







THE CITY OF  
**FLORENCE**  
ALABAMA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010

## **Our Mission**

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

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

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

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## **INTRODUCTORY SECTION**

**CITY OF FLORENCE, ALABAMA**

**CITY OFFICIALS**

**As of September 30, 2010**

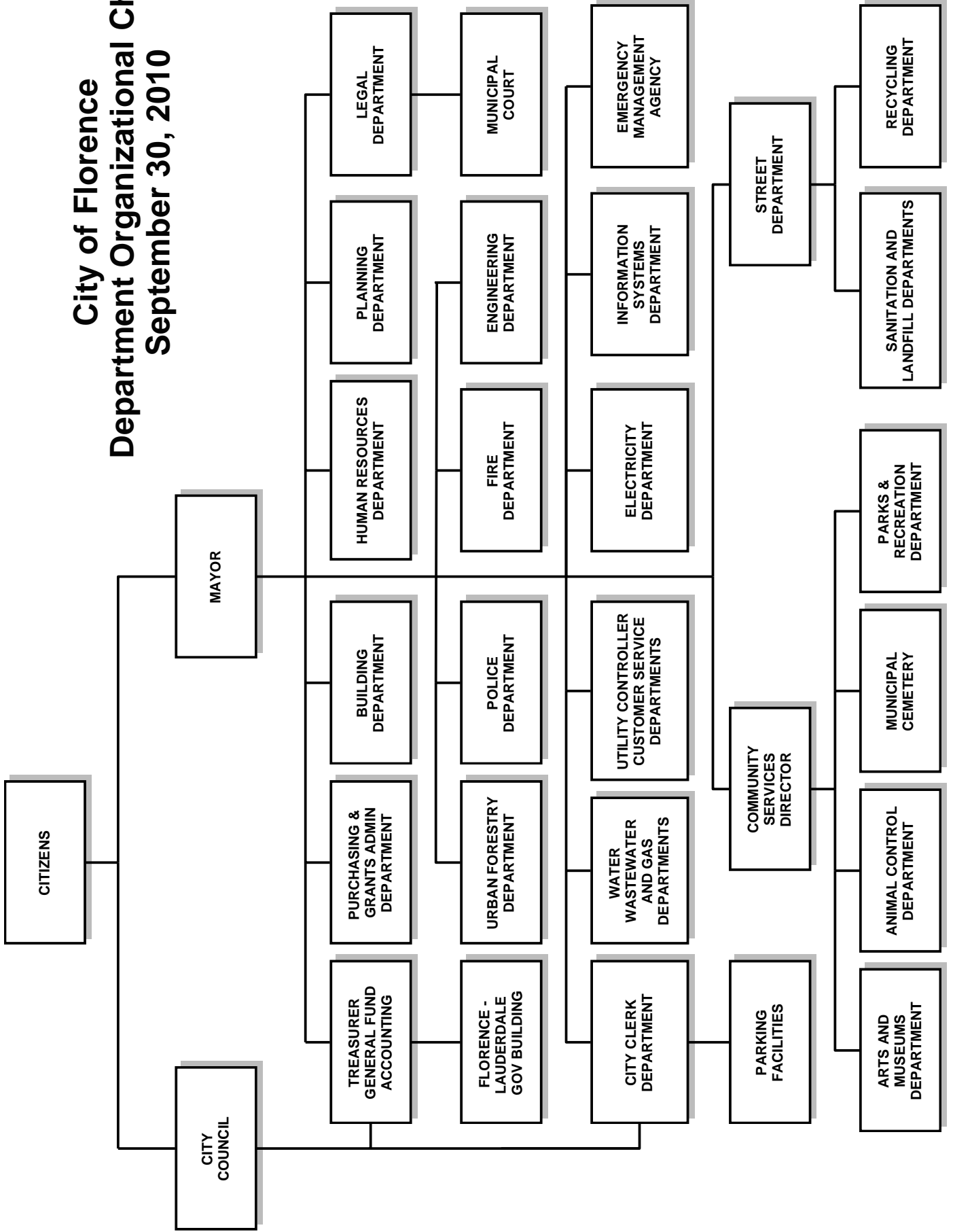
**Elected Officials**

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
Personnel	Barry Brewer
Planning	Melissa Bailey
Police	Rick Singleton
Purchasing/Grants Administration	Phillip L. Stevenson
Street, Solid Waste, and Recycling	David Koonce
Urban Forestry	Paul Graham
Controller of Utilities	Vance Young
Electricity	Richard Morrissey
Gas and Water/Wastewater	Michael G. Doyle

# City of Florence Department Organizational Chart September 30, 2010





## **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, 2010, 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 Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2011, on our consideration of 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.



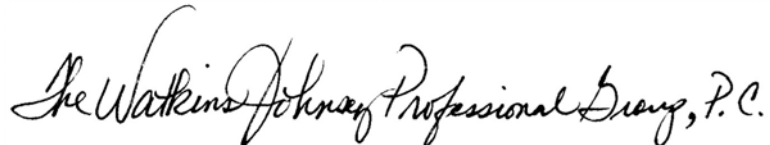
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The management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 3 through 27 and 73 through 78, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 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 accompanying 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 of the City of Florence, Alabama. The combining nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "The Watkins Johnsey Professional Group, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

The Watkins Johnsey Professional Group, P.C.  
April 12, 2011

## **City of Florence, Alabama Management's Discussion and Analysis September 30, 2010**

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, 2010. 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, 2010 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, 2010 long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 31 and 33.

Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 30 and 32 of this report. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information portion of this report, beginning on page 79.

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

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

**Internal Service funds** - Internal Service funds are used by the City for the administration of its self-insured Employee Group Health Insurance, General Liability Insurance, and Workers' Compensation Insurance. The internal service fund financial statements can be found on pages 81-83 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-72 of this report.

## Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 79-83. Required supplementary information can be found on pages 73-78 of this report. Other Supplementary Schedules follow, starting on page 79.

## 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 \$275,232,399 (net assets). Of this amount, \$45,926,202 is unrestricted net assets. The City's net assets include \$96,275,538 from Governmental Activities and \$178,956,861 from Business-Type Activities. This is shown on page 28.

By far the largest portion of the City's net assets (80.88%) 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 (2.43%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets in the amount of \$45,926,202 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 2010</u>		<u>Fiscal Year 2009</u>		<u>Change</u>
Taxes					
Sales, Use, and Lodging Taxes	\$ 26,408,135	54.01%	\$ 26,395,736	54.15%	0.05%
Property Taxes and Equivalents	11,094,561	22.69%	11,116,156	22.80%	-0.19%
Motor Fuel	1,051,354	2.15%	1,017,540	2.09%	3.32%
Alcoholic Beverages	1,006,266	2.06%	1,000,661	2.05%	0.56%
Other	341,115	0.70%	412,376	0.85%	-17.28%
Licenses and Permits	3,052,721	6.24%	3,099,679	6.36%	-1.51%
Court Fines and Forfeitures	1,390,953	2.84%	1,303,156	2.67%	6.74%
Charges for Services	1,546,975	3.16%	1,666,553	3.42%	-7.18%
Intergovernmental	2,410,195	4.93%	1,875,095	3.85%	28.54%
Interest Revenues	104,644	0.21%	263,701	0.54%	-60.32%
Other	487,126	1.00%	595,706	1.22%	-18.23%
Total	<u>\$ 48,894,044</u>	<u>100.00%</u>	<u>\$ 48,746,359</u>	<u>100.00%</u>	<u>0.30%</u>

Sales and Use taxes are the largest revenue source for the City comprising 54.01% of total governmental revenues. Sales and Use Tax revenues increased from fiscal year September 30, 2009 to September 30, 2010 by \$12,399 or .05%. Property taxes are the second largest revenue source for the City comprising 22.69% of governmental revenues. For the year ended September 30, 2010, taxes of real property inside the City limits produced revenues of \$4,158,416 while personal property taxes for the period were \$516,866. Payments in lieu of property taxes paid by Florence Utilities, Florence Housing Authority, and the Tennessee Valley Authority produced \$6,419,279.

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 2010</u>		<u>Fiscal Year 2009</u>		<u>Percent Change</u>
Current Operating					
General Administration	\$ 4,936,807	10.48%	\$ 4,887,954	10.21%	1.00%
Public Safety	15,941,102	33.85%	15,398,860	32.17%	3.52%
Public Works	4,583,673	9.73%	4,554,428	9.52%	0.64%
Culture and Recreation	5,746,597	12.20%	6,030,967	12.60%	-4.72%
Other	1,448,697	3.08%	1,617,096	3.38%	-10.41%
Education	7,940,977	16.86%	7,955,349	16.62%	-0.18%
Capital Outlay and Improvements	1,446,041	3.07%	1,176,918	2.46%	22.87%
Debt Service					
Principal Payments	3,315,000	7.04%	4,005,000	8.37%	-17.23%
Interest and Fiscal Charges	1,739,762	3.69%	2,233,455	4.67%	-22.10%
Total	<u>\$ 47,098,656</u>	<u>100.00%</u>	<u>\$ 47,860,027</u>	<u>100.00%</u>	<u>-1.59%</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 \$16,664,309. In the General Fund, the fund balance is \$11,975,217.

The General Fund's fund balance is approximately 25.62% of the fiscal year's final operating budgeted expenditures. 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 total operating budget. The current fund balance exceeds the required minimum by \$5,018,670 or 72.14%.

