\$ (214,598)	-3.12%
Operations	3,046,738	2,691,967	354,771	13.18%
Maintenance	1,620,249	1,626,823	(6,574)	-0.40%
Depreciation and Amortization	1,478,154	1,471,533	6,621	0.45%
Taxes and Tax Equivalents	1,518,788	1,536,490	(17,702)	-1.15%
Total Operating Expenses	<u>\$ 14,322,405</u>	<u>\$ 14,199,887</u>	<u>\$ 122,518</u>	<u>0.86%</u>
Operating Income (Loss)	<u>\$ (225,451)</u>	<u>\$ 375,057</u>	<u>\$ (600,508)</u>	<u>-160.11%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 126,611	\$ 150,450	\$ (23,839)	-15.85%
Total Nonoperating Revenues (Exp)	<u>\$ 126,611</u>	<u>\$ 150,450</u>	<u>\$ (23,839)</u>	<u>-15.85%</u>
Change in Net Position	\$ (98,840)	\$ 525,507	\$ (624,347)	-118.81%
Total Net Position - Beginning	<u>42,510,043</u>	<u>41,984,536</u>	<u>525,507</u>	<u>1.25%</u>
Total Net Position - Ending	<u><u>\$ 42,411,203</u></u>	<u><u>\$ 42,510,043</u></u>	<u><u>\$ (98,840)</u></u>	<u><u>-0.23%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$3,270,354 or about 4%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department Statements of Net Position

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 13,917,215	\$ 12,020,518	\$ 1,896,697	15.78%
Capital Assets, Net	115,580,952	115,723,022	(142,070)	-0.12%
Other Noncurrent Assets	4,863,787	7,535,872	(2,672,085)	-35.46%
Total Assets	<u>\$ 134,361,954</u>	<u>\$ 135,279,412</u>	<u>\$ (917,458)</u>	<u>-0.68%</u>
Deferred Outflows of Resources	\$ 1,482,590	\$ 1,213,933	\$ 268,657	22.13%
Current Liabilities	\$ 6,547,786	\$ 6,271,996	\$ 275,790	4.40%
Noncurrent Liabilities	49,680,204	54,025,678	(4,345,474)	-8.04%
Total Liabilities	<u>\$ 56,227,990</u>	<u>\$ 60,297,674</u>	<u>\$ (4,069,684)</u>	<u>-6.75%</u>
Deferred Inflows of Resources	\$ 276,584	\$ 126,056	\$ 150,528	119.41%
Net Investment in Capital Assets	\$ 64,819,245	\$ 60,742,291	\$ 4,076,954	6.71%
Restricted for Debt Service	4,013,035	6,686,684	(2,673,649)	-39.98%
Unrestricted	10,507,690	8,640,641	1,867,049	21.61%
Total Net Position	<u>\$ 79,339,970</u>	<u>\$ 76,069,616</u>	<u>\$ 3,270,354</u>	<u>4.30%</u>

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

As the following table indicates, operating revenues increased approximately \$.4 million or about 2% from FY 2016 revenues. Operating expenses decreased by about \$147,143 or about 1%. The Water and Wastewater Department experienced an increase in nonoperating revenues of about \$15,984 or 188%. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$4,717 or less than 1%.

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

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 20,193,395</u>	<u>\$ 19,783,158</u>	<u>\$ 410,237</u>	<u>2.07%</u>
Operating Expenses				
Water Treatment and Pumping	\$ 2,910,524	\$ 2,956,275	\$ (45,751)	-1.55%
Sewage Disposal	1,923,893	2,074,143	(150,250)	-7.24%
Transmission and Distribution	1,538,259	1,732,216	(193,957)	-11.20%
Accounting and Collections	1,022,105	1,140,024	(117,919)	-10.34%
Administrative and General	2,114,967	1,974,688	140,279	7.10%
Depreciation	3,842,203	3,650,614	191,589	5.25%
Taxes and Tax Equivalents	1,712,239	1,683,373	28,866	1.71%
Total Operating Expenses	<u>\$ 15,064,190</u>	<u>\$ 15,211,333</u>	<u>\$ (147,143)</u>	<u>-0.97%</u>
Operating Income	<u>\$ 5,129,205</u>	<u>\$ 4,571,825</u>	<u>\$ 557,380</u>	<u>12.19%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 24,498	\$ 8,514	\$ 15,984	187.74%
Nonoperating Expenses	(1,883,349)	(1,888,066)	4,717	-0.25%
Total Nonoperating Revenues (Exp)	<u>\$ (1,858,851)</u>	<u>\$ (1,879,552)</u>	<u>\$ 20,701</u>	<u>-1.10%</u>
Change in Net Position	\$ 3,270,354	\$ 2,692,273	\$ 578,081	21.47%
Total Net Position - Beginning	<u>76,069,616</u>	<u>73,377,343</u>	<u>2,692,273</u>	<u>3.67%</u>
Total Net Position - Ending	<u>\$ 79,339,970</u>	<u>\$ 76,069,616</u>	<u>\$ 3,270,354</u>	<u>4.30%</u>

Financial Highlights – Solid Waste Fund – Sanitation and Recycling Departments

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

- The Solid Waste Fund had operating income of \$278,958 and nonoperating income of \$92,430 for the fiscal year ended September 30, 2017. This operating income is a result of favorable commodity pricing and a new estimated life of the landfill. The increase in commodity pricing accounted for an increase in recycling revenues and fees of \$177,226 from the prior year. The landfill's capacity was recalculated; thereby, extending the life of the landfill by 32 years. The new calculation had a favorable effect of \$483,842. Landfill fees also increased by \$39,256 due to an increase in demolition debris from the clearing of land to build a new Regional Hospital.
- Of the Fund's \$3,133,143 in total liabilities, \$2,723,948 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$1,777,936, accrued compensated absences of \$142,093, and accrued pension liability of \$803,919.
- The Solid Waste Fund's operating revenues increased \$210,643 or 3.78% from the prior year and operating expenses decreased \$182,280 or 3.21%.
- Nonoperating revenues decreased by \$172,687 or 65.14%. Grant revenue decreased \$188,532 or 77.48% from the prior year.
- Total assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,931,759.
- The current fees for waste collection and disposal was enacted by the City Council on March 5, 2013. Fully implemented in May 2013, the increase was applicable to both residential and commercial fees. There were no adjustments to this fee schedule during the current fiscal year.

The Solid Waste Fund's net position increased from last year by \$371,388 or 10.43%. The table below focuses on the changes in net position for the fiscal year:

		Solid Waste Fund Net Position		Variance	
				Dollars	Percent
	FY 2017	FY 2016			
Current Assets	\$ 4,508,926	\$ 4,265,999	\$ 242,927		5.69%
Capital Assets, Net	2,378,619	2,681,254	(302,635)		-11.29%
Total Assets	\$ 6,887,545	\$ 6,947,253	\$ (59,708)		-0.86%
Deferred Outflows of Resources	\$ 292,069	\$ 505,614	\$ (213,545)		-42.23%
Current Liabilities	\$ 409,195	\$ 397,783	\$ 11,412		2.87%
Noncurrent Liabilities	2,723,948	3,442,298	(718,350)		-20.87%
Total Liabilities	\$ 3,133,143	\$ 3,840,081	\$ (706,938)		-18.41%
Deferred Inflows of Resources	\$ 114,712	\$ 52,415	\$ 62,297		118.85%
Net Position					
Net Investment in Capital Assets	\$ 2,378,619	\$ 2,681,254	\$ (302,635)		-11.29%
Unrestricted	1,553,140	879,117	674,023		76.67%
Total Net Position	\$ 3,931,759	\$ 3,560,371	\$ 371,388		10.43%

As the following table indicates, the Solid Waste Fund's operating revenues increased \$210,643 or 3.78% from the prior year and operating expenses decreased \$182,280 or 3.21%:

		Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
				Dollars	Percent
	FY 2017	FY 2016			
Operating Revenues					
Garbage Service Fees	\$ 4,683,340	\$ 4,686,438	\$ (3,098)		-0.07%
Landfill Fees	203,836	164,580	39,256		23.85%
Recycling Revenue and Fees	889,828	712,602	177,226		24.87%
Other Operating Revenues	3,235	5,976	(2,741)		-45.87%
Total Operating Revenues	\$ 5,780,239	\$ 5,569,596	\$ 210,643		3.78%
Operating Expenses					
Sanitation	\$ 4,280,426	\$ 4,566,301	\$ (285,875)		-6.26%
Recycling	1,220,855	1,117,260	103,595		9.27%
Total Operating Expenses	\$ 5,501,281	\$ 5,683,561	\$ (182,280)		-3.21%
Operating Income (Loss)	\$ 278,958	\$ (113,965)	\$ 392,923		344.78%
Nonoperating Revenues	92,430	265,117	(172,687)		-65.14%
Change in Net Position	\$ 371,388	\$ 151,152	\$ 220,236		145.70%
Total Net Position-Beginning	3,560,371	3,409,219	151,152		4.43%
Total Net Position-Ending	\$ 3,931,759	\$ 3,560,371	\$ 371,388		10.43%

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 fiscal year 2016 – 2017 budget on October 18, 2016. This original budget was revised twice during the fiscal year. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$57,467,198 compared to the final budget of \$57,083,831. Revenues exceeded the budgeted amount by \$383,367. Total expenditures and appropriations for the period were \$56,720,067 compared to the final budget of \$56,887,600.

	General Fund Budgetary Comparison Schedule				
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning Resources (Inflows)	\$ 13,440,805	\$ 13,440,805	\$ 13,440,805	\$ -	-
Taxes	47,940,922	47,940,922	47,926,323	(14,599)	-0.03%
Licenses and Permits	3,960,000	3,960,000	4,361,466	401,466	10.14%
Fines and Forfeitures	1,411,000	1,411,000	1,290,455	(120,545)	-8.54%
Charges for Services	1,938,323	1,938,323	1,946,892	8,569	0.44%
Intergovernmental	1,411,086	1,411,086	1,459,344	48,258	3.42%
Other	110,000	110,000	141,221	31,221	28.38%
Transfers From Other Funds	100,000	312,500	341,497	28,997	9.28%
Amounts Available for Appropriation	<u>\$ 70,312,136</u>	<u>\$ 70,524,636</u>	<u>\$ 70,908,003</u>	<u>\$ 383,367</u>	<u>0.54%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 5,659,723	\$ 5,445,833	\$ 5,397,023	\$ 48,810	0.90%
Public Safety	18,944,483	19,118,983	18,996,835	122,148	0.64%
Public Works	4,878,915	5,010,715	5,019,084	(8,369)	-0.17%
Cultural and Recreation	7,408,229	7,558,779	7,517,099	41,680	0.55%
Non-Departmental	19,753,290	19,753,290	19,790,026	(36,736)	-0.19%
Total Charges to Appropriations	<u>\$ 56,644,640</u>	<u>\$ 56,887,600</u>	<u>\$ 56,720,067</u>	<u>\$ 167,533</u>	<u>0.29%</u>
Budgetary Fund Balance-Ending	<u>\$ 13,667,496</u>	<u>\$ 13,637,036</u>	<u>\$ 14,187,936</u>	<u>\$ 550,900</u>	<u>4.04%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2017 original budgets for the Gas and Water and Wastewater Departments were adopted on June 7, 2016. The original budget for the Electricity Department was adopted on July 5, 2016. The FY 2017 budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 18, 2016. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2017

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 122,868,000	\$ 121,718,018	\$ (1,149,982)	-0.94%
Operating Expenses	121,608,100	120,749,928	858,172	0.71%
Operating Income	\$ 1,259,900	\$ 968,090	\$ (291,810)	-23.16%
Nonoperating Revenues (Expenses)	(168,500)	(95,542)	72,958	43.30%
Change in Net Position	\$ 1,091,400	\$ 872,548	\$ (218,852)	-20.05%
Total Net Position - Beginning	80,567,661	80,567,661		
Total Net Position - Ending	\$ 81,659,061	\$ 81,440,209	\$ (218,852)	-0.27%

As the above budget report shows, the Electricity Department did not meet the budgeted Change in Net Position by \$218,852 or approximately 20%. As you can see on the budget schedule in the supplementary information, the decrease in sales was primarily responsible for most of the budget operating expenses variance amount. There were other 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, 2017

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 19,544,800	\$ 14,096,954	\$ (5,447,846)	-27.87%
Operating Expenses	19,027,000	14,322,405	4,704,595	24.73%
Operating Income (Loss)	\$ 517,800	\$ (225,451)	\$ (743,251)	-143.54%
Nonoperating Revenues (Expenses)	139,500	126,611	(12,889)	-9.24%
Change in Net Position	\$ 657,300	\$ (98,840)	\$ (756,140)	-115.04%
Total Net Position - Beginning	42,510,043	42,510,043		
Total Net Position - Ending	\$ 43,167,343	\$ 42,411,203	\$ (756,140)	-1.75%

The Gas Department did not meet the budgeted Change in Net Position by \$756,140, or approximately 115%. As you can see on the budget schedule in the supplementary information, the variance is primarily accounted for by a decrease in sales. The large variance in budgeted operating revenues was largely offset by the variance in operating expenses, which includes 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, 2017

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 20,049,000	\$ 20,193,395	\$ 144,395	0.72%
Operating Expenses	16,169,960	15,064,190	1,105,770	6.84%
Operating Income	\$ 3,879,040	\$ 5,129,205	\$ 1,250,165	32.23%
Nonoperating Revenues (Expenses)	(1,801,200)	(1,858,851)	(57,651)	-3.20%
Change in Net Position	\$ 2,077,840	\$ 3,270,354	\$ 1,192,514	57.39%
Total Net Position - Beginning	76,069,616	76,069,616		
Total Net Position - Ending	\$ 78,147,456	\$ 79,339,970	\$ 1,192,514	1.53%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$1,192,514, or approximately 57%. As you can see on the budget schedule in the supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water treatment and pumping expense and sewage disposal expense.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 18, 2016. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. On a quarterly basis, the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. A budget comparison schedule is included in the supplementary information of this annual report.

Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Position- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2017

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,683,340	\$ (32,145)	-0.68%
Landfill Fees	160,000	160,000	203,836	43,836	27.40%
Recycling Revenue and Fees	754,000	754,000	889,828	135,828	18.01%
Other Operating Revenues	5,500	5,500	3,235	(2,265)	-41.18%
Total Operating Revenues	\$ 5,634,985	\$ 5,634,985	\$ 5,780,239	\$ 145,254	2.58%
Operating Expenses					
Sanitation	\$ 4,881,687	\$ 4,881,687	\$ 4,280,426	\$ 601,261	12.32%
Recycling	1,148,807	1,148,807	1,220,855	(72,048)	-6.27%
Total Operating Expenses	\$ 6,030,494	\$ 6,030,494	\$ 5,501,281	\$ 529,213	8.78%
Operating Income (Loss)	\$ (395,509)	\$ (395,509)	\$ 278,958	\$ 674,467	170.53%
Nonoperating Revenues	188,500	188,500	92,430	(96,070)	-50.97%
Change in Net Position	\$ (207,009)	\$ (207,009)	\$ 371,388	\$ 578,397	279.41%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2017, 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, 2017 amounted to \$351,239,619.

Governmental Activities

	Governmental Activities			
	Capital Assets, Net			
	FY 2017	FY 2016	Variance	
			Dollars	Percent
Land	\$ 8,212,444	\$ 7,154,900	\$ 1,057,544	14.78%
Construction in Progress	1,576,062	7,005,693	(5,429,631)	-77.50%
Land Improvements	26,161,737	26,006,987	154,750	0.60%
Accumulated Depreciation	(13,418,462)	(12,411,412)	(1,007,050)	-8.11%
Buildings	41,244,033	43,313,019	(2,068,986)	-4.78%
Accumulated Depreciation	(18,922,035)	(20,615,632)	1,693,597	8.22%
Equipment and Vehicles	24,068,907	23,850,127	218,780	0.92%
Accumulated Depreciation	(21,258,754)	(21,010,688)	(248,066)	-1.18%
Infrastructure	169,656,819	165,185,063	4,471,756	2.71%
Accumulated Depreciation	(102,751,837)	(100,599,077)	(2,152,760)	-2.14%
Net Capital Assets	\$ 114,568,914	\$ 117,878,980	\$ (3,310,066)	-2.81%

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$965,567 and building renovations and additions of \$5,215,108. This includes the addition of the recently completed Indian Mound Museum. In addition to those capital assets added during the fiscal year, at September 30, 2017, \$1,576,062 of capital projects were incomplete and recorded as construction in progress.

