







THE CITY OF  
**FLORENCE**  
ALABAMA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011

## **Our Mission**

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

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

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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>I. INTRODUCTORY SECTION</b>	
City Officials	i
Organizational Chart	ii
<b>II. FINANCIAL SECTION</b>	
<b>Independent Auditor’s Report</b>	1–2
<b>Management’s Discussion and Analysis (required supplementary information)</b>	3–26
<b>Basic Financial Statements</b>	
<b>Government–Wide Financial Statements</b>	
Statement of Net Assets	27
Statement of Activities	28
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	29
Reconciliation of the Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
<b>Proprietary Funds</b>	
Statement of Net Assets	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets	34
Statement of Cash Flows	35
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Assets	36
Statement of Changes in Fiduciary Net Assets	37
<b>Component Units Financial Statements</b>	
Combining Statement of Net Assets	38
Combining Statement of Activities	39
<b>Notes to Financial Statements</b>	40–71
<b>III. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A</b>	
<b>Budgetary Comparison Schedule—Major Fund</b>	
General Fund	72–74
<b>Schedules of Funding Progress</b>	
City of Florence, Alabama—Employees’ Retirement Plan	75
City of Florence, Alabama—Postretirement Benefits Plan	75
Florence-Lauderdale Public Library—Employees’ Retirement Plan	76
<b>Schedule of Employer Contributions</b>	
City of Florence, Alabama—Postretirement Benefits Plan	77

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

**TABLE OF CONTENTS**  
**(Continued)**

	<b><u>Page</u></b>
<b>IV. SUPPLEMENTARY INFORMATION</b>	
<b>Combining Financial Statements</b>	
<b>Other Governmental Funds</b>	
Balance Sheet	78
Statement of Revenues, Expenditures, and Changes in Fund Balances	79
<b>Internal Service Funds</b>	
Statement of Net Assets	80
Statement of Revenues, Expenses, and Changes in Fund Net Assets	81
Statement of Cash Flows	82
<b>Budgetary Comparison Schedules—Other Governmental Funds</b>	
State Gas Tax (\$ .07) Fund	83
State Gas Tax (\$ .04) Fund	84
County Gas Tax Fund	85
Miscellaneous Grants Fund	86
State Arts Council Grant Fund	87
Community Development Fund	88
1995 Capital Sales Tax Fund	89
Drug Enforcement Fund	90
Drug Task Force Grant Fund	91
Flo-Laud Government Building Fund	92
Debt Service Fund	93
Municipal Capital Improvement Fund	94
Economic Development Fund	95
Cemetery Perpetual Care Fund	96
<b>Other Supplementary Information—Enterprise and Internal Service Funds</b>	
<b>Schedule of Revenues, Expenses, and Changes in Fund Net Assets—</b>	
<b>Budget and Actual (GAAP Budgetary Basis)</b>	
Electricity Department	97
Gas Department	98
Water and Wastewater Department	99
Solid Waste Fund	100
Employee Group Health Insurance Fund	101
General Liability Insurance Fund	102
Workers' Compensation Insurance Fund	103

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

**TABLE OF CONTENTS**  
**(Continued)**

	<b><u>Page</u></b>
<b>V. SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards	104–105
Notes to Schedule of Expenditures of Federal Awards	106
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107–108
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	109–110
Schedule of Findings and Questioned Costs	111–112
Summary Schedule of Prior Audit Findings	113
Auditee Response/Corrective Action Plan	114

## **INTRODUCTORY SECTION**

# CITY OF FLORENCE, ALABAMA

## CITY OFFICIALS

As of September 30, 2011

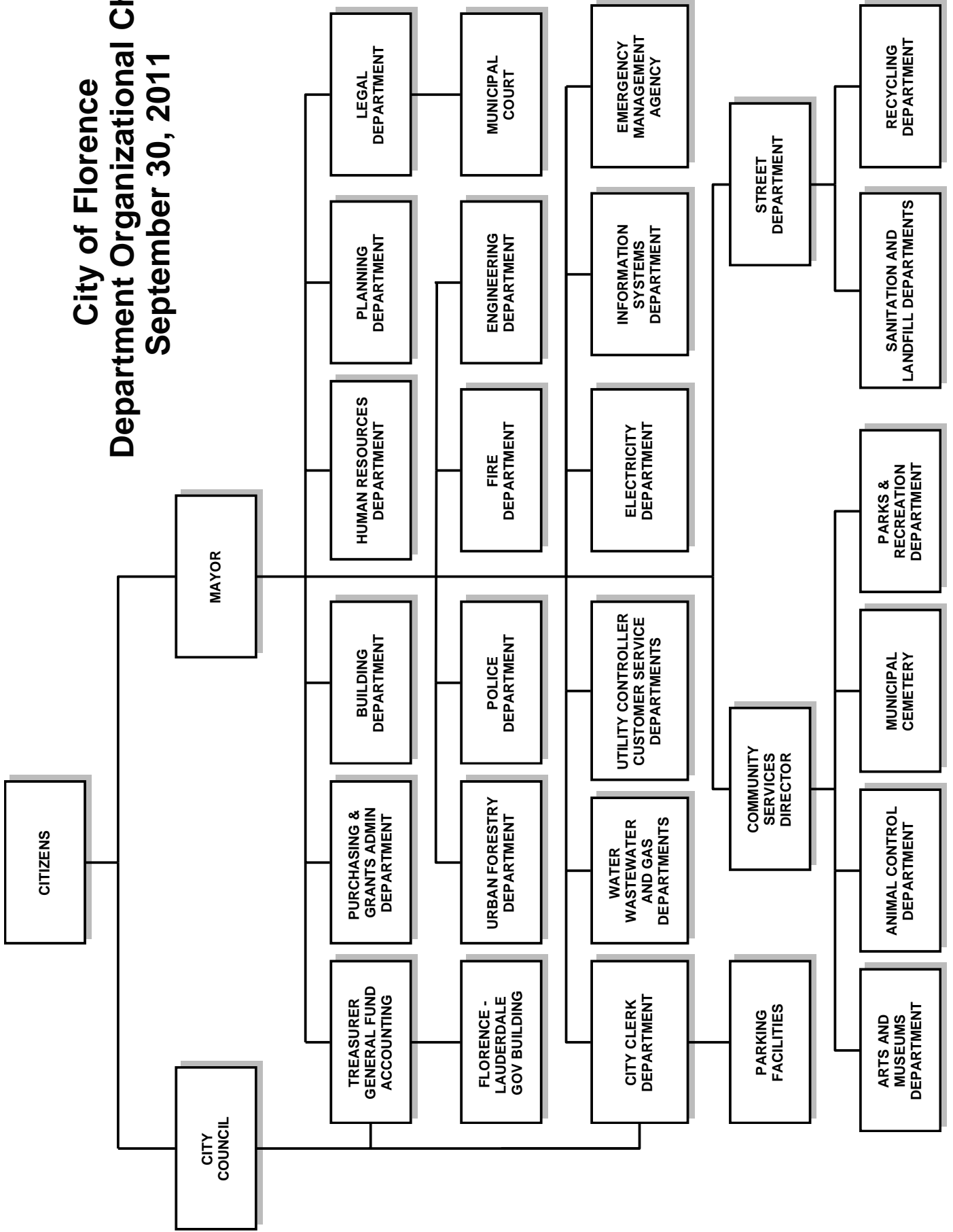
### Elected Officials

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

### Department Heads

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

# City of Florence Department Organizational Chart September 30, 2011





## **FINANCIAL SECTION**



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

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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Florence, Alabama adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2012, on our consideration of the City of Florence, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The CPA. Never Underestimate The Value.®

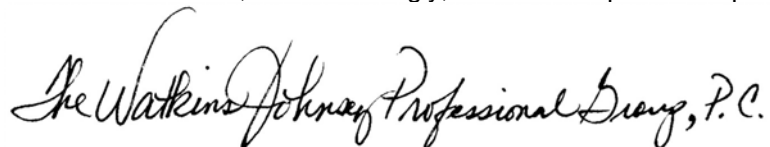
516 East Mobile Street • Florence, Alabama 35630-4747 • Phone (256) 767-0021 • Fax (256) 767-1491

[www.wjgg.com](http://www.wjgg.com)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 3 through 26 and 72 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
April 25, 2012

**City of Florence, Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2011**

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, 2011. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

### **Government-Wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

September 30, 2011 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, 2011 long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 30 and 32.

Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 29 and 31 of this report. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information portion of this report, beginning on page 78.

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

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

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

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-71 of this report.

## **Supplementary Information**

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

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$285,191,808 (net assets). Of this amount, \$48,464,526 is unrestricted net assets. The City's net assets include \$98,188,960 from Governmental Activities and \$187,002,848 from Business-Type Activities. This is shown on page 27.

By far the largest portion of the City's net assets (73.66%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, City infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9.35%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. This is a change in reporting restricted assets resulting from the implementation of GASB Statement No. 54. This new standard establishes fund balance classifications that provide a hierarchy based on the extent to which constraints are imposed upon the use of fund balance resources. The various classifications of these constraints are detailed on pages 47-48 under the heading Fund Balance. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

### **Governmental Activities**

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

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

**Revenues – Governmental Funds**

	<u>Fiscal Year 2011</u>		<u>Fiscal Year 2010</u>		<u>Change</u>
Taxes					
Sales, Use, and Lodging Taxes	\$ 27,842,216	54.08%	\$ 26,408,135	54.01%	5.43%
Property Taxes and Equivalent	11,283,173	21.91%	11,094,561	22.69%	1.70%
Motor Fuel	1,045,888	2.03%	1,051,354	2.15%	-0.52%
Alcoholic Beverages	979,268	1.90%	1,006,266	2.06%	-2.68%
Other	302,863	0.59%	341,115	0.70%	-11.21%
Licenses and Permits	3,131,288	6.08%	3,052,721	6.24%	2.57%
Court Fines and Forfeitures	1,315,567	2.56%	1,390,953	2.84%	-5.42%
Charges for Services	1,637,184	3.18%	1,546,975	3.16%	5.83%
Intergovernmental	2,868,909	5.57%	2,410,195	4.93%	19.03%
Interest Revenues	81,292	0.16%	104,644	0.21%	-22.32%
Other	1,000,009	1.94%	487,126	1.00%	105.29%
Total	<u>\$ 51,487,657</u>	<u>100.00%</u>	<u>\$ 48,894,044</u>	<u>100.00%</u>	<u>5.30%</u>

Sales and Use taxes are the largest revenue source for the City comprising 54.08% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2010 to September 30, 2011 by \$1,434,081 or 5.43%. Property taxes are the second largest revenue source for the City comprising 21.91% of governmental revenues. For the year ended September 30, 2011, taxes of real property inside the City limits produced revenues of \$4,252,861 while personal property taxes for the period were \$558,362. Payments in lieu of property taxes paid by Florence Utilities, Florence Housing Authority, and the Tennessee Valley Authority produced \$6,471,950.

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**

	<u>Fiscal Year 2011</u>		<u>Fiscal Year 2010</u>		<u>Change</u>
Current Operating					
General Administration	\$ 5,174,471	10.04%	\$ 4,936,807	10.48%	4.81%
Public Safety	16,826,430	32.65%	15,941,102	33.85%	5.55%
Public Works	5,512,053	10.69%	4,583,673	9.73%	20.25%
Culture and Recreation	6,779,739	13.15%	5,746,597	12.20%	17.98%
Other	1,414,267	2.74%	1,448,697	3.08%	-2.38%
Education	8,422,649	16.34%	7,940,977	16.86%	6.07%
Capital Outlay and Improvements	1,924,910	3.73%	1,446,041	3.07%	33.12%
Debt Service					
Principal Payments	3,845,000	7.46%	3,315,000	7.04%	15.99%
Interest and Fiscal Charges	1,644,116	3.19%	1,739,762	3.69%	-5.50%
Total	<u>\$ 51,543,635</u>	<u>100.00%</u>	<u>\$ 47,098,656</u>	<u>100.00%</u>	<u>9.44%</u>

## Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,608,331. In the City's General Fund, the ending fund balance is \$12,198,954.

The General Fund's fund balance is approximately 25.68% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. During fiscal year 2004, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15% of the original budget's total revenue. The current fund balance exceeds the required minimum by \$5,136,454 or 72.73%.

### Changes in Fund Balance – Governmental Funds

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance-Beginning	\$ 11,975,217	\$ 4,689,092	\$ 16,664,309
Fund Balance-Ending	12,198,954	4,409,377	16,608,331
Net Change in Fund Balances	<u>\$ 223,737</u>	<u>\$ (279,715)</u>	<u>\$ (55,978)</u>

### Net Assets – Governmental Activities

	<u>Governmental Activities Net Assets</u>			
	<u>FY 2011</u>	<u>FY 2010</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Current Assets	\$ 32,658,245	\$ 32,677,190	\$ (18,945)	-0.06%
Restricted Assets	150,000	150,000	-	0.00%
Other Assets	444,088	499,300	(55,212)	-11.06%
Capital Assets, Net	114,103,251	115,426,701	(1,323,450)	-1.15%
Total Assets	<u>\$ 147,355,584</u>	<u>\$ 148,753,191</u>	<u>\$ (1,397,607)</u>	<u>-0.94%</u>
Current Liabilities	\$ 4,642,340	\$ 4,625,227	\$ 17,113	0.37%
Long-term Liabilities	44,524,284	47,852,426	(3,328,142)	-6.96%
Total Liabilities	<u>\$ 49,166,624</u>	<u>\$ 52,477,653</u>	<u>\$ (3,311,029)</u>	<u>-6.31%</u>
Invested in Capital Assets, Net of Related Debt	\$ 75,396,837	\$ 72,902,924	\$ 2,493,913	3.42%
Restricted	2,378,443	390,167	1,988,276	509.60%
Unrestricted	20,413,680	22,982,447	(2,568,767)	-11.18%
Total Net Assets	<u>\$ 98,188,960</u>	<u>\$ 96,275,538</u>	<u>\$ 1,913,422</u>	<u>1.99%</u>



**Changes in Net Assets – Governmental Activities**

**Governmental Activities  
Changes in Net Assets**

	FY 2011	FY 2010	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 27,842,216	\$ 26,408,135	\$ 1,434,081	5.43%
Property	11,283,173	11,094,561	188,612	1.70%
Motor Fuel	1,045,888	1,051,354	(5,466)	-0.52%
Other	302,863	341,115	(38,252)	-11.21%
Alcoholic Beverages	979,268	1,006,266	(26,998)	-2.68%
Interest Revenues	101,280	127,116	(25,836)	-20.32%
Gain (Loss) on Disposal of Assets	39,066	67,604	(28,538)	-42.21%
Total General Revenues	<u>\$ 41,593,754</u>	<u>\$ 40,096,151</u>	<u>\$ 1,497,603</u>	<u>3.74%</u>
Program Revenues				
Charges for Services	\$ 7,252,713	\$ 7,097,876	\$ 154,837	2.18%
Operating Grants and Contributions	1,881,177	1,295,623	585,554	45.19%
Capital Grants and Contributions	997,603	426,492	571,111	133.91%
Total Program Revenues	<u>\$ 10,131,493</u>	<u>\$ 8,819,991</u>	<u>\$ 1,311,502</u>	<u>14.87%</u>
Total Revenues	<u>\$ 51,725,247</u>	<u>\$ 48,916,142</u>	<u>\$ 2,809,105</u>	<u>5.74%</u>
Governmental Expenses				
General Administration	\$ 5,701,476	\$ 5,445,035	\$ 256,441	4.71%
Public Safety	17,676,999	16,876,873	800,126	4.74%
Public Works	5,551,945	5,057,243	494,702	9.78%
Public Ways and Facilities	1,068,512	4,036,641	(2,968,129)	-73.53%
Culture and Recreation	8,249,011	7,311,032	937,979	12.83%
Other	1,414,268	1,448,697	(34,429)	-2.38%
Education—Funding for School District	8,422,649	7,940,977	481,672	6.07%
Interest and Fiscal Charges	1,726,965	1,844,580	(117,615)	-6.38%
Total Expenses	<u>\$ 49,811,825</u>	<u>\$ 49,961,078</u>	<u>\$ (149,253)</u>	<u>-0.30%</u>
Change in Net Assets	\$ 1,913,422	\$ (1,044,936)	\$ 2,958,358	-283.11%
Total Net Assets - Beginning	<u>96,275,538</u>	<u>97,320,474</u>	<u>(1,044,936)</u>	<u>-1.07%</u>
Total Net Assets - Ending	<u>\$ 98,188,960</u>	<u>\$ 96,275,538</u>	<u>\$ 1,913,422</u>	<u>1.99%</u>

## **Business-Type Activities**

The Business-Type Activities of the City are those where 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 and Wastewater Departments (Florence Utilities)**

- The individual enterprise funds experienced the following changes in net assets: Electricity increased \$5.5 million or 8%; Gas increased \$.7 million or 2%; Water and Wastewater increased \$3.0 million or 5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$1.2 million or 2%; Gas decreased \$.4 million or 1%; Water and Wastewater decreased \$.7 million or 1%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$13.8 million or 12%; Gas decreased \$5.3 million or 23%; Water and Wastewater increased \$.7 million or 4%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$13.8 million or 13%; Gas decreased \$4.1 million or 19%; Water and Wastewater increased \$.7 million or 5%.
- The individual enterprise funds experienced the following changes in non-operating revenues: Electricity decreased about \$59,500 or 26%; Gas increased about \$24,500 or 19%; Water and Wastewater decreased about \$42,300 or 70%.
- The individual enterprise funds experienced the following changes in non-operating expenses: Electricity decreased \$30,300 or 11%; Gas decreased about \$228,400 or almost 100%; Water and Wastewater decreased \$455,200 or 22%.

## Electricity Department

The Electricity Department's net assets increased from last year by \$5,496,073 or about 8%. The summaries below focus on the Electricity Department's net assets and changes in net assets during the years presented.

### Electricity Department Net Assets

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 36,410,010	\$ 29,115,178	\$ 7,294,832	25.06%
Capital Assets, Net	71,077,487	69,902,278	1,175,209	1.68%
Other Noncurrent Assets	7,989,068	7,516,094	472,974	6.29%
Total Assets	<u>\$ 115,476,565</u>	<u>\$ 106,533,550</u>	<u>\$ 8,943,015</u>	<u>8.39%</u>
Current Liabilities	\$ 25,688,123	\$ 22,131,529	\$ 3,556,594	16.07%
Noncurrent Liabilities	13,109,735	13,219,387	(109,652)	-0.83%
Total Liabilities	<u>\$ 38,797,858</u>	<u>\$ 35,350,916</u>	<u>\$ 3,446,942</u>	<u>9.75%</u>
Invested in Capital Assets, Net of Related Debt	\$ 65,045,943	\$ 63,196,791	\$ 1,849,152	2.93%
Restricted	974,559	990,244	(15,685)	-1.58%
Unrestricted	10,658,205	6,995,599	3,662,606	52.36%
Total Net Assets	<u>\$ 76,678,707</u>	<u>\$ 71,182,634</u>	<u>\$ 5,496,073</u>	<u>7.72%</u>

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

As the following table indicates, operating revenues increased approximately \$13.8 million or about 12% from FY 2010. During FY 2011, TVA had twelve rate changes to its distributors under its monthly fuel cost adjustment provisions. Florence Utilities passed these rate changes along to our customers, resulting in an increase in both sales revenues and cost of sales. Our corresponding rate changes were revenue neutral for us. In FY 2011, we experienced approximately a 3% increase in kWh sold over that for FY 2010. In April and May 2011, our electrical system suffered damages from tornadoes. We submitted claims for damages to FEMA and the Alabama Emergency Management Agency. These claims are shown as capital contributions in compliance with GASB 34. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in non-operating expenses by \$30,346 or about 11%, primarily interest expense.

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

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 125,107,873	\$ 111,296,454	\$ 13,811,419	12.41%
Operating Expenses				
Cost of Sales	\$ 99,892,949	\$ 87,239,996	\$ 12,652,953	14.50%
Operations	8,077,065	8,258,922	(181,857)	-2.20%
Maintenance	5,414,492	4,244,630	1,169,862	27.56%
Depreciation	4,417,680	4,342,399	75,281	1.73%
Taxes and Tax Equivalents	3,114,742	3,070,324	44,418	1.45%
Total Operating Expenses	\$ 120,916,928	\$ 107,156,271	\$ 13,760,657	12.84%
Operating Income	\$ 4,190,945	\$ 4,140,183	\$ 50,762	1.23%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 170,230	\$ 229,698	\$ (59,468)	-25.89%
Nonoperating Expenses	(253,837)	(284,183)	30,346	-10.68%
Total Nonoperating Revenues (Exp)	\$ (83,607)	\$ (54,485)	\$ (29,122)	53.45%
Income before Contributions	\$ 4,107,338	\$ 4,085,698	\$ 21,640	0.53%
Capital Contributions	1,388,735	-	1,388,735	N/A
Change in Net Assets	\$ 5,496,073	\$ 4,085,698	\$ 1,410,375	34.52%
Total Net Assets - Beginning	71,182,634	67,096,936	4,085,698	6.09%
Total Net Assets - Ending	\$ 76,678,707	\$ 71,182,634	\$ 5,496,073	7.72%

## Gas Department

The Gas Department's net assets increased from last year by \$652,229 or about 2%. The summaries below focus on the Gas Department's net assets and changes in net assets during the years presented.