## Changes in Fund Balance – Governmental Funds

### Governmental Funds

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance-Beginning	\$ 11,791,054	\$ 3,077,867	\$ 14,868,921
Fund Balance-Ending	11,975,217	4,689,092	16,664,309
Net Change in Fund Balances	<u>\$ 184,163</u>	<u>\$ 1,611,225</u>	<u>\$ 1,795,388</u>

## Net Assets – Governmental Activities

### Governmental Activities

#### Net Assets

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Current Assets	\$ 32,677,190	\$ 30,941,710	\$ 1,735,480	5.61%
Restricted Assets	150,000	289,832	(139,832)	-48.25%
Other Assets	499,300	573,668	(74,368)	-12.96%
Capital Assets, Net	115,426,701	121,444,102	(6,017,401)	-4.95%
Total Assets	<u>\$ 148,753,191</u>	<u>\$ 153,249,312</u>	<u>\$ (4,496,121)</u>	<u>-2.93%</u>
Current Liabilities	\$ 4,625,227	\$ 5,048,914	\$ (423,687)	-8.39%
Long-term Liabilities	47,852,426	50,879,924	(3,027,498)	-5.95%
Total Liabilities	<u>\$ 52,477,653</u>	<u>\$ 55,928,838</u>	<u>\$ (3,451,185)</u>	<u>-6.17%</u>
Invested in Capital Assets, Net of Related Debt	\$ 72,902,924	\$ 75,635,775	\$ (2,732,851)	-3.61%
Restricted	390,167	521,097	(130,930)	-25.13%
Unrestricted	22,982,447	21,163,602	1,818,845	8.59%
Total Net Assets	<u>\$ 96,275,538</u>	<u>\$ 97,320,474</u>	<u>\$ (1,044,936)</u>	<u>-1.07%</u>



## Changes in Net Assets – Governmental Activities

### Governmental Activities Changes in Net Assets

	FY 2010	FY 2009	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 26,408,135	\$ 26,395,736	\$ 12,399	0.05%
Property	11,094,561	11,116,156	(21,595)	-0.19%
Motor Fuel	1,051,354	1,017,540	33,814	3.32%
Other	341,115	412,376	(71,261)	-17.28%
Alcoholic Beverages	1,006,266	1,000,661	5,605	0.56%
Interest Revenues	127,116	389,028	(261,912)	-67.32%
Gain (Loss) on Disposal of Assets	67,604	27,969	39,635	141.71%
Total General Revenues	<u>\$ 40,096,151</u>	<u>\$ 40,359,466</u>	<u>\$ (263,315)</u>	<u>-0.65%</u>
Program Revenues				
Charges for Services	\$ 7,097,876	\$ 7,165,901	\$ (68,025)	-0.95%
Operating Grants and Contributions	1,295,623	612,751	682,872	111.44%
Capital Grants and Contributions	426,492	733,568	(307,076)	-41.86%
Total Program Revenues	<u>\$ 8,819,991</u>	<u>\$ 8,512,220</u>	<u>\$ 307,771</u>	<u>3.62%</u>
Total Revenues	<u>\$ 48,916,142</u>	<u>\$ 48,871,686</u>	<u>\$ 44,456</u>	<u>0.09%</u>
Governmental Expenses				
General Administration	\$ 5,445,035	\$ 5,466,150	\$ (21,115)	-0.39%
Public Safety	16,876,873	16,670,935	205,938	1.24%
Public Works	5,057,243	5,082,366	(25,123)	-0.49%
Public Ways and Facilities	4,036,641	4,035,258	1,383	0.03%
Culture and Recreation	7,311,032	7,712,966	(401,934)	-5.21%
Other	1,448,697	1,405,998	42,699	3.04%
Education–Funding for School District	7,940,977	7,955,349	(14,372)	-0.18%
Interest and Fiscal Charges	1,844,580	2,182,472	(337,892)	-15.48%
Total Expenses	<u>\$ 49,961,078</u>	<u>\$ 50,511,494</u>	<u>\$ (550,416)</u>	<u>-1.09%</u>
Change in Net Assets	\$ (1,044,936)	\$ (1,639,808)	\$ 594,872	-36.28%
Total Net Assets - Beginning	<u>97,320,474</u>	<u>98,960,282</u>	<u>(1,639,808)</u>	<u>-1.66%</u>
Total Net Assets - Ending	<u>\$ 96,275,538</u>	<u>\$ 97,320,474</u>	<u>\$ (1,044,936)</u>	<u>-1.07%</u>

## **Business-Type Activities**

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

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

- The individual enterprise funds experienced the following changes in net assets: Electricity increased \$4.1 million or 6%; Gas increased \$1.5 million or 4%; Water and Wastewater increased \$2.6 million or 4%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity decreased \$.2 million or .3%; Gas decreased \$.2 million or .8%; Water and Wastewater decreased \$1.2 million or 1%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$6.8 million or 6%; Gas decreased \$2.8 million or 11%; Water and Wastewater increased \$36,000 or .2%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$8.2 million or 7%; Gas decreased \$3.5 million or 14%; Water and Wastewater decreased \$45,000 or .4%.
- The individual enterprise funds experienced the following changes in non-operating revenues: Electricity increased about \$9,500 or 4%; Gas increased about \$2,800 or 2%; Water and Wastewater decreased about \$130,000 or 68%.
- The individual enterprise funds experienced the following changes in non-operating expenses: Electricity decreased \$122,000 or 30%; Gas increased about \$54,200 or 31%; Water and Wastewater decreased \$2,000 or .1%.