Business-Type Activities

At the end of FY 2017, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets.

Electricity Department

Electricity Department Capital Assets, Net FY 2017

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 172,536,195	\$ 164,229,076	\$ 8,307,119	5.06%
Construction in Progress	1,129,989	5,016,802	(3,886,813)	-77.48%
Less: Accumulated Depreciation	(86,599,433)	(84,160,006)	(2,439,427)	2.90%
Net Utility Plant	<u>\$ 87,066,751</u>	<u>\$ 85,085,872</u>	<u>\$ 1,980,879</u>	<u>2.33%</u>

As the above table shows, the Electricity Department experienced a 2.33% increase in net utility plant. The Department plans to finance capital expenditures in FY 2018 through cash generated from current operations and cash reserves.

Gas Department

Gas Department Capital Assets, Net FY 2017

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 57,675,243	\$ 56,813,332	\$ 861,911	1.52%
Acquisition Adjustment (net of amortization)	147,480	158,141	(10,661)	-6.74%
Construction in Progress	158,395	134,961	23,434	17.36%
Less: Accumulated Depreciation	(26,336,735)	(25,238,682)	(1,098,053)	4.35%
Net Utility Plant	<u>\$ 31,644,383</u>	<u>\$ 31,867,752</u>	<u>\$ (223,369)</u>	<u>-0.70%</u>

As the above table shows, the Gas Department decreased net utility plant by .70%. The Department plans to finance capital expenditures in FY 2018 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2017

	FY 2017	FY 2016	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 177,039,821	\$ 173,392,362	\$ 3,647,459	2.10%
Construction in Progress	682,033	1,253,175	(571,142)	-45.58%
Less: Accumulated Depreciation	(62,140,902)	(58,922,515)	(3,218,387)	5.46%
Net Utility Plant	<u>\$ 115,580,952</u>	<u>\$ 115,723,022</u>	<u>\$ (142,070)</u>	<u>-0.12%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by .12%. The Department plans to finance capital expenditures in FY 2018 with cash reserves, cash generated from current operations, and a grant.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2017, net capital assets comprised 34.54% 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, 2017

	FY 2017	FY 2016	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Landfill Improvements	3,701,171	3,611,786	89,385	2.47%
Accumulated Depreciation	(3,572,497)	(3,570,344)	(2,153)	-0.06%
Construction In Progress	9,650	28,779	(19,129)	-66.47%
Buildings	1,115,802	1,115,802	-	0.00%
Accumulated Depreciation	(564,846)	(541,999)	(22,847)	-4.22%
Equipment	5,334,443	5,509,374	(174,931)	-3.18%
Accumulated Depreciation	(4,599,660)	(4,437,943)	(161,717)	-3.64%
Vehicles	4,076,434	3,872,278	204,156	5.27%
Accumulated Depreciation	(3,326,231)	(3,110,832)	(215,399)	-6.92%
Net Capital Assets	<u>\$ 2,378,619</u>	<u>\$ 2,681,254</u>	<u>\$ (302,635)</u>	<u>-11.29%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2017 fiscal year, the Governmental Activities of the City had total long-term debt of \$38,967,074. Of this amount, \$35,832,931 comprises debt serviced by revenues from governmental activities.

The City did not issue new debt in fiscal year 2017. Moody's Investors Service has assigned an Aa3 rating to the City. Standard & Poor's has assigned the City an AA- credit rating.

In addition to the City's outstanding general obligation debt, \$3,134,143 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,262,096 has been accrued as an actuarially determined claims reserve in the Internal Service Funds for Liability Insurance (\$815,403) and Workers' Compensation Insurance (\$2,446,693).

Business-Type Activities

Electricity Department

The Electricity Department had 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 2017, the Electricity Department exceeded that requirement at about 8.57 times. The Department does not anticipate issuing new debt in FY 2018.

Gas Department

The Gas Department had no outstanding debt issues in FY 2017. The Department has no plans to issue new debt in FY 2018.

Water and Wastewater Department

The Water and Wastewater Department had 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 were issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. 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, the proceeds of the 2011 issue have been spent. 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 2017, the Water and Wastewater Department exceeded that requirement at about 1.58 times.

Subsequent to year-end, the Department has refinanced the SRF Series 2006, SRF Series 2007, and \$20,110,000 of the Series 2011 warrants to take advantage of more favorable interest rates. The Water and Sewer Revenue Warrants, Series 2017 were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by Standard & Poor's.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2017, the Solid Waste Fund had no debt other than routine operating liabilities (\$293,907), customer deposits (\$20,559), accrued liability for employee annual and sick leave (\$236,822), non-current liabilities including pensions (\$803,919), and a reserve for landfill closure and post-closure care costs (\$1,777,936).

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 2017-2018 budget on October 3, 2017.

The fiscal year 2017-2018 budgeted revenue and expenditures are conservative based on the prior year's actual performance. Revenue is budgeted at \$58,917,008. This is an increase of \$1,833,177 or 3.21% compared to the previous fiscal year's final budget and an increase of \$1,449,810 (2.52%) over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$58,796,580. This is an increase of \$1,908,980 or 3.36% compared to the prior year's final budget and an increase of \$2,076,513 (3.66%) compared to the prior year's actual performance. A one-time increase in budgeted expenditures of \$2,000,000 will be used to address various capital needs, building repairs, and grounds maintenance issues. The 2017-2018 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$120,428 increase in budgetary fund balance.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The Florence MSA's unemployment rate for August 2017 was 4.7% as compared to 6.2% for August 2016. The State of Alabama's unemployment rates were 4.2% for August 2017 and 5.7% for August 2016. 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 2018 through September 2017 for electricity have decreased from the same period last year by 9.5%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2017 through September 2017, as compared to sales for the same period in the previous fiscal year, have increased approximately 2.7%. FY 2018 sales revenues from water and wastewater operations through September 2017 have decreased about 2.7% over the same period in FY 2016.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2018 budgets on May 16, 2017. The City Council adopted the Electricity Department's FY 2018 budget on August 1, 2017. These budgets have not been amended to date.

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 implemented a rate increase in July 2017. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

The current rate ordinance includes a provision to increase the water and sewer rates annually based upon increase in Consumer Price Index, subject to certain restrictions. The Water and Wastewater Department implemented a rate increase effective July 1, 2017. The ordinance is available for review on the City's website at www.florenceutilities.com along with some prior rate ordinances.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Solid Waste Fund's fiscal year 2018 budget on October 3, 2017. The fiscal year 2018 budget has expected combined revenues of \$5,738,485 and expenses of \$5,834,352. As adopted, the budget would yield a decrease in net position of \$95,867. The City has ceased 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, which will be renegotiated in July 2018. Transfer and disposal costs are expected to increase. The City's remaining landfill space is used for the disposal of construction waste and debris. The life of the landfill for construction waste and debris was recalculated and the City estimates that it will not reach capacity until 2055. Collection fees were addressed by the City Council in fiscal year 2013. Fiscal year 2018 will be the fifth year under the new rate structure and there are no plans to adjust these rates in fiscal year 2018.

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 Barger, City Treasurer, P. O. Box 98, Florence, Alabama 35631-0098, or Mr. Mark Lovejoy, Interim Controller of Utilities, P. O. Box 877, Florence, Alabama 35631-0877.

The City's Comprehensive Annual Financial Reports are also available online at www.florenceal.org. Also, a limited number of prior years' Utility audited financial statements are available online at the Florence Utilities website at www.florenceutilities.com. These reports are also on file with the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board.

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 \$676,320 to the Library in this fiscal year. These appropriations are approximately 49% 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. 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 30,798,881	\$ 39,850,966	\$ 70,649,847	\$ 2,044,561
Investments			—	1,988,264
Amounts held by the Foundation			—	2,143,188
Receivables (net)	4,734,273	14,714,517	19,448,790	
Accrued interest receivable	12,292	23,516	35,808	
Loan receivables (net)	512,577		512,577	
Internal balances	2,489,628	(2,489,628)	—	
Inventories	164,884	3,277,313	3,442,197	
Prepaid expenses		9,269,321	9,269,321	
Restricted assets:				
Cash and investments	150,100	5,703,840	5,853,940	
Conservation loans receivables		3,687,487	3,687,487	
Capital assets (net)	114,568,914	236,670,705	351,239,619	495,142
Prepaid debt related costs (net)		170,133	170,133	
Total assets	\$ 153,431,549	\$ 310,878,170	\$ 464,309,719	\$ 6,671,155
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 787,673	\$ 171,394	\$ 959,067	\$ —
Pensions	5,778,918	6,673,189	12,452,107	262,276
Total deferred outflows of resources	\$ 6,566,591	\$ 6,844,583	\$ 13,411,174	\$ 262,276
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,290,346	\$ 19,006,765	\$ 24,297,111	\$ 43,093
Amounts held on behalf of the Library			—	2,113,671
Customer deposits		8,201,497	8,201,497	
Liabilities payable from restricted assets:				
Accrued interest		701,258	701,258	
Advances for conservation loans		3,800,330	3,800,330	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	4,013,121	5,487,762	9,500,883	
Compensated absences	1,253,657	1,243,820	2,497,477	9,815
Portion due or payable after one year:				
Warrants and notes payable	31,819,810	53,462,942	85,282,752	
Compensated absences	1,880,486	1,865,729	3,746,215	
Net other postretirement benefits obligation	130,935		130,935	
Net pension liability	13,252,635	16,225,047	29,477,682	380,550
Claims reserve	3,262,096		3,262,096	
Accrued landfill closure and postclosure care costs		1,777,936	1,777,936	
Total liabilities	\$ 60,903,086	\$ 111,773,086	\$ 172,676,172	\$ 2,547,129
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ 1,262,705	\$ 1,316,154	\$ 2,578,859	\$ 46,938
NET POSITION				
Net investment in capital assets	\$ 83,234,679	\$ 177,891,395	\$ 261,126,074	\$ 495,142
Restricted for:				
Debt service		5,002,582	5,002,582	
Street resurfacing and improvements	339,690		339,690	
Public safety	369,745		369,745	
Capital projects	832,488		832,488	
Other purposes—expendable	412,678		412,678	297
Other purposes—nonexpendable	—		—	2,000,000
Unrestricted	12,643,069	21,739,536	34,382,605	1,843,925
Total net position	\$ 97,832,349	\$ 204,633,513	\$ 302,465,862	\$ 4,339,364

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, 2017**

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			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General administration	\$ 6,745,871	\$ 5,961,787	\$	\$	\$ (784,084)		\$ (784,084)	
Public safety	19,921,500	1,558,747	363,433	103,459	(17,895,861)		(17,895,861)	
Public works	5,597,757	88,591	265,380		(5,243,786)		(5,243,786)	
Public ways and facilities	1,627,808		21,924	534,375	(1,071,509)		(1,071,509)	
Culture and recreation	12,180,913	1,783,109	38,833		(10,358,971)		(10,358,971)	
Other	2,064,859		459,414		(1,605,445)		(1,605,445)	
Education—funding for school district	11,904,236				(11,904,236)		(11,904,236)	
Interest and fiscal charges	1,474,388				(1,474,388)		(1,474,388)	
Total governmental activities	<u>\$ 61,517,332</u>	<u>\$ 9,392,234</u>	<u>\$ 1,148,984</u>	<u>\$ 637,834</u>	<u>\$ (50,338,280)</u>		<u>\$ (50,338,280)</u>	
Business-type activities:								
Electricity	\$ 121,123,149	\$ 121,819,479	\$	\$	\$	\$ 696,330	\$ 696,330	
Gas	14,355,426	14,205,730				(149,696)	(149,696)	
Water and wastewater	16,899,114	20,193,395				3,294,281	3,294,281	
Solid waste	5,511,935	5,780,239		54,800		323,104	323,104	
Total business-type activities	<u>\$ 157,889,624</u>	<u>\$ 161,998,843</u>	<u>\$ —</u>	<u>\$ 54,800</u>	<u>\$ —</u>	<u>\$ 4,164,019</u>	<u>\$ 4,164,019</u>	
Total primary government	<u>\$ 219,406,956</u>	<u>\$ 171,391,077</u>	<u>\$ 1,148,984</u>	<u>\$ 692,634</u>	<u>\$ (50,338,280)</u>	<u>\$ 4,164,019</u>	<u>\$ (46,174,261)</u>	
Component units:								
All	<u>\$ 1,410,760</u>	<u>\$ 94,615</u>	<u>\$ 1,147,008</u>	<u>\$ 15,320</u>				<u>\$ (153,817)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 33,934,910	\$	\$ 33,934,910	\$
Property					12,131,259		12,131,259	
Motor fuel					994,864		994,864	
Alcoholic beverages					1,035,773		1,035,773	
Other					466,107		466,107	
Interest revenues					193,093	110,378	303,471	133,538
Gain on disposal of capital assets					49,817	11,373	61,190	
Total general revenues					<u>\$ 48,805,823</u>	<u>\$ 121,751</u>	<u>\$ 48,927,574</u>	<u>\$ 133,538</u>
Change in net position					\$ (1,532,457)	\$ 4,285,770	\$ 2,753,313	\$ (20,279)
Net position—beginning					<u>99,364,806</u>	<u>200,347,743</u>	<u>299,712,549</u>	<u>4,359,643</u>
Net position—ending					<u>\$ 97,832,349</u>	<u>\$ 204,633,513</u>	<u>\$ 302,465,862</u>	<u>\$ 4,339,364</u>

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 15,323,930	\$ 8,354,586	\$ 23,678,516
Receivables (net)	3,926,638	257,779	4,184,417
Accrued interest receivable	6,610	2,393	9,003
Loan receivables (net)	235,128	277,449	512,577
Interfund receivables	614,120	536,720	1,150,840
Inventories	164,884		164,884
Total assets	<u>\$ 20,271,310</u>	<u>\$ 9,428,927</u>	<u>\$ 29,700,237</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 4,292,997	\$ 674,837	\$ 4,967,834
Compensated absences	1,253,657		1,253,657
Interfund payables	536,720	220,253	756,973
Total liabilities	<u>\$ 6,083,374</u>	<u>\$ 895,090</u>	<u>\$ 6,978,464</u>
Fund balances			
Nonspendable:			
Inventories	\$ 164,884	\$	\$ 164,884
Loan receivables	235,128		235,128
Restricted for:			
Street resurfacing and improvements		339,690	339,690
Culture and recreation		22,624	22,624
Public safety		369,745	369,745
Community development and rehabilitation		239,954	239,954
Capital projects		4,543,511	4,543,511
Assigned to:			
Capital projects		2,966,770	2,966,770
Municipal building maintenance		17,157	17,157
Unassigned	13,787,924	34,386	13,822,310
Total fund balances	<u>\$ 14,187,936</u>	<u>\$ 8,533,837</u>	<u>\$ 22,721,773</u>
Total liabilities and fund balances	<u>\$ 20,271,310</u>	<u>\$ 9,428,927</u>	<u>\$ 29,700,237</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, 2017