### Gas Department Net Assets

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 11,703,160	\$ 10,899,434	\$ 803,726	7.37%
Capital Assets, Net	31,543,020	31,945,854	(402,834)	-1.26%
Other Noncurrent Assets	353	706	(353)	-50.00%
<b>Total Assets</b>	<b>\$ 43,246,533</b>	<b>\$ 42,845,994</b>	<b>\$ 400,539</b>	<b>0.93%</b>
Current Liabilities	\$ 1,105,950	\$ 1,373,500	\$ (267,550)	-19.48%
Noncurrent Liabilities	327,019	311,159	15,860	5.10%
<b>Total Liabilities</b>	<b>\$ 1,432,969</b>	<b>\$ 1,684,659</b>	<b>\$ (251,690)</b>	<b>-14.94%</b>
Invested in Capital Assets, Net of Related Debt	\$ 31,543,020	\$ 31,945,854	\$ (402,834)	-1.26%
Unrestricted	10,270,544	9,215,481	1,055,063	11.45%
<b>Total Net Assets</b>	<b>\$ 41,813,564</b>	<b>\$ 41,161,335</b>	<b>\$ 652,229</b>	<b>1.58%</b>

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

As the following table indicates, operating revenues decreased approximately \$5.3 million or about 23% from FY 2010. The Gas Department had three general rate changes in FY 2011 – effective July 2010, August 2010, and February 2011. These rate changes reflected the varying costs in the natural gas market. The Gas Department experienced an approximate 3.5% decrease in overall sales volume in FY 2011 over FY 2010. Cost of sales decreased by \$4.6 million or about 32% due to decreased gas prices and decreased sales volumes. The Gas Department experienced an increase in non-operating revenues of \$24,453 or about 19%. The Gas Department experienced a decrease in non-operating expenses of \$228,447 or almost 100%.

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

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,696,281	\$ 22,947,041	\$ (5,250,760)	-22.88%
Operating Expenses				
Cost of Sales	\$ 9,636,273	\$ 14,232,153	\$ (4,595,880)	-32.29%
Operations	2,991,550	2,727,285	264,265	9.69%
Maintenance	1,701,447	1,520,338	181,109	11.91%
Depreciation and Amortization	1,331,355	1,327,255	4,100	0.31%
Taxes and Tax Equivalents	1,533,703	1,522,031	11,672	0.77%
Total Operating Expenses	\$ 17,194,328	\$ 21,329,062	\$ (4,134,734)	-19.39%
Operating Income	\$ 501,953	\$ 1,617,979	\$ (1,116,026)	-68.98%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 150,629	\$ 126,176	\$ 24,453	19.38%
Nonoperating Expenses	(353)	(228,800)	228,447	-99.85%
Total Nonoperating Revenues (Exp)	\$ 150,276	\$ (102,624)	\$ 252,900	-246.43%
Change in Net Assets	\$ 652,229	\$ 1,515,355	\$ (863,126)	-56.96%
Total Net Assets - Beginning	41,161,335	39,645,980	1,515,355	3.82%
Total Net Assets - Ending	\$ 41,813,564	\$ 41,161,335	\$ 652,229	1.58%

## Water and Wastewater Department

The Water and Wastewater Department's net assets increased from last year by \$2,993,359 or about 5%. The summaries below focus on the Water and Wastewater Department's net assets and changes in net assets during the years presented.

### Water and Wastewater Department Net Assets

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 8,946,283	\$ 8,706,400	\$ 239,883	2.76%
Capital Assets, Net	99,717,962	100,469,104	(751,142)	-0.75%
Other Noncurrent Assets	24,517,188	5,713,456	18,803,732	329.11%
Total Assets	<u>\$ 133,181,433</u>	<u>\$ 114,888,960</u>	<u>\$ 18,292,473</u>	<u>15.92%</u>
Current Liabilities	\$ 5,133,264	\$ 6,277,652	\$ (1,144,388)	-18.23%
Noncurrent Liabilities	62,742,040	46,298,538	16,443,502	35.52%
Total Liabilities	<u>\$ 67,875,304</u>	<u>\$ 52,576,190</u>	<u>\$ 15,299,114</u>	<u>29.10%</u>
Invested in Capital Assets, Net of Related Debt	\$ 33,807,580	\$ 49,919,429	\$ (16,111,849)	-32.28%
Restricted	23,307,583	5,316,639	17,990,944	338.39%
Unrestricted	8,190,966	7,076,702	1,114,264	15.75%
Total Net Assets	<u>\$ 65,306,129</u>	<u>\$ 62,312,770</u>	<u>\$ 2,993,359</u>	<u>4.80%</u>

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

As the following table indicates, operating revenues increased approximately \$676,300 or about 4% from FY 2010 revenues. The small increase in operating revenues, despite a rate increase, was largely due to decreased residential water sales. Operating expenses increased by \$672,100 or about 5%. The Water and Wastewater Department experienced a decrease in non-operating revenues of \$42,332 or 70% due to declining interest income. The Water and Wastewater Department experienced a decrease in non-operating expenses of \$455,230 or 22%.

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

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,772,918	\$ 17,096,627	\$ 676,291	3.96%
Operating Expenses				
Water Treatment and Pumping	\$ 2,586,594	\$ 2,431,728	\$ 154,866	6.37%
Sewage Disposal	2,305,109	2,085,509	219,600	10.53%
Transmission and Distribution	1,268,397	1,171,219	97,178	8.30%
Accounting and Collections	1,033,598	1,094,583	(60,985)	-5.57%
Administrative and General	1,562,459	1,494,688	67,771	4.53%
Depreciation	2,910,272	2,776,120	134,152	4.83%
Taxes and Tax Equivalents	1,522,344	1,462,860	59,484	4.07%
Total Operating Expenses	<u>\$ 13,188,773</u>	<u>\$ 12,516,707</u>	<u>\$ 672,066</u>	<u>5.37%</u>
Operating Income	<u>\$ 4,584,145</u>	<u>\$ 4,579,920</u>	<u>\$ 4,225</u>	<u>0.09%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 18,052	\$ 60,384	\$ (42,332)	-70.10%
Nonoperating Expenses	(1,608,838)	(2,064,068)	455,230	-22.05%
Total Nonoperating Revenues (Exp)	<u>\$ (1,590,786)</u>	<u>\$ (2,003,684)</u>	<u>\$ 412,898</u>	<u>-20.61%</u>
Change in Net Assets	\$ 2,993,359	\$ 2,576,236	\$ 417,123	16.19%
Total Net Assets - Beginning	<u>62,312,770</u>	<u>59,736,534</u>	<u>2,576,236</u>	<u>4.31%</u>
Total Net Assets - Ending	<u><u>\$ 65,306,129</u></u>	<u><u>\$ 62,312,770</u></u>	<u><u>\$ 2,993,359</u></u>	<u><u>4.80%</u></u>



## Solid Waste Fund – Sanitation and Recycling Departments

Established October 1, 2001, the Solid Waste Fund is comprised of the City's recycling operations and its sanitation operations. This Fund provides the services of waste collection, disposal, recycling, and operates a Municipal Solid Waste Subtitle D landfill. Revenue for the Solid Waste Fund is derived from a fee for service from residential and commercial customers. A tipping fee is charged for industrial landfill use. These fees were last adjusted during fiscal year 2002. In addition, recycling operations receives revenue from the sale of recyclables.

- The Solid Waste Fund had an operating loss of \$406,506 and non-operating income of \$63,185 for the fiscal year ended September 30, 2011.
- Total net assets were \$4,836,575. This is a decrease of \$343,321 or 6.63% from the prior year.
- Of the Fund's \$2,373,952 in liabilities, \$2,157,481 is noncurrent and reported as accrued landfill closure and post-closure care costs of \$2,046,236 and accrued compensated absences of \$111,245. Reserves for these costs represent 73.45% of the Fund's current assets.
- The Solid Waste Fund's operating revenues increased \$123,471 or 2.91% from the prior year while operating expenses increased \$75,055 or 1.60%. This increase includes expenses reimbursed by a Recycling grant during the period.
- Non-operating revenues decreased by \$130,870 or 67.44%. Grant revenue of \$42,392 was received during this fiscal year.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$4,836,575. Of this amount, \$563,258 is unrestricted net assets and may be used to meet the ongoing obligations of providing an effective solid waste disposal system for the citizens and industries of Florence.

The Solid Waste Fund's Net Assets decreased from last year by \$343,321 or 6.63%. The table below focuses on the changes in net assets for the fiscal year:

	<b>Solid Waste Fund</b>				
	<b><u>Net Assets</u></b>				
	FY 2011	FY 2010	Variance		
		Dollars	Percent		
Current Assets	\$ 2,937,210	\$ 2,947,080	\$ (9,870)	-0.33%	
Capital Assets, Net	4,273,317	4,644,149	(370,832)	-7.98%	
Total Assets	<u>\$ 7,210,527</u>	<u>\$ 7,591,229</u>	<u>\$ (380,702)</u>	<u>-5.02%</u>	
Current Liabilities	\$ 216,471	\$ 341,875	\$ (125,404)	-36.68%	
Noncurrent Liabilities	2,157,481	2,069,458	88,023	4.25%	
Total Liabilities	<u>\$ 2,373,952</u>	<u>\$ 2,411,333</u>	<u>\$ (37,381)</u>	<u>-1.55%</u>	
Net Assets					
Invested in Capital Assets	\$ 4,273,317	\$ 4,644,149	\$ (370,832)	-7.98%	
Unrestricted	563,258	535,747	27,511	5.14%	
Total Net Assets	<u><u>\$ 4,836,575</u></u>	<u><u>\$ 5,179,896</u></u>	<u><u>\$ (343,321)</u></u>	<u><u>-6.63%</u></u>	

As the following table indicates, Solid Waste Fund operating revenues increased \$123,471 or 2.91% from the prior year while operating expenses increased \$75,055 or 1.60%:

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

	FY 2011	FY 2010	Variance	
			Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 3,032,428	\$ 3,047,494	\$ (15,066)	-0.49%
Landfill Fees	488,385	512,192	(23,807)	-4.65%
Recycling Revenue and Fees	845,306	681,000	164,306	24.13%
Other Operating Revenues	4,804	6,766	(1,962)	-29.00%
Total Operating Revenues	<u>\$ 4,370,923</u>	<u>\$ 4,247,452</u>	<u>\$ 123,471</u>	<u>2.91%</u>
Operating Expenses				
Sanitation	\$ 4,044,050	\$ 3,873,012	\$ 171,038	4.42%
Recycling	733,379	829,362	(95,983)	-11.57%
Total Operating Expenses	<u>\$ 4,777,429</u>	<u>\$ 4,702,374</u>	<u>\$ 75,055</u>	<u>1.60%</u>
Operating Income (Loss)	\$ (406,506)	\$ (454,922)	\$ 48,416	-10.64%
Nonoperating Revenues	63,185	194,055	(130,870)	-67.44%
Change in Net Assets	\$ (343,321)	\$ (260,867)	\$ (82,454)	31.61%
Total Net Assets-Beginning	5,179,896	5,440,763	(260,867)	-4.79%
Total Net Assets-Ending	<u>\$ 4,836,575</u>	<u>\$ 5,179,896</u>	<u>\$ (343,321)</u>	<u>-6.63%</u>

**BUDGETARY HIGHLIGHTS**

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

**Governmental Activities**

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's budget on October 5, 2010. This budget was revised for changes in expenditures on January 4, 2011 and August 2, 2011. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 72-74.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$48,959,091 compared to the final budget of \$47,499,830. Revenues were \$1,459,261 over the budgeted amount. Total expenditures and appropriations for the period were \$48,735,354 compared to the final budget of \$47,357,748.

Collectively the departments of the General Fund completed the fiscal year \$940,322 over budget. Renovations made to the municipal stadium for the benefit of the Florence City Board of Education and the University of North Alabama contributed \$587,821 to the overall variance in budgeted expenditures. These costs will be repaid to the City over a ten-year period. Department operating budgets and actual performance can be seen on pages 72-74 of this report.

**General Fund  
Budgetary Comparison Schedule**

	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning Resources (Inflows)	\$ 11,975,217	\$ 11,975,217	\$ 11,975,217	\$ -	-
Taxes	39,588,395	40,057,395	40,796,409	739,014	1.84%
Licenses and Permits	3,203,000	3,143,000	3,131,288	(11,712)	-0.37%
Fines and Forfeitures	1,271,000	1,331,000	1,315,567	(15,433)	-1.16%
Charges for Services	1,674,555	1,647,055	1,637,184	(9,871)	-0.60%
Intergovernmental	938,880	938,880	1,106,723	167,843	17.88%
Other	105,000	80,000	671,250	591,250	739.06%
Transfers From Other Funds	302,500	302,500	300,670	(1,830)	-0.60%
Amounts Available for Appropriation	<u>\$ 59,058,547</u>	<u>\$ 59,475,047</u>	<u>\$ 60,934,308</u>	<u>\$ 1,459,261</u>	<u>2.45%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 4,611,219	\$ 4,648,769	\$ 4,485,285	\$ 163,484	3.52%
Public Safety	15,969,265	16,110,930	16,300,161	(189,231)	-1.17%
Public Works	4,645,842	4,699,384	4,854,463	(155,079)	-3.30%
Culture and Recreation	5,847,800	5,942,685	6,702,181	(759,496)	-12.78%
Non-Departmental	15,725,480	15,955,980	16,393,264	(437,284)	-2.74%
Total Charges to Appropriations	<u>\$ 46,799,606</u>	<u>\$ 47,357,748</u>	<u>\$ 48,735,354</u>	<u>\$ (1,377,606)</u>	<u>-2.91%</u>
Budgetary Fund Balance-Ending	<u>\$ 12,258,941</u>	<u>\$ 12,117,299</u>	<u>\$ 12,198,954</u>	<u>\$ 81,655</u>	<u>0.67%</u>

**Business-Type Activities**

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2011 original budgets for the Gas and Water and Wastewater Departments were adopted on June 15, 2010. The original budget for the Electricity Department was adopted on September 7, 2010. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 5, 2010. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

**Electricity Department**

**Electricity Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For Year Ended June 30, 2011**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 113,675,500	\$ 125,107,873	\$ 11,432,373	10.06%
Operating Expenses	111,255,200	120,916,928	(9,661,728)	-8.68%
Operating Income	\$ 2,420,300	\$ 4,190,945	\$ 1,770,645	73.16%
Nonoperating Revenues (Expenses)	(71,500)	(83,607)	(12,107)	16.93%
Income before Contributions	2,348,800	4,107,338	1,758,538	74.87%
Capital Contributions	-	1,388,735	1,388,735	
Change in Net Assets	\$ 2,348,800	\$ 5,496,073	\$ 3,147,273	133.99%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Assets by \$3,147,273. This is approximately 2.8% of budgeted operating revenues. The sales of electricity to residential and large customers accounted for most of the budget operating revenues variance amount. The large difference of actual over budgeted operating expenses is primarily due to the increased cost of sales due to increased sales. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts. In FY 2011, we had unbudgeted capital contributions of \$1,388,735. This represents reimbursement claims to FEMA and AEMA due to storm damages in April and May 2011.

**Gas Department**

**Gas Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For Year Ended June 30, 2011**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 19,352,600	\$ 17,696,281	\$ (1,656,319)	-8.56%
Operating Expenses	18,840,700	17,194,328	1,646,372	8.74%
Operating Income	\$ 511,900	\$ 501,953	\$ (9,947)	-1.94%
Nonoperating Revenues (Expenses)	18,600	150,276	131,676	707.94%
Change in Net Assets	\$ 530,500	\$ 652,229	\$ 121,729	22.95%

The Gas Department exceeded budgeted Change in Net Assets by \$121,729, or approximately 1% of budgeted operating revenues. The total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was largely offset by the variance in cost of sales. There was unbudgeted non-operating revenue of \$125,140 representing a partial reimbursement from Tennessee Gas Pipeline Company of recoverable costs of the PCB/HSL Project beginning in 1992.

**Water and Wastewater Department**

**Water and Wastewater Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For Year Ended June 30, 2011**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 17,815,200	\$ 17,772,918	\$ (42,282)	-0.24%
Operating Expenses	13,158,900	13,188,773	(29,873)	-0.23%
Operating Income	\$ 4,656,300	\$ 4,584,145	\$ (72,155)	-1.55%
Nonoperating Revenues (Expenses)	(1,867,700)	(1,590,786)	276,914	-14.83%
Change in Net Assets	\$ 2,788,600	\$ 2,993,359	\$ 204,759	7.34%

The Water and Wastewater Department exceeded the budgeted Change in Net Assets by \$204,759. This represents about 1.1% of final budgeted operating revenues. There was a combination of positive and negative variances for many accounts. There was a relative large variance for non-operating expenses. The decrease in interest expense due to refinancing of our SRF warrants in FY 2011 was not reflected in the budget.

**Solid Waste Fund – Sanitation and Recycling Departments**

**Solid Waste Fund  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For the Year Ended September 30, 2011**

	Original Budget	Final Budget	Actual	Variance	
				Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 3,257,740	\$ 3,257,740	\$ 3,032,428	\$ (225,312)	-6.92%
Landfill Fees	485,000	485,000	488,385	3,385	0.70%
Recycling Revenue and Fees	677,000	677,000	845,306	168,306	24.86%
Other Operating Revenues	5,000	5,000	4,804	(196)	-3.92%
Total Operating Revenues	\$ 4,424,740	\$ 4,424,740	\$ 4,370,923	\$ (53,817)	-1.22%
Operating Expenses					
Sanitation	\$ 3,824,574	\$ 3,824,574	\$ 4,044,050	\$ (219,476)	-5.74%
Recycling	701,586	701,586	733,379	(31,793)	-4.53%
Total Operating Expenses	\$ 4,526,160	\$ 4,526,160	\$ 4,777,429	\$ (251,269)	-5.55%
Operating Loss	\$ (101,420)	\$ (101,420)	\$ (406,506)	\$ (305,086)	300.81%
Nonoperating Revenues	36,700	36,700	63,185	26,485	72.17%
Change in Net Assets	\$ (64,720)	\$ (64,720)	\$ (343,321)	\$ (278,601)	430.47%

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of FY 2011, 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, 2011 amounted to \$320,715,037.

#### Governmental Activities

	<b>Governmental Activities</b>			
	<b><u>Capital Assets, Net</u></b>			
	<u>FY 2011</u>	<u>FY 2010</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Land	\$ 6,715,158	\$ 6,704,973	\$ 10,185	0.15%
Construction in Progress	1,148,457	370,720	777,737	209.79%
Land Improvements	23,367,535	23,262,836	104,699	0.45%
Accumulated Depreciation	(7,790,298)	(6,892,338)	(897,960)	-13.03%
Buildings	39,100,422	38,633,952	466,470	1.21%
Accumulated Depreciation	(15,382,637)	(14,458,925)	(923,712)	-6.39%
Equipment and Vehicles	20,820,104	19,964,122	855,982	4.29%
Accumulated Depreciation	(18,232,494)	(17,424,158)	(808,336)	-4.64%
Infrastructure	155,234,030	154,386,025	848,005	0.55%
Accumulated Depreciation	(90,877,026)	(89,120,506)	(1,756,520)	-1.97%
<b>Net Capital Assets</b>	<b><u>\$ 114,103,251</u></b>	<b><u>\$ 115,426,701</u></b>	<b><u>\$ (1,323,450)</u></b>	<b><u>-1.15%</u></b>

Major capital additions for the fiscal year include expenditures for vehicles and capital equipment of \$1,339,751, infrastructure improvements including the completion of various small storm drainage projects totaling \$848,005, land improvements of \$104,699, and building renovations and additions of \$466,470. Of this year's capital additions, \$198,737 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2011, \$1,148,457 of capital projects were recorded as construction in progress.

## Business-Type Activities

At the end of FY 2011, 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 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 143,086,193	\$ 139,892,178	\$ 3,194,015	2.28%
Construction in Progress	3,166,916	1,376,323	1,790,593	130.10%
Less: Accumulated Depreciation	(75,175,622)	(71,366,223)	(3,809,399)	5.34%
Net Utility Plant	<u>\$ 71,077,487</u>	<u>\$ 69,902,278</u>	<u>\$ 1,175,209</u>	<u>1.68%</u>

As the above table shows, the Electricity Department experienced a 1.68% increase in net utility plant. The department plans to finance capital expenditures in FY 2012 through cash generated from operations.

### Gas Department

#### Gas Department Capital Assets, Net

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 52,178,039	\$ 51,507,281	\$ 670,758	1.30%
Acquisition Adjustment (net of amortization)	211,447	222,108	(10,661)	-4.80%
Construction in Progress	37,765	44,936	(7,171)	-15.96%
Less: Accumulated Depreciation	(20,884,231)	(19,828,471)	(1,055,760)	5.32%
Net Utility Plant	<u>\$ 31,543,020</u>	<u>\$ 31,945,854</u>	<u>\$ (402,834)</u>	<u>-1.26%</u>

As the above table shows, the Gas Department decreased net utility plant by 1.26%. The department plans to finance capital expenditures in FY 2012 through cash reserves and cash generated from current operations.

**Water and Wastewater Department**

**Water and Wastewater Department  
Capital Assets, Net**

	FY 2011	FY 2010	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 144,138,069	\$ 143,132,371	\$ 1,005,698	0.70%
Construction in Progress	1,155,657	69,299	1,086,358	1567.64%
Less: Accumulated Depreciation	(45,575,764)	(42,732,566)	(2,843,198)	6.65%
<b>Net Utility Plant</b>	<b>\$ 99,717,962</b>	<b>\$ 100,469,104</b>	<b>\$ (751,142)</b>	<b>-0.75%</b>

As the above table shows, the Water and Wastewater Department decreased net utility plant by .75%. The department plans to finance capital expenditures in FY 2012 with cash generated from operations, the remaining balance of the 2007 SRF Warrants, and the proceeds from the \$20.6 million Water & Sewer Revenue Warrants, Series 2011, issued in June 2011.