## Electricity Department

The Electricity Department's net assets increased from last year by \$4,085,698 or about 6%. 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 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 29,115,178	\$ 24,626,092	\$ 4,489,086	18.23%
Capital Assets, Net	69,902,278	70,089,226	(186,948)	-0.27%
Other Noncurrent Assets	7,516,094	6,425,941	1,090,153	16.96%
<b>Total Assets</b>	<b>\$ 106,533,550</b>	<b>\$ 101,141,259</b>	<b>\$ 5,392,291</b>	<b>5.33%</b>
Current Liabilities	\$ 22,131,529	\$ 21,376,576	\$ 754,953	3.53%
Noncurrent Liabilities	13,219,387	12,667,747	551,640	4.35%
<b>Total Liabilities</b>	<b>\$ 35,350,916</b>	<b>\$ 34,044,323</b>	<b>\$ 1,306,593</b>	<b>3.84%</b>
Invested in Capital Assets, Net of Related Debt	\$ 63,196,791	\$ 63,149,796	\$ 46,995	0.07%
Restricted	990,244	1,011,674	(21,430)	-2.12%
Unrestricted	6,995,599	2,935,466	4,060,133	138.31%
<b>Total Net Assets</b>	<b>\$ 71,182,634</b>	<b>\$ 67,096,936</b>	<b>\$ 4,085,698</b>	<b>6.09%</b>

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 table below indicates, operating revenues decreased approximately \$6.8 million or about 6% from FY 2009. Prior to October 2009, TVA had a fuel cost adjustment quarterly. However, in October, TVA implemented a plan of monthly fuel cost adjustments. At that same time, TVA raised its rates to the distributors. During FY 2010, TVA had ten rate changes to its distributors under its fuel cost adjustment provisions. The effective dates were July 2009, October 2009, November 2009, December 2009, January 2010, February 2010, March 2010, April 2010, May 2010, and the last effective June 2010. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. In November 2008, we had a rate increase for our benefit. In FY 2010, we experienced approximately a 3% increase in kWh sold over that for FY 2009. The depreciation expense is substantially higher in FY 2010 over what it was in FY 2009. In FY 2009, depreciation expense was lower than normal due to a reduction related to the change in the method of accounting for depreciation on General Plant assets. 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 \$122,386 or about 30%, primarily interest expense.

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

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 111,296,454	\$ 118,087,893	\$ (6,791,439)	-5.75%
Operating Expenses				
Cost of Sales	\$ 87,239,996	\$ 96,575,631	\$ (9,335,635)	-9.67%
Operations	8,258,922	8,343,588	(84,666)	-1.01%
Maintenance	4,244,630	4,450,667	(206,037)	-4.63%
Depreciation	4,342,399	3,022,170	1,320,229	43.68%
Taxes and Tax Equivalents	3,070,324	2,939,195	131,129	4.46%
Total Operating Expenses	\$ 107,156,271	\$ 115,331,251	\$ (8,174,980)	-7.09%
Operating Income	\$ 4,140,183	\$ 2,756,642	\$ 1,383,541	50.19%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 229,698	\$ 220,185	\$ 9,513	4.32%
Nonoperating Expenses	(284,183)	(406,569)	122,386	-30.10%
Total Nonoperating Revenues (Exp)	\$ (54,485)	\$ (186,384)	\$ 131,899	-70.77%
Change in Net Assets	\$ 4,085,698	\$ 2,570,258	\$ 1,515,440	58.96%
Total Net Assets - Beginning	67,096,936	64,526,678	2,570,258	3.98%
Total Net Assets - Ending	\$ 71,182,634	\$ 67,096,936	\$ 4,085,698	6.09%

## Gas Department

The Gas Department's net assets increased from last year by \$1,515,355 or about 4%. 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 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 10,899,434	\$ 11,800,984	\$ (901,550)	-7.64%
Capital Assets, Net	31,945,854	32,191,818	(245,964)	-0.76%
Other Noncurrent Assets	706	565,115	(564,409)	-99.88%
Total Assets	<u>\$ 42,845,994</u>	<u>\$ 44,557,917</u>	<u>\$ (1,711,923)</u>	<u>-3.84%</u>
Current Liabilities	\$ 1,373,500	\$ 1,685,518	\$ (312,018)	-18.51%
Noncurrent Liabilities	311,159	3,226,419	(2,915,260)	-90.36%
Total Liabilities	<u>\$ 1,684,659</u>	<u>\$ 4,911,937</u>	<u>\$ (3,227,278)</u>	<u>-65.70%</u>
Invested in Capital Assets, Net of Related Debt	\$ 31,945,854	\$ 28,962,059	\$ 2,983,795	10.30%
Restricted	-	496,632	(496,632)	-100.00%
Unrestricted	9,215,481	10,187,289	(971,808)	-9.54%
Total Net Assets	<u>\$ 41,161,335</u>	<u>\$ 39,645,980</u>	<u>\$ 1,515,355</u>	<u>3.82%</u>

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 \$2.8 million or about 11% from FY 2009. The Gas Department had two general rate decreases in FY 2010 – effective January 2010 and February 2010. These rate changes reflected the decreasing costs in the natural gas market. The Gas Department experienced an approximate 9.5% increase in overall sales volume in FY 2010 over FY 2009. Cost of sales decreased by \$3.4 million or about 20% due to decreased gas prices. The Gas Department experienced an increase in non-operating revenues of \$2,805 or about 2%. The Gas Department experienced an increase in non-operating expenses of \$54,240 or 31%.