Total fund balances—governmental funds	\$	22,721,773
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	\$	270,920,002
Accumulated depreciation	<u>(156,351,088)</u>	114,568,914
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Governmental warrants payable	\$	(34,027,467)
Unamortized debt discount and premium	(1,805,464)	
Deferred expense on refunding debt	787,673	
Compensated absences	(1,880,486)	
Other postretirement benefits	(130,935)	
Pensions	<u>(13,252,635)</u>	(50,309,314)
Deferred outflows of resources related to pensions are not reported in governmental funds.		5,778,918
Deferred inflows of resources related to pensions are not reported in governmental funds.		(1,262,705)
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>6,334,763</u>
Net position of governmental activities	<u>\$</u>	<u>97,832,349</u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 47,926,323	\$ 636,589	\$ 48,562,912
Licenses and permits	4,361,466		4,361,466
Fines and forfeitures	1,290,455		1,290,455
Charges for services	1,946,892		1,946,892
Intergovernmental	1,459,344	1,481,980	2,941,324
Interest revenues	74,410	81,702	156,112
Other	66,811	621,922	688,733
Total revenues	<u>\$ 57,125,701</u>	<u>\$ 2,822,193</u>	<u>\$ 59,947,894</u>
EXPENDITURES			
Current operating:			
General administration	\$ 5,397,023	\$ 657,820	\$ 6,054,843
Public safety	18,996,835	284,275	19,281,110
Public works	5,019,084	331,411	5,350,495
Culture and recreation	7,517,099	71,891	7,588,990
Other	1,406,106	658,753	2,064,859
Education—funding for school district	8,551,361	3,352,875	11,904,236
Capital outlay and improvements		3,834,821	3,834,821
Debt service:			
Principal payments		4,007,713	4,007,713
Interest and fiscal charges		1,577,831	1,577,831
Total expenditures	<u>\$ 46,887,508</u>	<u>\$ 14,777,390</u>	<u>\$ 61,664,898</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 10,238,193</u>	<u>\$ (11,955,197)</u>	<u>\$ (1,717,004)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 341,497	\$ 14,796,964	\$ 15,138,461
Transfers out	(9,832,559)	(5,305,902)	(15,138,461)
Total other financing sources (uses)	<u>\$ (9,491,062)</u>	<u>\$ 9,491,062</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 747,131</u>	<u>\$ (2,464,135)</u>	<u>\$ (1,717,004)</u>
Fund balances—beginning	13,440,805	10,997,972	24,438,777
Fund balances—ending	<u>\$ 14,187,936</u>	<u>\$ 8,533,837</u>	<u>\$ 22,721,773</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, 2017**

Total net change in fund balances—governmental funds	\$	(1,717,004)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays	\$ 4,644,888	
Current year depreciation expense	<u>(5,434,041)</u>	(789,153)
<p>In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
		(2,520,913)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:</p>		
Repayments of debt principal	\$ 4,007,713	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>103,443</u>	4,111,156
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in long-term compensated absences	\$ (67,513)	
Pensions	<u>(431,350)</u>	(498,863)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.</p>		
		<u>(117,680)</u>
Change in net position of governmental activities	\$	<u><u>(1,532,457)</u></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 Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2017	June 30, 2017	June 30, 2017	September 30, 2017		September 30, 2017
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,025,719	\$ 11,737,095	\$ 11,188,559	\$ 3,899,593	\$ 39,850,966	\$ 7,120,365
Receivables (net)	11,683,572	782,266	1,711,437	537,242	14,714,517	549,856
Accrued interest receivable	6,852	7,193	7,566	1,905	23,516	3,289
Inventories	1,434,954	1,045,437	726,736	70,186	3,277,313	
Prepaid expenses	7,592,704	1,393,700	282,917		9,269,321	
Total current assets	\$ 33,743,801	\$ 14,965,691	\$ 13,917,215	\$ 4,508,926	\$ 67,135,633	\$ 7,673,510
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 1,010,186		\$ 4,693,654		\$ 5,703,840	\$ 150,100
Receivables from customers for conservation loans	3,687,487				3,687,487	
Capital assets:						
Utility plant in service (at cost)	172,536,195	57,675,243	177,039,821	14,432,203	421,683,462	
Acquisition adjustment (net of amortization)		147,480			147,480	
Construction in progress	1,129,989	158,395	682,033	9,650	1,980,067	
Less: accumulated depreciation	86,599,433	26,336,735	62,140,902	12,063,234	187,140,304	
Prepaid debt related costs (net)			170,133		170,133	
Total noncurrent assets	\$ 91,764,424	\$ 31,644,383	\$ 120,444,739	\$ 2,378,619	\$ 246,232,165	\$ 150,100
Total assets	\$ 125,508,225	\$ 46,610,074	\$ 134,361,954	\$ 6,887,545	\$ 313,367,798	\$ 7,823,610
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$ 52,794		\$ 118,600		\$ 171,394	
Pensions	3,714,929	1,302,201	1,363,990	292,069	6,673,189	
Total deferred outflows of resources	\$ 3,767,723	\$ 1,302,201	\$ 1,482,590	\$ 292,069	\$ 6,844,583	\$ —

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2017	June 30, 2017	June 30, 2017	September 30, 2017		Funds
					September 30, 2017	
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 16,871,422	\$ 893,239	\$ 948,197	\$ 293,907	\$ 19,006,765	\$ 322,512
Interfund payables					—	393,867
Compensated absences—payable within one year	637,259	234,983	276,849	94,729	1,243,820	
Customer deposits	8,180,938			20,559	8,201,497	
Total current liabilities	\$ 25,689,619	\$ 1,128,222	\$ 1,225,046	\$ 409,195	\$ 28,452,082	\$ 716,379
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 850,000	\$	\$ 4,640,000	\$	\$ 5,490,000	\$
Unamortized debt premium (discount), net	(4,359)		2,121		(2,238)	
Accrued interest	20,639		680,619		701,258	
Advances from TVA for conservation loans	3,800,330				3,800,330	
Total liabilities payable from restricted assets	\$ 4,666,610	\$ —	\$ 5,322,740	\$ —	\$ 9,989,350	\$ —
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 7,225,000	\$	\$ 46,200,000	\$	\$ 53,425,000	\$
Unamortized debt premium (discount), net	(244)		38,186		37,942	
Compensated absences—payable after one year	955,888	352,475	415,273	142,093	1,865,729	
Pensions	8,587,917	3,806,466	3,026,745	803,919	16,225,047	
Accrued landfill closure and postclosure care costs				1,777,936	1,777,936	
Claims reserve					—	3,262,096
Total noncurrent liabilities	\$ 16,768,561	\$ 4,158,941	\$ 49,680,204	\$ 2,723,948	\$ 73,331,654	\$ 3,262,096
Total liabilities	\$ 47,124,790	\$ 5,287,163	\$ 56,227,990	\$ 3,133,143	\$ 111,773,086	\$ 3,978,475
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 710,949	\$ 213,909	\$ 276,584	\$ 114,712	\$ 1,316,154	\$ —
NET POSITION						
Net investment in capital assets	\$ 79,049,148	\$ 31,644,383	\$ 64,819,245	\$ 2,378,619	\$ 177,891,395	\$
Restricted for debt service	989,547		4,013,035		5,002,582	
Restricted for other purposes—expendable					—	150,100
Unrestricted	1,401,514	10,766,820	10,507,690	1,553,140	24,229,164	3,695,035
Total net position	\$ 81,440,209	\$ 42,411,203	\$ 79,339,970	\$ 3,931,759	\$ 207,123,141	\$ 3,845,135
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,489,628)	
Net position of business-type activities					\$ 204,633,513	

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	Solid Waste	Total	Internal Service
	June 30, 2017	June 30, 2017	Wastewater	September 30, 2017		Funds
					September 30, 2017	
Operating revenues						
User charges	\$ 121,108,816	\$ 14,088,236	\$ 20,055,793	\$ 5,777,004	\$ 161,029,849	\$ 2,503,042
Other	609,202	8,718	137,602	3,235	758,757	
Total operating revenues	\$ 121,718,018	\$ 14,096,954	\$ 20,193,395	\$ 5,780,239	\$ 161,788,606	\$ 2,503,042
Operating expenses						
Cost of sales	\$ 97,233,123	\$ 6,658,476	\$	\$	\$ 103,891,599	\$
Operations, maintenance, and administration	14,707,797	4,666,987	9,509,748	4,644,775	33,529,307	615,163
Depreciation	5,255,576	1,467,493	3,842,203	704,477	11,269,749	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,553,432	1,518,788	1,712,239	152,029	6,936,488	
Insurance premiums and claims (net of refunds)					—	2,172,221
Total operating expenses	\$ 120,749,928	\$ 14,322,405	\$ 15,064,190	\$ 5,501,281	\$ 155,637,804	\$ 2,787,384
Operating income (loss)	\$ 968,090	\$ (225,451)	\$ 5,129,205	\$ 278,958	\$ 6,150,802	\$ (284,342)
Nonoperating revenues (expenses)						
Interest revenues	\$ 43,673	\$ 18,109	\$ 24,498	\$ 24,098	\$ 110,378	\$ 36,981
Gain (loss) on disposition of capital assets	63,908	(274)	(65,793)	13,532	11,373	
Miscellaneous nonoperating income	101,461	108,776			210,237	
Grants				54,800	54,800	
Interest expense	(273,828)		(1,772,625)		(2,046,453)	
Amortization of debt related costs	(30,756)		(44,931)		(75,687)	
Total nonoperating revenues (expenses)	\$ (95,542)	\$ 126,611	\$ (1,858,851)	\$ 92,430	\$ (1,735,352)	\$ 36,981
Change in net position	\$ 872,548	\$ (98,840)	\$ 3,270,354	\$ 371,388	\$ 4,415,450	\$ (247,361)
Net position—beginning	80,567,661	42,510,043	76,069,616	3,560,371		4,092,496
Net position—ending	\$ 81,440,209	\$ 42,411,203	\$ 79,339,970	\$ 3,931,759		\$ 3,845,135
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(129,680)	
Change in net position of business-type activities					\$ 4,285,770	

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

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2017	June 30, 2017	June 30, 2017	September 30, 2017		September 30, 2017
Cash flows from operating activities:						
Receipts from customers and users	\$ 122,788,446	\$ 14,130,165	\$ 19,985,495	\$ 5,759,774	\$ 162,663,880	\$ 2,124,770
Receipts from interfund services provided	3,650,843	179,069	333,309		4,163,221	
Payments to suppliers	(104,843,603)	(6,575,951)	(3,306,016)	(1,861,394)	(116,586,964)	(2,530,383)
Payments to employees for services and benefits—exclusive of capitalized costs	(11,508,837)	(3,167,802)	(4,802,850)	(3,081,324)	(22,560,813)	
Payments for interfund services used	(3,337,047)	(2,921,526)	(2,985,069)	(320,868)	(9,564,510)	
Net cash from operating activities	\$ 6,749,802	\$ 1,643,955	\$ 9,224,869	\$ 496,188	\$ 18,114,814	\$ (405,613)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 1,202,533	\$	\$	\$	\$ 1,202,533	\$
Change in advances from TVA for conservation loans	(1,226,457)				(1,226,457)	
Net cash from noncapital financing activities	\$ (23,924)	\$ —	\$ —	\$ —	\$ (23,924)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (6,896,619)	\$ (1,215,088)	\$ (3,981,802)	\$ (401,841)	\$ (12,495,350)	\$
Removal costs of retirements of capital assets	(836,357)	(40,121)			(876,478)	
Proceeds from disposition of capital assets	136,433	150		13,532	150,115	
Proceeds from capital grants				54,800	54,800	
Principal paid on capital debt	(815,000)		(4,255,000)		(5,070,000)	
Interest paid on capital debt	(276,205)		(1,762,106)		(2,038,311)	
Net cash from capital and related financing activities	\$ (8,687,748)	\$ (1,255,059)	\$ (9,998,908)	\$ (333,509)	\$ (20,275,224)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 39,381	\$ 14,406	\$ 20,152	\$ 23,640	\$ 97,579	\$ 36,167
Interfund receivables (payables)					—	255,468
Net cash from investing activities	\$ 39,381	\$ 14,406	\$ 20,152	\$ 23,640	\$ 97,579	\$ 291,635
Net increase (decrease) in cash and cash equivalents	\$ (1,922,489)	\$ 403,302	\$ (753,887)	\$ 186,319	\$ (2,086,755)	\$ (113,978)
Cash and cash equivalents—beginning of the year	15,958,394	11,333,793	16,636,100	3,713,274	47,641,561	7,384,443
Cash and cash equivalents—end of the year	\$ 14,035,905	\$ 11,737,095	\$ 15,882,213	\$ 3,899,593	\$ 45,554,806	\$ 7,270,465

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2017	June 30, 2017	June 30, 2017	September 30, 2017		Funds
						September 30, 2017
Classified as:						
Current assets	\$ 13,025,719	\$ 11,737,095	\$ 11,188,559	\$ 3,899,593	\$ 39,850,966	\$ 7,120,365
Restricted assets	1,010,186		4,693,654		5,703,840	150,100
Totals	\$ 14,035,905	\$ 11,737,095	\$ 15,882,213	\$ 3,899,593	\$ 45,554,806	\$ 7,270,465
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 968,090	\$ (225,451)	\$ 5,129,205	\$ 278,958	\$ 6,150,802	\$ (284,342)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 5,679,572	\$ 1,467,493	\$ 3,936,121	\$ 704,477	\$ 11,787,663	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				(483,842)	(483,842)	
Miscellaneous nonoperating income	101,461	108,776			210,237	
Changes in assets and liabilities:						
Receivables (net)	968,967	(75,565)	104,258	(20,465)	977,195	(378,272)
Inventories	125,942	(36,153)	41,676	(35,686)	95,779	
Prepaid expenses	(592,410)	178,891	(7,084)		(420,603)	
Deferred outflows of resources—pensions	(48,454)	205,761	(306,754)	213,545	64,098	
Accounts and other payables	(1,201,936)	16,512	(110,302)	12,784	(1,282,942)	257,001
Customer deposits	491,895			984	492,879	
Net pension liability	(94,729)	(93,986)	287,220	(236,864)	(138,359)	
Deferred inflows of resources—pensions	351,404	87,016	150,529	62,297	651,246	
Total adjustments	\$ 5,781,712	\$ 1,869,406	\$ 4,095,664	\$ 217,230	\$ 11,964,012	\$ (121,271)
Net cash from operating activities	\$ 6,749,802	\$ 1,643,955	\$ 9,224,869	\$ 496,188	\$ 18,114,814	\$ (405,613)

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017**

	<u>Employees' Retirement Plan</u>
ASSETS	
Receivables	\$ 24,498
Investments, at fair value	<u>88,580,111</u>
Total assets	<u>\$ 88,604,609</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 88,604,609</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Employees'</u> <u>Retirement Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 4,043,968
Employee	1,470,534
Total contributions	<u>\$ 5,514,502</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ 8,130,937
Interest and dividends	1,872,586
Net investment income	<u>\$ 10,003,523</u>
Total additions	<u>\$ 15,518,025</u>
DEDUCTIONS	
Benefit payments, including refunds of member contributions	\$ 6,709,051
Administrative expenses	624,870
Total deductions	<u>\$ 7,333,921</u>
NET INCREASE IN NET POSITION	\$ 8,184,104
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>80,420,505</u>
End of year	<u><u>\$ 88,604,609</u></u>

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017**

	<u>Postretirement Benefits Plan</u>
ASSETS	
Receivables	
Employer	\$ 1,154,621
Total assets	<u>\$ 1,154,621</u>
NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	<u><u>\$ 1,154,621</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Postretirement Benefits Plan
ADDITIONS	
Investment income	
Interest	\$ 6,808
NET INCREASE	\$ 6,808
 NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	1,147,813
End of year	\$ 1,154,621

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

	Florence- Lauderdale Public Library September 30, 2017	Florence Library Foundation, Inc. June 30, 2017	Total
ASSETS			
Cash and cash equivalents	\$ 21,529	\$ 2,023,032	\$ 2,044,561
Investments		1,988,264	1,988,264
Amounts held by the Foundation	2,143,188		2,143,188
Capital assets (net)	495,142		495,142
Total assets	\$ 2,659,859	\$ 4,011,296	\$ 6,671,155
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 262,276	\$ —	\$ 262,276
LIABILITIES			
Accounts payable and accrued expenses	\$ 43,093	\$ —	\$ 43,093
Amounts held on behalf of the Library		2,113,671	2,113,671
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	9,815		9,815
Portion due or payable after one year:			
Net pension liability	380,550		380,550
Total liabilities	\$ 433,458	\$ 2,113,671	\$ 2,547,129
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 46,938	\$ —	\$ 46,938
NET POSITION			
Net investment in capital assets	\$ 495,142	\$ —	\$ 495,142
Restricted for:			
Other purposes-expendable		297	297
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	1,946,597	(102,672)	1,843,925
Total net position	\$ 2,441,739	\$ 1,897,625	\$ 4,339,364

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, 2017</u>							
Florence-Lauderdale Public Library	\$ 1,408,519	\$ 94,615	\$ 1,147,008	\$ 15,320	\$ (151,576)	\$ —	\$ (151,576)
<u>June 30, 2017</u>							
Florence Library Foundation, Inc.	<u>2,241</u>					<u>(2,241)</u>	<u>(2,241)</u>
Total component units	<u>\$ 1,410,760</u>	<u>\$ 94,615</u>	<u>\$ 1,147,008</u>	<u>\$ 15,320</u>	<u>\$ (151,576)</u>	<u>\$ (2,241)</u>	<u>\$ (153,817)</u>
General revenues:							
Investment return					<u>126,910</u>	<u>6,628</u>	<u>133,538</u>
Change in net position					\$ (24,666)	\$ 4,387	\$ (20,279)
Net position—beginning					<u>2,466,405</u>	<u>1,893,238</u>	<u>4,359,643</u>
Net position—ending					<u>\$ 2,441,739</u>	<u>\$ 1,897,625</u>	<u>\$ 4,339,364</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, 2017**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Florence, Alabama (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 (Library) and the Florence Library Foundation, Inc. (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, 2017
(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, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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 funds account for the activities of the City's defined benefit pension plan, which accumulates resources for pension benefit payments for qualified employees. The City's fiduciary funds also account for the activities of the City's postretirement benefits plan, which accumulates resources for postemployment benefit payments for qualified employees.