**Solid Waste Fund – Sanitation and Recycling Departments**

At the end of fiscal year 2011, net capital assets comprised 59.26% of the Fund's total assets. Capital assets are maintained in five distinct asset categories: land, land improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation

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

**Solid Waste Fund  
Capital Assets, Net**

	FY 2011	FY 2010	Variance	
			Dollars	Percent
Land	\$ 1,316,853	\$ 1,316,853	\$ -	0.00%
Land Improvements	3,675,418	3,675,418	-	0.00%
Accumulated Depreciation	(3,360,157)	(3,168,120)	(192,037)	-6.06%
Buildings	1,681,976	1,681,976	-	0.00%
Accumulated Depreciation	(484,034)	(442,581)	(41,453)	-9.37%
Equipment	4,528,337	4,446,254	82,083	1.85%
Accumulated Depreciation	(3,630,119)	(3,380,336)	(249,783)	-7.39%
Vehicles	2,733,362	2,530,667	202,695	8.01%
Accumulated Depreciation	(2,188,319)	(2,015,982)	(172,337)	-8.55%
<b>Net Capital Assets</b>	<b>\$ 4,273,317</b>	<b>\$ 4,644,149</b>	<b>\$ (370,832)</b>	<b>-7.98%</b>



## **LONG-TERM DEBT**

### **Governmental Activities**

At the end of the current fiscal year, the Governmental Activities of the City had total long-term debt of \$44,524,284. Of this amount, \$38,706,414 comprises debt serviced by revenues from governmental activities. Of the \$38,706,414, \$5,495,000 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

In addition to the outstanding general obligation debt, \$2,780,158 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,037,712 has been accrued as an actuarially determined claim reserve in the Internal Service Funds for Liability Insurance (\$856,200) and Workers' Compensation Insurance (\$2,181,512).

During FY 2010, Moody's Investor Services reviewed municipal credit ratings nationally. During this process, the City's credit rating was improved by two categories to a rating of Aa3. Standard and Poor's rates the City at AA- with a stable outlook. Management does not foresee these credit ratings changing in the coming fiscal year nor do we foresee the City incurring additional general obligation debt in the upcoming fiscal year.

### **Business-Type Activities**

#### **Electricity Department**

The Electricity Department has two warrant issues as described in the notes to financial statements, outstanding at year-end. The Electric Revenue Refunding Warrants, Series 2009, interest rates range from 1.50% to 3.65%. It was issued with an underlying A1 and AA- by Moody's and Standard & Poor's, respectively. This issue requires that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2011, the Electricity Department exceeded that requirement at about 13.96 times.

The other issue outstanding is a line of credit warrant with CB&S Bank, the Electric Taxable Revenue Warrants, Series 2008, issued in April 2008. At year-end, there was no outstanding balance on it. The Department did not utilize this line of credit during FY 2011. This line of credit is available until January 2013. This warrant has an interest rate of 4.99%.

#### **Gas Department**

The Gas Department has one outstanding issue at year-end. It is a line of credit warrant with CB&S Bank, the Natural Gas Taxable Revenue Warrants, Series 2008, issued April 2008. At year-end, there was no outstanding balance on it. The Department did not utilize this line of credit during FY 2011. This line of credit is available until July 2012. This warrant has an interest rate of 4.99%.

#### **Water and Wastewater Department**

The Water and Wastewater Department has seven warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2006, interest rate 3.25%, (2) Water and Sewer Revenue Warrants, SRF Series 2007, interest rate 3.5%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-A, interest rate 2.61%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate 2.57%, (6) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, and (7) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%. The SRF warrants are issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The SRF series warrants are financing massive renovations of portions of our wastewater system. At year-end, approximately \$2.2 million remains available of the 2007 issue. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue.

The 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 2011, the Water and Wastewater Department exceeded that requirement at about 1.42 times.

During FY 2011, the Department, in connection with the Alabama Water Pollution Control Authority's refinancing of some of its bonds, refinanced the Water and Sewer Revenue Warrants, SRF Series 1998, 1999, 1999B, and 2000 in order to benefit from a lower interest rate. The payment dates and final maturity remained unchanged. The present value at 2.503% of the savings on the Series 1998, 1999, and 1999B refinancing was \$805,931. The present value at 3.157% of the savings on the Series 2000 warrant refinancing was \$488,696.

### **Solid Waste Fund – Solid Waste and Recycling Departments**

At the close of fiscal year 2011, the Solid Waste Fund had no debt other than routine operating liabilities (\$216,471), an accrued liability for employee annual and sick leave (\$111,245), and a reserve for landfill closure and post-closure care costs (\$2,046,236). The Solid Waste Fund's current assets are greater than these liabilities at the fiscal year end.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

### **Governmental Activities**

The City of Florence General Fund budget appropriates money used to provide a broad range of governmental activities involving protective and convenience-related services. As stated earlier in this MD&A, these activities include general government, public safety, public works, and cultural and recreational services. The City Council adopted the General Fund's fiscal year 2011–2012 budget on November 1, 2011.

The fiscal year 2011–2012 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$49,001,300 an increase of \$1,501,470 or 3.16% compared to the previous fiscal year's final budget and an increase of \$42,209 over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$48,988,620. This is an increase of \$1,630,872 or .3.44% compared to the prior year's final revenue budget and an increase of \$253,266 compared to the prior year's actual performance. The 2011–2012 General Fund Budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$12,680 surplus.

### **Business-Type Activities**

#### **Electricity, Gas, Water and Wastewater Departments**

The geographic area served by Florence Utilities is facing an improving economic environment. The Florence MSA's unemployment rate for October 2011 was 8.0% as compared to 8.7% for September 2010. The State of Alabama's unemployment rates were 9.3% for October 2011, and 9.1% for September 2010. 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 kWh for FY 2012 through September for electricity have decreased from the same number through the same time last year by 6%. Sales in Dth to commercial and industrial natural gas customers for the period from July 2011 through September 2011, as compared to sales for the same period in the previous fiscal year have increased approximately .35%. FY 2011 sales revenues from water and wastewater operations through September have increased 8% over the same period in FY 2011.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2012 budgets on August 16, 2011. The City Council adopted the Electricity Department's FY 2012 budget on September 20, 2011.

The City's power contract with TVA provides for a monthly fuel cost adjustment (FCA) on sales to its distributors. Florence Utilities passes any rate increases or decreases caused by TVA action on to its customers.

The Gas Department's rate ordinance allows for gas increases/decreases without further City Council action. The Department implemented a rate change in July 2011 and August 2011. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

The City Council approved a rate ordinance providing for water and wastewater rate increases effective July 2011 to fund improvements to the water infrastructure.

### **Solid Waste Fund – Solid Waste and Recycling Departments**

The City Council adopted the Fund's fiscal year 2012 budget on November 1, 2011. Garbage collection fees and landfill tipping fees will be evaluated during the 2012 fiscal year. The current rates have been in place for nine years. A 30% increase in commercial rates included in the 2012 budget was adopted by the City Council on December 6, 2011. Residential rates will be evaluated and addressed during the 2012 fiscal year. The fiscal year 2012 budget has expected combined revenues of \$4,772,800 and expenses of \$4,710,165. As adopted, the budget yields a deficit of \$62,635. Net assets will be used for this deficit should rates not be adjusted to adequately address planned expenses. The municipal solid waste portion of the landfill is critically near capacity. At the close of fiscal year 2011, City leaders were evaluating whether to construct a planned and permitted municipal solid waste cell, which would provide another 4-6 years of service, or contract with a regional landfill for solid waste transfer and disposal. As of September 30, 2011, the future method of solid waste disposal for the City had not been determined.

Subsequent to the close of fiscal year 2011, to avoid an emergency situation and provide City leaders with additional time for study, on December 6, 2011 the City entered into a six-month contract with a regional landfill for the transfer, transport, and disposal of the City's municipal solid waste. Based on average volumes this contract is estimated to cost an additional \$480,000, thereby raising the fiscal year 2012 anticipated operating deficit to approximately \$543,000, and significantly reducing the Solid Waste Fund's net assets. The City began using the contracted transfer station on February 1, 2012.

At its meeting on April 3, 2012, the City Council approved a resolution to initiate the process to close the municipal solid waste portion of the landfill and extend the waste transportation and disposal agreement for a three-year period beginning on July 9, 2012. The remaining landfill space will be used for the disposal of construction waste and debris only. Fiscal year 2012 budget will be amended to reflect these changes in municipal solid waste disposal.

## **REQUESTS FOR INFORMATION**

### **Governmental and Business-Type Activities**

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

### **Component Units**

The Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are included in this report as Discretely Presented Component Units of the City. The City appropriated \$538,000 to the Library in this fiscal year. These appropriations are approximately 56.45% of the Library's total revenues. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report and can be found on pages 38-39. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,099,417	\$ 31,429,721	\$ 56,529,138	\$ 2,296,745
Receivables (net)	4,668,708	17,206,284	21,874,992	
Accrued interest receivable		185	185	
Loan receivables (net)	1,129,419		1,129,419	
Pledge receivable			—	69,900
Internal balances	1,632,127	(1,632,127)	—	
Inventories	128,574	3,268,459	3,397,033	
Prepaid expenses		8,221,164	8,221,164	
Restricted assets:				
Cash and investments	150,000	24,940,903	25,090,903	
Conservation loans receivables		6,786,738	6,786,738	
Capital assets (net)	114,103,251	206,611,786	320,715,037	612,811
Other:				
Unamortized debt issuance costs	444,088	649,818	1,093,906	
<b>Total assets</b>	<b>\$ 147,355,584</b>	<b>\$ 297,482,931</b>	<b>\$ 444,838,515</b>	<b>\$ 2,979,456</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 4,642,340	\$ 19,702,393	\$ 24,344,733	\$ 34,756
Customer deposits		6,486,746	6,486,746	
Deferred revenues		58,750	58,750	
Liabilities payable from restricted assets:				
Accrued interest		675,146	675,146	
Advances for conservation loans		6,926,496	6,926,496	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	3,937,363	4,192,967	8,130,330	
Compensated absences	1,112,063	1,056,956	2,169,019	8,851
Promise to give			—	5,000
Portion due or payable after one year:				
Warrants and notes payable	34,769,051	67,748,959	102,518,010	
Compensated absences	1,668,095	1,585,434	3,253,529	
Promise to give			—	64,900
Claims reserve	3,037,712		3,037,712	
Accrued landfill closure and postclosure care costs		2,046,236	2,046,236	
<b>Total liabilities</b>	<b>\$ 49,166,624</b>	<b>\$ 110,480,083</b>	<b>\$ 159,646,707</b>	<b>\$ 113,507</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 75,396,837	\$ 134,669,860	\$ 210,066,697	\$ 612,811
Restricted for:				
Debt service		4,137,474	4,137,474	
Capital projects		20,144,668	20,144,668	
Street resurfacing and improvements	754,070		754,070	
HUD community development and rehabilitation	486,339		486,339	
Capital improvements—municipal facilities	618,031		618,031	
Other purposes—expendable	279,589		279,589	2,245
Other purposes—nonexpendable	240,414		240,414	2,000,000
Unrestricted	20,413,680	28,050,846	48,464,526	250,893
<b>Total net assets</b>	<b>\$ 98,188,960</b>	<b>\$ 187,002,848</b>	<b>\$ 285,191,808</b>	<b>\$ 2,865,949</b>

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



This page intentionally blank.

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General administration	\$ 5,701,476	\$ 4,237,560	\$ 158,239	\$ 85,155	\$ (1,220,522)		\$ (1,220,522)	
Public safety	17,676,999	1,461,068	500,104	97,200	(15,618,627)		(15,618,627)	
Public works	5,551,945	70,928	1,212,834		(4,268,183)		(4,268,183)	
Public ways and facilities	1,068,512			227,427	(841,085)		(841,085)	
Culture and recreation	8,249,011	1,483,157	10,000	587,821	(6,168,033)		(6,168,033)	
Other	1,414,268				(1,414,268)		(1,414,268)	
Education—funding for school district	8,422,649				(8,422,649)		(8,422,649)	
Interest and fiscal charges	1,726,965				(1,726,965)		(1,726,965)	
Total governmental activities	<u>\$ 49,811,825</u>	<u>\$ 7,252,713</u>	<u>\$ 1,881,177</u>	<u>\$ 997,603</u>	<u>\$ (39,680,332)</u>		<u>\$ (39,680,332)</u>	
Business-type activities:								
Electricity	\$ 121,470,867	\$ 125,228,995	\$	\$ 1,388,735	\$	\$ 5,146,863	\$ 5,146,863	
Gas	17,467,502	17,825,423				357,921	357,921	
Water and wastewater	14,841,070	17,772,918				2,931,848	2,931,848	
Solid waste	4,912,958	4,370,923	42,392			(499,643)	(499,643)	
Total business-type activities	<u>\$ 158,692,397</u>	<u>\$ 165,198,259</u>	<u>\$ 42,392</u>	<u>\$ 1,388,735</u>	<u>\$ —</u>	<u>\$ 7,936,989</u>	<u>\$ 7,936,989</u>	
Total primary government	<u>\$ 208,504,222</u>	<u>\$ 172,450,972</u>	<u>\$ 1,923,569</u>	<u>\$ 2,386,338</u>	<u>\$ (39,680,332)</u>	<u>\$ 7,936,989</u>	<u>\$ (31,743,343)</u>	
<b>Component units:</b>								
All	<u>\$ 1,105,674</u>	<u>\$ 54,197</u>	<u>\$ 959,476</u>	<u>\$</u>				<u>\$ (92,001)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 27,842,216	\$	\$ 27,842,216	\$
Property					11,283,173		11,283,173	
Motor fuel					1,045,888		1,045,888	
Alcoholic beverages					979,268		979,268	
Other					302,863		302,863	
Interest revenues					101,280	82,412	183,692	11,871
Gain (loss) on disposal of capital assets					39,066	26,586	65,652	
Total general revenues					<u>\$ 41,593,754</u>	<u>\$ 108,998</u>	<u>\$ 41,702,752</u>	<u>\$ 11,871</u>
Change in net assets					\$ 1,913,422	\$ 8,045,987	\$ 9,959,409	\$ (80,130)
Net assets—beginning					<u>96,275,538</u>	<u>178,956,861</u>	<u>275,232,399</u>	<u>2,946,079</u>
Net assets—ending					<u>\$ 98,188,960</u>	<u>\$ 187,002,848</u>	<u>\$ 285,191,808</u>	<u>\$ 2,865,949</u>

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

**CITY OF FLORENCE, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,346,199	\$ 6,690,662	\$ 18,036,861
Receivables (net)	4,094,102	293,278	4,387,380
Loan receivables (net)	587,821	541,598	1,129,419
Interfund receivables	266,385	679,771	946,156
Inventories	128,574		128,574
<b>Total assets</b>	<u>\$ 16,423,081</u>	<u>\$ 8,205,309</u>	<u>\$ 24,628,390</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 2,432,293	\$ 1,929,547	\$ 4,361,840
Compensated absences	1,112,063		1,112,063
Interfund payables	679,771	1,866,385	2,546,156
<b>Total liabilities</b>	<u>\$ 4,224,127</u>	<u>\$ 3,795,932</u>	<u>\$ 8,020,059</u>
<b>Fund balances</b>			
Nonspendable:			
Inventories	\$ 128,574		\$ 128,574
Loan receivables	587,821		587,821
Permanent fund principal		240,414	240,414
Restricted for:			
Street resurfacing and improvements		754,070	754,070
Culture and recreation		45,965	45,965
Public safety		83,624	83,624
HUD community development and rehabilitation		486,339	486,339
Capital improvements—municipal facilities		618,031	618,031
Assigned to:			
Capital projects		744,065	744,065
Municipal building maintenance		17,134	17,134
Economic development		1,443,351	1,443,351
Unassigned	11,482,559	(23,616)	11,458,943
<b>Total fund balances</b>	<u>\$ 12,198,954</u>	<u>\$ 4,409,377</u>	<u>\$ 16,608,331</u>
<b>Total liabilities and fund balances</b>	<u>\$ 16,423,081</u>	<u>\$ 8,205,309</u>	<u>\$ 24,628,390</u>

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

**CITY OF FLORENCE, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

Total fund balances—governmental funds		\$	16,608,331
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.			
Governmental capital assets		\$ 246,385,706	
Accumulated depreciation		<u>(132,282,455)</u>	114,103,251
Certain receivables are not available to pay for current period expenditures and, therefore, are not reported as receivables in the governmental funds.			
			218,453
Debt issuance costs are reported as a current expenditure in the governmental funds. However, in the statement of activities, debt issuance costs are deferred and amortized over the life of the debt and are included as deferred charges in the statement of net assets.			
Unamortized debt issuance costs			444,088
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		\$ (38,895,000)	
Unamortized debt discount, premium, and loss on current refunding		188,586	
Compensated absences		<u>(1,668,095)</u>	(40,374,509)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.			
			<u>7,189,346</u>
Net assets of governmental activities		\$	<u><u>98,188,960</u></u>



**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 40,796,409	\$ 656,999	\$ 41,453,408
Licenses and permits	3,131,288		3,131,288
Fines and forfeitures	1,315,567		1,315,567
Charges for services	1,637,184		1,637,184
Intergovernmental	1,106,723	1,762,186	2,868,909
Interest revenues	27,174	54,118	81,292
Other	644,076	355,933	1,000,009
<b>Total revenues</b>	<u>\$ 48,658,421</u>	<u>\$ 2,829,236</u>	<u>\$ 51,487,657</u>
<b>EXPENDITURES</b>			
Current operating:			
General administration	\$ 4,485,285	\$ 689,186	\$ 5,174,471
Public safety	16,300,161	526,269	16,826,430
Public works	4,854,463	657,590	5,512,053
Culture and recreation	6,702,181	77,558	6,779,739
Other	1,260,562	153,705	1,414,267
Education—funding for school district	7,171,247	1,251,402	8,422,649
Capital outlay and improvements		1,924,910	1,924,910
Debt service:			
Principal payments		3,845,000	3,845,000
Interest and fiscal charges		1,644,116	1,644,116
<b>Total expenditures</b>	<u>\$ 40,773,899</u>	<u>\$ 10,769,736</u>	<u>\$ 51,543,635</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 7,884,522</u>	<u>\$ (7,940,500)</u>	<u>\$ (55,978)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 300,670	\$ 13,015,806	\$ 13,316,476
Transfers out	(7,961,455)	(5,355,021)	(13,316,476)
<b>Total other financing sources (uses)</b>	<u>\$ (7,660,785)</u>	<u>\$ 7,660,785</u>	<u>\$ —</u>
<b>Net change in fund balances</b>	<u>\$ 223,737</u>	<u>\$ (279,715)</u>	<u>\$ (55,978)</u>
<b>Fund balances—beginning</b>	11,975,217	4,689,092	16,664,309
<b>Fund balances—ending</b>	<u>\$ 12,198,954</u>	<u>\$ 4,409,377</u>	<u>\$ 16,608,331</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, 2011**

Total net change in fund balances—governmental funds		\$ (55,978)
<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	\$ 3,546,847	
Current year depreciation expense	<u>(4,869,445)</u>	(1,322,598)
<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 assets differs from the change in fund balance by the net book value of the capital assets sold.</p>		
		(852)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		218,453
<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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net assets and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:</p>		
Repayments of debt principal	\$ 3,845,000	
Amortization of debt discount, premium, issuance costs, and loss on current refunding	<u>(82,849)</u>	3,762,151
<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		(93,323)
<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>(594,431)</u>
Change in net assets of governmental activities		<u><u>\$ 1,913,422</u></u>