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

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 22,947,041	\$ 25,771,240	\$ (2,824,199)	-10.96%
Operating Expenses				
Cost of Sales	\$ 14,232,153	\$ 17,678,749	\$ (3,446,596)	-19.50%
Operations	2,727,285	2,690,227	37,058	1.38%
Maintenance	1,520,338	1,502,303	18,035	1.20%
Depreciation and Amortization	1,327,255	1,397,062	(69,807)	-5.00%
Taxes and Tax Equivalents	1,522,031	1,557,710	(35,679)	-2.29%
Total Operating Expenses	\$ 21,329,062	\$ 24,826,051	\$ (3,496,989)	-14.09%
Operating Income	\$ 1,617,979	\$ 945,189	\$ 672,790	71.18%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 126,176	\$ 123,371	\$ 2,805	2.27%
Nonoperating Expenses	(228,800)	(174,560)	(54,240)	31.07%
Total Nonoperating Revenues (Exp)	\$ (102,624)	\$ (51,189)	\$ (51,435)	100.48%
Change in Net Assets	\$ 1,515,355	\$ 894,000	\$ 621,355	69.50%
Total Net Assets - Beginning	39,645,980	38,751,980	894,000	2.31%
Total Net Assets - Ending	\$ 41,161,335	\$ 39,645,980	\$ 1,515,355	3.82%

## Water and Wastewater Department

The Water and Wastewater Department's net assets increased from last year by \$2,576,236 or about 4%. 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 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 8,706,400	\$ 9,546,567	\$ (840,167)	-8.80%
Capital Assets, Net	100,469,104	101,660,947	(1,191,843)	-1.17%
Other Noncurrent Assets	5,713,456	5,631,471	81,985	1.46%
Total Assets	<u>\$ 114,888,960</u>	<u>\$ 116,838,985</u>	<u>\$ (1,950,025)</u>	<u>-1.67%</u>
Current Liabilities	\$ 6,277,652	\$ 6,390,143	\$ (112,491)	-1.76%
Noncurrent Liabilities	46,298,538	50,712,308	(4,413,770)	-8.70%
Total Liabilities	<u>\$ 52,576,190</u>	<u>\$ 57,102,451</u>	<u>\$ (4,526,261)</u>	<u>-7.93%</u>
Invested in Capital Assets, Net of Related Debt	\$ 49,919,429	\$ 46,863,914	\$ 3,055,515	6.52%
Restricted	5,316,639	5,188,625	128,014	2.47%
Unrestricted	7,076,702	7,683,995	(607,293)	-7.90%
Total Net Assets	<u>\$ 62,312,770</u>	<u>\$ 59,736,534</u>	<u>\$ 2,576,236</u>	<u>4.31%</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 \$36,000 or about .2% from FY 2009 revenues. The small increase in operating revenues, despite a rate increase, was largely due to decreased residential water sales. Operating expenses decreased by \$45,000 or about .4% due to close monitoring of expenses. The Water and Wastewater Department experienced a decrease in non-operating revenues of \$129,861 or 68% due to declining interest income. The Water and Wastewater Department experienced a slight decrease in non-operating expenses of \$1,898, or .1%.

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

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,096,627	\$ 17,060,717	\$ 35,910	0.21%
Operating Expenses				
Water Treatment and Pumping	\$ 2,431,728	\$ 2,500,175	\$ (68,447)	-2.74%
Sewage Disposal	2,085,509	2,163,686	(78,177)	-3.61%
Transmission and Distribution	1,171,219	1,218,632	(47,413)	-3.89%
Accounting and Collections	1,094,583	1,044,434	50,149	4.80%
Administrative and General	1,494,688	1,534,849	(40,161)	-2.62%
Depreciation	2,776,120	2,654,526	121,594	4.58%
Taxes and Tax Equivalents	1,462,860	1,445,953	16,907	1.17%
Total Operating Expenses	\$ 12,516,707	\$ 12,562,255	\$ (45,548)	-0.36%
Operating Income	\$ 4,579,920	\$ 4,498,462	\$ 81,458	1.81%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 60,384	\$ 190,245	\$ (129,861)	-68.26%
Nonoperating Expenses	(2,064,068)	(2,065,966)	1,898	-0.09%
Total Nonoperating Revenues (Exp)	\$ (2,003,684)	\$ (1,875,721)	\$ (127,963)	6.82%
Change in Net Assets	\$ 2,576,236	\$ 2,622,741	\$ (46,505)	-1.77%
Total Net Assets - Beginning	59,736,534	57,113,793	2,622,741	4.59%
Total Net Assets - Ending	\$ 62,312,770	\$ 59,736,534	\$ 2,576,236	4.31%