Discretely Presented Component Unit—Foundation

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

Estimates

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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 and investments, 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, 2017
(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, 2017
(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, 2017
(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, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned—The assigned fund balance classification represents amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. The City Council authorizes the Mayor or the Treasurer/Chief Accountant to make a determination of the assigned amounts of fund balance. Except for the General Fund, the assigned fund balance classification represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed.

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

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Florence, Alabama Employees' Retirement Plan (CFAERP) and additions to/deductions from CFAERP's fiduciary net position have been determined on the same basis as they are reported by CFAERP. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Pensions—Discretely Presented Component Unit—Library

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

Net Assets—Discretely Presented Component Unit—Foundation

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes—Discretely Presented Component Unit—Foundation

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a private foundation under IRC Section 509(a). The Foundation is subject to federal excise taxes. The Foundation is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The excise tax expense reported in the current fiscal year is \$241.

The Foundation's federal income tax returns for 2014, 2015, and 2016 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

B. DEFICIT NET POSITION

Governmental Activities

As of September 30, 2017, the Workers' Compensation Insurance Fund had a deficit net position of \$852,463, which is expected to be funded by future revenues or transfers from the General Fund.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

The following fund incurred expenditures in excess of appropriations of the following amount for the year ended September 30, 2017:

Other governmental:		
Donation Fund	\$	84,022

NOTE 3—CASH, INVESTMENTS, AND SECURITIES

Governmental Activities and Business-type Activities

General Deposits and Investments—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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 3—CASH, INVESTMENTS, AND SECURITIES (Continued)

Pension Plan Investments—Investments in the City’s defined benefit pension plan, City of Florence, Alabama Employees’ Retirement Plan (CFAERP), are governed by locally adopted investment policies. These policies establish investment objectives and guidelines for the portfolio as a whole, for each individual manager, as well as by instrument and issuer. The following schedule is presented for only CFAERP investments at year-end:

Distribution by Asset Type

	Equities	Other	Cash and Equivalents	Total	Percentage
Domestic:					
Large capitalization	\$ 27,973,683	\$ —	\$ —	\$ 27,973,683	32%
Mid capitalization	5,572,668			5,572,668	6%
Small capitalization	5,647,318			5,647,318	6%
International	15,982,435			15,982,435	18%
Fixed income	25,169,875			25,169,875	28%
Cash and equivalents			2,465,627	2,465,627	3%
Other:					
Real estate		5,768,505		5,768,505	7%
Total investments	\$ 80,345,979	\$ 5,768,505	\$ 2,465,627	\$ 88,580,111	100%

Fair Value Measurements—The CFAERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table sets forth by level, within the fair value hierarchy, the CFAERP’s assets at fair value as of September 30, 2017:

Fair Value of Assets by Measurement Type

Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Pooled separate accounts	\$ 82,811,606	\$ —	\$ 82,811,606	\$ —
Real estate	5,768,505		3,752,473	2,016,032
Total investments	\$ 88,580,111	\$ —	\$ 86,564,079	\$ 2,016,032

The City has the following recurring fair value measurements as of September 30, 2017:

- Pooled Separate Accounts – Fair value is determined by prices published daily by the account manager, which are determined by the fair value of the underlying securities in the accounts.
- Real Estate – Fair value is determined by independent appraisals or estimates of fair value as provided by third party fund managers.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 3—CASH, INVESTMENTS, AND SECURITIES (Continued)

Custodial Credit Risk—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.

The custodial relationships for the pension plan investments are governed by written agreements that are executed by all parties and specifies that, all securities owned and cash held by the City's pension plan shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the custodian, be designated as an asset of the City's pension trust.

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2017, 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 held by financial institutions. 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 \$1,480,425.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 4—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	\$ 34,674	\$ 3,563,674	\$ 304,222	\$ 24,068	\$ 3,926,638
Other governmental funds	11,227	57,920	184,855	3,777	257,779
Internal service funds			498,188	51,668	549,856
Total—governmental activities	\$ 45,901	\$ 3,621,594	\$ 987,265	\$ 79,513	\$ 4,734,273
Business-type Activities					
Electricity	\$ 9,896,364	\$ —	\$ 354,497	\$ 1,698,520	\$ 11,949,381
Gas	769,689		29,801	947	800,437
Water and wastewater	1,740,614		16,601		1,757,215
Solid waste	500,257		54,800	477	555,534
Less: allowance for bad debts	348,050				348,050
Total—business-type activities	\$ 12,558,874	\$ —	\$ 455,699	\$ 1,699,944	\$ 14,714,517

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 \$1,584,746 at year-end, net of an allowance for bad debts of \$1,072,169.

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	\$ 1,930,743	\$ 669,311	\$ 1,687,343	\$ 5,600	\$ 4,292,997
Other governmental funds	196,546		264,412	213,879	674,837
Internal service funds	322,512				322,512
Total—governmental activities	\$ 2,449,801	\$ 669,311	\$ 1,951,755	\$ 219,479	\$ 5,290,346
Business-type Activities					
Electricity	\$ 16,582,212	\$ 266,135	\$ 23,075	\$ —	\$ 16,871,422
Gas	565,763	62,235	265,241		893,239
Water and wastewater	342,992	133,877	471,328		948,197
Solid waste	217,648	55,481	20,778		293,907
Total—business-type activities	\$ 17,708,615	\$ 517,728	\$ 780,422	\$ —	\$ 19,006,765
Component Unit					
Public Library	\$ 28,411	\$ 14,682	\$ —	\$ —	\$ 43,093

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 5—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2017 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 220,253	\$ 393,867	\$ 614,120
	Other governmental				536,720
	Total	\$ 536,720	\$ 220,253	\$ 393,867	\$ 1,150,840

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.

NOTE 6—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2017 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	General Fund	\$ —	\$ 341,497	\$ 341,497
	Other governmental	9,832,559	4,964,405	14,796,964
	Total	\$ 9,832,559	\$ 5,305,902	\$ 15,138,461

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 7—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 \$100,100, 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, 2017
(Continued)

NOTE 7—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		76,627
Series 2013 Debt Service Reserve Fund		193,042
Series 2013 Warrant Funds		15,517
		1,010,186
Total restricted cash and cash equivalents	\$	1,010,186

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	\$	115,217
SRF Series 2007 Warrant Funds		464,263
SRF Series 2010-A Warrant Funds		775,718
SRF Series 2010-B Warrant Funds		1,309,343
SRF Series 2010-C Warrant Funds		1,256,265
SRF Series 2010-D Warrant Funds		317,662
Series 2011 Warrant Funds		404,960
SRF Series 2013 Warrant Funds		50,226
		4,693,654
Total restricted cash and cash equivalents	\$	4,693,654

NOTE 8—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, 2017, the Department had \$726,557 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 9—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	\$ 7,154,900	\$ 1,117,544	\$ 60,000	\$ 8,212,444
Construction in progress	7,005,693	2,981,350	8,410,981	1,576,062
Depreciable assets:				
Land improvements	26,006,987	154,750		26,161,737
Buildings	43,313,019	3,146,122	5,215,108	41,244,033
Equipment and vehicles	23,850,127	1,184,347	965,567	24,068,907
Infrastructure	165,185,063	4,471,756		169,656,819
Total capital assets	\$ 272,515,789	\$ 13,055,869	\$ 14,651,656	\$ 270,920,002
Less accumulated depreciation:				
Land improvements	\$ 12,411,412	\$ 1,007,050	\$ —	\$ 13,418,462
Buildings	20,615,632	1,066,931	2,760,528	18,922,035
Equipment and vehicles	21,010,688	1,207,300	959,234	21,258,754
Infrastructure	100,599,077	2,152,760		102,751,837
Total accumulated depreciation	\$ 154,636,809	\$ 5,434,041	\$ 3,719,762	\$ 156,351,088
Net capital assets—governmental activities	\$ 117,878,980	\$ 7,621,828	\$ 10,931,894	\$ 114,568,914
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 5,016,802	\$ —	\$ 3,886,813	\$ 1,129,989
Gas	134,961	23,434		158,395
Water and wastewater	1,253,175		571,142	682,033
Solid waste	28,779		19,129	9,650
Depreciable assets:				
Utility plant in service:				
Electricity	164,229,076	10,783,432	2,476,313	172,536,195
Gas	56,813,332	1,191,654	329,743	57,675,243
Water and wastewater	173,392,362	4,552,944	905,485	177,039,821
Solid waste	14,313,593	420,970	302,360	14,432,203
Acquisition adjustment (net):				
Gas	158,141		10,661	147,480
Total capital assets	\$ 415,340,221	\$ 16,972,434	\$ 8,501,646	\$ 423,811,009
Less accumulated depreciation:				
Electricity	\$ 84,160,006	\$ 5,679,572	\$ 3,240,145	\$ 86,599,433
Gas	25,238,682	1,467,493	369,440	26,336,735
Water and wastewater	58,922,515	3,936,121	717,734	62,140,902
Solid waste	11,661,118	704,477	302,361	12,063,234
Total accumulated depreciation	\$ 179,982,321	\$ 11,787,663	\$ 4,629,680	\$ 187,140,304
Net capital assets—business-type activities	\$ 235,357,900	\$ 5,184,771	\$ 3,871,966	\$ 236,670,705

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 490,570
Public safety	688,760
Public works	400,759
Public ways and facilities	1,627,808
Culture and recreation	2,226,144
Total	\$ 5,434,041

Discretely Presented Component Unit—Library

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Depreciable assets:				
Furniture and fixtures	\$ 144,595	\$ —	\$ —	\$ 144,595
Equipment	536,493	3,972		540,465
Building improvements	41,175	15,350		56,525
Library collection	1,880,765	75,646	382,251	1,574,160
Total capital assets	\$ 2,603,028	\$ 94,968	\$ 382,251	\$ 2,315,745
Less accumulated depreciation:				
Furniture and fixtures	\$ 127,184	\$ 4,163	\$ —	\$ 131,347
Equipment	461,999	30,710		492,709
Building improvements	2,182	1,164		3,346
Library collection	1,481,845	93,607	382,251	1,193,201
Total accumulated depreciation	\$ 2,073,210	\$ 129,644	\$ 382,251	\$ 1,820,603
Net capital assets—governmental activities	\$ 529,818	\$ (34,676)	\$ —	\$ 495,142

Depreciation expense was charged to the government function as follows:

Library services	\$ 129,644
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Business-type Activities

Electricity Department

As of June 30, 2017, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,155,380.

Depreciation for the fiscal year 2017 totaled \$5,679,572 of which \$5,255,576 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$423,996 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, 2017, accumulated depreciation amounted to \$237,931.

Gas Department

As of June 30, 2017, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,954.

Depreciation expense charged against income amounted to \$1,467,493 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 9—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, 2017, accumulated amortization amounted to \$207,893.

Water and Wastewater Department

As of June 30, 2017, 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 2017 totaled \$3,936,121 of which \$3,842,203 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$93,918 for the fiscal year.

Solid Waste Fund

As of September 30, 2017, nondepreciable capital assets included in utility plant in service consisted of land, land rights, right-of-ways, and construction in progress in the amount of \$214,003.

Depreciation expense charged against income amounted to \$704,477 for the fiscal year.

NOTE 10—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. During the 2016 fiscal year, TVA discontinued this Energy Right program. Subsequently, TVA established the eScore program, which gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option, thus the Department will act as a fiscal intermediary only for existing conservation loans until all are paid in full. The Department had at June 30, 2017, a total of \$3,687,487 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 \$3,800,330 as of June 30, 2017.

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 \$7,336,257 as of June 30, 2017 is reflected as prepaid expenses.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 11—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	\$ 3,880,000	\$ —	\$ 1,255,000	\$ 2,625,000	\$ 1,290,000
Debt discount	(31,778)		(11,917)	(19,861)	(11,917)
Series 2012	15,560,000		1,965,000	13,595,000	1,140,000
Debt premium	1,640,879		237,235	1,403,644	237,235
Series 2013	1,675,180		117,713	1,557,467	81,171
Series 2013-B	16,920,000		670,000	16,250,000	1,250,000
Debt premium	448,313		26,632	421,681	26,632
Compensated absences	3,021,621	1,321,170	1,208,648	3,134,143	1,253,657
Total—governmental activities	\$ 43,114,215	\$ 1,321,170	\$ 5,468,311	\$ 38,967,074	\$ 5,266,778
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2009	\$ 2,540,000	\$ —	\$ 815,000	\$ 1,725,000	\$ 850,000
Debt discount	(13,978)		(4,660)	(9,318)	(4,660)
Series 2013	6,350,000			6,350,000	—
Debt premium	5,016		301	4,715	301
Compensated absences	1,502,400	691,707	600,960	1,593,147	637,259
<u>Gas</u>					
Compensated absences	569,745	245,611	227,898	587,458	234,983
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	2,535,000		195,000	2,340,000	200,000
SRF Series 2007	6,405,000		395,000	6,010,000	410,000
SRF Series 2010-A	4,190,000		775,000	3,415,000	805,000
SRF Series 2010-B	7,065,000		1,310,000	5,755,000	1,360,000
SRF Series 2010-C	6,770,000		1,260,000	5,510,000	1,305,000
SRF Series 2010-D	1,705,000		320,000	1,385,000	330,000
Series 2011	20,600,000			20,600,000	—
Debt premium	42,428		2,121	40,307	2,121
SRF Series 2013	5,825,000			5,825,000	230,000
Compensated absences	676,410	286,276	270,564	692,122	276,849
<u>Solid waste</u>					
Compensated absences	232,895	97,085	93,158	236,822	94,729
Total—business-type activities	\$ 66,999,916	\$ 1,320,679	\$ 6,260,342	\$ 62,060,253	\$ 6,731,582

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 14,773	\$ —	\$ 4,958	\$ 9,815	\$ 9,815
Total—governmental activities	\$ 14,773	\$ —	\$ 4,958	\$ 9,815	\$ 9,815

Governmental Activities

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.

All interest costs were expensed for the fiscal year.