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

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

	<b>Business-type Activities—Enterprise Funds</b>					<b>Governmental</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service</b>
	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>September 30, 2011</b>		<b>Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 12,734,154	\$ 9,787,818	\$ 6,357,092	\$ 2,550,657	\$ 31,429,721	\$ 7,062,556
Receivables (net)	14,372,584	775,932	1,707,418	350,350	17,206,284	62,875
Accrued interest receivable		185			185	
Interfund receivables					—	1,610,950
Inventories	1,497,969	1,128,278	606,009	36,203	3,268,459	
Prepaid expenses	7,805,303	10,947	275,764		8,092,014	
<b>Total current assets</b>	<b>\$ 36,410,010</b>	<b>\$ 11,703,160</b>	<b>\$ 8,946,283</b>	<b>\$ 2,937,210</b>	<b>\$ 59,996,663</b>	<b>\$ 8,736,381</b>
Noncurrent assets:						
Restricted cash and investments:						
Cash and investments	\$ 974,559		\$ 23,966,344		\$ 24,940,903	\$ 150,000
Receivables from customers for conservation loans	6,786,738				6,786,738	
Capital assets:						
Utility plant in service (at cost)	143,086,193	52,178,039	144,138,069	13,935,946	353,338,247	
Acquisition adjustment (net of amortization)		211,447			211,447	
Construction in progress	3,166,916	37,765	1,155,657		4,360,338	
Less: accumulated depreciation	75,175,622	20,884,231	45,575,764	9,662,629	151,298,246	
Prepaid purchased power—TVA DEU program	129,150				129,150	
Unamortized debt issuance costs	98,621	353	550,844		649,818	
<b>Total noncurrent assets</b>	<b>\$ 79,066,555</b>	<b>\$ 31,543,373</b>	<b>\$ 124,235,150</b>	<b>\$ 4,273,317</b>	<b>\$ 239,118,395</b>	<b>\$ 150,000</b>
<b>Total assets</b>	<b>\$ 115,476,565</b>	<b>\$ 43,246,533</b>	<b>\$ 133,181,433</b>	<b>\$ 7,210,527</b>	<b>\$ 299,115,058</b>	<b>\$ 8,886,381</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2011	June 30, 2011	June 30, 2011	September 30, 2011		Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 17,957,188	\$ 887,937	\$ 730,024	\$ 127,244	\$ 19,702,393	\$ 280,500
Interfund payables					—	10,950
Deferred interest income—TVA DEU program	29,600				29,600	
Compensated absences—payable within one year	534,325	218,013	230,455	74,163	1,056,956	
Customer deposits	6,471,682			15,064	6,486,746	
<b>Total current liabilities</b>	<u>\$ 24,992,795</u>	<u>\$ 1,105,950</u>	<u>\$ 960,479</u>	<u>\$ 216,471</u>	<u>\$ 27,275,695</u>	<u>\$ 291,450</u>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 710,000	\$ —	\$ 3,550,000	\$ —	\$ 4,260,000	\$ —
Unamortized debt premium (discount), net	(4,660)		2,121		(2,539)	
Unamortized deferred loss on early retirement of debt	(26,397)		(38,097)		(64,494)	
Accrued interest	16,385		658,761		675,146	
Advances from TVA for conservation loans	6,926,496				6,926,496	
<b>Total liabilities payable from restricted assets</b>	<u>\$ 7,621,824</u>	<u>\$ —</u>	<u>\$ 4,172,785</u>	<u>\$ —</u>	<u>\$ 11,794,609</u>	<u>\$ —</u>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 5,570,000	\$ —	\$ 62,654,530	\$ —	\$ 68,224,530	\$ —
Unamortized debt premium (discount), net	(32,616)		50,914		18,298	
Unamortized deferred loss on early retirement of debt	(184,783)		(309,086)		(493,869)	
Compensated absences—payable after one year	801,488	327,019	345,682	111,245	1,585,434	
Deferred interest income—TVA DEU program	29,150				29,150	
Accrued landfill closure and postclosure care costs				2,046,236	2,046,236	
Claims reserve					—	3,037,712
<b>Total noncurrent liabilities</b>	<u>\$ 6,183,239</u>	<u>\$ 327,019</u>	<u>\$ 62,742,040</u>	<u>\$ 2,157,481</u>	<u>\$ 71,409,779</u>	<u>\$ 3,037,712</u>
<b>Total liabilities</b>	<u>\$ 38,797,858</u>	<u>\$ 1,432,969</u>	<u>\$ 67,875,304</u>	<u>\$ 2,373,952</u>	<u>\$ 110,480,083</u>	<u>\$ 3,329,162</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 65,045,943	\$ 31,543,020	\$ 33,807,580	\$ 4,273,317	\$ 134,669,860	\$ —
Restricted for debt service	974,559		3,162,915		4,137,474	
Restricted for capital projects			20,144,668		20,144,668	
Restricted for other purposes—expendable					—	150,000
Unrestricted	10,658,205	10,270,544	8,190,966	563,258	29,682,973	5,407,219
<b>Total net assets</b>	<u>\$ 76,678,707</u>	<u>\$ 41,813,564</u>	<u>\$ 65,306,129</u>	<u>\$ 4,836,575</u>	<u>\$ 188,634,975</u>	<u>\$ 5,557,219</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(1,632,127)	
<b>Net assets of business-type activities</b>					<u>\$ 187,002,848</u>	

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



This page intentionally blank.

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

	<b>Business-type Activities—Enterprise Funds</b>					<b>Governmental</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service</b>
	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>September 30, 2011</b>		<b>Funds</b>
<b>Operating revenues</b>						
User charges	\$ 124,477,011	\$ 17,684,326	\$ 17,578,097	\$ 4,366,119	\$ 164,105,553	\$ 835,046
Other	630,862	11,955	194,821	4,804	842,442	
<b>Total operating revenues</b>	<u>\$ 125,107,873</u>	<u>\$ 17,696,281</u>	<u>\$ 17,772,918</u>	<u>\$ 4,370,923</u>	<u>\$ 164,947,995</u>	<u>\$ 835,046</u>
<b>Operating expenses</b>						
Cost of sales	\$ 99,892,949	\$ 9,636,273	\$	\$	\$ 109,529,222	\$
Operations, maintenance, and administration	13,491,557	4,692,997	8,756,157	3,871,844	30,812,555	379,101
Depreciation	4,417,680	1,320,694	2,910,272	771,414	9,420,060	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,114,742	1,533,703	1,522,344	134,171	6,304,960	
Insurance premiums and claims (net of refunds)					—	1,822,717
<b>Total operating expenses</b>	<u>\$ 120,916,928</u>	<u>\$ 17,194,328</u>	<u>\$ 13,188,773</u>	<u>\$ 4,777,429</u>	<u>\$ 156,077,458</u>	<u>\$ 2,201,818</u>
<b>Operating income (loss)</b>	<u>\$ 4,190,945</u>	<u>\$ 501,953</u>	<u>\$ 4,584,145</u>	<u>\$ (406,506)</u>	<u>\$ 8,870,537</u>	<u>\$ (1,366,772)</u>
<b>Nonoperating revenues (expenses)</b>						
Interest revenues	\$ 49,108	\$ 9,287	\$ 18,052	\$ 5,965	\$ 82,412	\$ 19,988
Gain (loss) on disposal of capital assets		12,200	(442)	14,828	26,586	
Miscellaneous nonoperating income	121,122	129,142			250,264	
Recycling grants				42,392	42,392	
Interest expense	(210,196)		(1,542,039)		(1,752,235)	
Amortization of debt premium, discount, and costs	(43,641)	(353)	(66,357)		(110,351)	
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (83,607)</u>	<u>\$ 150,276</u>	<u>\$ (1,590,786)</u>	<u>\$ 63,185</u>	<u>\$ (1,460,932)</u>	<u>\$ 19,988</u>
<b>Income before contributions</b>	<u>\$ 4,107,338</u>	<u>\$ 652,229</u>	<u>\$ 2,993,359</u>	<u>\$ (343,321)</u>	<u>\$ 7,409,605</u>	<u>\$ (1,346,784)</u>
Capital contributions	1,388,735				1,388,735	
<b>Change in net assets</b>	<u>\$ 5,496,073</u>	<u>\$ 652,229</u>	<u>\$ 2,993,359</u>	<u>\$ (343,321)</u>	<u>\$ 8,798,340</u>	<u>\$ (1,346,784)</u>
<b>Net assets—beginning</b>	<u>71,182,634</u>	<u>41,161,335</u>	<u>62,312,770</u>	<u>5,179,896</u>		<u>6,904,003</u>
<b>Net assets—ending</b>	<u>\$ 76,678,707</u>	<u>\$ 41,813,564</u>	<u>\$ 65,306,129</u>	<u>\$ 4,836,575</u>		<u>\$ 5,557,219</u>
					(752,353)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>\$ 8,045,987</u>	
<b>Change in net assets of business-type activities</b>						

The accompanying notes are an integral part of the financial statements.  
Page 34

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

	<b>Business-type Activities—Enterprise Funds</b>					<b>Governmental</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service</b>
	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>	<b>September 30, 2011</b>		<b>Funds</b>
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 123,135,218	\$ 18,127,830	\$ 17,123,093	\$ 4,483,595	\$ 162,869,736	\$ 835,046
Receipts from interfund services provided	2,275,594	110,024	141,689		2,527,307	
Payments to suppliers	(101,837,733)	(10,344,423)	(2,982,723)	(1,142,420)	(116,307,299)	(1,653,000)
Payments to employees for services and benefits—exclusive of capitalized costs	(9,663,164)	(2,929,865)	(4,052,759)	(2,627,479)	(19,273,267)	(40,231)
Payments for interfund services used	(5,008,488)	(2,491,026)	(2,685,376)	(267,337)	(10,452,227)	
<b>Net cash from operating activities</b>	<b>\$ 8,901,427</b>	<b>\$ 2,472,540</b>	<b>\$ 7,543,924</b>	<b>\$ 446,359</b>	<b>\$ 19,364,250</b>	<b>\$ (858,185)</b>
<b>Cash flows from noncapital financing activities</b>						
Increase in receivables from customers for conservation loans	\$ (630,843)	\$	\$	\$	\$ (630,843)	\$
Increase in advances from TVA for conservation loans	612,535				612,535	
Deferred TVA DEU program (net)	100,000				100,000	
<b>Net cash from noncapital financing activities</b>	<b>\$ 81,692</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 81,692</b>	<b>\$ —</b>
<b>Cash flows from capital and related financing activities</b>						
Purchase and construction of capital assets (net)	\$ (5,493,481)	\$ (896,399)	\$ (2,159,572)	\$ (400,969)	\$ (8,950,421)	\$
Removal costs of retirements of capital assets	(345,617)	(32,122)			(377,739)	
Salvage value of retirements of capital assets	22,464				22,464	
Proceeds from disposition of capital assets		12,200		15,215	27,415	
Capital contributions	1,388,735				1,388,735	
Net proceeds from capital debt			20,513,678		20,513,678	
Principal paid on capital debt	(705,000)		(5,205,000)		(5,910,000)	
Interest paid on capital debt	(211,430)		(1,662,297)		(1,873,727)	
Payment of debt issuance costs			(90,084)		(90,084)	
<b>Net cash from capital and related financing activities</b>	<b>\$ (5,344,329)</b>	<b>\$ (916,321)</b>	<b>\$ 11,396,725</b>	<b>\$ (385,754)</b>	<b>\$ 4,750,321</b>	<b>\$ —</b>
<b>Cash flows from investing activities</b>						
Interest on investments	\$ 49,108	\$ 9,793	\$ 21,594	\$ 7,978	\$ 88,473	\$ 21,810
Due to (from) other funds					—	800,184
<b>Net cash from investing activities</b>	<b>\$ 49,108</b>	<b>\$ 9,793</b>	<b>\$ 21,594</b>	<b>\$ 7,978</b>	<b>\$ 88,473</b>	<b>\$ 821,994</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 3,687,898</b>	<b>\$ 1,566,012</b>	<b>\$ 18,962,243</b>	<b>\$ 68,583</b>	<b>\$ 24,284,736</b>	<b>\$ (36,191)</b>
<b>Cash and cash equivalents—beginning of the year</b>	<b>10,020,815</b>	<b>8,221,806</b>	<b>11,361,193</b>	<b>2,482,074</b>	<b>32,085,888</b>	<b>7,248,747</b>
<b>Cash and cash equivalents—end of the year</b>	<b>\$ 13,708,713</b>	<b>\$ 9,787,818</b>	<b>\$ 30,323,436</b>	<b>\$ 2,550,657</b>	<b>\$ 56,370,624</b>	<b>\$ 7,212,556</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2011	June 30, 2011	June 30, 2011	September 30, 2011		Funds
<b><i>Classified as:</i></b>						
Current assets	\$ 12,734,154	\$ 9,787,818	\$ 6,357,092	\$ 2,550,657	\$ 31,429,721	\$ 7,062,556
Restricted assets	974,559		23,966,344		24,940,903	150,000
<b>Totals</b>	<b>\$ 13,708,713</b>	<b>\$ 9,787,818</b>	<b>\$ 30,323,436</b>	<b>\$ 2,550,657</b>	<b>\$ 56,370,624</b>	<b>\$ 7,212,556</b>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>						
Operating income (loss)	\$ 4,190,945	\$ 501,953	\$ 4,584,145	\$ (406,506)	\$ 8,870,537	\$ (1,366,772)
<b><i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i></b>						
Depreciation	\$ 4,641,425	\$ 1,320,694	\$ 2,910,272	\$ 771,414	\$ 9,643,805	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				77,979	77,979	
Miscellaneous nonoperating income	121,122	129,142			250,264	
Proceeds from recycling grants				42,392	42,392	
<b><i>Changes in assets and liabilities</i></b>						
Receivables (net)	(2,093,779)	302,006	(335,580)	70,280	(2,057,073)	10,024
Inventories	80,029	461,256	(21,126)	6,160	526,319	
Prepaid expenses	(1,577,499)	(1,482)	425,819		(1,153,162)	
Accounts payables and accrued expenses	3,539,184	(251,690)	(19,606)	(115,360)	3,152,528	498,563
<b>Total adjustments</b>	<b>\$ 4,710,482</b>	<b>\$ 1,970,587</b>	<b>\$ 2,959,779</b>	<b>\$ 852,865</b>	<b>\$ 10,493,713</b>	<b>\$ 508,587</b>
<b>Net cash from operating activities</b>	<b>\$ 8,901,427</b>	<b>\$ 2,472,540</b>	<b>\$ 7,543,924</b>	<b>\$ 446,359</b>	<b>\$ 19,364,250</b>	<b>\$ (858,185)</b>

***Noncash capital and financing activities:***

The Water and Wastewater Department issued Water and Sewer Revenue Warrants, Series 2010-A, 2010-B, 2010-C, and 2010-D to refund, on a current basis, Water and Sewer Revenue Warrants, SRF Series 1998, 1999, 1999B, and 2000 in the total amount of \$39,090,000. Bond issuance costs of \$460,760 that were deducted from the capital debt proceeds were capitalized and will be amortized over the debt repayment period.

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



**CITY OF FLORENCE, ALABAMA  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2011**

	<u>Postretirement Benefits Plan</u>
<b>ASSETS</b>	
Receivables	
Employer	\$ 637,632
<b>Total assets</b>	<u>\$ 637,632</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<u><u>\$ 637,632</u></u>

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>Postretirement Benefits Plan</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 77,289
<b>NET INCREASE</b>	\$ 77,289
 <b>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	
Beginning of year	560,343
End of year	\$ 637,632

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

	<u>Florence- Lauderdale Public Library September 30, 2011</u>	<u>Florence Library Foundation, Inc. June 30, 2011</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,749	\$ 2,272,996	\$ 2,296,745
Pledge receivable		69,900	69,900
Capital assets (net)	612,811		612,811
<b>Total assets</b>	<u>\$ 636,560</u>	<u>\$ 2,342,896</u>	<u>\$ 2,979,456</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 34,756	\$	\$ 34,756
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	8,851		8,851
Promise to give	5,000		5,000
Portion due or payable after one year:			
Promise to give	64,900		64,900
<b>Total liabilities</b>	<u>\$ 113,507</u>	<u>\$ —</u>	<u>\$ 113,507</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 612,811	\$	\$ 612,811
Restricted for:			
Other purposes-expendable		2,245	2,245
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	(89,758)	340,651	250,893
<b>Total net assets</b>	<u>\$ 523,053</u>	<u>\$ 2,342,896</u>	<u>\$ 2,865,949</u>

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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>
<b>Component units:</b>							
<b><u>September 30, 2011</u></b>							
Florence-Lauderdale Public Library	\$ 1,102,424	\$ 54,197	\$ 959,476	\$	\$ (88,751)	\$	\$ (88,751)
<b><u>June 30, 2011</u></b>							
Florence Library Foundation, Inc.	<u>3,250</u>					<u>(3,250)</u>	<u>(3,250)</u>
Total component units	<u>\$ 1,105,674</u>	<u>\$ 54,197</u>	<u>\$ 959,476</u>	<u>\$ —</u>	<u>\$ (88,751)</u>	<u>\$ (3,250)</u>	<u>\$ (92,001)</u>
General revenues:							
Interest revenues					<u>51</u>	<u>11,820</u>	<u>11,871</u>
Change in net assets					\$ (88,700)	\$ 8,570	\$ (80,130)
Net assets—beginning					<u>611,753</u>	<u>2,334,326</u>	<u>2,946,079</u>
Net assets—ending					<u>\$ 523,053</u>	<u>\$ 2,342,896</u>	<u>\$ 2,865,949</u>

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



This page intentionally blank.

**CITY OF FLORENCE, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

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

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

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

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Related Organizations**

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

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

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

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

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

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

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

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

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



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

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

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

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

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

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

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

**Discretely Presented Component Unit—Foundation**

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Deposits and Investments**

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

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

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

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

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

**Receivables and Payables**

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

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

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

**Contributions and Restrictions—Discretely Presented Component Unit—Foundation**

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(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>
<b>Governmental Activities</b>	
Buildings and improvements	40
Land improvements	25
Infrastructure	25
Equipment, vehicles, furniture and fixtures	5
<b>Business-type Activities</b>	
Utility plant	5 - 75

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**Compensated Absences**

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

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

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

**Long-term Obligations and Debt-Related Items**

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Assets/Fund Equity**

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

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

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

*Committed*—The committed fund balance classification represents amounts that can only be used for specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it previously employed to commit those amounts. In contrast to fund balance that is restricted by enabling legislation, amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

**Net Assets—Discretely Presented Component Unit—Foundation**

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

**Estimates**

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

**Income Taxes—Discretely Presented Component Unit—Foundation**

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY PROCESS**

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

**Governmental Activities**

The following fund incurred expenditures in excess of appropriations of the following amount for the year ended September 30, 2011:

Miscellaneous Grants Fund \$ 493,628

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

**C. DEFICIT FUND EQUITY**

**Governmental Activities**

As of September 30, 2011, the Miscellaneous Grants Fund and the Drug Enforcement Fund had deficit fund balances of \$19,930 and \$3,686, respectively, which are expected to be funded by future revenues or transfers from the General Fund.

**Discretely Presented Component Unit—Library**

As of September 30, 2011, the General Fund had a deficit fund balance of \$89,758. The Library plans to liquidate this deficit by increasing revenues and/or decreasing expenditures in subsequent years.

**NOTE 3—RECEIVABLES AND PAYABLES**

**A. RECEIVABLES**

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables
<b>Governmental Activities</b>					
General Fund	\$ 84,350	\$ 3,557,398	\$ 592,724	\$ 78,083	\$ 4,312,555
Other governmental funds	10,893	89,880	192,505		293,278
Internal service funds	54,287		8,588		62,875
<b>Total—governmental activities</b>	<b>\$ 149,530</b>	<b>\$ 3,647,278</b>	<b>\$ 793,817</b>	<b>\$ 78,083</b>	<b>\$ 4,668,708</b>
<b>Business-type Activities</b>					
Electricity	\$ 11,050,769	\$ —	\$ 1,737,064	\$ 1,954,528	\$ 14,742,361
Gas	764,582		36,206	3,060	803,848
Water and wastewater	1,628,327		166,558		1,794,885
Solid waste	377,625			7,015	384,640
Less: allowance for bad debts	519,450				519,450
<b>Total—business-type activities</b>	<b>\$ 13,301,853</b>	<b>\$ —</b>	<b>\$ 1,939,828</b>	<b>\$ 1,964,603</b>	<b>\$ 17,206,284</b>

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 \$1,970,582 at year-end, net of an allowance for bad debts of \$841,163.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 3—RECEIVABLES AND PAYABLES** (Continued)

**B. PAYABLES**

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
<b>Governmental Activities</b>					
General Fund	\$ 1,256,782	\$ 146,818	\$ 996,598	\$ 32,095	\$ 2,432,293
Other governmental funds	362,459		1,383,934	183,154	1,929,547
Internal service funds	280,500				280,500
<b>Total—governmental activities</b>	<b>\$ 1,899,741</b>	<b>\$ 146,818</b>	<b>\$ 2,380,532</b>	<b>\$ 215,249</b>	<b>\$ 4,642,340</b>
<b>Business-type Activities</b>					
Electricity	\$ 17,521,219	\$ 419,904	\$ 16,065	\$ —	\$ 17,957,188
Gas	558,623	99,314	230,000		887,937
Water and wastewater	230,809	129,783	369,432		730,024
Solid waste	58,352		68,892		127,244
<b>Total—business-type activities</b>	<b>\$ 18,369,003</b>	<b>\$ 649,001</b>	<b>\$ 684,389</b>	<b>\$ —</b>	<b>\$ 19,702,393</b>
<b>Component Unit</b>					
Public Library	\$ 20,148	\$ 14,608	\$ —	\$ —	\$ 34,756

**Pledge Receivable/Promise to Give—Discretely Presented Component Units**

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

**NOTE 4—INTERFUND BALANCES**

**Governmental Activities**

Interfund balances at September 30, 2011 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
<b>Receivables</b>	General Fund	\$ —	\$ 266,385	\$ —	\$ 266,385
	Other governmental	679,771			679,771
	Internal service		1,600,000	10,950	1,610,950
	<b>Total</b>	<b>\$ 679,771</b>	<b>\$ 1,866,385</b>	<b>\$ 10,950</b>	<b>\$ 2,557,106</b>

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

In fiscal year 2008, the City's General Liability Insurance Fund and Workers' Compensation Insurance Fund provided additional financial support for capital projects in the amount of \$4,000,000. These loans are expected to be repaid ratably over a 5-year period along with interest computed at a market rate. As of September 30, 2011, the balance of these interfund loans amounted to \$1,600,000.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 5—INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2011 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
<b>Transfer to</b>	General Fund	\$ —	\$ 300,670	\$ 300,670
	Other governmental	7,961,455	5,054,351	13,015,806
	<b>Total</b>	<b>\$ 7,961,455</b>	<b>\$ 5,355,021</b>	<b>\$ 13,316,476</b>

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

**NOTE 6—RESTRICTED ASSETS**

**Governmental Activities**

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

**Business-type Activities**

Revenue warrants issued by the enterprise funds require that certain amounts be deposited into restricted funds for specified uses. These funds are invested in U. S. government securities and are carried at fair market value.