## 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 \$454,922 and non-operating income of \$194,055 for the fiscal year ended September 30, 2010.
- Total net assets were \$5,179,896. This is a decrease of \$260,867 or 4.79% from the prior year.
- Of the Fund's \$2,411,333 in liabilities, \$2,069,458 is non-current and designated accrued landfill closure and post-closure care costs of \$1,968,257 and accrued compensated absences of \$101,201. Reserves for these costs represent 70.22% of the Fund's current assets.
- The Solid Waste Fund's operating revenues increased \$207,818 or 5.14% from the prior year while operating expenses increased \$505,140 or 12.04%. This increase includes expenses reimbursed by a Recycling grant during the period.
- Non-operating revenues increased by \$98,806 or 103.73%. Grant revenue of \$164,450 was received during this fiscal year.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$5,179,896. Of this amount, \$535,747 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 City purchased 154 acres of land and facilities adjacent to the current landfill for future expansion of the landfill. This was a capital outlay of \$2,034,245.

The Solid Waste Fund's Net Assets decreased from last year by \$260,867 or 4.79%. 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 2010	FY 2009	Variance	
	Dollars	Percent		
Current Assets	\$ 2,947,080	\$ 5,284,482	\$ (2,337,402)	-44.23%
Capital Assets, Net	4,644,149	2,571,162	2,072,987	80.62%
Total Assets	<u>\$ 7,591,229</u>	<u>\$ 7,855,644</u>	<u>\$ (264,415)</u>	<u>-3.37%</u>
Current Liabilities	\$ 341,875	\$ 416,657	\$ (74,782)	-17.95%
Noncurrent Liabilities	2,069,458	1,998,224	71,234	3.56%
Total Liabilities	<u>\$ 2,411,333</u>	<u>\$ 2,414,881</u>	<u>\$ (3,548)</u>	<u>-0.15%</u>
Net Assets				
Invested in Capital Assets	\$ 4,644,149	\$ 2,571,162	\$ 2,072,987	80.62%
Unrestricted	535,747	2,869,601	(2,333,854)	-81.33%
Total Net Assets	<u><u>\$ 5,179,896</u></u>	<u><u>\$ 5,440,763</u></u>	<u><u>\$ (260,867)</u></u>	<u><u>-4.79%</u></u>

As the following table indicates, Solid Waste Fund operating revenues increased \$207,818 or 5.14% from the prior year while operating expenses increased \$505,140 or 12.04%:

<b>Solid Waste Fund</b>				
<b><u>Statement of Revenues, Expenses, and Changes in Fund Net Assets</u></b>				
	<u>FY 2010</u>	<u>FY 2009</u>	Variance	
			<u>Dollars</u>	<u>Percent</u>
Operating Revenues				
Garbage Service Fees	\$ 3,047,494	\$ 3,068,614	\$ (21,120)	-0.69%
Landfill Fees	512,192	468,508	43,684	9.32%
Recycling Revenue and Fees	681,000	497,817	183,183	36.80%
Other Operating Revenues	6,766	4,695	2,071	44.11%
Total Operating Revenues	<u>\$ 4,247,452</u>	<u>\$ 4,039,634</u>	<u>\$ 207,818</u>	<u>5.14%</u>
Operating Expenses				
Sanitation	\$ 3,873,012	\$ 3,575,865	\$ 297,147	8.31%
Recycling	829,362	621,369	207,993	33.47%
Total Operating Expenses	<u>\$ 4,702,374</u>	<u>\$ 4,197,234</u>	<u>\$ 505,140</u>	<u>12.04%</u>
Operating Income (Loss)	\$ (454,922)	\$ (157,600)	\$ (297,322)	188.66%
Nonoperating Revenues	194,055	95,249	98,806	103.73%
Change in Net Assets	\$ (260,867)	\$ (62,351)	\$ (198,516)	318.38%
Total Net Assets-Beginning	<u>5,440,763</u>	<u>5,503,114</u>	<u>(62,351)</u>	<u>-1.13%</u>
Total Net Assets-Ending	<u><u>\$ 5,179,896</u></u>	<u><u>\$ 5,440,763</u></u>	<u><u>\$ (260,867)</u></u>	<u><u>-4.79%</u></u>

## **BUDGETARY HIGHLIGHTS**

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

### **Governmental Funds**

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's budget on October 6, 2009. This budget was revised for changes in expenditures on January 19, 2010 and May 25, 2010. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 73-75.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$46,561,141 compared to the final budget of \$46,995,360. Revenues were \$434,219 below budget. Total expenditures and appropriations for the period were \$46,376,978 compared to the final budget of \$46,743,211.