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
2018	\$ 3,761,171	\$ 1,466,799	\$ 5,227,970
2019	3,349,244	1,312,090	4,661,334
2020	3,467,433	1,189,373	4,656,806
2021	3,635,742	1,017,063	4,652,805
2022	3,814,177	836,379	4,650,556
2023—2027	8,251,136	2,519,746	10,770,882
2028—2032	6,423,564	1,120,924	7,544,488
2033—2037	1,325,000	61,281	1,386,281
Totals	\$ 34,027,467	\$ 9,523,655	\$ 43,551,122

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, 2017
(Continued)

NOTE 11—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, 2017
(Continued)

NOTE 11—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 Department, as part of the capital projects, capitalized that interest. Principal is payable annually beginning on August 15, 2017. Interest is payable semi-annually on each February 15 and August 15 beginning in February 2017.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 11—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
2018	\$ 850,000	\$ 247,680	\$ 1,097,680
2019	875,000	217,080	1,092,080
2020	385,000	185,143	570,143
2021	390,000	178,405	568,405
2022	400,000	170,605	570,605
2023—2027	2,150,000	708,165	2,858,165
2028—2032	2,475,000	384,100	2,859,100
2033	550,000	22,000	572,000
Totals	\$ 8,075,000	\$ 2,113,178	\$ 10,188,178
Water and Wastewater Department			
Year Ending June 30	Total		
	Principal	Interest	Debt Service
2018	\$ 4,640,000	\$ 1,756,001	\$ 6,396,001
2019	4,805,000	1,629,470	6,434,470
2020	4,985,000	1,498,225	6,483,225
2021	5,160,000	1,362,240	6,522,240
2022	1,440,000	1,270,211	2,710,211
2023—2027	7,985,000	5,586,067	13,571,067
2028—2032	9,670,000	3,892,089	13,562,089
2033—2037	12,155,000	1,416,720	13,571,720
Totals	\$ 50,840,000	\$ 18,411,023	\$ 69,251,023
Totals—Business-type Activities			
Year Ending June 30	Total		
	Principal	Interest	Debt Service
2018	\$ 5,490,000	\$ 2,003,681	\$ 7,493,681
2019	5,680,000	1,846,550	7,526,550
2020	5,370,000	1,683,368	7,053,368
2021	5,550,000	1,540,645	7,090,645
2022	1,840,000	1,440,816	3,280,816
2023—2027	10,135,000	6,294,232	16,429,232
2028—2032	12,145,000	4,276,189	16,421,189
2033—2037	12,705,000	1,438,720	14,143,720
Totals	\$ 58,915,000	\$ 20,524,201	\$ 79,439,201

**CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)**

NOTE 12—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 \$1,290,000 as of September 30, 2017. In accordance with professional standards, these warrants are not reported as liabilities in the accompanying financial statements.

NOTE 13—PROPERTY TAXES

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—At September 30, 2016, the following employees were covered by the benefit terms:

Active employees who have not reached age 65	628
Active participants attaining Normal Retirement Age 65	11
Inactive participants (30 in pay status)	92
Total participants	731

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

For the year ended September 30, 2016, the active employee contribution rate was 2.56% on the first \$350 of monthly compensation and 5.12% of monthly compensation in excess of \$350. The City contributes 2.75 times the employee contribution.

Investment Policy—The investment policy is structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the plan’s assets. The investment objective is to produce a result over the long term consistent with the primary objective of preserving and enhancing the purchasing power of assets. Based on an analysis of the plan’s assets and expected investment returns and risks associated with alternative asset mix strategies, the City Council has established target asset allocations for all assets of the CFAERP. There are no individual investments in the CFAERP that exceed 5% of plan assets at September 30, 2017.

Rate of Return—For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.43 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability—The City’s net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Mortality Table with generational projection using MP-2016.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
US Fixed Income	30.50%	5.00%
US Large Cap Growth Equity	15.50%	10.30%
US Large Cap Value Equity	15.50%	10.00%
Europe Equity	9.40%	8.90%
Real Estate Investment Trusts	5.00%	9.00%
Emerging Markets Equity	3.00%	12.80%
US Mid Cap Growth Equity	3.00%	11.30%
US Mid Cap Value Equity	3.00%	10.60%
US Small Cap Growth Equity	3.00%	12.20%
US Small Cap Value Equity	3.00%	11.40%
Japan Equity	2.90%	9.40%
Core Private Real Estate Funds	2.50%	7.60%
Ultra-Short Fixed Income	2.00%	3.40%
Asia Pacific ex Japan Equity	1.70%	11.70%

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

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

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2016	\$ 106,594,794	\$ 76,330,780	\$ 30,264,014
Changes for the year:			
Service cost	2,888,380		2,888,380
Interest on total pension liability	7,880,999		7,880,999
Effect of plan changes			-
Effect of economic/demographic gains/losses	1,690,662		1,690,662
Effect of assumption changes/inputs	(188,107)		(188,107)
Benefit payments	(8,968,541)	(8,968,541)	-
Employer contributions		4,309,829	(4,309,829)
Member contributions		1,567,210	(1,567,210)
Net investment income		7,565,914	(7,565,914)
Administrative expenses		(384,687)	384,687
Balance as of September 30, 2017 *	<u>\$ 109,898,187</u>	<u>\$ 80,420,505</u>	<u>\$ 29,477,682</u>

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

Plan fiduciary net position as a percentage of total pension liability 73.18%

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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

	<i>1% Decrease (6.50%)</i>	<i>Current Discount Rate (7.50%)</i>	<i>1% Increase (8.50%)</i>
Total Pension Liability	\$ 118,396,139	\$ 109,898,187	\$ 102,120,936
Fiduciary Net Position	80,420,505	80,420,505	80,420,505
Net Pension Liability	\$ 37,975,634	\$ 29,477,682	\$ 21,700,431

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2016, the City recognized pension expense of \$5,055,488. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date	\$ 4,059,238	\$ -
Differences between expected and actual experience	3,096,307	
Changes of assumptions	1,050,626	168,774
Net difference between projected and actual earnings	4,245,936	2,410,085

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

<i>Year Ended September 30</i>	<i>Amount</i>
2018	\$ 1,065,440
2019	1,065,442
2020	1,482,841
2021	67,528
2022	461,350
Thereafter *	1,671,409

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

Deferred outflows of resources resulting from employer contributions made subsequent to the measurement date in the amount of \$4,059,238 will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plan

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

The City has no fiduciary relationship with the trust. In accordance with professional standards, the plan assets are not reported in the City's financial statements.

Discretely Presented Component Unit—Library

Plan Description—The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act Number 515 of the Legislature of 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	23,007
Terminated employees entitled to,	
but not yet receiving, benefits	1,155
Terminated employees not	
entitled to a benefit	6,654
Active members	55,058
Total	85,874

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2017, the Library's average active employee contribution rate was 7.39% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 5.64% of pensionable payroll.

The Library's contractually required contribution rate for the year ended September 30, 2017 was 6.09% of pensionable pay for Tier 1 employees and 5.34% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Library were \$27,763 for the year ended September 30, 2017.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Net Pension Liability—The Library’s net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 that was rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2015 (a)	\$ 1,416,093
Discount rate (b)	7.75%
Entry age normal cost for October 1, 2015—September 30, 2016 (c)	42,207
Transfers among employers (d)	—
Actual benefit payments and refunds for October 1, 2015— September 30, 2016 (e)	(30,504)
Total pension liability as of September 30, 2016 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$ 1,536,361

Actuarial Assumptions—The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%	
Salary increases	3.25% - 5.00%	
Investment rate of return	7.75%, net of pension plan investment expense	

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%

* Includes assumed rate of inflation of 2.50%

Discount Rate—The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2015	\$ 1,175,834	\$ 1,009,409	\$ 166,425
Changes for the year:			
Service cost	\$ 38,227	\$ —	\$ 38,227
Interest	92,847		92,847
Changes of assumptions	258,382		258,382
Difference between expected and actual experience	1,575		1,575
Contributions - employer		36,520	(36,520)
Contributions - employee		35,474	(35,474)
Net investment income		104,912	(104,912)
Benefit payments, including refunds of employee contributions	(30,504)	(30,504)	
Net changes	\$ 360,527	\$ 146,402	\$ 214,125
Balances at September 30, 2016	\$ 1,536,361	\$ 1,155,811	\$ 380,550

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Library’s net pension liability calculated using the discount rate of 7.75%, as well as what the Library’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Library's net pension liability	\$ 557,068	\$ 380,550	\$ 232,976

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor’s report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2017, the Library recognized pension expense of \$40,215. At September 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 8,291	\$ —
Changes of assumptions	226,872	
Differences between expected and actual experience	1,383	46,938
Employer contributions subsequent to the measurement date	25,730	
Totals	\$ 262,276	\$ 46,938

The Library reported \$25,730 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended September 30	Amount
2018	\$ 25,536
2019	25,536
2020	32,120
2021	18,967
2022	23,467
Thereafter	63,982

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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	\$	924,068
Interest on prior year net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost	\$	924,068
Contributions made		793,133
Increase (decrease) in net OPEB obligation	\$	130,935
Net OPEB obligation—beginning of year		—
Net OPEB obligation—end of year	\$	130,935

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2016	\$ 924,068	85.8%	\$ 130,935
September 30, 2015			
September 30, 2014	883,366	100.0%	—
September 30, 2013			
September 30, 2012	756,308	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, 2017
(Continued)

NOTE 15—POSTRETIREMENT BENEFITS PLAN (Continued)

Funded Status and Funding Progress—As of October 1, 2015, the most recent actuarial valuation date, the plan was 9.4% funded. The actuarial accrued liability for benefits was \$12.2 million and the actuarial value of assets was \$1.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$29.9 million, and the ratio of the UAAL to the covered payroll was 37.1%.

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, 2015 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 5.0% initially that is reduced by decrements to an ultimate rate of 4.6% after fifty-five (55) years. These rates included a 2.5% 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, 2015 was twenty-two (22) 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	
June 30	Amount
2018	\$ 201,372
2019	201,372
2020	201,372
2021	201,372
2022	201,372
Total	\$ 1,006,860

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(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, 2017, the fund balance was \$17,157, 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, 2017, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,446,693, 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 \$815,403, 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, 2016	\$ 2,446,693	\$ 815,403
Provision for (adjustment to) claims	840,507	94,192
Payment of claims	(840,507)	(94,192)
Claims liability, September 30, 2017	\$ 2,446,693	\$ 815,403

At September 30, 2017, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$838,511, \$5,197,935, and \$1,537,324, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 19—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 reevaluated the estimated total cost for closure and postclosure care costs and was granted permission to expand the disposal area over closed and inactive cells resulting in a significant increase of the total estimated capacity of the landfill for the disposal of construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2017 of \$1,777,936 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 \$1,853,775 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 49 percent of the estimated capacity of the landfill as of September 30, 2017. With this limited use, the City estimates that the landfill will close in 2055.

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 arbitration 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 arbitration can be ascertained.

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2017, open contracts for construction totaled \$971,410 of which \$550,591 had been recorded as construction in progress.

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

Business-type Activities

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(Continued)

NOTE 20—CONTINGENCIES AND COMMITMENTS (Continued)

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, 2017, open contracts for construction totaled \$50,000 of which \$6,386 had been recorded as cumulative construction in progress. As of June 30, 2017, open contracts for system maintenance totaled \$5,847,357 of which \$3,545,616 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, 2017, the Department had made purchase commitments amounting to \$7,211,493 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, 2017, open contracts for construction totaled \$4,030,227 of which \$3,298,967 had been recorded as cumulative construction in progress. As of June 30, 2017, open contracts for system maintenance totaled \$228,661 of which \$175,362 had been recorded as current maintenance expense.

NOTE 21—SUBSEQUENT EVENT

Business-type Activities

Water and Wastewater Department

Subsequent to year-end, the Department issued Water and Sewer Revenue Warrants, Series 2017 in the amount of \$29,940,000 for the purpose of the advance refunding and redemption of \$20,110,000 principal portion of the Water and Sewer Revenue Warrants, Series 2011 and the current refunding and redemption of the Water and Sewer Revenue Warrants, SRF Series 2006 and the Water and Sewer Revenue Warrants, SRF Series 2007.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
Budgetary fund balance—beginning	\$ 13,440,805	\$ 13,440,805	\$ 13,440,805	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 33,625,922	\$ 33,625,922	\$ 33,934,910	\$ 308,988
Property	12,329,000	12,329,000	12,131,259	(197,741)
Motor fuel	445,000	445,000	358,274	(86,726)
Tobacco	267,500	267,500	232,037	(35,463)
Alcoholic beverages	1,103,500	1,103,500	1,035,773	(67,727)
Other	170,000	170,000	234,070	64,070
Total taxes	<u>\$ 47,940,922</u>	<u>\$ 47,940,922</u>	<u>\$ 47,926,323</u>	<u>\$ (14,599)</u>
Licenses and permits:				
Business	\$ 3,836,000	\$ 3,836,000	\$ 4,243,478	\$ 407,478
Non-business	124,000	124,000	117,988	(6,012)
Total licenses and permits	<u>\$ 3,960,000</u>	<u>\$ 3,960,000</u>	<u>\$ 4,361,466</u>	<u>\$ 401,466</u>
Fines and forfeitures	<u>\$ 1,411,000</u>	<u>\$ 1,411,000</u>	<u>\$ 1,290,455</u>	<u>\$ (120,545)</u>
Charges for services:				
Cultural and recreational	\$ 1,785,173	\$ 1,785,173	\$ 1,799,640	\$ 14,467
Highways and streets	83,500	83,500	88,591	5,091
Other	69,650	69,650	58,661	(10,989)
Total charges for services	<u>\$ 1,938,323</u>	<u>\$ 1,938,323</u>	<u>\$ 1,946,892</u>	<u>\$ 8,569</u>
Intergovernmental	<u>\$ 1,411,086</u>	<u>\$ 1,411,086</u>	<u>\$ 1,459,344</u>	<u>\$ 48,258</u>
Other:				
Interest	\$ 55,000	\$ 55,000	\$ 74,410	\$ 19,410
Other	55,000	55,000	66,811	11,811
Total other	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 141,221</u>	<u>\$ 31,221</u>
Transfers from other funds	<u>\$ 100,000</u>	<u>\$ 312,500</u>	<u>\$ 341,497</u>	<u>\$ 28,997</u>
Amounts available for appropriation	<u>\$ 70,312,136</u>	<u>\$ 70,524,636</u>	<u>\$ 70,908,003</u>	<u>\$ 383,367</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 316,416	\$ 326,666	\$ 331,546	\$ (4,880)
City council	329,230	336,230	350,480	(14,250)
Urban forestry	180,725	181,975	178,452	3,523
Purchasing and grants administration	249,944	267,014	264,456	2,558
Legal	272,997	276,997	284,479	(7,482)
Accounting	580,616	577,366	632,534	(55,168)
City clerk	582,872	596,872	640,539	(43,667)
Planning	388,489	397,489	383,535	13,954
Human resources	385,543	408,333	327,213	81,120
Administrative buildings	851,400	526,400	491,332	35,068
Building	722,818	739,818	713,793	26,025
Engineering	798,673	810,673	795,605	15,068
Elections			3,059	(3,059)
Total general administration	<u>\$ 5,659,723</u>	<u>\$ 5,445,833</u>	<u>\$ 5,397,023</u>	<u>\$ 48,810</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Continued)**

	Budgeted Amounts		Amounts (Budgetary Basis) (See Note A)	Final Budget— Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 10,182,508	\$ 10,263,008	\$ 10,130,387	\$ 132,621
Jail	474,500	474,500	654,576	(180,076)
Municipal court	545,009	567,509	587,428	(19,919)
Animal control	627,817	631,817	665,206	(33,389)
Fire	7,114,649	7,182,149	6,959,238	222,911
Total public safety	\$ 18,944,483	\$ 19,118,983	\$ 18,996,835	\$ 122,148
Public works:				
Streets	\$ 3,698,356	\$ 3,707,856	\$ 3,623,372	\$ 84,484
Municipal lighting and utilities	807,000	927,000	1,047,678	(120,678)
Cemetery	295,173	296,473	289,516	6,957
Parking facilities	78,386	79,386	58,518	20,868
Total public works	\$ 4,878,915	\$ 5,010,715	\$ 5,019,084	\$ (8,369)
Culture and recreation:				
Parks and recreation administration	\$ 2,155,505	\$ 2,195,505	\$ 2,225,519	\$ (30,014)
Parks	3,208,407	3,301,407	3,385,871	(84,464)
Golf course	1,392,851	1,400,851	1,270,478	130,373
Braly municipal stadium	229,823	229,823	195,432	34,391
Arts and museums	421,643	431,193	439,799	(8,606)
Total culture and recreation	\$ 7,408,229	\$ 7,558,779	\$ 7,517,099	\$ 41,680
Nondepartmental:				
Other	\$ 1,393,650	\$ 1,393,650	\$ 1,406,106	\$ (12,456)
Education—funding for school district	8,594,687	8,594,687	8,551,361	43,326
Transfers to other funds	9,764,953	9,764,953	9,832,559	(67,606)
Total nondepartmental	\$ 19,753,290	\$ 19,753,290	\$ 19,790,026	\$ (36,736)
Total charges to appropriations	\$ 56,644,640	\$ 56,887,600	\$ 56,720,067	\$ 167,533
Budgetary fund balance—ending	\$ 13,667,496	\$ 13,637,036	\$ 14,187,936	\$ 550,900