**Electricity Department**

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

<b>Series 2009 Debt Service Reserve Fund</b>	
Short-term U. S. Government Securities	\$ 725,000
<b>Series 2009 Warrant Funds</b>	
Short-term U. S. Government Securities	249,559
<b>Total</b>	<b>\$ 974,559</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 6—RESTRICTED ASSETS** (Continued)

*Water and Wastewater Department*

Funds created for debt service by the bond financing agreements are as follows:

<b>SRF Series 2006 Warrant Funds</b>	
Short-term U. S. Government Securities	\$ 93,944
<b>SRF Series 2007 Warrant Funds</b>	
Short-term U. S. Government Securities	478,415
<b>SRF Series 2010-A Warrant Funds</b>	
Short-term U. S. Government Securities	669,807
<b>SRF Series 2010-B Warrant Funds</b>	
Short-term U. S. Government Securities	1,119,764
<b>SRF Series 2010-C Warrant Funds</b>	
Short-term U. S. Government Securities	1,105,094
<b>SRF Series 2010-D Warrant Funds</b>	
Short-term U. S. Government Securities	276,381
<b>Series 2011 Warrant Funds</b>	
Short-term U. S. Government Securities	78,271
<b>Series 2011 Construction Fund</b>	
Short-term U. S. Government Securities	<u>20,144,668</u>
<b>Total</b>	<u><u>\$ 23,966,344</u></u>

**NOTE 7—STORAGE GAS**

**Business-type Activities**

*Gas Department*

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2011, the Department had \$813,579 in storage gas that is valued using the weighted average method.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 8—CAPITAL ASSETS**

Capital asset activity for the fiscal year is as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions and Transfers</b>	<b>Retirements and Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Nondepreciable assets:				
Land	\$ 6,704,973	\$ 10,185	\$ —	\$ 6,715,158
Construction in progress	370,720	976,474	198,737	1,148,457
Depreciable assets:				
Land improvements	23,262,836	104,699		23,367,535
Buildings	38,633,952	466,470		39,100,422
Equipment and vehicles	19,964,122	1,339,751	483,769	20,820,104
Infrastructure	154,386,025	848,005		155,234,030
<b>Total capital assets</b>	<b>\$ 243,322,628</b>	<b>\$ 3,745,584</b>	<b>\$ 682,506</b>	<b>\$ 246,385,706</b>
Less accumulated depreciation:				
Land improvements	\$ 6,892,338	\$ 897,960	\$ —	\$ 7,790,298
Buildings	14,458,925	923,712		15,382,637
Equipment and vehicles	17,424,158	1,291,253	482,917	18,232,494
Infrastructure	89,120,506	1,756,520		90,877,026
<b>Total accumulated depreciation</b>	<b>\$ 127,895,927</b>	<b>\$ 4,869,445</b>	<b>\$ 482,917</b>	<b>\$ 132,282,455</b>
<b>Net capital assets—governmental activities</b>	<b>\$ 115,426,701</b>	<b>\$ (1,123,861)</b>	<b>\$ 199,589</b>	<b>\$ 114,103,251</b>
<b>Business-type Activities</b>				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,376,323	\$ 1,790,593	\$ —	\$ 3,166,916
Gas	44,936		7,171	37,765
Water and wastewater	69,299	1,086,358		1,155,657
Depreciable assets:				
Utility plant in service:				
Electricity	139,892,178	3,702,888	508,873	143,086,193
Gas	51,507,281	903,570	232,812	52,178,039
Water and wastewater	143,132,371	1,073,214	67,516	144,138,069
Solid waste	13,651,168	400,969	116,191	13,935,946
Acquisition adjustment (net):				
Gas	222,108		10,661	211,447
<b>Total capital assets</b>	<b>\$ 349,895,664</b>	<b>\$ 8,957,592</b>	<b>\$ 943,224</b>	<b>\$ 357,910,032</b>
Less accumulated depreciation:				
Electricity	\$ 71,366,223	\$ 4,641,425	\$ 832,026	\$ 75,175,622
Gas	19,828,471	1,320,694	264,934	20,884,231
Water and wastewater	42,732,566	2,910,272	67,074	45,575,764
Solid waste	9,007,019	771,414	115,804	9,662,629
<b>Total accumulated depreciation</b>	<b>\$ 142,934,279</b>	<b>\$ 9,643,805</b>	<b>\$ 1,279,838</b>	<b>\$ 151,298,246</b>
<b>Net capital assets—business-type activities</b>	<b>\$ 206,961,385</b>	<b>\$ (686,213)</b>	<b>\$ (336,614)</b>	<b>\$ 206,611,786</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 8—CAPITAL ASSETS** (Continued)

**Depreciation expense was charged to the government functions as follows:**

General administration	\$ 495,319
Public safety	898,670
Public works	273,312
Public ways and facilities	1,068,512
Culture and recreation	2,133,632
<b>Total</b>	<b>\$ 4,869,445</b>

**Discretely Presented Component Unit—Library**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Depreciable assets:				
Furniture and fixtures	\$ 129,363	\$ —	\$ —	\$ 129,363
Equipment	541,935	23,373		565,308
Library collection	2,045,460	67,479	69,258	2,043,681
<b>Total capital assets</b>	<b>\$ 2,716,758</b>	<b>\$ 90,852</b>	<b>\$ 69,258</b>	<b>\$ 2,738,352</b>
Less accumulated depreciation:				
Furniture and fixtures	\$ 73,321	\$ 10,808	\$ —	\$ 84,129
Equipment	466,845	29,134		495,979
Library collection	1,494,790	119,901	69,258	1,545,433
<b>Total accumulated depreciation</b>	<b>\$ 2,034,956</b>	<b>\$ 159,843</b>	<b>\$ 69,258</b>	<b>\$ 2,125,541</b>
<b>Net capital assets—governmental activities</b>	<b>\$ 681,802</b>	<b>\$ (68,991)</b>	<b>\$ —</b>	<b>\$ 612,811</b>

**Depreciation expense was charged to the government function as follows:**

Library services	\$ 159,843
------------------	------------

**Business-type Activities**

**Electricity Department**

As of June 30, 2011, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,095,904.

Depreciation for the fiscal year 2011 totaled \$4,641,425 of which \$4,417,680 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$223,745 for the fiscal year.

**Gas Department**

As of June 30, 2011, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,747.

Depreciation expense charged against income amounted to \$1,320,694 for the fiscal year.

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, 2011, accumulated amortization amounted to \$143,926.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 8—CAPITAL ASSETS** (Continued)

*Water and Wastewater Department*

As of June 30, 2011, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$968,039.

Depreciation expense charged against income amounted to \$2,910,272 for the fiscal year.

*Solid Waste Fund*

As of September 30, 2011, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,316,853.

Depreciation expense charged against income amounted to \$771,414 for the fiscal year.

**NOTE 9—TVA POWER AND CONSERVATION PROGRAMS**

**Business-type Activities**

*Electricity Department*

**Conservation Program**

The Department has entered into a contract with TVA to jointly establish a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. The Department had at June 30, 2011, a total of \$6,786,738 of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these loans in the amount of \$6,926,496 for the year ended June 30, 2011.

**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 \$7,472,350 as of June 30, 2011 is reflected as prepaid expenses.

The Department has entered into two (2) agreements with TVA under the Discounted Energy Units Program. The program entitles the Department to receive a discount of 2.5 cents per kWh on monthly contract volume of 217,500 kWh for a period of 10 years with the discount being applied to the monthly power invoice. The Department recorded the initial contract investments totaling \$1,000,000 together with deferred interest income totaling \$296,000 as deferred assets with an offsetting deferred liability for the interest income portion of the agreement. As of June 30, 2011, the balance of the investments was \$258,750 with \$129,150 reported as noncurrent prepaid purchased power and \$129,600 reported as current. The balance of the deferred interest income was \$58,750 with \$29,150 reported as noncurrent deferred interest income and \$29,600 as current.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 10—LONG-TERM OBLIGATIONS**

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

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Warrants,					
Series 2003-B	\$ 20,000,000	\$ —	\$ 840,000	\$ 19,160,000	\$ 875,000
Debt premium	71,605		5,508	66,097	5,508
Series 2007	5,230,000		645,000	4,585,000	680,000
Series 2009-B	10,755,000		1,100,000	9,655,000	1,105,000
Debt discount	(103,278)		(11,917)	(91,361)	(11,917)
Deferred loss on early retirement	(185,553)		(21,410)	(164,143)	(21,410)
General Obligation School Warrants,					
Series 2004	6,755,000		1,260,000	5,495,000	1,305,000
Debt premium	1,003		182	821	182
Compensated absences	2,624,620	1,205,386	1,049,848	2,780,158	1,112,063
<b>Total—governmental activities</b>	<b>\$ 45,148,397</b>	<b>\$ 1,205,386</b>	<b>\$ 4,867,211</b>	<b>\$ 41,486,572</b>	<b>\$ 5,049,426</b>
<b>Business-type Activities</b>					
<i>Electricity</i>					
Electric Revenue Warrants,					
Series 2008	\$ —	\$ —	\$ —	\$ —	\$ —
Series 2009	6,985,000		705,000	6,280,000	710,000
Debt discount	(41,935)		(4,659)	(37,276)	(4,660)
Deferred loss on early retirement	(237,578)		(26,398)	(211,180)	(26,397)
Compensated absences	1,358,554	520,681	543,422	1,335,813	534,325
<i>Gas</i>					
Natural Gas Revenue Warrants,					
Series 2008	—			—	—
Compensated absences	518,598	233,873	207,439	545,032	218,013
<i>Water and wastewater</i>					
Water and Sewer Revenue Warrants,					
Series 1995	1,785,000		1,785,000	—	—
Debt discount	(16,723)		(16,723)	—	—
SRF Series 1998	13,965,000		13,965,000	—	—
SRF Series 1999	13,485,000		13,485,000	—	—
SRF Series 1999B	3,380,000		3,380,000	—	—
SRF Series 2000	8,260,000		8,260,000	—	—
SRF Series 2006	3,580,000		160,000	3,420,000	165,000
SRF Series 2007	6,111,398	243,132	320,000	6,034,530	335,000
SRF Series 2010-A	—	8,260,000	615,000	7,645,000	640,000
SRF Series 2010-B	—	13,965,000	1,045,000	12,920,000	1,085,000
SRF Series 2010-C	—	13,485,000	1,025,000	12,460,000	1,060,000
SRF Series 2010-D	—	3,380,000	255,000	3,125,000	265,000
Deferred loss on early retirement	—	(347,183)		(347,183)	(38,097)
Series 2011	—	20,600,000		20,600,000	—
Debt premium	—	53,035		53,035	2,121
Compensated absences	553,432	244,078	221,373	576,137	230,455
<i>Solid waste</i>					
Compensated absences	168,669	84,207	67,468	185,408	74,163
<b>Total—business-type activities</b>	<b>\$ 59,854,415</b>	<b>\$ 60,721,823</b>	<b>\$ 45,991,922</b>	<b>\$ 74,584,316</b>	<b>\$ 5,249,923</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 10—LONG-TERM OBLIGATIONS** (Continued)

<b>Governmental Activities</b>	<b>Discretely Presented Component Unit—Library</b>					
	<b>Beginning</b>				<b>Ending</b>	<b>Due Within</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>One Year</b>	
Compensated absences	\$ 8,721	\$ 130	\$ —	\$ 8,851	\$ 8,851	
Promise to give	69,900			69,900	5,000	
<b>Total—governmental activities</b>	<b>\$ 78,621</b>	<b>\$ 130</b>	<b>\$ —</b>	<b>\$ 78,751</b>	<b>\$ 13,851</b>	

**Governmental Activities**

On October 9, 2003, the City issued General Obligation Warrants, Series 2003-B in the amount of \$20,000,000 for capital improvements. These warrants bear interest rates of 3.50% to 5.00% and will be fully paid in 2023.

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

On August 23, 2007, the City issued General Obligation Warrants, Series 2007 in the amount of \$7,000,000 for capital improvements to various City streets. These warrants bear an interest rate of 4.20% and will be fully paid in 2017.

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 of 1.00% to 3.45% and will be fully paid in 2019.

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

<b>Totals—Governmental Activities</b>			
<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>September 30</b>			<b>Debt Service</b>
2012	\$ 3,965,000	\$ 1,518,745	\$ 5,483,745
2013	4,085,000	1,391,801	5,476,801
2014	4,230,000	1,248,381	5,478,381
2015	4,395,000	1,089,265	5,484,265
2016	7,785,000	1,080,559	8,865,559
2017—2021	3,355,000	2,911,743	6,266,743
2022—2023	11,080,000	1,061,833	12,141,833
<b>Totals</b>	<b>\$ 38,895,000</b>	<b>\$ 10,302,327</b>	<b>\$ 49,197,327</b>

**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, 2011**  
**(Continued)**

**NOTE 10—LONG-TERM OBLIGATIONS** (Continued)

**Business-type Activities**

*Electricity Department*

The City issued Electric Taxable Revenue Warrants, Series 2008, on April 4, 2008 in the amount of \$2,000,000 under a line of credit agreement with CB&S Bank. Proceeds of the loan will be advanced as requested by the Department. The revenues of the system are pledged for payment of the principal and interest of these warrants. Interest is payable semi-annually on each July 1 and January 1 until maturity at a rate of 4.99%. The entire outstanding principal balance of these warrants is due on January 1, 2013. As of June 30, 2011, the Department had no advances outstanding.

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

All interest costs were expensed for the fiscal year.

*Gas Department*

The City issued Natural Gas System Revenue Taxable Warrants, Series 2008, on April 4, 2008 in the amount of \$2,000,000 under a line of credit agreement with CB&S Bank. Proceeds of the loan will be advanced as requested by the Department. The revenues of the system are pledged for payment of the principal and interest of these warrants. Interest is payable semi-annually on each July 1 and January 1 until maturity at a rate of 4.99%. The entire outstanding principal balance of these warrants is due on July 1, 2012. As of June 30, 2011, the Department had no advances outstanding.

All interest costs were expensed for the fiscal year.

*Water and Wastewater Department*

The City issued Water and Sewer Revenue Warrants, Series 1995, dated November 1, 1995 in the amount of \$13,470,000 with interest rates ranging from 3.500% to 5.625%. The warrants were issued for capital improvements to the Cypress Creek water treatment facility and to its wastewater system; advance refunding of the Water and Sewer Revenue Bonds, Series 1988, dated December 1, 1988, and advance refunding of the Water Revenue Bonds, Series A, dated May 1, 1988 (the "Killen Bonds"). The net revenues of the system were irrevocably pledged for payment of the principal and interest of these warrants. Principal and interest are payable semi-annually on each June 1 and December 1. On February 15, 2011, the Department elected to redeem the outstanding warrants.

The City issued Water and Sewer Revenue Warrants, SRF Series 1998, dated January 27, 1998 in the amount of \$21,795,000 bearing an interest rate of 3.75%. The warrants were issued for capital improvements to the Cypress Creek wastewater treatment facility and the Sweetwater Creek Interceptor projects. The warrants were issued under the State of Alabama Revolving Fund (SRF) and were administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and the Alabama Department of Environmental Management (ADEM). The revenues of the system were pledged for payment of the principal and interest of these Warrants and were issued in parity with the Series 1995 Revenue Warrants. Interest accrued on the warrants until September 1, 2000 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were refunded, on a current basis, through the issuance of Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$13,965,000.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 10—LONG-TERM OBLIGATIONS** (Continued)

The City issued Water and Sewer Revenue Warrants, SRF Series 1999, dated December 23, 1998 in the amount of \$21,250,000 bearing an interest rate of 3.50%. The warrants were issued for capital improvements to the Cypress Creek wastewater treatment facility and the Sweetwater Creek Interceptor projects. The warrants were issued under the SRF and were administered jointly by the AWPCA and ADEM. The revenues of the system were pledged for payment of the principal and interest of these Warrants and were issued in parity with the Series 1995 and 1998 Revenue Warrants. Interest accrued on the warrants until September 1, 2000 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were refunded, on a current basis, through the issuance of Water and Sewer Revenue Warrants, Series 2010-C-CWSRF-BL, dated August 13, 2010, in the amount of \$13,485,000.

The City issued Water and Sewer Revenue Warrants, SRF Series 1999B, dated December 23, 1998, on October 19, 1999 in the amount of \$5,310,000 bearing an interest rate of 3.50%. The warrants were issued for capital improvements to the Cypress Creek wastewater treatment facility. The warrants were issued under the SRF and were administered jointly by the AWPCA and ADEM. The revenues of the system were pledged for payment of the principal and interest of these Warrants and were issued in parity with the Series 1995 and 1998 Revenue Warrants. Interest accrued on the warrants until September 1, 2000 and the Department, as a part of the capital project, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were refunded, on a current basis, through the issuance of Water and Sewer Revenue Warrants, Series 2010-D-CWSRF-BL, dated August 13, 2010, in the amount of \$3,380,000.

The City issued Water and Sewer Revenue Warrants, SRF Series 2000, dated December 22, 1999 in the amount of \$12,835,000 bearing an interest rate of 3.85%. The warrants were issued for capital improvements to the Cypress Creek wastewater treatment facility and the River Interceptor projects. The warrants were issued under the SRF and were administered jointly by the AWPCA and ADEM. The revenues of the system were pledged for payment of the principal and interest of these Warrants and were issued in parity with the Series 1995 and 1998 Revenue Warrants. Interest accrued on the warrants until September 1, 2000 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were refunded, on a current basis, through the issuance of Water and Sewer Revenue Warrants, Series 2010-A-CWSRF-BL, dated July 13, 2010, in the amount of \$8,260,000.

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 SRF and were administered jointly by the AWPCA and ADEM. The revenues of the system were pledged for payment of the principal and interest of these Warrants. Interest accrued on the warrants until August 15, 2007 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually beginning on February 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, SRF Series 2007, dated September 15, 2007 in the amount of \$8,825,000 bearing an interest rate of 3.50%. The warrants were issued for making certain improvements to the sanitary sewer system. The warrants were issued under the SRF and were administered jointly by the AWPCA and ADEM. The revenues of the system were pledged for payment of the principal and interest of these warrants. Interest in the amount of \$321,062 has been accrued on the warrants until February 1, 2009 and the Department, as a part of the capital projects, capitalized that interest. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2011, the remaining balance of the warrants to be requested from ADEM was \$2,160,470.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 10—LONG-TERM OBLIGATIONS** (Continued)

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

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

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

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

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

All interest costs were expensed for the fiscal year.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 10—LONG-TERM OBLIGATIONS** (Continued)

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

<b>Business-type Activities</b>			
<b>Year Ending</b>	<b>Electricity Department</b>		
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 710,000	\$ 196,625	\$ 906,625
2013	730,000	179,585	909,585
2014	745,000	161,335	906,335
2015	765,000	140,848	905,848
2016	790,000	117,133	907,133
2017—2021	2,540,000	185,536	2,725,536
<b>Totals</b>	<b>\$ 6,280,000</b>	<b>\$ 981,062</b>	<b>\$ 7,261,062</b>
<b>Year Ending</b>	<b>Water and Wastewater Department</b>		
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 3,550,000	\$ 1,970,447	\$ 5,520,447
2013	3,675,000	2,159,218	5,834,218
2014	3,810,000	2,058,418	5,868,418
2015	3,955,000	1,953,924	5,908,924
2016	4,105,000	1,845,357	5,950,357
2017—2021	22,895,000	7,453,793	30,348,793
2022—2026	6,390,000	5,332,436	11,722,436
2027—2031	7,775,000	3,952,048	11,727,048
2032—2036	9,920,000	1,808,544	11,728,544
2037	2,290,000	54,387	2,344,387
<b>Totals</b>	<b>\$ 68,365,000</b>	<b>\$ 28,588,572</b>	<b>\$ 96,953,572</b>
Less: amount of SRF funds available for disbursement	2,160,470		
Total long-term debt as reported in the financial statements	<b>\$ 66,204,530</b>		
<b>Totals—Business-type Activities</b>			
<b>Year Ending</b>	<b>Total</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2012	\$ 4,260,000	\$ 2,167,072	\$ 6,427,072
2013	4,405,000	2,338,803	6,743,803
2014	4,555,000	2,219,753	6,774,753
2015	4,720,000	2,094,772	6,814,772
2016	4,895,000	1,962,490	6,857,490
2017—2021	25,435,000	7,639,329	33,074,329
2022—2026	6,390,000	5,332,436	11,722,436
2027—2031	7,775,000	3,952,048	11,727,048
2032—2036	9,920,000	1,808,544	11,728,544
2037	2,290,000	54,387	2,344,387
<b>Totals</b>	<b>\$ 74,645,000</b>	<b>\$ 29,569,634</b>	<b>\$ 104,214,634</b>
Less: amount of SRF funds available for disbursement	2,160,470		
Total long-term debt as reported in the financial statements	<b>\$ 72,484,530</b>		

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 11—CONDUIT DEBT OBLIGATION**

**Governmental Activities**

The City issued General Obligation School Warrants, Series 1998-A in the amount of \$8,700,000 and entered into a cooperation agreement with the Florence City Board of Education whereby the Board received the proceeds for the sale of the warrants and the Board will make the subsequent repayment of the warrants. On June 10, 2009, the City issued General Obligation School Warrants, Series 2009-A in the amount of \$5,550,000 to currently refund the General Obligation School Warrants, Series 1998-A. The outstanding balance of these warrants was \$4,755,000 as of September 30, 2011. In accordance with professional standards, these warrants are not reported as liabilities in the accompanying financial statements.