Collectively the departments of the General Fund completed the fiscal year \$294,581 under budget. Department operating budgets and actual performance can be seen on pages 73-75 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)	\$ 11,791,054	\$ 11,791,054	\$ 11,791,054	\$ -	-
Taxes	39,278,805	39,278,805	39,250,021	(28,784)	-0.07%
Licenses and Permits	3,123,000	3,123,000	3,052,721	(70,279)	-2.25%
Fines and Forfeitures	1,270,250	1,270,250	1,390,953	120,703	9.50%
Charges for Services	1,725,015	1,725,015	1,546,975	(178,040)	-10.32%
Intergovernmental	1,020,450	1,022,550	897,377	(125,173)	-12.24%
Other	273,240	273,240	123,094	(150,146)	-54.95%
Transfers From Other Funds	302,500	302,500	300,000	(2,500)	-0.83%
Amounts Available for Appropriation	<u>\$ 58,784,314</u>	<u>\$ 58,786,414</u>	<u>\$ 58,352,195</u>	<u>\$ (434,219)</u>	<u>-0.74%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 4,433,298	\$ 4,437,116	\$ 4,240,162	\$ 196,954	4.44%
Public Safety	15,393,637	15,393,637	15,340,091	53,546	0.35%
Public Works	4,442,557	4,440,839	4,457,351	(16,512)	-0.37%
Cultural and Recreation	5,767,194	5,767,194	5,706,601	60,593	1.05%
Non-Departmental	16,704,425	16,704,425	16,632,773	71,652	0.43%
Total Charges to Appropriations	<u>\$ 46,741,111</u>	<u>\$ 46,743,211</u>	<u>\$ 46,376,978</u>	<u>\$ 366,233</u>	<u>0.78%</u>
Budgetary Fund Balance Ending	<u>\$ 12,043,203</u>	<u>\$ 12,043,203</u>	<u>\$ 11,975,217</u>	<u>\$ (67,986)</u>	<u>-0.56%</u>

**Business-Type Activities**

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2010 original budgets for the Gas and Water and Wastewater Departments were adopted on September 1, 2009. The original budget for the Electricity Department was adopted on September 15, 2009. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on July 20, 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 Required Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

**Electricity Department**

**Electricity Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For Year Ended June 30, 2010**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 110,351,000	\$ 111,296,454	\$ 945,454	0.86%
Operating Expenses	107,449,900	107,156,271	293,629	0.27%
Operating Income	\$ 2,901,100	\$ 4,140,183	\$ 1,239,083	42.71%
Nonoperating Revenues (Expenses)	(74,600)	(54,485)	20,115	-26.96%
Change in Net Assets	\$ 2,826,500	\$ 4,085,698	\$ 1,259,198	44.55%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Assets by \$1,259,198. This is approximately 1.1% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the sales of electricity to residential customers accounted for most of the budget variance amount. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts.

**Gas Department**

**Gas Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual (GAAP Budgetary Basis)  
For Year Ended June 30, 2010**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 22,956,600	\$ 22,947,041	\$ (9,559)	-0.04%
Operating Expenses	21,538,400	21,329,062	209,338	0.97%
Operating Income	\$ 1,418,200	\$ 1,617,979	\$ 199,779	14.09%
Nonoperating Revenues (Expenses)	(131,700)	(102,624)	29,076	-22.08%
Change in Net Assets	\$ 1,286,500	\$ 1,515,355	\$ 228,855	17.79%

The Gas Department exceeded budgeted Change in Net Assets by \$228,855, or approximately 1% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the total variance is accounted for by a combination for positive and negative variances and not due to one large variance.

**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, 2010**

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 17,110,000	\$ 17,096,627	\$ (13,373)	-0.08%
Operating Expenses	12,426,050	12,516,707	(90,657)	-0.73%
Operating Income	\$ 4,683,950	\$ 4,579,920	\$ (104,030)	-2.22%
Nonoperating Revenues (Expenses)	(2,042,564)	(2,003,684)	38,880	-1.90%
Change in Net Assets	\$ 2,641,386	\$ 2,576,236	\$ (65,150)	-2.47%

The Water and Wastewater Department fell short of the budgeted Change in Net Assets by \$65,150. This represents about .4% of final budgeted operating revenues. Depreciation expense exceeded the budget amount more than normal because significant amounts of construction projects were put into service during the year and depreciation expense on those projects began during the year.

**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, 2010**

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 3,075,000	\$ 3,075,000	\$ 3,047,494	\$ (27,506)	-0.89%
Landfill Fees	466,000	466,000	512,192	46,192	9.91%
Recycling Revenue and Fees	590,000	590,000	681,000	91,000	15.42%
Other Operating Revenues	5,000	5,000	6,766	1,766	35.32%
Total Operating Revenues	\$ 4,136,000	\$ 4,136,000	\$ 4,247,452	\$ 111,452	2.69%
Operating Expenses					
Sanitation	\$ 3,774,405	\$ 3,774,405	\$ 3,873,012	\$ (98,607)	-2.61%
Recycling	637,855	637,855	829,362	(191,507)	-30.02%
Total Operating Expenses	\$ 4,412,260	\$ 4,412,260	\$ 4,702,374	\$ (290,114)	-6.58%
Operating Loss	\$ (276,260)	\$ (276,260)	\$ (454,922)	\$ (178,662)	64.67%
Nonoperating Revenues	91,500	91,500	194,055	102,555	112.08%
Change in Net Assets	\$ (184,760)	\$ (184,760)	\$ (260,867)	\$ (76,107)	41.19%

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of FY 2010, 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, 2010 amounted to \$322,388,086.