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	\$ 70,908,003
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	(13,440,805)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(341,497)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 57,125,701</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 56,720,067
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(9,832,559)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 46,887,508</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
TOTAL PENSION LIABILITY										
Service cost	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	7,880,999	7,721,152	7,603,781							
Effect of plan changes										
Effect of economic/demographic gains or losses	1,690,662	558,626	1,537,047							
Effect of assumption changes or inputs	(188,107)	1,286,192								
Benefit payments	(8,968,541)	(11,629,512)	(9,216,405)							
Net change in total pension liability	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total pension liability, beginning	106,594,794	105,833,066	103,053,884							
Total pension liability, ending (a)	<u>\$ 109,898,187</u>	<u>\$ 106,594,794</u>	<u>\$ 105,833,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions—employee	1,567,210	1,473,806	1,349,233							
Investment income, net of investment expenses	7,565,914	(1,028,142)	7,950,048							
Benefit payments	(8,968,541)	(11,629,512)	(9,216,405)							
Administrative expenses	(384,687)	(353,852)	(378,171)							
Net change in plan fiduciary net position	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position, beginning	76,330,780	83,815,512	80,400,416							
Fiduciary net position, ending (b)	<u>\$ 80,420,505</u>	<u>\$ 76,330,780</u>	<u>\$ 83,815,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability, ending (a-b)	<u>\$ 29,477,682</u>	<u>\$ 30,264,014</u>	<u>\$ 22,017,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a percentage of total pension liability	73.18%	71.61%	79.20%							
Covered-employee payroll	\$ 30,035,187	\$ 29,475,065	\$ 29,557,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered-employee payroll	98.14%	102.68%	74.49%							

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Employees' Retirement Plan						
<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>	
2008	\$ 2,435,104	\$ 3,726,546	\$ (1,291,442)	\$ 25,653,135	14.53%	
2009	2,315,374	4,029,198	(1,713,824)	26,289,687	15.33%	
2010	2,260,178	3,563,874	(1,303,696)	26,775,834	13.31%	
2011	2,920,660	3,888,126	(967,466)	28,074,105	13.85%	
2012	3,377,314	3,765,076	(387,762)	28,743,659	13.10%	
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%	
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%	
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%	
2016	4,276,605	4,309,829	(33,224)	29,475,065	14.62%	
2017	4,453,606	4,059,238	394,368	30,035,187	13.51%	

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, closed

Remaining amortization period: 24 years

Asset valuation method: 4-year smoothed market

Corridor: 90.00% to 110.00% of market

Inflation: 2.50%

Salary increases: 3.00%

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

Cost of living adjustments: None

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

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

Mortality: RP-2014 Mortality Table with generational projection using MP-2016

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

Employees' Retirement Plan										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Annual money-weighted rate of return, net of investment expense	10.43%	-1.12%	9.61%	-	-	-	-	-	-	-

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ending September 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service cost	\$ 38,227	\$ 36,478	\$ 34,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	92,847	90,039	83,120							
Changes of benefit terms	-	-	-							
Differences between expected and actual experience	1,575	(63,408)	-							
Changes of assumptions	258,382	-	-							
Benefit payments, including refunds of employee contributions	(30,504)	(25,520)	(35,800)							
Net change in total pension liability	\$ 360,527	\$ 37,589	\$ 81,351	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total pension liability—beginning	1,175,834	1,138,245	1,056,894							
Total pension liability—ending (a)	\$ 1,536,361	\$ 1,175,834	\$ 1,138,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 36,520	\$ 39,051	\$ 42,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	35,474	34,100	30,467							
Net investment income	104,912	11,453	98,897							
Benefit payments, including refunds of employee contributions	(30,504)	(25,520)	(35,800)							
Transfers among employers	-	17,639	(18,727)							
Net change in plan fiduciary net position	\$ 146,402	\$ 76,723	\$ 117,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position—beginning	1,009,409	932,686	815,398							
Plan fiduciary net position—ending (b)	\$ 1,155,811	\$ 1,009,409	\$ 932,686	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability—ending (a - b)	\$ 380,550	\$ 166,425	\$ 205,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	75.23%	85.85%	81.94%							
Covered-employee payroll	\$ 481,183	\$ 454,667	\$ 426,337							
Net pension liability as a percentage of covered-employee payroll	79.09%	36.60%	48.22%							

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Employer Contributions

Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 25,730	\$ 35,978	\$ 37,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	25,730	35,978	37,673							
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 455,834	\$ 481,183	\$ 454,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	5.64%	7.48%	8.29%							

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry Age Normal
 Amortization method: Level percentage of payroll, closed
 Remaining amortization period: 8 years
 Asset valuation method: 5-year smoothed market
 Inflation: 3.00%
 Salary increases: 3.75% – 7.25%, including inflation
 Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

CITY OF FLORENCE, ALABAMA
Schedules of Funding Progress

Postretirement Benefits Plan						
<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL)— Unit Credit (b)</i>	<i>Unfunded AAL (UAAL) (b - a)</i>	<i>Funded Ratio (a / b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b - a) / c)</i>
October 1, 2015	\$ 1,147,813	\$ 12,244,809	\$ 11,096,996	9.4%	\$ 29,881,788	37.1%
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%

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



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

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	Animal Spay/Neuter Fund
ASSETS											
Cash and cash equivalents	\$ 87,413	\$ 30,918	\$ 167,877	\$ 9,230	\$	\$ 119,349	\$ 2,699,996	\$ 23,156	\$ 467,332	\$	\$
Receivables (net)	14,506	15,422	27,992	26,863			55,180		18,785		
Accrued interest receivable	83	56	154	8			916	22	192		
Loan receivables (net)						261,812	15,637				
Interfund receivables				23,226	22,624		456,411	364	4,302	19,196	3,155
Total assets	<u>\$ 102,002</u>	<u>\$ 46,396</u>	<u>\$ 196,023</u>	<u>\$ 59,327</u>	<u>\$ 22,624</u>	<u>\$ 381,161</u>	<u>\$ 3,228,140</u>	<u>\$ 23,542</u>	<u>\$ 490,611</u>	<u>\$ 19,196</u>	<u>\$ 3,155</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable and accrued expenses	\$	\$	\$	\$ 24,941	\$	\$ 317	\$ 248,120	\$ 23,542	\$ 124,021	\$ 19,196	\$
Interfund payables		4,731				140,890	13,250				
Total liabilities	<u>\$ —</u>	<u>\$ 4,731</u>	<u>\$ —</u>	<u>\$ 24,941</u>	<u>\$ —</u>	<u>\$ 141,207</u>	<u>\$ 261,370</u>	<u>\$ 23,542</u>	<u>\$ 124,021</u>	<u>\$ 19,196</u>	<u>\$ —</u>
Fund balances											
Nonspendable:											
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:											
Street resurfacing and improvements	102,002	41,665	196,023								
Culture and recreation					22,624						
Public safety									366,590		3,155
Community development and rehabilitation						239,954					
Capital projects											
Assigned to:											
Capital projects							2,966,770				
Municipal building maintenance											
Unassigned											
				34,386							
Total fund balances	<u>\$ 102,002</u>	<u>\$ 41,665</u>	<u>\$ 196,023</u>	<u>\$ 34,386</u>	<u>\$ 22,624</u>	<u>\$ 239,954</u>	<u>\$ 2,966,770</u>	<u>\$ —</u>	<u>\$ 366,590</u>	<u>\$ —</u>	<u>\$ 3,155</u>
Total liabilities and fund balance	<u>\$ 102,002</u>	<u>\$ 46,396</u>	<u>\$ 196,023</u>	<u>\$ 59,327</u>	<u>\$ 22,624</u>	<u>\$ 381,161</u>	<u>\$ 3,228,140</u>	<u>\$ 23,542</u>	<u>\$ 490,611</u>	<u>\$ 19,196</u>	<u>\$ 3,155</u>

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total		
ASSETS										
Cash and cash equivalents	\$ 89,129	\$ 20,078	\$ 3,714,478	\$ —	\$ 835,092	\$ 34,671	\$ 3,770,345	\$ 4,640,108	\$ —	\$ 8,354,586
Receivables (net)	5,978	93,053	257,779	—	—	—	—	—	—	257,779
Accrued interest receivable	104	15	1,550	—	443	16	384	843	—	2,393
Loan receivables (net)	—	—	277,449	—	—	—	—	—	—	277,449
Interfund receivables	—	—	529,278	—	—	7,442	—	7,442	—	536,720
Total assets	<u>\$ 95,211</u>	<u>\$ 113,146</u>	<u>\$ 4,780,534</u>	<u>\$ —</u>	<u>\$ 835,535</u>	<u>\$ 42,129</u>	<u>\$ 3,770,729</u>	<u>\$ 4,648,393</u>	<u>\$ —</u>	<u>\$ 9,428,927</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 93,023	\$ 36,795	\$ 569,955	\$ —	\$ 3,047	\$ 42,129	\$ 59,706	\$ 104,882	\$ —	\$ 674,837
Interfund payables	2,188	59,194	220,253	—	—	—	—	—	—	220,253
Total liabilities	<u>\$ 95,211</u>	<u>\$ 95,989</u>	<u>\$ 790,208</u>	<u>\$ —</u>	<u>\$ 3,047</u>	<u>\$ 42,129</u>	<u>\$ 59,706</u>	<u>\$ 104,882</u>	<u>\$ —</u>	<u>\$ 895,090</u>
Fund balances										
Nonspendable:										
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted for:										
Street resurfacing and improvements	—	—	339,690	—	—	—	—	—	—	339,690
Culture and recreation	—	—	22,624	—	—	—	—	—	—	22,624
Public safety	—	—	369,745	—	—	—	—	—	—	369,745
Community development and rehabilitation	—	—	239,954	—	—	—	—	—	—	239,954
Capital projects	—	—	—	—	832,488	—	3,711,023	4,543,511	—	4,543,511
Assigned to:										
Capital projects	—	—	2,966,770	—	—	—	—	—	—	2,966,770
Municipal building maintenance	—	17,157	17,157	—	—	—	—	—	—	17,157
Unassigned	—	—	34,386	—	—	—	—	—	—	34,386
Total fund balances	<u>\$ —</u>	<u>\$ 17,157</u>	<u>\$ 3,990,326</u>	<u>\$ —</u>	<u>\$ 832,488</u>	<u>\$ —</u>	<u>\$ 3,711,023</u>	<u>\$ 4,543,511</u>	<u>\$ —</u>	<u>\$ 8,533,837</u>
Total liabilities and fund balance	<u>\$ 95,211</u>	<u>\$ 113,146</u>	<u>\$ 4,780,534</u>	<u>\$ —</u>	<u>\$ 835,535</u>	<u>\$ 42,129</u>	<u>\$ 3,770,729</u>	<u>\$ 4,648,393</u>	<u>\$ —</u>	<u>\$ 9,428,927</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	Animal Spay/Neuter Fund
REVENUES											
Taxes	\$ 158,174	\$ 169,247	\$ 309,168	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				459,905		445,940	195,430		45,710		
Interest revenues	669	519	1,242	285			68,394	163	1,870		
Program revenues				21,924		5,335			183,198		
Miscellaneous			3,950				14,000			126,522	
Total revenues	<u>\$ 158,843</u>	<u>\$ 169,766</u>	<u>\$ 314,360</u>	<u>\$ 482,114</u>	<u>\$ —</u>	<u>\$ 451,275</u>	<u>\$ 277,824</u>	<u>\$ 163</u>	<u>\$ 230,778</u>	<u>\$ 126,522</u>	<u>\$ —</u>
EXPENDITURES											
Current operating:											
General administration	\$	\$	\$	20,000	\$	68,475	213,085	\$	\$	\$	\$
Public safety				72,646				635	95,258	108,114	2,675
Public works		33,028				139,510	155,298			3,575	
Culture and recreation					4,776		52,282			14,833	
Other				249,317		275,316	54,104				
Education—funding for school district							3,352,875				
Capital outlay and improvements				106,900			683,611				
Debt service:											
Principal payments											
Interest and fiscal charges											
Total expenditures	<u>\$ —</u>	<u>\$ 33,028</u>	<u>\$ —</u>	<u>\$ 448,863</u>	<u>\$ 4,776</u>	<u>\$ 483,301</u>	<u>\$ 4,511,255</u>	<u>\$ 635</u>	<u>\$ 95,258</u>	<u>\$ 126,522</u>	<u>\$ 2,675</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 158,843</u>	<u>\$ 136,738</u>	<u>\$ 314,360</u>	<u>\$ 33,251</u>	<u>\$ (4,776)</u>	<u>\$ (32,026)</u>	<u>\$ (4,233,431)</u>	<u>\$ (472)</u>	<u>\$ 135,520</u>	<u>\$ —</u>	<u>\$ (2,675)</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	\$	\$	\$	\$	\$	\$	9,071,783	\$	\$	\$	3,155
Transfers out	(110,456)	(110,456)	(220,915)				(4,622,578)				
Total other financing sources (uses)	<u>\$ (110,456)</u>	<u>\$ (110,456)</u>	<u>\$ (220,915)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,449,205</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,155</u>
Net change in fund balances	<u>\$ 48,387</u>	<u>\$ 26,282</u>	<u>\$ 93,445</u>	<u>\$ 33,251</u>	<u>\$ (4,776)</u>	<u>\$ (32,026)</u>	<u>\$ 215,774</u>	<u>\$ (472)</u>	<u>\$ 135,520</u>	<u>\$ —</u>	<u>\$ 480</u>
Fund balances—beginning	53,615	15,383	102,578	1,135	27,400	271,980	2,750,996	472	231,070		2,675
Fund balances—ending	<u>\$ 102,002</u>	<u>\$ 41,665</u>	<u>\$ 196,023</u>	<u>\$ 34,386</u>	<u>\$ 22,624</u>	<u>\$ 239,954</u>	<u>\$ 2,966,770</u>	<u>\$ —</u>	<u>\$ 366,590</u>	<u>\$ —</u>	<u>\$ 3,155</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Permanent Fund	Total
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	Cemetery Perpetual Care	Other Governmental Funds
REVENUES										
Taxes	\$	\$	\$ 636,589	\$	\$	\$	\$	\$ —	\$	\$ 636,589
Intergovernmental			1,146,985		334,995			334,995		1,481,980
Interest revenues		255	73,397		5,032	231	3,042	8,305		81,702
Program revenues		243,885	454,342						627	454,969
Miscellaneous			144,472					22,481		166,953
Total revenues	\$ —	\$ 244,140	\$ 2,455,785	\$ —	\$ 340,027	\$ 231	\$ 25,523	\$ 365,781	\$ 627	\$ 2,822,193
EXPENDITURES										
Current operating:										
General administration	\$	\$ 362,317	\$ 663,877	\$	\$ (6,057)	\$	\$	\$ (6,057)	\$	\$ 657,820
Public safety			279,328		3,717		1,230	4,947		284,275
Public works			331,411					—		331,411
Culture and recreation			71,891					—		71,891
Other			578,737			80,016		80,016		658,753
Education—funding for school district			3,352,875					—		3,352,875
Capital outlay and improvements		18,290	808,801		319,535	19,505	2,686,980	3,026,020		3,834,821
Debt service:										
Principal payments			—	4,007,713				—		4,007,713
Interest and fiscal charges			—	1,577,831				—		1,577,831
Total expenditures	\$ —	\$ 380,607	\$ 6,086,920	\$ 5,585,544	\$ 317,195	\$ 99,521	\$ 2,688,210	\$ 3,104,926	\$ —	\$ 14,777,390
Excess (deficiency) of revenues over expenditures	\$ —	\$ (136,467)	\$ (3,631,135)	\$ (5,585,544)	\$ 22,832	\$ (99,290)	\$ (2,662,687)	\$ (2,739,145)	\$ 627	\$ (11,955,197)
OTHER FINANCING SOURCES (USES)										
Transfers in	\$	\$ 136,482	\$ 9,211,420	\$ 5,585,544	\$	\$	\$	\$ —	\$	\$ 14,796,964
Transfers out			(5,064,405)						(241,497)	(5,305,902)
Total other financing sources (uses)	\$ —	\$ 136,482	\$ 4,147,015	\$ 5,585,544	\$ —	\$ —	\$ —	\$ —	\$ (241,497)	\$ 9,491,062
Net change in fund balances	\$ —	\$ 15	\$ 515,880	\$ —	\$ 22,832	\$ (99,290)	\$ (2,662,687)	\$ (2,739,145)	\$ (240,870)	\$ (2,464,135)
Fund balances—beginning		17,142	3,474,446		809,656	99,290	6,373,710	7,282,656	240,870	10,997,972
Fund balances—ending	\$ —	\$ 17,157	\$ 3,990,326	\$ —	\$ 832,488	\$ —	\$ 3,711,023	\$ 4,543,511	\$ —	\$ 8,533,837