**NOTE 12—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

**Business-type Activities**

*Solid Waste Fund*

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The amount reported as landfill closure and postclosure care liability at September 30, 2011 of \$2,046,236 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 \$222,764 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year 2011. The City has used 90 percent of the estimated capacity of the landfill as of September 30, 2011, and expects to close the landfill in the year 2017 (see Note 21 for the discussion of subsequent events). Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 13—PROPERTY TAXES**

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS**

**Governmental Activities and Business-type Activities**

**Pension Plan**

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

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

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

Annual required contribution	\$ 4,476,491
Interest on net pension obligation	(148,434)
Adjustment to annual required contribution	<u>(237,194)</u>
Annual pension cost	\$ 4,090,863
Contributions made	<u>3,697,519</u>
Increase (decrease) in net pension obligation	\$ 393,344
Net pension obligation—beginning of year	<u>(1,979,119)</u>
Net pension obligation—end of year	<u><u>\$ (1,585,775)</u></u>

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
October 1, 2010	\$ 4,090,863	90.4%	\$ (1,585,775)
October 1, 2009	3,723,843	112.3%	(1,979,119)
October 1, 2008	3,399,764	113.7%	(1,522,669)

**Funded Status and Funding Progress**—As of October 1, 2010, the most recent actuarial valuation date, the plan was 74.2% funded. The actuarial accrued liability for benefits was \$93.9 million and the actuarial value of assets was \$69.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$24.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.1 million, and the ratio of the UAAL to the covered payroll was 86.4%.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

**Actuarial Methods and Assumptions**—In the October 1, 2010 actuarial valuation, the entry age normal actuarial cost method with frozen initial liability (which was redetermined as of October 1, 2010) was used. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 3.5% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level dollar amount on a closed basis, which as of October 1, 2010, was thirty (30) years.

**Deferred Compensation Plan**

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

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

**Discretely Presented Component Unit—Library**

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

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

**Funding Policy**—Employees of the Library are required to contribute 5% of their annual covered salary. The Library is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2011 was 12.47% of annual covered payroll based on the September 30, 2008 actuarial valuation as adjusted for COLAs granted to retirees.

**Annual Pension Cost**—For the year ended September 30, 2011, the Library's annual pension cost of \$46,414 was equal to the Library's required and actual contributions. The required contribution was determined as part of the September 30, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at September 30, 2008 included: (a) 8.00% investment rate of return, on present and future assets, (b) projected salary increases ranging from 4.61% to 7.75%, and (c) no COLAs. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 18 years.

**Three-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	\$46,414	100%	\$ —
September 30, 2010	\$46,919	100%	—
September 30, 2009	\$40,820	100%	—

**Funded Status and Funding Progress**—As of September 30, 2010, the most recent actuarial valuation date, the plan was 61.4% funded. The actuarial accrued liability for benefits was \$873,335 and the actuarial value of assets was \$535,845, resulting in an unfunded actuarial accrued liability (UAAL) of \$337,490. The covered payroll (annual payroll of active employees covered by the plan) was \$370,130 and the ratio of the UAAL to the covered payroll was 91.2%.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(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	\$	460,057
Interest on prior year net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost	\$	460,057
Contributions made		460,057
Increase (decrease) in net OPEB obligation	\$	—
Net OPEB obligation—beginning of year		—
Net OPEB obligation—end of year	\$	—

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
September 30, 2010	\$ 460,057	100.0%	\$ —
September 30, 2009	N/A	N/A	N/A
September 30, 2008	469,977	100.0%	—

Because fiscal year 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of all of the years presented. 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, 2011**  
(Continued)

**NOTE 15—POSTRETIREMENT BENEFITS PLAN** (Continued)

**Funded Status and Funding Progress**—As of October 1, 2009, the most recent actuarial valuation date, the plan was 10.8% funded. The actuarial accrued liability for benefits was \$4.5 million and the actuarial value of assets was \$0.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$25.7 million, and the ratio of the UAAL to the covered payroll was 15.6%.

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, 2009 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 6.5%, which is based on the historical and expected returns that the City earns on its investments, projected salary increases of 3.5% per year, and an annual healthcare cost trend of 10% initially that is reduced by decrements to an ultimate rate of 5% after seven years. These rates included a 3% 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, 2009 was twenty-eight (28) years.

**NOTE 16—LEASE COMMITMENTS**

**Business-type Activities**

Electricity Department

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

Fiscal Year Ending	Amount
June 30	
2012	\$ 201,372
2013	201,372
2014	201,372
2015	201,372
2016	201,372
<b>Total</b>	<b>\$ 1,006,860</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(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, 2011, the fund balance was \$17,134, which will be used in the continuing operations and maintenance of the building. At such time that expenditures exceed revenues, the City will invoice the County for 50% of the shortfall. The City and County are utilizing portions of the building for administration and government services.

**NOTE 18—RISK MANAGEMENT**

**Governmental Activities and Business-type Activities**

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

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

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers' compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2011, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,181,512, which has been computed on a present-value basis using a discount rate of 1.3%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$856,200, 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:

	<b>Workers' Compensation Insurance</b>	<b>General Liability Insurance</b>
Claims liability, October 1, 2010	\$ 1,847,829	\$ 856,200
Provision for (adjustment to) claims	1,195,529	290,078
Payment of claims	(861,846)	(290,078)
Claims liability, September 30, 2011	<u>\$ 2,181,512</u>	<u>\$ 856,200</u>

At September 30, 2011, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$175,585, \$5,050,037, and \$3,510,759, respectively.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 19—DEPOSITS AND INVESTMENTS**

**Governmental Activities and Business-type Activities**

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

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

**Discretely Presented Component Unit—Library**

The Library has not adopted a formal investment policy and, as of September 30, 2011, does not have any investments that require disclosure.

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

**Discretely Presented Component Unit—Foundation**

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits with a commercial bank and a promise to give. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$2,022,996.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
(Continued)

**NOTE 20—CONTINGENCIES AND COMMITMENTS**

**Governmental Activities**

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

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

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2011, open contracts for construction totaled \$785,752 of which \$299,655 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.

The Public Park Authority of the Shoals, a public corporation created pursuant to State law by the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale (collectively, the "Guarantors"), issued Special Obligation Bonds in the amount of \$17,925,000. These Special Obligation Bonds are payable from a two-cent per gallon gasoline tax levied in Colbert and Lauderdale Counties. While it is anticipated that such gasoline taxes will be sufficient to pay the principal of and interest on these bonds, the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale have entered into funding agreements to pay a portion of the debt service on the bonds if the gasoline taxes are insufficient to make such payments. The City's portion of such debt issued by The Public Park Authority of the Shoals is 25.3683%. During the current fiscal year, the City has not been required to remit any amounts for this debt service. Subsequent to year-end, these bonds were advance refunded and redeemed with the issuance of Special Obligation Bonds, Series 2011 in the amount of \$10,840,000. Under the terms of the Refunding Trust Agreement, the original funding agreements of each of the Guarantors have been terminated; thus, the City will be no longer contingently liable for any future debt service shortages.

**Business-type Activities**

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

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

**Electricity Department**

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2011, open contracts for construction totaled \$362,049 of which \$360,172 had been recorded as construction in progress. As of June 30, 2011, open contracts for system maintenance totaled \$2,810,778 of which \$1,324,426 had been recorded as current maintenance expense.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**  
**(Continued)**

**NOTE 20—CONTINGENCIES AND COMMITMENTS** (Continued)

*Gas Department*

The Department entered into agreements with two energy suppliers to purchase natural gas in the futures market. These agreements allow the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the agreements allow the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitments would materially affect the Department's operations or financial position. As of June 30, 2011, the Department had made purchase commitments amounting to \$2,875,998 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, 2011, open contracts for construction totaled \$3,856,668 of which \$776,504 had been recorded as construction in progress. As of June 30, 2011, open contracts for system maintenance totaled \$264,909 of which \$59,831 had been recorded as current maintenance expense.

**NOTE 21—SUBSEQUENT EVENTS**

**Business-type Activities**

*Solid Waste Fund*

Subsequent to year-end, the City Council met on December 6, 2011 and approved a Waste Transportation and Disposal Agreement with a contractor to transport and dispose of residential and commercial solid waste collected by the City for a six-month period to allow time for City management to determine whether to extend the life of the landfill by constructing a new cell or to initiate the process of closing the landfill for future acceptance of solid waste.

At its meeting on April 3, 2012, the City Council approved a resolution to (i) initiate the process to close the solid waste cells at the landfill, (ii) convert the remaining space for the disposal of construction waste and debris only and, (iii) extend the Waste Transportation and Disposal Agreement for a three-year period beginning on July 9, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
<b>Budgetary fund balance—beginning</b>	\$ 11,975,217	\$ 11,975,217	\$ 11,975,217	\$ —
<b>Resources (inflows):</b>				
Taxes:				
Sales, use, and lodging	\$ 26,350,795	\$ 26,925,795	\$ 27,842,216	\$ 916,421
Property	11,485,100	11,459,100	11,283,173	(175,927)
Motor fuel	410,000	398,000	388,889	(9,111)
Tobacco	270,000	210,000	240,988	30,988
Alcoholic beverages	1,022,500	1,014,500	979,268	(35,232)
Other	50,000	50,000	61,875	11,875
Total taxes	<u>\$ 39,588,395</u>	<u>\$ 40,057,395</u>	<u>\$ 40,796,409</u>	<u>\$ 739,014</u>
Licenses and permits:				
Business	\$ 3,093,000	\$ 3,033,000	\$ 3,019,325	\$ (13,675)
Non-business	110,000	110,000	111,963	1,963
Total licenses and permits	<u>\$ 3,203,000</u>	<u>\$ 3,143,000</u>	<u>\$ 3,131,288</u>	<u>\$ (11,712)</u>
Fines and forfeitures	<u>\$ 1,271,000</u>	<u>\$ 1,331,000</u>	<u>\$ 1,315,567</u>	<u>\$ (15,433)</u>
Charges for services:				
Cultural and recreational	\$ 1,546,805	\$ 1,519,305	\$ 1,508,208	\$ (11,097)
Highways and streets	67,500	67,500	70,680	3,180
Other	60,250	60,250	58,296	(1,954)
Total charges for services	<u>\$ 1,674,555</u>	<u>\$ 1,647,055</u>	<u>\$ 1,637,184</u>	<u>\$ (9,871)</u>
Intergovernmental	<u>\$ 938,880</u>	<u>\$ 938,880</u>	<u>\$ 1,106,723</u>	<u>\$ 167,843</u>
Other:				
Interest	\$ 55,000	\$ 30,000	\$ 27,174	\$ (2,826)
Other	50,000	50,000	644,076	594,076
Total other	<u>\$ 105,000</u>	<u>\$ 80,000</u>	<u>\$ 671,250</u>	<u>\$ 591,250</u>
Transfers from other funds	<u>\$ 302,500</u>	<u>\$ 302,500</u>	<u>\$ 300,670</u>	<u>\$ (1,830)</u>
<b>Amounts available for appropriation</b>	<u>\$ 59,058,547</u>	<u>\$ 59,475,047</u>	<u>\$ 60,934,308</u>	<u>\$ 1,459,261</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration:				
Mayor's office	\$ 258,236	\$ 258,661	\$ 254,487	\$ 4,174
City council	270,902	270,902	259,753	11,149
Urban forestry	306,127	306,577	280,764	25,813
Purchasing and grants administration	204,433	224,983	218,921	6,062
Legal	226,673	226,673	215,735	10,938
Accounting	438,012	437,822	424,719	13,103
City clerk	491,978	491,978	500,176	(8,198)
Planning	308,451	308,451	294,268	14,183
Human resources	221,519	259,744	250,409	9,335
Administrative buildings	575,970	580,820	545,102	35,718
Building	615,730	616,820	593,303	23,517
Engineering	693,188	665,338	647,648	17,690
Total general administration	<u>\$ 4,611,219</u>	<u>\$ 4,648,769</u>	<u>\$ 4,485,285</u>	<u>\$ 163,484</u>

**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 8,187,953	\$ 8,316,533	\$ 8,580,501	\$ (263,968)
Jail	420,000	420,000	342,867	77,133
Municipal court	456,774	456,774	427,489	29,285
Animal control	350,459	351,219	314,230	36,989
Fire	6,554,079	6,566,404	6,635,074	(68,670)
Total public safety	<u>\$ 15,969,265</u>	<u>\$ 16,110,930</u>	<u>\$ 16,300,161</u>	<u>\$ (189,231)</u>
Public works:				
Streets	\$ 3,400,096	\$ 3,447,633	\$ 3,540,169	\$ (92,536)
Municipal lighting and utilities	918,850	918,850	975,035	(56,185)
Cemetery	242,382	248,387	253,076	(4,689)
Parking deck facility	84,514	84,514	86,183	(1,669)
Total public works	<u>\$ 4,645,842</u>	<u>\$ 4,699,384</u>	<u>\$ 4,854,463</u>	<u>\$ (155,079)</u>
Culture and recreation:				
Parks and recreation administration	\$ 1,597,488	\$ 1,647,833	\$ 1,702,962	\$ (55,129)
Parks	2,689,143	2,730,143	2,800,962	(70,819)
Golf course	1,063,674	1,067,174	1,129,856	(62,682)
Braly municipal stadium	204,052	204,052	779,314	(575,262)
Arts and museums	293,443	293,483	289,087	4,396
Total culture and recreation	<u>\$ 5,847,800</u>	<u>\$ 5,942,685</u>	<u>\$ 6,702,181</u>	<u>\$ (759,496)</u>
Nondepartmental:				
Other	\$ 1,293,800	\$ 1,262,800	\$ 1,260,562	\$ 2,238
Education—funding for school district	6,872,180	6,983,680	7,171,247	(187,567)
Transfers to other funds	7,559,500	7,709,500	7,961,455	(251,955)
Total nondepartmental	<u>\$ 15,725,480</u>	<u>\$ 15,955,980</u>	<u>\$ 16,393,264</u>	<u>\$ (437,284)</u>
<b>Total charges to appropriations</b>	<u>\$ 46,799,606</u>	<u>\$ 47,357,748</u>	<u>\$ 48,735,354</u>	<u>\$ (1,377,606)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 12,258,941</u>	<u>\$ 12,117,299</u>	<u>\$ 12,198,954</u>	<u>\$ 81,655</u>



**CITY OF FLORENCE, ALABAMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**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	\$ 60,934,308
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	(11,975,217)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(300,670)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 48,658,421</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 48,735,354
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(7,961,455)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 40,773,899</u>



This page intentionally blank.

**CITY OF FLORENCE, ALABAMA**

**Schedules of Funding Progress**

<b>Employees' Retirement Plan</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2010	\$ 69,626,436	\$ 93,878,767	\$ 24,252,331	74.2%	\$ 28,074,105	86.4%
October 1, 2009	67,757,315	80,549,687	12,792,372	84.1%	26,775,834	47.8%
October 1, 2008	66,598,720	78,123,330	11,524,610	85.2%	26,289,687	43.8%

<b>Postretirement Benefits Plan</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2009	\$ 483,054	\$ 4,487,605	\$ 4,004,551	10.8%	\$ 25,726,624	15.6%
October 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2007	—	4,186,288	4,186,288	0.0%	26,065,584	16.1%

Because fiscal year 2008 was the year of transition for GASB Statement No. 45, the requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of all of the years presented. The City has elected to perform an actuarial valuation on the plan on a biennial basis.

**FLORENCE-LAUDERDALE PUBLIC LIBRARY**

**Schedule of Funding Progress**

<b>Employees' Retirement Plan</b>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)— Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
September 30, 2010	\$ 535,845	\$ 873,335	\$ 337,490	61.4%	\$ 370,130	91.2%
September 30, 2009	501,096	883,522	382,426	56.7%	336,398	113.7%
September 30, 2008	472,760	828,553	355,793	57.1%	309,542	114.9%

**CITY OF FLORENCE, ALABAMA**  
**Schedule of Employer Contributions**

<b>Postretirement Benefits Plan</b>		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
September 30, 2010	\$ 460,057	100.0%
September 30, 2009	N/A	N/A
September 30, 2008	469,977	100.0%

Because fiscal year 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the above illustration does not reflect similar information respective of all of the years presented. The City has elected to perform an actuarial valuation on the plan on a biennial basis.



This page intentionally blank.

## **SUPPLEMENTARY INFORMATION**



This page intentionally blank.



**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	<b>Special Revenue Funds</b>								
	<b>State Gas Tax (\$ .07)</b>	<b>State Gas Tax (\$ .04)</b>	<b>County Gas Tax</b>	<b>Miscellaneous Grants</b>	<b>State Arts Council Grant</b>	<b>Community Development</b>	<b>1995 Capital Sales Tax</b>	<b>Drug Enforcement</b>	<b>Drug Task Force Grant</b>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 220,694	\$ 249,328	\$ 211,118	\$ 25,112	\$	\$ 53,748	\$ 3,319,428	\$ 9,566	\$ 112,539
Receivables (net)	13,395	14,470	62,015	66,689			5,422		46,929
Loan receivables (net)						467,558	74,040		
Interfund receivables		130			45,965		620,370		13,176
<b>Total assets</b>	<b>\$ 234,089</b>	<b>\$ 263,928</b>	<b>\$ 273,133</b>	<b>\$ 91,801</b>	<b>\$ 45,965</b>	<b>\$ 521,306</b>	<b>\$ 4,019,260</b>	<b>\$ 9,566</b>	<b>\$ 172,644</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$	\$ 17,080	\$	\$ 452	\$	\$ 34,967	\$ 1,675,195	\$ 13,252	\$ 52,125
Interfund payables				111,279			1,600,000		36,895
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 17,080</b>	<b>\$ —</b>	<b>\$ 111,731</b>	<b>\$ —</b>	<b>\$ 34,967</b>	<b>\$ 3,275,195</b>	<b>\$ 13,252</b>	<b>\$ 89,020</b>
<b>Fund balances</b>									
Nonspendable:									
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:									
Street resurfacing and improvements	234,089	246,848	273,133						
Culture and recreation					45,965				
Public safety									83,624
HUD community development and rehabilitation						486,339			
Capital improvements—municipal facilities									
Assigned to:									
Capital projects							744,065		
Municipal building maintenance									
Economic development									
Unassigned				(19,930)				(3,686)	
<b>Total fund balances</b>	<b>\$ 234,089</b>	<b>\$ 246,848</b>	<b>\$ 273,133</b>	<b>\$ (19,930)</b>	<b>\$ 45,965</b>	<b>\$ 486,339</b>	<b>\$ 744,065</b>	<b>\$ (3,686)</b>	<b>\$ 83,624</b>
<b>Total liabilities and fund balance</b>	<b>\$ 234,089</b>	<b>\$ 263,928</b>	<b>\$ 273,133</b>	<b>\$ 91,801</b>	<b>\$ 45,965</b>	<b>\$ 521,306</b>	<b>\$ 4,019,260</b>	<b>\$ 9,566</b>	<b>\$ 172,644</b>

**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011  
(Continued)**

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Total		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 133,148	\$ 18,769	\$ 4,353,450	\$ —	\$ 623,577	\$ 1,473,351	\$ 2,096,928	\$ 240,284	\$ 6,690,662
Receivables (net)	4,384	79,974	293,278	—	—	—	—	—	293,278
Loan receivables (net)	—	—	541,598	—	—	—	—	—	541,598
Interfund receivables	—	—	679,641	—	—	—	130	—	679,771
<b>Total assets</b>	<b>\$ 137,532</b>	<b>\$ 98,743</b>	<b>\$ 5,867,967</b>	<b>\$ —</b>	<b>\$ 623,577</b>	<b>\$ 1,473,351</b>	<b>\$ 2,096,928</b>	<b>\$ 240,414</b>	<b>\$ 8,205,309</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 79,770	\$ 21,160	\$ 1,894,001	\$ —	\$ 5,546	\$ 30,000	\$ 35,546	—	\$ 1,929,547
Interfund payables	57,762	60,449	1,866,385	—	—	—	—	—	1,866,385
<b>Total liabilities</b>	<b>\$ 137,532</b>	<b>\$ 81,609</b>	<b>\$ 3,760,386</b>	<b>\$ —</b>	<b>\$ 5,546</b>	<b>\$ 30,000</b>	<b>\$ 35,546</b>	<b>\$ —</b>	<b>\$ 3,795,932</b>
<b>Fund balances</b>									
Nonspendable:									
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,414	\$ 240,414
Restricted for:									
Street resurfacing and improvements	—	—	754,070	—	—	—	—	—	754,070
Culture and recreation	—	—	45,965	—	—	—	—	—	45,965
Public safety	—	—	83,624	—	—	—	—	—	83,624
HUD community development and rehabilitation	—	—	486,339	—	—	—	—	—	486,339
Capital improvements—municipal facilities	—	—	—	—	618,031	—	618,031	—	618,031
Assigned to:									
Capital projects	—	—	744,065	—	—	—	—	—	744,065
Municipal building maintenance	—	17,134	17,134	—	—	—	—	—	17,134
Economic development	—	—	—	—	—	1,443,351	1,443,351	—	1,443,351
Unassigned	—	—	(23,616)	—	—	—	—	—	(23,616)
<b>Total fund balances</b>	<b>\$ —</b>	<b>\$ 17,134</b>	<b>\$ 2,107,581</b>	<b>\$ —</b>	<b>\$ 618,031</b>	<b>\$ 1,443,351</b>	<b>\$ 2,061,382</b>	<b>\$ 240,414</b>	<b>\$ 4,409,377</b>
<b>Total liabilities and fund balance</b>	<b>\$ 137,532</b>	<b>\$ 98,743</b>	<b>\$ 5,867,967</b>	<b>\$ —</b>	<b>\$ 623,577</b>	<b>\$ 1,473,351</b>	<b>\$ 2,096,928</b>	<b>\$ 240,414</b>	<b>\$ 8,205,309</b>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	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
<b>REVENUES</b>									
Taxes	\$ 148,698	\$ 160,102	\$ 348,199	\$	\$	\$	\$	\$	\$
Intergovernmental				573,779		765,839			195,141
Interest revenues	654	555	548	120		8	47,420	12	273
Program revenues						33,205		1,828	67,718
Miscellaneous									
<b>Total revenues</b>	<u>\$ 149,352</u>	<u>\$ 160,657</u>	<u>\$ 348,747</u>	<u>\$ 573,899</u>	<u>\$ —</u>	<u>\$ 799,052</u>	<u>\$ 47,420</u>	<u>\$ 1,840</u>	<u>\$ 263,132</u>
<b>EXPENDITURES</b>									
Current operating:									
General administration	\$		\$	\$ 156,439	\$	\$ 98,050	\$ 96,063	\$	\$
Public safety				285,752			4,588	641	231,697
Public works		28,828				628,762			
Culture and recreation					2,940		18,275		
Other						153,705			
Education—funding for school district							1,251,402		
Capital outlay and improvements	229,215	25,213	308,000	167,034			801,992		9,000
Debt service:									
Principal payments									
Interest and fiscal charges							4,695		
<b>Total expenditures</b>	<u>\$ 229,215</u>	<u>\$ 54,041</u>	<u>\$ 308,000</u>	<u>\$ 609,225</u>	<u>\$ 2,940</u>	<u>\$ 880,517</u>	<u>\$ 2,177,015</u>	<u>\$ 641</u>	<u>\$ 240,697</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (79,863)</u>	<u>\$ 106,616</u>	<u>\$ 40,747</u>	<u>\$ (35,326)</u>	<u>\$ (2,940)</u>	<u>\$ (81,465)</u>	<u>\$ (2,129,595)</u>	<u>\$ 1,199</u>	<u>\$ 22,435</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	\$	\$	\$	\$	\$	\$	\$ 7,461,835	\$	\$
Transfers out	(107,515)	(107,515)	(215,045)				(4,924,276)		
<b>Total other financing sources (uses)</b>	<u>\$ (107,515)</u>	<u>\$ (107,515)</u>	<u>\$ (215,045)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,537,559</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Net change in fund balances</b>	<u>\$ (187,378)</u>	<u>\$ (899)</u>	<u>\$ (174,298)</u>	<u>\$ (35,326)</u>	<u>\$ (2,940)</u>	<u>\$ (81,465)</u>	<u>\$ 407,964</u>	<u>\$ 1,199</u>	<u>\$ 22,435</u>
<b>Fund balances—beginning</b>	421,467	247,747	447,431	15,396	48,905	567,804	336,101	(4,885)	61,189
<b>Fund balances—ending</b>	<u>\$ 234,089</u>	<u>\$ 246,848</u>	<u>\$ 273,133</u>	<u>\$ (19,930)</u>	<u>\$ 45,965</u>	<u>\$ 486,339</u>	<u>\$ 744,065</u>	<u>\$ (3,686)</u>	<u>\$ 83,624</u>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Total		
<b>REVENUES</b>									
Taxes	\$	\$	\$ 656,999	\$	\$	\$	\$ —	\$	\$ 656,999
Intergovernmental			1,534,759		227,427		227,427		1,762,186
Interest revenues		113	49,703		1,146	3,269	4,415		54,118
Program revenues		252,250	355,001				—	917	355,918
Miscellaneous		15	15				—		15
<b>Total revenues</b>	<b>\$ —</b>	<b>\$ 252,378</b>	<b>\$ 2,596,477</b>	<b>\$ —</b>	<b>\$ 228,573</b>	<b>\$ 3,269</b>	<b>\$ 231,842</b>	<b>\$ 917</b>	<b>\$ 2,829,236</b>
<b>EXPENDITURES</b>									
Current operating:									
General administration	\$	\$ 323,840	\$ 674,392	\$	\$ 14,794	\$	\$ 14,794	\$	\$ 689,186
Public safety	2,545		525,223		1,046		1,046		526,269
Public works			657,590				—		657,590
Culture and recreation			21,215		56,343		56,343		77,558
Other			153,705				—		153,705
Education—funding for school district			1,251,402				—		1,251,402
Capital outlay and improvements			1,540,454		224,866	159,590	384,456		1,924,910
Debt service:									
Principal payments			—	3,845,000			—		3,845,000
Interest and fiscal charges			4,695	1,639,421			—		1,644,116
<b>Total expenditures</b>	<b>\$ 2,545</b>	<b>\$ 323,840</b>	<b>\$ 4,828,676</b>	<b>\$ 5,484,421</b>	<b>\$ 297,049</b>	<b>\$ 159,590</b>	<b>\$ 456,639</b>	<b>\$ —</b>	<b>\$ 10,769,736</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (2,545)</b>	<b>\$ (71,462)</b>	<b>\$ (2,232,199)</b>	<b>\$ (5,484,421)</b>	<b>\$ (68,476)</b>	<b>\$ (156,321)</b>	<b>\$ (224,797)</b>	<b>\$ 917</b>	<b>\$ (7,940,500)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	\$	\$ 69,550	\$ 7,531,385	\$ 5,484,421	\$	\$	\$ —	\$	\$ 13,015,806
Transfers out			(5,354,351)				—	(670)	(5,355,021)
<b>Total other financing sources (uses)</b>	<b>\$ —</b>	<b>\$ 69,550</b>	<b>\$ 2,177,034</b>	<b>\$ 5,484,421</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (670)</b>	<b>\$ 7,660,785</b>
<b>Net change in fund balances</b>	<b>\$ (2,545)</b>	<b>\$ (1,912)</b>	<b>\$ (55,165)</b>	<b>\$ —</b>	<b>\$ (68,476)</b>	<b>\$ (156,321)</b>	<b>\$ (224,797)</b>	<b>\$ 247</b>	<b>\$ (279,715)</b>
<b>Fund balances—beginning</b>	<b>2,545</b>	<b>19,046</b>	<b>2,162,746</b>	<b>—</b>	<b>686,507</b>	<b>1,599,672</b>	<b>2,286,179</b>	<b>240,167</b>	<b>4,689,092</b>
<b>Fund balances—ending</b>	<b>\$ —</b>	<b>\$ 17,134</b>	<b>\$ 2,107,581</b>	<b>\$ —</b>	<b>\$ 618,031</b>	<b>\$ 1,443,351</b>	<b>\$ 2,061,382</b>	<b>\$ 240,414</b>	<b>\$ 4,409,377</b>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2011**

	<b>Governmental Activities—Internal Service Funds</b>			
	<b>Employee Group Health Insurance</b>	<b>General Liability Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 112,710	\$ 4,050,037	\$ 2,899,809	\$ 7,062,556
Receivables (net)	62,875			62,875
Interfund receivables		1,000,000	610,950	1,610,950
<b>Total current assets</b>	<b>\$ 175,585</b>	<b>\$ 5,050,037</b>	<b>\$ 3,510,759</b>	<b>\$ 8,736,381</b>
Noncurrent assets				
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
<b>Total noncurrent assets</b>	<b>\$ —</b>	<b>\$ 50,000</b>	<b>\$ 100,000</b>	<b>\$ 150,000</b>
<b>Total assets</b>	<b>\$ 175,585</b>	<b>\$ 5,100,037</b>	<b>\$ 3,610,759</b>	<b>\$ 8,886,381</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 94,685	\$ 44,334	\$ 141,481	\$ 280,500
Interfund payables		10,950		10,950
Noncurrent liabilities				
Claims reserve		856,200	2,181,512	3,037,712
<b>Total liabilities</b>	<b>\$ 94,685</b>	<b>\$ 911,484</b>	<b>\$ 2,322,993</b>	<b>\$ 3,329,162</b>
<b>NET ASSETS</b>				
Restricted for:				
Other purposes	\$ 80,900	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted	80,900	4,138,553	1,187,766	5,407,219
<b>Total net assets</b>	<b>\$ 80,900</b>	<b>\$ 4,188,553</b>	<b>\$ 1,287,766</b>	<b>\$ 5,557,219</b>

**CITY OF FLORENCE, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>Governmental Activities—Internal Service Funds</b>			
	<b>Employee Group Health Insurance</b>	<b>General Liability Insurance</b>	<b>Workers' Compensation Insurance</b>	<b>Total</b>
<b>Operating revenues</b>				
User charges	\$	\$ 325,176	\$ 509,870	\$ 835,046
<b>Total operating revenues</b>	<u>\$ —</u>	<u>\$ 325,176</u>	<u>\$ 509,870</u>	<u>\$ 835,046</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 485,832	\$ 290,078	\$ 1,046,807	\$ 1,822,717
Operations and administration	16,295	251,205	111,601	379,101
<b>Total operating expenses</b>	<u>\$ 502,127</u>	<u>\$ 541,283</u>	<u>\$ 1,158,408</u>	<u>\$ 2,201,818</u>
<b>Operating income (loss)</b>	<u>\$ (502,127)</u>	<u>\$ (216,107)</u>	<u>\$ (648,538)</u>	<u>\$ (1,366,772)</u>
<b>Non-operating revenues (expenses)</b>				
Interest revenues	831	11,255	7,902	19,988
<b>Change in net assets</b>	<u>\$ (501,296)</u>	<u>\$ (204,852)</u>	<u>\$ (640,636)</u>	<u>\$ (1,346,784)</u>
<b>Net assets—beginning</b>	582,196	4,393,405	1,928,402	6,904,003
<b>Net assets—ending</b>	<u><u>\$ 80,900</u></u>	<u><u>\$ 4,188,553</u></u>	<u><u>\$ 1,287,766</u></u>	<u><u>\$ 5,557,219</u></u>

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>Governmental Activities—Internal Service Funds</b>			<b>Total</b>
	<b>Employee Group Health Insurance</b>	<b>General Liability Insurance</b>	<b>Workers' Compensation Insurance</b>	
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$	\$ 325,176	\$ 509,870	\$ 835,046
Payments to suppliers	(457,219)	(495,185)	(700,596)	(1,653,000)
Payments to employees for services and benefits		(40,231)		(40,231)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (457,219)</u>	<u>\$ (210,240)</u>	<u>\$ (190,726)</u>	<u>\$ (858,185)</u>
<b>Cash flows from investing activities</b>				
Interest on investments	\$ 1,084	\$ 12,369	\$ 8,357	\$ 21,810
Due to (from) other funds	(12,762)	512,946	300,000	800,184
<b>Net cash provided (used) by investing activities</b>	<u>\$ (11,678)</u>	<u>\$ 525,315</u>	<u>\$ 308,357</u>	<u>\$ 821,994</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ (468,897)</u>	<u>\$ 315,075</u>	<u>\$ 117,631</u>	<u>\$ (36,191)</u>
<b>Cash and cash equivalents—beginning</b>	581,607	3,784,962	2,882,178	7,248,747
<b>Cash and cash equivalents—ending</b>	<u>\$ 112,710</u>	<u>\$ 4,100,037</u>	<u>\$ 2,999,809</u>	<u>\$ 7,212,556</u>
<b><i>Classified as:</i></b>				
Current assets	\$ 112,710	\$ 4,050,037	\$ 2,899,809	\$ 7,062,556
Restricted assets		50,000	100,000	150,000
<b>Totals</b>	<u>\$ 112,710</u>	<u>\$ 4,100,037</u>	<u>\$ 2,999,809</u>	<u>\$ 7,212,556</u>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i></b>				
Operating income (loss)	\$ (502,127)	\$ (216,107)	\$ (648,538)	\$ (1,366,772)
<b>Changes in assets and liabilities</b>				
Receivables (net)	\$ 10,024	\$	\$	\$ 10,024
Accounts payable and accrued expenses	34,884	5,867	457,812	498,563
<b>Total adjustments</b>	<u>\$ 44,908</u>	<u>\$ 5,867</u>	<u>\$ 457,812</u>	<u>\$ 508,587</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (457,219)</u>	<u>\$ (210,240)</u>	<u>\$ (190,726)</u>	<u>\$ (858,185)</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .07) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 421,467	\$ 421,467	\$ 421,467	\$ —
<b>Resources (inflows):</b>				
Taxes	149,500	149,500	148,698	(802)
Interest revenues	1,500	1,500	654	(846)
<b>Amounts available for appropriation</b>	<u>\$ 572,467</u>	<u>\$ 572,467</u>	<u>\$ 570,819</u>	<u>\$ (1,648)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 43,485	\$ 43,485	\$ 229,215	\$ (185,730)
Transfers to other funds	107,515	107,515	107,515	—
<b>Total charges to appropriations</b>	<u>\$ 151,000</u>	<u>\$ 151,000</u>	<u>\$ 336,730</u>	<u>\$ (185,730)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 421,467</u>	<u>\$ 421,467</u>	<u>\$ 234,089</u>	<u>\$ (187,378)</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 570,819
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	(421,467)
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>\$ 149,352</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 336,730
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(107,515)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 229,215</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .04) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 247,747	\$ 247,747	\$ 247,747	\$ —
<b>Resources (inflows):</b>				
Taxes	166,000	166,000	160,102	(5,898)
Interest revenues	1,100	1,100	555	(545)
<b>Amounts available for appropriation</b>	<u>\$ 414,847</u>	<u>\$ 414,847</u>	<u>\$ 408,404</u>	<u>\$ (6,443)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public works	\$ 35,000	\$ 35,000	\$ 28,828	\$ 6,172
Capital outlay and improvements	24,585	24,585	25,213	(628)
Transfers to other funds	107,515	107,515	107,515	—
<b>Total charges to appropriations</b>	<u>\$ 167,100</u>	<u>\$ 167,100</u>	<u>\$ 161,556</u>	<u>\$ 5,544</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 247,747</u>	<u>\$ 247,747</u>	<u>\$ 246,848</u>	<u>\$ (899)</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	\$ 408,404
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	(247,747)
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>\$ 160,657</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 161,556
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(107,515)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 54,041</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COUNTY GAS TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 447,431	\$ 447,431	\$ 447,431	\$ —
<b>Resources (inflows):</b>				
Taxes	320,000	320,000	348,199	28,199
Interest revenues	1,600	1,600	548	(1,052)
<b>Amounts available for appropriation</b>	<u>\$ 769,031</u>	<u>\$ 769,031</u>	<u>\$ 796,178</u>	<u>\$ 27,147</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 106,555	\$ 106,555	\$ 308,000	\$ (201,445)
Transfers to other funds	215,045	215,045	215,045	—
<b>Total charges to appropriations</b>	<u>\$ 321,600</u>	<u>\$ 321,600</u>	<u>\$ 523,045</u>	<u>\$ (201,445)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 447,431</u>	<u>\$ 447,431</u>	<u>\$ 273,133</u>	<u>\$ (174,298)</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	\$ 796,178
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	(447,431)
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>\$ 348,747</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 523,045
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(215,045)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 308,000</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS GRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 15,396	\$ 15,396	\$ 15,396	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	100,000	100,000	573,779	473,779
Interest revenues	200	200	120	(80)
<b>Amounts available for appropriation</b>	<u>\$ 115,596</u>	<u>\$ 115,596</u>	<u>\$ 589,295</u>	<u>\$ 473,699</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 75,000	\$ 75,000	\$ 156,439	\$ (81,439)
Public safety	25,200	25,200	285,752	(260,552)
Capital outlay and improvements			167,034	(167,034)
<b>Total charges to appropriations</b>	<u>\$ 100,200</u>	<u>\$ 100,200</u>	<u>\$ 609,225</u>	<u>\$ (509,025)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 15,396</u>	<u>\$ 15,396</u>	<u>\$ (19,930)</u>	<u>\$ (35,326)</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	\$ 589,295
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	(15,396)
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>\$ 573,899</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 609,225
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>\$ 609,225</u>

**Note B—Excess of Expenditures Over Appropriations**

The fund incurred expenditures in excess of appropriations of \$493,628 for the year ended September 30, 2011. The excess expenditures were provided for, in part, by available fund balance and current year's revenues. The remaining excess expenditures will be provided for through future revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE ARTS COUNCIL GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 48,905	\$ 48,905	\$ 48,905	\$ —
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$ 16,000	\$ 16,000	\$ 2,940	\$ 13,060
<b>Total charges to appropriations</b>	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 2,940</u>	<u>\$ 13,060</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 32,905</u>	<u>\$ 32,905</u>	<u>\$ 45,965</u>	<u>\$ 13,060</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	\$ 48,905
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	(48,905)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,940
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>\$ 2,940</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 567,804	\$ 567,804	\$ 567,804	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	452,229	452,229	765,839	313,610
Interest revenues			8	8
Program revenues	75,000	75,000	33,205	(41,795)
<b>Amounts available for appropriation</b>	<u>\$ 1,095,033</u>	<u>\$ 1,095,033</u>	<u>\$ 1,366,856</u>	<u>\$ 271,823</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 97,500	\$ 97,500	\$ 98,050	\$ (550)
Public works	227,229	227,229	628,762	(401,533)
Other	203,500	203,500	153,705	49,795
<b>Total charges to appropriations</b>	<u>\$ 528,229</u>	<u>\$ 528,229</u>	<u>\$ 880,517</u>	<u>\$ (352,288)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 566,804</u>	<u>\$ 566,804</u>	<u>\$ 486,339</u>	<u>\$ (80,465)</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	\$ 1,366,856
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	(567,804)
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>\$ 799,052</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 880,517
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>\$ 880,517</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
1995 CAPITAL SALES TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 336,101	\$ 336,101	\$ 336,101	\$ —
<b>Resources (inflows):</b>				
Interest revenues	8,000	8,000	47,420	39,420
Transfers from other funds	7,071,430	7,071,430	7,461,835	390,405
<b>Amounts available for appropriation</b>	<u>\$ 7,415,531</u>	<u>\$ 7,415,531</u>	<u>\$ 7,845,356</u>	<u>\$ 429,825</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 90,000	\$ 90,000	\$ 96,063	\$ (6,063)
Public safety			4,588	(4,588)
Culture and recreation	20,000	20,000	18,275	1,725
Education—funding for school district	1,078,215	1,078,215	1,251,402	(173,187)
Capital outlay and improvements	125,284	125,284	801,992	(676,708)
Debt service:				
Interest and fiscal charges	812,000	812,000	4,695	807,305
Transfers to other funds	4,953,931	4,953,931	4,924,276	29,655
<b>Total charges to appropriations</b>	<u>\$ 7,079,430</u>	<u>\$ 7,079,430</u>	<u>\$ 7,101,291</u>	<u>\$ (21,861)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 336,101</u>	<u>\$ 336,101</u>	<u>\$ 744,065</u>	<u>\$ 407,964</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,845,356
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	(336,101)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(7,461,835)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 47,420</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,101,291
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,924,276)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,177,015</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG ENFORCEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ (4,885)	\$ (4,885)	\$ (4,885)	\$ —
<b>Resources (inflows):</b>				
Interest revenues			12	12
Program revenues	3,000	3,000	1,828	(1,172)
<b>Amounts available for appropriation</b>	<u>\$ (1,885)</u>	<u>\$ (1,885)</u>	<u>\$ (3,045)</u>	<u>\$ (1,160)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 3,000	\$ 3,000	\$ 641	\$ 2,359
<b>Total charges to appropriations</b>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 641</u>	<u>\$ 2,359</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (4,885)</u>	<u>\$ (4,885)</u>	<u>\$ (3,686)</u>	<u>\$ 1,199</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	\$ (3,045)
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	4,885
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>\$ 1,840</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 641
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>\$ 641</u>