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 345,173	\$ 5,193,929	\$ 1,535,937	\$ 45,326	\$ 7,120,365
Receivables (net)	493,207	1,561	674	54,414	549,856
Accrued interest receivable	131	2,445	713		3,289
Total current assets	\$ 838,511	\$ 5,197,935	\$ 1,537,324	\$ 99,740	\$ 7,673,510
Noncurrent assets					
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,100	\$ —	\$ 150,100
Total noncurrent assets	\$ —	\$ 50,000	\$ 100,100	\$ —	\$ 150,100
Total assets	\$ 838,511	\$ 5,247,935	\$ 1,637,424	\$ 99,740	\$ 7,823,610
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 264,255	\$ 13,490	\$ 43,194	\$ 1,573	\$ 322,512
Interfund payables	295,700			98,167	393,867
Noncurrent liabilities					
Claims reserve		815,403	2,446,693		3,262,096
Total liabilities	\$ 559,955	\$ 828,893	\$ 2,489,887	\$ 99,740	\$ 3,978,475
NET POSITION					
Restricted for:					
Other purposes	\$	\$ 50,000	\$ 100,100	\$	\$ 150,100
Unrestricted	278,556	4,369,042	(952,563)		3,695,035
Total net position	\$ 278,556	\$ 4,419,042	\$ (852,463)	\$ —	\$ 3,845,135

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Operating revenues					
User charges	\$ 1,243,068	\$ 325,178	\$ 520,866	\$ 413,930	\$ 2,503,042
Total operating revenues	<u>\$ 1,243,068</u>	<u>\$ 325,178</u>	<u>\$ 520,866</u>	<u>\$ 413,930</u>	<u>\$ 2,503,042</u>
Operating expenses					
Insurance premiums and claims (net of refunds)	\$ 1,237,522	\$ 94,192	\$ 840,507	\$ —	\$ 2,172,221
Operations and administration	6,258	149,412	45,563	413,930	615,163
Total operating expenses	<u>\$ 1,243,780</u>	<u>\$ 243,604</u>	<u>\$ 886,070</u>	<u>\$ 413,930</u>	<u>\$ 2,787,384</u>
Operating income (loss)	<u>\$ (712)</u>	<u>\$ 81,574</u>	<u>\$ (365,204)</u>	<u>\$ —</u>	<u>\$ (284,342)</u>
Non-operating revenues (expenses)					
Interest revenues	712	27,973	8,296	—	36,981
Change in net position	<u>\$ —</u>	<u>\$ 109,547</u>	<u>\$ (356,908)</u>	<u>\$ —</u>	<u>\$ (247,361)</u>
Net position—beginning	278,556	4,309,495	(495,555)	—	4,092,496
Net position—ending	<u><u>\$ 278,556</u></u>	<u><u>\$ 4,419,042</u></u>	<u><u>\$ (852,463)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 3,845,135</u></u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Cash flows from operating activities					
Receipts from customers and users	\$ 863,424	\$ 323,617	\$ 536,569	\$ 401,160	\$ 2,124,770
Payments to suppliers	(998,610)	(236,059)	(855,973)	(439,741)	(2,530,383)
Net cash from operating activities	<u>\$ (135,186)</u>	<u>\$ 87,558</u>	<u>\$ (319,404)</u>	<u>\$ (38,581)</u>	<u>\$ (405,613)</u>
Cash flows from investing activities					
Interest on investments	\$ 615	\$ 27,363	\$ 8,189	\$ —	\$ 36,167
Interfund receivables (payables)	295,158			(39,690)	255,468
Net cash from investing activities	<u>\$ 295,773</u>	<u>\$ 27,363</u>	<u>\$ 8,189</u>	<u>\$ (39,690)</u>	<u>\$ 291,635</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 160,587</u>	<u>\$ 114,921</u>	<u>\$ (311,215)</u>	<u>\$ (78,271)</u>	<u>\$ (113,978)</u>
Cash and cash equivalents—beginning	184,586	5,129,008	1,947,252	123,597	7,384,443
Cash and cash equivalents—ending	<u><u>\$ 345,173</u></u>	<u><u>\$ 5,243,929</u></u>	<u><u>\$ 1,636,037</u></u>	<u><u>\$ 45,326</u></u>	<u><u>\$ 7,270,465</u></u>
<i>Classified as:</i>					
Current assets	\$ 345,173	\$ 5,193,929	\$ 1,535,937	\$ 45,326	\$ 7,120,365
Restricted assets		50,000	100,100		150,100
Totals	<u><u>\$ 345,173</u></u>	<u><u>\$ 5,243,929</u></u>	<u><u>\$ 1,636,037</u></u>	<u><u>\$ 45,326</u></u>	<u><u>\$ 7,270,465</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>					
Operating income (loss)	\$ (712)	\$ 81,574	\$ (365,204)	\$ —	\$ (284,342)
Changes in assets and liabilities					
Receivables (net)	\$ (379,644)	\$ (1,561)	\$ 15,703	\$ (12,770)	\$ (378,272)
Accounts and other payables	245,170	7,545	30,097	(25,811)	257,001
Total adjustments	<u>\$ (134,474)</u>	<u>\$ 5,984</u>	<u>\$ 45,800</u>	<u>\$ (38,581)</u>	<u>\$ (121,271)</u>
Net cash provided (used) by operating activities	<u><u>\$ (135,186)</u></u>	<u><u>\$ 87,558</u></u>	<u><u>\$ (319,404)</u></u>	<u><u>\$ (38,581)</u></u>	<u><u>\$ (405,613)</u></u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 53,615	\$ 53,615	\$ 53,615	\$ —
Resources (inflows):				
Taxes	150,000	150,000	158,174	8,174
Interest revenues	250	250	669	419
Amounts available for appropriation	<u>\$ 203,865</u>	<u>\$ 203,865</u>	<u>\$ 212,458</u>	<u>\$ 8,593</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 39,794	\$ 39,794	\$	\$ 39,794
Transfers to other funds	110,456	110,456	110,456	—
Total charges to appropriations	<u>\$ 150,250</u>	<u>\$ 150,250</u>	<u>\$ 110,456</u>	<u>\$ 39,794</u>
Budgetary fund balance—ending	<u>\$ 53,615</u>	<u>\$ 53,615</u>	<u>\$ 102,002</u>	<u>\$ 48,387</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	\$ 212,458
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	(53,615)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 158,843</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 110,456
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(110,456)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 15,383	\$ 15,383	\$ 15,383	\$ —
Resources (inflows):				
Taxes	160,000	160,000	169,247	9,247
Interest revenues	300	300	519	219
Amounts available for appropriation	<u>\$ 175,683</u>	<u>\$ 175,683</u>	<u>\$ 185,149</u>	<u>\$ 9,466</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 25,000	\$ 25,000	\$ 33,028	\$ (8,028)
Capital outlay and improvements	24,844	24,844		24,844
Transfers to other funds	110,456	110,456	110,456	—
Total charges to appropriations	<u>\$ 160,300</u>	<u>\$ 160,300</u>	<u>\$ 143,484</u>	<u>\$ 16,816</u>
Budgetary fund balance—ending	<u>\$ 15,383</u>	<u>\$ 15,383</u>	<u>\$ 41,665</u>	<u>\$ 26,282</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	\$ 185,149
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	(15,383)
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>\$ 169,766</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 143,484
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(110,456)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 33,028</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 102,578	\$ 102,578	\$ 102,578	\$ —
Resources (inflows):				
Taxes	340,000	340,000	309,168	(30,832)
Interest revenues	300	300	1,242	942
Miscellaneous			3,950	3,950
Amounts available for appropriation	<u>\$ 442,878</u>	<u>\$ 442,878</u>	<u>\$ 416,938</u>	<u>\$ (25,940)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 119,385	\$ 119,385	\$	\$ 119,385
Transfers to other funds	220,915	220,915	220,915	—
Total charges to appropriations	<u>\$ 340,300</u>	<u>\$ 340,300</u>	<u>\$ 220,915</u>	<u>\$ 119,385</u>
Budgetary fund balance—ending	<u>\$ 102,578</u>	<u>\$ 102,578</u>	<u>\$ 196,023</u>	<u>\$ 93,445</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	\$ 416,938
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	(102,578)
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>\$ 314,360</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 220,915
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(220,915)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 1,135	\$ 1,135	\$ 1,135	\$ —
Resources (inflows):				
Intergovernmental	478,609	478,609	459,905	(18,704)
Interest revenues	50	50	285	235
Program revenues	10,000	10,000	21,924	11,924
Amounts available for appropriation	<u>\$ 489,794</u>	<u>\$ 489,794</u>	<u>\$ 483,249</u>	<u>\$ (6,545)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 35,050	\$ 35,050	\$ 20,000	\$ 15,050
Public safety	35,000	35,000	72,646	(37,646)
Other	837,218	837,218	249,317	587,901
Capital outlay and improvements			106,900	(106,900)
Total charges to appropriations	<u>\$ 907,268</u>	<u>\$ 907,268</u>	<u>\$ 448,863</u>	<u>\$ 458,405</u>
Budgetary fund balance—ending	<u>\$ (417,474)</u>	<u>\$ (417,474)</u>	<u>\$ 34,386</u>	<u>\$ 451,860</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	\$ 483,249
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	(1,135)
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>\$ 482,114</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 448,863
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>\$ 448,863</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 27,400	\$ 27,400	\$ 27,400	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 15,000	\$ 15,000	\$ 4,776	\$ 10,224
Total charges to appropriations	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 4,776</u>	<u>\$ 10,224</u>
Budgetary fund balance—ending	<u>\$ 12,400</u>	<u>\$ 12,400</u>	<u>\$ 22,624</u>	<u>\$ 10,224</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	\$ 27,400
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	(27,400)
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	\$ 4,776
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>\$ 4,776</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 271,980	\$ 271,980	\$ 271,980	\$ —
Resources (inflows):				
Intergovernmental	895,425	895,425	445,940	(449,485)
Program revenues			5,335	5,335
Amounts available for appropriation	<u>\$ 1,167,405</u>	<u>\$ 1,167,405</u>	<u>\$ 723,255</u>	<u>\$ (444,150)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 61,000	\$ 61,000	\$ 68,475	\$ (7,475)
Public works	170,500	170,500	139,510	30,990
Other	663,925	663,925	275,316	388,609
Total charges to appropriations	<u>\$ 895,425</u>	<u>\$ 895,425</u>	<u>\$ 483,301</u>	<u>\$ 412,124</u>
Budgetary fund balance—ending	<u>\$ 271,980</u>	<u>\$ 271,980</u>	<u>\$ 239,954</u>	<u>\$ (32,026)</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	\$ 723,255
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	(271,980)
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>\$ 451,275</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 483,301
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>\$ 483,301</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 2,750,996	\$ 2,750,996	\$ 2,750,996	\$ —
Resources (inflows):				
Interest revenues	7,500	7,500	68,394	60,894
Intergovernmental			195,430	195,430
Miscellaneous			14,000	14,000
Transfers from other funds	8,950,435	8,950,435	9,071,783	121,348
Amounts available for appropriation	<u>\$ 11,708,931</u>	<u>\$ 11,708,931</u>	<u>\$ 12,100,603</u>	<u>\$ 391,672</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 99,490	\$ 99,490	\$ 213,085	\$ (113,595)
Public works	20,000	20,000	155,298	(135,298)
Culture and recreation			52,282	(52,282)
Other			54,104	(54,104)
Education—funding for school district	3,311,660	3,311,660	3,352,875	(41,215)
Capital outlay and improvements	604,197	604,197	683,611	(79,414)
Transfers to other funds	4,922,588	4,922,588	4,622,578	300,010
Total charges to appropriations	<u>\$ 8,957,935</u>	<u>\$ 8,957,935</u>	<u>\$ 9,133,833</u>	<u>\$ (175,898)</u>
Budgetary fund balance—ending	<u>\$ 2,750,996</u>	<u>\$ 2,750,996</u>	<u>\$ 2,966,770</u>	<u>\$ 215,774</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,100,603
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,750,996)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(9,071,783)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 277,824</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,133,833
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,622,578)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 4,511,255</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<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	\$ 231,070	\$ 231,070	\$ 231,070	\$ —
Resources (inflows):				
Intergovernmental			45,710	45,710
Interest revenues			1,870	1,870
Program revenues	50,400	50,400	183,198	132,798
Amounts available for appropriation	<u>\$ 281,470</u>	<u>\$ 281,470</u>	<u>\$ 461,848</u>	<u>\$ 180,378</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 50,400	\$ 50,400	\$ 95,258	\$ (44,858)
Total charges to appropriations	<u>\$ 50,400</u>	<u>\$ 50,400</u>	<u>\$ 95,258</u>	<u>\$ (44,858)</u>
Budgetary fund balance—ending	<u>\$ 231,070</u>	<u>\$ 231,070</u>	<u>\$ 366,590</u>	<u>\$ 135,520</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	\$ 461,848
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	(231,070)
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>\$ 230,778</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 95,258
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>\$ 95,258</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Miscellaneous	42,500	42,500	126,522	84,022
Amounts available for appropriation	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 126,522</u>	<u>\$ 84,022</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 37,500	\$ 37,500	\$ 108,114	\$ (70,614)
Public works			3,575	(3,575)
Culture and recreation	5,000	5,000	14,833	(9,833)
Total charges to appropriations	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 126,522</u>	<u>\$ (84,022)</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	\$ 126,522
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>\$ 126,522</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 126,522
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>\$ 126,522</u>

Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$84,022 for the year ended September 30, 2017. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ANIMAL SPAY/NEUTER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 2,675	\$ 2,675	\$ 2,675	\$ —
Resources (inflows):				
Transfers from other funds	5,000	5,000	3,155	(1,845)
Amounts available for appropriation	<u>\$ 7,675</u>	<u>\$ 7,675</u>	<u>\$ 5,830</u>	<u>\$ (1,845)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 5,000	\$ 5,000	\$ 2,675	\$ 2,325
Total charges to appropriations	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,675</u>	<u>\$ 2,325</u>
Budgetary fund balance—ending	<u>\$ 2,675</u>	<u>\$ 2,675</u>	<u>\$ 3,155</u>	<u>\$ 480</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,830
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,675)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(3,155)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,675
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,675</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 17,142	\$ 17,142	\$ 17,142	\$ —
Resources (inflows):				
Interest revenues	100	100	255	155
Program revenues	235,540	235,540	243,885	8,345
Transfers from other funds	120,000	120,000	136,482	16,482
Amounts available for appropriation	<u>\$ 372,782</u>	<u>\$ 372,782</u>	<u>\$ 397,764</u>	<u>\$ 24,982</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 355,640	\$ 355,640	\$ 362,317	\$ (6,677)
Capital outlay and improvements			18,290	(18,290)
Total charges to appropriations	<u>\$ 355,640</u>	<u>\$ 355,640</u>	<u>\$ 380,607</u>	<u>\$ (24,967)</u>
Budgetary fund balance—ending	<u>\$ 17,142</u>	<u>\$ 17,142</u>	<u>\$ 17,157</u>	<u>\$ 15</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	\$ 397,764
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	(17,142)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(136,482)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 244,140</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 380,607
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>\$ 380,607</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	5,886,510	5,886,510	5,585,544	(300,966)
Amounts available for appropriation	<u>\$ 5,886,510</u>	<u>\$ 5,886,510</u>	<u>\$ 5,585,544</u>	<u>\$ (300,966)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,872,590	\$ 3,872,590	\$ 4,007,713	\$ (135,123)
Interest and fiscal charges	1,704,635	1,704,635	1,577,831	126,804
Total charges to appropriations	<u>\$ 5,577,225</u>	<u>\$ 5,577,225</u>	<u>\$ 5,585,544</u>	<u>\$ (8,319)</u>
Budgetary fund balance—ending	<u>\$ 309,285</u>	<u>\$ 309,285</u>	<u>\$ —</u>	<u>\$ (309,285)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,585,544
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(5,585,544)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,585,544
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,585,544</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 809,656	\$ 809,656	\$ 809,656	\$ —
Resources (inflows):				
Intergovernmental	220,000	220,000	334,995	114,995
Interest revenues	1,000	1,000	5,032	4,032
Amounts available for appropriation	<u>\$ 1,030,656</u>	<u>\$ 1,030,656</u>	<u>\$ 1,149,683</u>	<u>\$ 119,027</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$	\$	\$ (6,057)	\$ 6,057
Public safety			3,717	(3,717)
Capital outlay and improvements	221,000	221,000	319,535	(98,535)
Total charges to appropriations	<u>\$ 221,000</u>	<u>\$ 221,000</u>	<u>\$ 317,195</u>	<u>\$ (96,195)</u>
Budgetary fund balance—ending	<u>\$ 809,656</u>	<u>\$ 809,656</u>	<u>\$ 832,488</u>	<u>\$ 22,832</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	\$ 1,149,683
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	(809,656)
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>\$ 340,027</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 317,195
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>\$ 317,195</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 99,290	\$ 99,290	\$ 99,290	\$ —
Resources (inflows):				
Interest revenues	250	250	231	(19)
Amounts available for appropriation	<u>\$ 99,540</u>	<u>\$ 99,540</u>	<u>\$ 99,521</u>	<u>\$ (19)</u>
Charges to appropriations (outflows):				
Current operating:				
Other	\$ 100,000	\$ 100,000	\$ 80,016	\$ 19,984
Capital outlay and improvements			19,505	(19,505)
Total charges to appropriations	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 99,521</u>	<u>\$ 479</u>
Budgetary fund balance—ending	<u>\$ (460)</u>	<u>\$ (460)</u>	<u>\$ —</u>	<u>\$ 460</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	\$ 99,521
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	(99,290)
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>\$ 231</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 99,521
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>\$ 99,521</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013-B G.O. WARRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 6,373,710	\$ 6,373,710	\$ 6,373,710	\$ —
Resources (inflows):				
Interest revenues	4,000	4,000	3,042	(958)
Miscellaneous			22,481	22,481
Amounts available for appropriation	<u>\$ 6,377,710</u>	<u>\$ 6,377,710</u>	<u>\$ 6,399,233</u>	<u>\$ (958)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$	\$	\$ 1,230	\$ (1,230)
Capital outlay and improvements	5,830,000	5,830,000	2,686,980	3,143,020
Total charges to appropriations	<u>\$ 5,830,000</u>	<u>\$ 5,830,000</u>	<u>\$ 2,688,210</u>	<u>\$ 3,141,790</u>
Budgetary fund balance—ending	<u>\$ 547,710</u>	<u>\$ 547,710</u>	<u>\$ 3,711,023</u>	<u>\$ 3,163,313</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	\$ 6,399,233
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	(6,373,710)
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>\$ 25,523</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,688,210
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,688,210</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
CEMETERY PERPETUAL CARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 240,870	\$ 240,870	\$ 240,870	\$ —
Resources (inflows):				
Program revenues	500	500	627	127
Amounts available for appropriation	<u>\$ 241,370</u>	<u>\$ 241,370</u>	<u>\$ 241,497</u>	<u>\$ 127</u>
Charges to appropriations (outflows):				
Transfers to other funds	\$ 500	\$ 500	\$ 241,497	\$ (240,997)
Total charges to appropriations	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 241,497</u>	<u>\$ (240,997)</u>
Budgetary fund balance—ending	<u>\$ 240,870</u>	<u>\$ 240,870</u>	<u>\$ —</u>	<u>\$ (240,870)</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	\$ 241,497
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(240,870)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 627</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 241,497
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(241,497)</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, 2017**

	<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	\$ 122,253,000	\$ 122,253,000	\$ 121,108,816	\$ (1,144,184)
Other	615,000	615,000	609,202	(5,798)
Total operating revenues	<u>\$ 122,868,000</u>	<u>\$ 122,868,000</u>	<u>\$ 121,718,018</u>	<u>\$ (1,149,982)</u>
Operating expenses				
Costs of sales	\$ 97,520,000	\$ 97,520,000	\$ 97,233,123	\$ 286,877
Operations, maintenance, and administration	15,607,100	15,754,100	14,707,797	1,046,303
Depreciation	5,000,000	5,000,000	5,255,576	(255,576)
Taxes and tax equivalents	3,334,000	3,334,000	3,553,432	(219,432)
Total operating expenses	<u>\$ 121,461,100</u>	<u>\$ 121,608,100</u>	<u>\$ 120,749,928</u>	<u>\$ 858,172</u>
Operating income (loss)	<u>\$ 1,406,900</u>	<u>\$ 1,259,900</u>	<u>\$ 968,090</u>	<u>\$ (291,810)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 14,000	\$ 14,000	\$ 43,673	\$ 29,673
Merchandising revenues (net of costs)	120,000	120,000	86,695	(33,305)
Miscellaneous nonoperating income	20,000	20,000	14,766	(5,234)
Gain on disposition of assets			63,908	63,908
Interest expense	(273,900)	(273,900)	(273,828)	72
Amortization of debt related costs	(48,600)	(48,600)	(30,756)	17,844
Total nonoperating revenues (expenses)	<u>\$ (168,500)</u>	<u>\$ (168,500)</u>	<u>\$ (95,542)</u>	<u>\$ 72,958</u>
Change in net position	<u>\$ 1,238,400</u>	<u>\$ 1,091,400</u>	<u>\$ 872,548</u>	<u>\$ (218,852)</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, 2017**

	<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	\$ 19,533,200	\$ 19,533,200	\$ 14,088,236	\$ (5,444,964)
Other	11,600	11,600	8,718	(2,882)
Total operating revenues	<u>\$ 19,544,800</u>	<u>\$ 19,544,800</u>	<u>\$ 14,096,954</u>	<u>\$ (5,447,846)</u>
Operating expenses				
Costs of sales	\$ 11,202,400	\$ 11,202,400	\$ 6,658,476	\$ 4,543,924
Operations, maintenance, and administration	4,676,700	4,709,100	4,666,987	42,113
Depreciation	1,535,000	1,535,000	1,467,493	67,507
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,567,300	1,569,800	1,518,788	51,012
Total operating expenses	<u>\$ 18,992,100</u>	<u>\$ 19,027,000</u>	<u>\$ 14,322,405</u>	<u>\$ 4,704,595</u>
Operating income (loss)	<u>\$ 552,700</u>	<u>\$ 517,800</u>	<u>\$ (225,451)</u>	<u>\$ (743,251)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 5,000	\$ 5,000	\$ 18,109	\$ 13,109
Gain (loss) on disposition of assets	5,000	5,000	(274)	(5,274)
Miscellaneous nonoperating income	129,500	129,500	108,776	(20,724)
Total nonoperating revenues (expenses)	<u>\$ 139,500</u>	<u>\$ 139,500</u>	<u>\$ 126,611</u>	<u>\$ (12,889)</u>
Change in net position	<u>\$ 692,200</u>	<u>\$ 657,300</u>	<u>\$ (98,840)</u>	<u>\$ (756,140)</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, 2017**

	<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	\$ 19,928,200	\$ 19,928,200	\$ 20,055,793	\$ 127,593
Other	120,800	120,800	137,602	16,802
Total operating revenues	<u>\$ 20,049,000</u>	<u>\$ 20,049,000</u>	<u>\$ 20,193,395</u>	<u>\$ 144,395</u>
Operating expenses				
Operations, maintenance, and administration	\$ 10,608,300	\$ 10,655,860	\$ 9,509,748	\$ 1,146,112
Depreciation	3,777,000	3,777,000	3,842,203	(65,203)
Taxes and tax equivalents	1,737,100	1,737,100	1,712,239	24,861
Total operating expenses	<u>\$ 16,122,400</u>	<u>\$ 16,169,960</u>	<u>\$ 15,064,190</u>	<u>\$ 1,105,770</u>
Operating income (loss)	<u>\$ 3,926,600</u>	<u>\$ 3,879,040</u>	<u>\$ 5,129,205</u>	<u>\$ 1,250,165</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 6,000	\$ 6,000	\$ 24,498	\$ 18,498
Gain (loss) on disposition of assets			(65,793)	(65,793)
Interest expense	(1,762,200)	(1,762,200)	(1,772,625)	(10,425)
Amortization of debt related costs	(45,000)	(45,000)	(44,931)	69
Total nonoperating revenues (expenses)	<u>\$ (1,801,200)</u>	<u>\$ (1,801,200)</u>	<u>\$ (1,858,851)</u>	<u>\$ (57,651)</u>
Change in net position	<u>\$ 2,125,400</u>	<u>\$ 2,077,840</u>	<u>\$ 3,270,354</u>	<u>\$ 1,192,514</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, 2017**

	<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	\$ 5,629,485	\$ 5,629,485	\$ 5,777,004	\$ 147,519
Other	5,500	5,500	3,235	(2,265)
Total operating revenues	<u>\$ 5,634,985</u>	<u>\$ 5,634,985</u>	<u>\$ 5,780,239</u>	<u>\$ 145,254</u>
Operating expenses				
Operations, maintenance, and administration	\$ 5,111,495	\$ 5,111,495	\$ 4,644,775	\$ 466,720
Depreciation	769,112	769,112	704,477	64,635
Taxes and tax equivalents	149,887	149,887	152,029	(2,142)
Total operating expenses	<u>\$ 6,030,494</u>	<u>\$ 6,030,494</u>	<u>\$ 5,501,281</u>	<u>\$ 529,213</u>
Operating income (loss)	<u>\$ (395,509)</u>	<u>\$ (395,509)</u>	<u>\$ 278,958</u>	<u>\$ 674,467</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 15,000	\$ 15,000	\$ 24,098	\$ 9,098
Gain (loss) on disposition of assets	20,000	20,000	13,532	(6,468)
Grants	153,500	153,500	54,800	(98,700)
Total nonoperating revenues (expenses)	<u>\$ 188,500</u>	<u>\$ 188,500</u>	<u>\$ 92,430</u>	<u>\$ (96,070)</u>
Change in net position	<u>\$ (207,009)</u>	<u>\$ (207,009)</u>	<u>\$ 371,388</u>	<u>\$ 578,397</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, 2017**

	<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	\$ 89,450	\$ 89,450	\$ 1,243,068	\$ 1,153,618
Total operating revenues	<u>\$ 89,450</u>	<u>\$ 89,450</u>	<u>\$ 1,243,068</u>	<u>\$ 1,153,618</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 184,950	\$ 184,950	\$ 1,237,522	\$ (1,052,572)
Operations and administration	4,500	4,500	6,258	(1,758)
Total operating expenses	<u>\$ 189,450</u>	<u>\$ 189,450</u>	<u>\$ 1,243,780</u>	<u>\$ (1,054,330)</u>
Operating income (loss)	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ (712)</u>	<u>\$ 99,288</u>
Nonoperating revenues				
Interest revenues	100,000	100,000	712	(99,288)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
GENERAL LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 325,560	\$ 325,560	\$ 325,178	\$ (382)
Total operating revenues	<u>\$ 325,560</u>	<u>\$ 325,560</u>	<u>\$ 325,178</u>	<u>\$ (382)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 174,000	\$ 174,000	\$ 94,192	\$ 79,808
Operations and administration	157,560	157,560	149,412	8,148
Total operating expenses	<u>\$ 331,560</u>	<u>\$ 331,560</u>	<u>\$ 243,604</u>	<u>\$ 87,956</u>
Operating income (loss)	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ 81,574</u>	<u>\$ 87,574</u>
Nonoperating revenues				
Interest revenues	6,000	6,000	27,973	21,973
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 109,547</u>	<u>\$ 109,547</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, 2017**

	<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	\$ 598,900	\$ 598,900	\$ 520,866	\$ (78,034)
Total operating revenues	<u>\$ 598,900</u>	<u>\$ 598,900</u>	<u>\$ 520,866</u>	<u>\$ (78,034)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 531,000	\$ 531,000	\$ 840,507	\$ (309,507)
Operations and administration	73,100	73,100	45,563	27,537
Total operating expenses	<u>\$ 604,100</u>	<u>\$ 604,100</u>	<u>\$ 886,070</u>	<u>\$ (281,970)</u>
Operating income (loss)	<u>\$ (5,200)</u>	<u>\$ (5,200)</u>	<u>\$ (365,204)</u>	<u>\$ (360,004)</u>
Nonoperating revenues				
Interest revenues	5,200	5,200	8,296	3,096
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (356,908)</u>	<u>\$ (356,908)</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEE HEALTH AND WELLNESS CENTER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<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	\$ 559,654	\$ 559,654	\$ 413,930	\$ (145,724)
Total operating revenues	<u>\$ 559,654</u>	<u>\$ 559,654</u>	<u>\$ 413,930</u>	<u>\$ (145,724)</u>
Operating expenses				
Operations and administration	\$ 559,654	\$ 559,654	\$ 413,930	\$ 145,724
Total operating expenses	<u>\$ 559,654</u>	<u>\$ 559,654</u>	<u>\$ 413,930</u>	<u>\$ 145,724</u>
Operating income (loss)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce</u>		
<i>Direct program:</i>		
Investments for Public Works and Economic Development Facilities	11.300	\$ 185,501
Total U.S. Department of Commerce		<u>\$ 185,501</u>
<u>U.S. Department of Homeland Security</u>		
<i>Direct program:</i>		
Port Security Grant Program	97.056	\$ 103,459
Total U.S. Department of Homeland Security		<u>\$ 103,459</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct programs:</i>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 292,618
Continuum of Care Program (Note 4)	14.267	249,318
Total direct programs		<u>\$ 541,936</u>
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Emergency Solutions Grant Program (Note 4)	14.231	190,097
Total U.S. Department of Housing and Urban Development		<u>\$ 732,033</u>
<u>U.S. Department of Justice</u>		
<i>Direct program:</i>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 87,128
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	45,710
Total U.S. Department of Justice		<u>\$ 132,838</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	\$ 16,432
National Priority Safety Programs	20.616	5,774
Total U.S. Department of Transportation		<u>\$ 22,206</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,176,037</u></u>



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**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Florence, Alabama (City) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or the changes in financial position of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3—INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Continuum of Care Program	14.267	\$ 221,569
Emergency Solutions Grants Program	14.231	\$ 179,992



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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 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, 2017, 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 13, 2018. 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, Water and Wastewater, 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, Water and Wastewater, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency – 2017-001.



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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*.

City of Florence, Alabama's Response to Finding

The City of Florence, Alabama's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Florence, Alabama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 13, 2018



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

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

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 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, 2017. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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, 2017.



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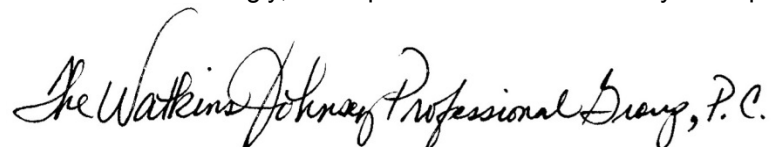
Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 13, 2018

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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? X Yes 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? 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 2 CFR 200.516a? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14. 218	Community Development Block Grants/Entitlement Grants
14. 267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II—Financial Statement Findings

Finding Number: 2017-001

Type: Internal Control

Criteria: Accurate financial information is vital for the effective management of the City.

Condition: The City's internal control system did not reliably and consistently produce adjustments to bring the accounting records into alignment with U.S. generally accepted accounting principles. As a result, adjustments were required to be made to the accounting records subsequent to the start of the audit process.

Recommendation: We recommend the City review its policies and procedures as it relates to the financial closing process to provide for greater accuracy of financial statements amounts.

Auditee Response: The City agrees with the finding.

Corrective Action Planned: Management will ensure that all accounting policies and procedures are followed to ensure accuracy in the financial statement presentation.

Section III—Federal Award Findings and Questioned Costs

None to be reported.