**Note B—Excess of Expenditures Over Appropriations**

The fund incurred expenditures in excess of appropriations of \$2,526 for the year ended September 30, 2011. The excess expenditures will be provided for through future revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG TASK FORCE GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 61,189	\$ 61,189	\$ 61,189	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	260,000	260,000	195,141	(64,859)
Interest revenues			273	273
Program revenues			67,718	67,718
<b>Amounts available for appropriation</b>	<u>\$ 321,189</u>	<u>\$ 321,189</u>	<u>\$ 324,321</u>	<u>\$ 3,132</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 260,000	\$ 260,000	\$ 231,697	\$ 28,303
Capital outlay and improvements			9,000	(9,000)
<b>Total charges to appropriations</b>	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ 240,697</u>	<u>\$ 19,303</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 61,189</u>	<u>\$ 61,189</u>	<u>\$ 83,624</u>	<u>\$ 22,435</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	\$ 324,321
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	(61,189)
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>\$ 263,132</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 240,697
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>\$ 240,697</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
FLO-LAUD GOVERNMENT BUILDING  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 19,046	\$ 19,046	\$ 19,046	\$ —
<b>Resources (inflows):</b>				
Interest revenues	100	100	113	13
Program revenues	243,350	243,350	252,250	8,900
Miscellaneous			15	15
Transfers from other funds	75,000	75,000	69,550	(5,450)
<b>Amounts available for appropriation</b>	<u>\$ 337,496</u>	<u>\$ 337,496</u>	<u>\$ 340,974</u>	<u>\$ 3,478</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 318,450	\$ 318,450	\$ 323,840	\$ (5,390)
<b>Total charges to appropriations</b>	<u>\$ 318,450</u>	<u>\$ 318,450</u>	<u>\$ 323,840</u>	<u>\$ (5,390)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 19,046</u>	<u>\$ 19,046</u>	<u>\$ 17,134</u>	<u>\$ (1,912)</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	\$ 340,974
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(19,046)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(69,550)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 252,378</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 323,840
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>\$ 323,840</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ —	\$ —	\$ —	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds	5,514,076	5,514,076	5,484,421	(29,655)
<b>Amounts available for appropriation</b>	<u>\$ 5,514,076</u>	<u>\$ 5,514,076</u>	<u>\$ 5,484,421</u>	<u>\$ (29,655)</u>
<b>Charges to appropriations (outflows):</b>				
Debt service:				
Principal payments	\$ 3,845,000	\$ 3,845,000	\$ 3,845,000	\$ —
Interest and fiscal charges	1,669,076	1,669,076	1,639,421	29,655
<b>Total charges to appropriations</b>	<u>\$ 5,514,076</u>	<u>\$ 5,514,076</u>	<u>\$ 5,484,421</u>	<u>\$ 29,655</u>
<b>Budgetary fund balance—ending</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,484,421
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	(5,484,421)
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	\$ 5,484,421
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>\$ 5,484,421</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 686,507	\$ 686,507	\$ 686,507	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	220,000	220,000	227,427	7,427
Interest revenues	2,000	2,000	1,146	(854)
<b>Amounts available for appropriation</b>	<u>\$ 908,507</u>	<u>\$ 908,507</u>	<u>\$ 915,080</u>	<u>\$ 6,573</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 14,500	\$ 14,500	\$ 14,794	\$ (294)
Public safety			1,046	(1,046)
Culture and recreation	35,500	35,500	56,343	(20,843)
Capital outlay and improvements	172,000	172,000	224,866	(52,866)
<b>Total charges to appropriations</b>	<u>\$ 222,000</u>	<u>\$ 222,000</u>	<u>\$ 297,049</u>	<u>\$ (75,049)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 686,507</u>	<u>\$ 686,507</u>	<u>\$ 618,031</u>	<u>\$ (68,476)</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	\$ 915,080
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	(686,507)
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>\$ 228,573</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 297,049
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>\$ 297,049</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 1,599,672	\$ 1,599,672	\$ 1,599,672	\$ —
<b>Resources (inflows):</b>				
Interest revenues	8,000	8,000	3,269	(4,731)
<b>Amounts available for appropriation</b>	<u>\$ 1,607,672</u>	<u>\$ 1,607,672</u>	<u>\$ 1,602,941</u>	<u>\$ (4,731)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 250,000	\$ 250,000	\$ 159,590	\$ 90,410
<b>Total charges to appropriations</b>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 159,590</u>	<u>\$ 90,410</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 1,357,672</u>	<u>\$ 1,357,672</u>	<u>\$ 1,443,351</u>	<u>\$ 85,679</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	\$ 1,602,941
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	(1,599,672)
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>\$ 3,269</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 159,590
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>\$ 159,590</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY PERPETUAL CARE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 240,167	\$ 240,167	\$ 240,167	\$ —
<b>Resources (inflows):</b>				
Program revenues	3,200	3,200	917	(2,283)
<b>Amounts available for appropriation</b>	<u>\$ 243,367</u>	<u>\$ 243,367</u>	<u>\$ 241,084</u>	<u>\$ (2,283)</u>
<b>Charges to appropriations (outflows):</b>				
Transfers to other funds	\$ 1,200	\$ 1,200	\$ 670	\$ 530
<b>Total charges to appropriations</b>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 670</u>	<u>\$ 530</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 242,167</u>	<u>\$ 242,167</u>	<u>\$ 240,414</u>	<u>\$ (1,753)</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	\$ 241,084
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	(240,167)
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>\$ 917</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 670
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(670)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 113,025,500	\$ 113,025,500	\$ 124,477,011	\$ 11,451,511
Other	650,000	650,000	630,862	(19,138)
<b>Total operating revenues</b>	<u>\$ 113,675,500</u>	<u>\$ 113,675,500</u>	<u>\$ 125,107,873</u>	<u>\$ 11,432,373</u>
<b>Operating expenses</b>				
Costs of sales	\$ 90,535,000	\$ 90,535,000	\$ 99,892,949	\$ (9,357,949)
Operations, maintenance, and administration	13,209,800	13,401,700	13,491,557	(89,857)
Depreciation	4,300,000	4,300,000	4,417,680	(117,680)
Taxes and tax equivalents	3,018,500	3,018,500	3,114,742	(96,242)
<b>Total operating expenses</b>	<u>\$ 111,063,300</u>	<u>\$ 111,255,200</u>	<u>\$ 120,916,928</u>	<u>\$ (9,661,728)</u>
<b>Operating income (loss)</b>	<u>\$ 2,612,200</u>	<u>\$ 2,420,300</u>	<u>\$ 4,190,945</u>	<u>\$ 1,770,645</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 54,000	\$ 54,000	\$ 49,108	\$ (4,892)
Merchandising revenues (net of costs)	130,000	128,400	121,006	(7,394)
Miscellaneous nonoperating income			116	116
Interest expense	(210,200)	(210,200)	(210,196)	4
Amortization of debt discount and costs	(43,700)	(43,700)	(43,641)	59
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (69,900)</u>	<u>\$ (71,500)</u>	<u>\$ (83,607)</u>	<u>\$ (12,107)</u>
<b>Income before contributions</b>	<u>\$ 2,542,300</u>	<u>\$ 2,348,800</u>	<u>\$ 4,107,338</u>	<u>\$ 1,758,538</u>
Capital contributions			1,388,735	1,388,735
<b>Change in net assets</b>	<u><u>\$ 2,542,300</u></u>	<u><u>\$ 2,348,800</u></u>	<u><u>\$ 5,496,073</u></u>	<u><u>\$ 3,147,273</u></u>

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 19,258,500	\$ 19,341,000	\$ 17,684,326	\$ (1,656,674)
Other	11,600	11,600	11,955	355
<b>Total operating revenues</b>	<b>\$ 19,270,100</b>	<b>\$ 19,352,600</b>	<b>\$ 17,696,281</b>	<b>\$ (1,656,319)</b>
<b>Operating expenses</b>				
Costs of sales	\$ 11,298,000	\$ 11,298,000	\$ 9,636,273	\$ 1,661,727
Operations, maintenance, and administration	4,544,700	4,590,900	4,692,997	(102,097)
Depreciation	1,375,000	1,375,000	1,320,694	54,306
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,566,100	1,566,100	1,533,703	32,397
<b>Total operating expenses</b>	<b>\$ 18,794,500</b>	<b>\$ 18,840,700</b>	<b>\$ 17,194,328</b>	<b>\$ 1,646,372</b>
<b>Operating income (loss)</b>	<b>\$ 475,600</b>	<b>\$ 511,900</b>	<b>\$ 501,953</b>	<b>\$ (9,947)</b>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 10,000	\$ 10,000	\$ 9,287	\$ (713)
Gain (loss) on disposal of capital assets	1,000	1,000	12,200	11,200
Miscellaneous nonoperating income	8,000	8,000	129,142	121,142
Amortization of debt discount and costs	(400)	(400)	(353)	47
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 18,600</b>	<b>\$ 18,600</b>	<b>\$ 150,276</b>	<b>\$ 131,676</b>
<b>Change in net assets</b>	<b>\$ 494,200</b>	<b>\$ 530,500</b>	<b>\$ 652,229</b>	<b>\$ 121,729</b>

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 17,594,000	\$ 17,594,000	\$ 17,578,097	\$ (15,903)
Other	221,200	221,200	194,821	(26,379)
<b>Total operating revenues</b>	<u>\$ 17,815,200</u>	<u>\$ 17,815,200</u>	<u>\$ 17,772,918</u>	<u>\$ (42,282)</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 8,737,900	\$ 8,874,200	\$ 8,756,157	\$ 118,043
Depreciation	2,767,900	2,767,900	2,910,272	(142,372)
Taxes and tax equivalents	1,516,800	1,516,800	1,522,344	(5,544)
<b>Total operating expenses</b>	<u>\$ 13,022,600</u>	<u>\$ 13,158,900</u>	<u>\$ 13,188,773</u>	<u>\$ (29,873)</u>
<b>Operating income (loss)</b>	<u>\$ 4,792,600</u>	<u>\$ 4,656,300</u>	<u>\$ 4,584,145</u>	<u>\$ (72,155)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 61,300	\$ 61,300	\$ 18,052	\$ (43,248)
Gain (loss) on disposal of capital assets			(442)	(442)
Interest expense	(1,871,100)	(1,871,100)	(1,542,039)	329,061
Amortization of debt discount and costs	(57,900)	(57,900)	(66,357)	(8,457)
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (1,867,700)</u>	<u>\$ (1,867,700)</u>	<u>\$ (1,590,786)</u>	<u>\$ 276,914</u>
<b>Change in net assets</b>	<u>\$ 2,924,900</u>	<u>\$ 2,788,600</u>	<u>\$ 2,993,359</u>	<u>\$ 204,759</u>



**CITY OF FLORENCE, ALABAMA**  
**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—**  
**BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 4,419,740	\$ 4,419,740	\$ 4,366,119	\$ (53,621)
Other	5,000	5,000	4,804	(196)
<b>Total operating revenues</b>	<u>\$ 4,424,740</u>	<u>\$ 4,424,740</u>	<u>\$ 4,370,923</u>	<u>\$ (53,817)</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 3,586,305	\$ 3,586,305	\$ 3,871,844	\$ (285,539)
Depreciation	809,453	809,453	771,414	38,039
Taxes and tax equivalents	130,402	130,402	134,171	(3,769)
<b>Total operating expenses</b>	<u>\$ 4,526,160</u>	<u>\$ 4,526,160</u>	<u>\$ 4,777,429</u>	<u>\$ (251,269)</u>
<b>Operating income (loss)</b>	<u>\$ (101,420)</u>	<u>\$ (101,420)</u>	<u>\$ (406,506)</u>	<u>\$ (305,086)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 12,700	\$ 12,700	\$ 5,965	\$ (6,735)
Gain (loss) on disposal of capital assets	24,000	24,000	14,828	(9,172)
Grant proceeds			42,392	42,392
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 36,700</u>	<u>\$ 36,700</u>	<u>\$ 63,185</u>	<u>\$ 26,485</u>
<b>Change in net assets</b>	<u>\$ (64,720)</u>	<u>\$ (64,720)</u>	<u>\$ (343,321)</u>	<u>\$ (278,601)</u>

**CITY OF FLORENCE, ALABAMA**  
**EMPLOYEE GROUP HEALTH INSURANCE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—**  
**BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$	\$	\$	\$
<b>Total operating revenues</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ (17,500)	\$ (17,500)	\$ 485,832	\$ (503,332)
Operations and administration	18,500	18,500	16,295	2,205
<b>Total operating expenses</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 502,127</u>	<u>\$ (501,127)</u>
<b>Operating income (loss)</b>	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ (502,127)</u>	<u>\$ (501,127)</u>
<b>Nonoperating revenues</b>				
Interest revenues	1,000	1,000	831	(169)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (501,296)</u>	<u>\$ (501,296)</u>

**CITY OF FLORENCE, ALABAMA  
GENERAL LIABILITY INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 325,000	\$ 325,000	\$ 325,176	\$ 176
<b>Total operating revenues</b>	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 325,176</u>	<u>\$ 176</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 207,500	\$ 207,500	\$ 290,078	\$ (82,578)
Operations and administration	141,500	141,500	251,205	(109,705)
<b>Total operating expenses</b>	<u>\$ 349,000</u>	<u>\$ 349,000</u>	<u>\$ 541,283</u>	<u>\$ (192,283)</u>
<b>Operating income (loss)</b>	<u>\$ (24,000)</u>	<u>\$ (24,000)</u>	<u>\$ (216,107)</u>	<u>\$ (192,107)</u>
<b>Nonoperating revenues</b>				
Interest revenues	24,000	24,000	11,255	(12,745)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (204,852)</u>	<u>\$ (204,852)</u>

**CITY OF FLORENCE, ALABAMA  
WORKERS' COMPENSATION INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 509,860	\$ 509,860	\$ 509,870	\$ 10
<b>Total operating revenues</b>	<u>\$ 509,860</u>	<u>\$ 509,860</u>	<u>\$ 509,870</u>	<u>\$ 10</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 425,000	\$ 425,000	\$ 1,046,807	\$ (621,807)
Operations and administration	99,860	99,860	111,601	(11,741)
<b>Total operating expenses</b>	<u>\$ 524,860</u>	<u>\$ 524,860</u>	<u>\$ 1,158,408</u>	<u>\$ (633,548)</u>
<b>Operating income (loss)</b>	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ (648,538)</u>	<u>\$ (633,538)</u>
<b>Nonoperating revenues</b>				
Interest revenues	15,000	15,000	7,902	(7,098)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (640,636)</u>	<u>\$ (640,636)</u>



This page intentionally blank.

# **SINGLE AUDIT SECTION**

**CITY OF FLORENCE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Direct programs:</i>			
<i>CDBG-Entitlement Grants Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-01-0003	\$ 3,871
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-01-0003	3,614
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-01-0003	(4,237)
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-01-0003	705,094
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-01-0003	122,401
Subtotal			<u>\$ 830,743</u>
ARRA-Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-01-0003	34,229
Total direct programs			<u>\$ 864,972</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Emergency Shelter Grants Program (Note 3)	14.231	ESG-09-002	14,436
Emergency Shelter Grants Program (Note 3)	14.231	ESG-10-001	69,297
Total pass-through program			<u>\$ 83,733</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 948,705</u>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct programs:</i>			
Bulletproof Vest Partnership Program	16.607	2007BUBX07039633	\$ 2,788
Bulletproof Vest Partnership Program	16.607	2009BUBX09048381	3,803
Subtotal			<u>\$ 6,591</u>
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0039	210,251
Total direct programs			<u>\$ 216,842</u>
<i>Pass-through programs from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DJ-01-013	\$ 156,526
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09-DR-01-027	38,727
<i>Pass-through program from—</i>			
<i>Lauderdale County Commission:</i>			
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804	2009-SB-B9-0397	15,741
Total pass-through programs			<u>\$ 210,994</u>
Total U.S. Department of Justice			<u>\$ 427,836</u>
<b><u>Environmental Protection Agency</u></b>			
<i>Direct program:</i>			
ARRA-Brownfields Assessment and Cleanup Cooperative Agreements	66.818	95407508-0	\$ 156,439
Total Environmental Protection Agency			<u>\$ 156,439</u>
<b><u>U.S. Department of Energy</u></b>			
<i>Direct program:</i>			
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002083	\$ 85,155
Total U.S. Department of Energy			<u>\$ 85,155</u>

**CITY OF FLORENCE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
(Continued)

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Direct program:</i>			
Assistance to Firefighters Grant	97.044		\$ 97,200
<i>Pass-through program from—</i>			
<i>Alabama Emergency Management Agency:</i>			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	077-26896-00	<u>354,103</u>
Total U.S. Department of Homeland Security			<u>\$ 451,303</u>
<b><u>U.S. Department of Transportation</u></b>			
<i>Pass-through programs from—</i>			
<i>North Alabama Highway Safety Office:</i>			
State and Community Highway Safety	20.600	11-SP-PT-003	\$ 2,382
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	11-HS-K8-003	1,065
Safety Belt Performance Grants	20.609	11-HS-K4-003	<u>2,349</u>
Total U.S. Department of Transportation			<u>\$ 5,796</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Pass-through program from—</i>			
<i>Alabama Forestry Commission:</i>			
Cooperative Forestry Assistance	10.664	09-28-9524	<u>\$ 24,965</u>
Total U.S. Department of Agriculture			<u>\$ 24,965</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,100,199</u></u>



**CITY OF FLORENCE, ALABAMA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**NOTE 1—BASIS OF PRESENTATION**

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

**NOTE 2—ENTITY DEFINITION**

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

**NOTE 3—SUBRECIPIENTS**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Shelter Grant	14.231	\$ <u>82,733</u>



This page intentionally blank.



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

**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, 2011, which collectively comprise the City of Florence, Alabama's basic financial statements and have issued our report thereon dated April 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama 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*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



The CPA. Never Underestimate The Value.®

516 East Mobile Street • Florence, Alabama 35630-4747 • Phone (256) 767-0021 • Fax (256) 767-1491

[www.wjcg.com](http://www.wjcg.com)

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Florence, Alabama in a separate letter dated April 25, 2012.

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

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

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
April 25, 2012



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

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

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

Compliance

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2011. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Florence, Alabama's management. Our responsibility is to express an opinion on the City of Florence, Alabama's compliance based on our audit.

The City of Florence, Alabama's basic financial statements include the operations of the City of Florence, Alabama Electricity Department, which received \$1,190,188 in federal awards that are not included in the schedule during the year ended September 30, 2011. Our audit, described below, did not include the operations of the City of Florence, Alabama Electricity Department because the Department issued a separate audit in accordance with OMB Circular A-133.

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

In our opinion, the City of Florence, Alabama complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.



The CPA. Never Underestimate The Value.®

516 East Mobile Street • Florence, Alabama 35630-4747 • Phone (256) 767-0021 • Fax (256) 767-1491

[www.wjgg.com](http://www.wjgg.com)

Internal Control Over Compliance

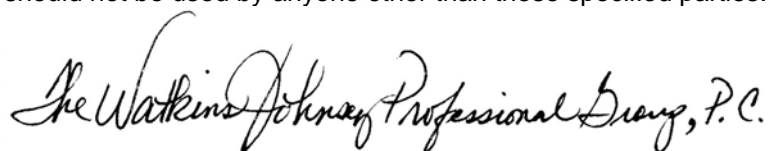
Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Florence,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

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

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

The City of Florence, Alabama's responses to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. We did not audit the City of Florence, Alabama's responses and, accordingly, we express no opinion on the responses.

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

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

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
April 25, 2012

**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Section I—Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?      Yes   X   No

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.	CDBG—Entitlement Grants Cluster
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee?   X   Yes      No

**Section II—Financial Statement Findings**

None to be reported.

**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Continued)**

---

**Section III—Federal Award Findings and Questioned Costs**

---

**Finding #2011-1      U.S. Department of Housing and Urban Development**

---

CDBG—Entitlement Grants Cluster CFDA Number    14.

**Type:** Compliance Finding

**Criteria:** 24 CFR 85 §21 states that grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee.

**Condition:** In our review of cash management compliance requirements, we noted eight cash advances that could not be reconciled with specific disbursements.

**Questioned Costs:** No questioned costs were identified.

**Context:** The City requested thirty-one cash advances during the fiscal year.

**Possible Asserted Effect:** The City is not in compliance with federal cash management regulations.

**Recommendation:** We recommend the City establish controls to ensure compliance with cash management provisions of federal regulations and the grant agreement.

---

**Finding #2011-2      U.S. Department of Housing and Urban Development**

---

CDBG—Entitlement Grants Cluster CFDA Number    14.

**Type:** Compliance Finding

**Criteria:** 24 CFR 570 §200 states that no more than 20 percent of the sum of any grant, plus program income, shall be expended for planning and program administrative costs, as defined in §§205 and 206, respectively. Recipients of entitlement grants under subpart D of this part shall conform with this requirement by limiting the amount of CDBG funds obligated for planning plus administration during each program year to an amount no greater than 20 percent of the sum of its entitlement grant made for that program year, if any, plus the program income received by the recipient and its subrecipients, if any, during that program year.

**Condition:** In our review of earmarking compliance requirements, we determined that the planning and program administrative costs expended during the fiscal year exceeded 20 percent of the sum of its entitlement grant, plus the program income received.

**Questioned Costs:** \$21,200

**Context:** This finding appears to represent an isolated instance.

**Possible Asserted Effect:** A refund of these costs from a non-federal source may be required by the awarding agency.

**Recommendation:** We recommend that the City more closely monitor its planning and program administration costs to ensure adherence with the applicable federal regulations.



**CITY OF FLORENCE, ALABAMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**U.S. Department of Housing and Urban Development**

Finding #2010-1: CDBG—Entitlement Grants Cluster

*Condition:* Four cash advances were not disbursed in a timely manner.

*Recommendation:* The auditor recommended that controls be established to ensure compliance with the cash management provisions of federal regulations and the grant agreement. Management concurred with the recommendation.

*Current Status:* The condition noted in this finding was repeated in the Fiscal Year 2011 Single Audit. Refer to finding #2011-1. Procedures have been reviewed with appropriate management personnel. Management will monitor the adherence to established controls to ensure compliance with the provisions of federal regulations.

Finding #2010-2: CDBG—Entitlement Grants Cluster

*Condition:* Required Section 1512 reporting was not submitted for one quarter in the fiscal year.

*Recommendation:* The auditor recommended that controls be established to ensure compliance with the reporting provisions of Section 1512 of the American Recovery and Reinvestment Act of 2009. Management concurred with the recommendation.

*Current Status:* Corrective action complete.



This page intentionally blank.



# CITY OF FLORENCE, ALABAMA

Office of the Treasurer  
General Fund Accounting

## AUDITEE RESPONSE/CORRECTIVE ACTION PLAN

April 25, 2012

The City of Florence, Alabama respectfully submits the following Auditee Response/Corrective Action Plan for the year ended September 30, 2011.

### **Finding #2011-1:**

Contact person responsible for corrective action: Melissa Bailey, Director of Planning and Community Development

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

Auditee response: The City agrees with the finding.

Corrective action planned: Following the transfer of the CDBG program to the Planning and Community Development Department, the staff and administration developed and implemented procedures and controls to ensure cash management provisions of federal regulations are properly adhered. The Department will continue to monitor federal regulations and take advantage of educational opportunities to ensure such procedures and controls are being followed.

Anticipated completion date: Completed.

### **Finding #2011-2:**

Contact person responsible for corrective action: Melissa Bailey, Director of Planning and Community Development

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

Auditee response: The City agrees with the finding.

Corrective action planned: Procedures are in place whereby the staff and administration of the Community Development program will monitor administrative expenditures frequently to ensure funds are spent timely, in accordance with a proper, approved plan, and that no funding categories are exceeded.

Anticipated completion date: Completed.