#### Governmental Activities

	<b>Governmental Activities</b>				
	<b><u>Capital Assets, Net</u></b>				
	FY 2010	FY 2009	Variance		
		Dollars	Percent		
Land	\$ 6,704,973	\$ 6,704,973	\$ -	0.00%	
Construction in Progress	370,720	12,482,262	(12,111,542)	-97.03%	
Land Improvements	23,262,836	23,199,651	63,185	0.27%	
Accumulated Depreciation	(6,892,338)	(5,981,293)	(911,045)	-15.23%	
Buildings	38,633,952	38,433,153	200,799	0.52%	
Accumulated Depreciation	(14,458,925)	(13,537,345)	(921,580)	-6.81%	
Equipment and Vehicles	19,964,122	19,451,108	513,014	2.64%	
Accumulated Depreciation	(17,424,158)	(16,341,442)	(1,082,716)	-6.63%	
Infrastructure	154,386,025	141,688,168	12,697,857	8.96%	
Accumulated Depreciation	(89,120,506)	(84,655,133)	(4,465,373)	-5.27%	
Net Capital Assets	<u>\$ 115,426,701</u>	<u>\$ 121,444,102</u>	<u>\$ (6,017,401)</u>	<u>-4.95%</u>	

Major capital additions for the fiscal year include expenditures for vehicles and capital equipment of \$901,726, infrastructure improvements including the completion of various small storm drainage projects totaling \$12,697,857, land improvements of \$63,185, and building renovations and additions of \$200,799. Of this year's capital additions, \$12,401,429 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2010, \$370,720 of capital projects were recorded as construction in progress. The City's Sports Complex project was completed and comprised \$12,006,503 of the fiscal year's infrastructure improvements.

## Business-Type Activities

At the end of FY 2010, 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 2010

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 139,892,178	\$ 136,783,179	\$ 3,108,999	2.27%
Construction in Progress	1,376,323	1,941,365	(565,042)	-29.11%
Less: Accumulated Depreciation	<u>(71,366,223)</u>	<u>(68,635,318)</u>	<u>(2,730,905)</u>	<u>3.98%</u>
Net Utility Plant	<u>\$ 69,902,278</u>	<u>\$ 70,089,226</u>	<u>\$ (186,948)</u>	<u>-0.27%</u>

As the above table shows, the Electricity Department experienced a .27% decrease in net utility plant. The department plans to finance capital expenditures in FY 2011 through cash generated from operations.

### Gas Department

#### Gas Department Capital Assets, Net FY 2010

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 51,507,281	\$ 50,791,714	\$ 715,567	1.41%
Acquisition Adjustment (net of amortization)	222,108	232,769	(10,661)	-4.58%
Construction in Progress	44,936	186,382	(141,446)	-75.89%
Less: Accumulated Depreciation	<u>(19,828,471)</u>	<u>(19,019,047)</u>	<u>(809,424)</u>	<u>4.26%</u>
Net Utility Plant	<u>\$ 31,945,854</u>	<u>\$ 32,191,818</u>	<u>\$ (245,964)</u>	<u>-0.76%</u>

As the above table shows, the Gas Department decreased net utility plant by .76%. The department plans to finance capital expenditures in FY 2011 through cash generated from operations.

## Water and Wastewater Department

### Water and Wastewater Department Capital Assets, Net FY 2010

	FY 2010	FY 2009	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 143,132,371	\$ 133,045,327	\$ 10,087,044	7.58%
Construction in Progress	69,299	8,746,437	(8,677,138)	-99.21%
Less: Accumulated Depreciation	(42,732,566)	(40,130,817)	(2,601,749)	6.48%
Net Utility Plant	<u>\$ 100,469,104</u>	<u>\$ 101,660,947</u>	<u>\$ (1,191,843)</u>	<u>-1.17%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by 1.17%. In FY 2010, the Department finished a significant amount of construction projects and put them into service, particularly in the wastewater area. The department plans to finance capital expenditures in FY 2011 with cash generated from operations and the remaining balance of the 2007 SRF Warrants.

## Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2010, net capital assets comprised 61.18% 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. During this fiscal year, the City purchased land and buildings adjacent to the current landfill for future expansion. The City anticipates selling part of this purchased property to the University of North Alabama. Discussions between the City and the University have begun; however, details of the assets to be transferred and price has not been determined.

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

### Solid Waste Fund Capital Assets, Net For the Year Ended September 30, 2010

	FY 2010	FY 2009	Variance	
			Dollars	Percent
Land	\$ 1,316,853	\$ 204,353	\$ 1,112,500	544.40%
Land Improvements	3,675,418	3,565,418	110,000	3.09%
Accumulated Depreciation	(3,168,120)	(2,977,549)	(190,571)	-6.40%
Buildings	1,681,976	870,231	811,745	93.28%
Accumulated Depreciation	(442,581)	(407,892)	(34,689)	-8.50%
Equipment	4,446,254	3,959,992	486,262	12.28%
Accumulated Depreciation	(3,380,336)	(3,281,577)	(98,759)	-3.01%
Vehicles	2,530,667	2,365,542	165,125	6.98%
Accumulated Depreciation	(2,015,982)	(1,727,356)	(288,626)	-16.71%
Net Capital Assets	<u>\$ 4,644,149</u>	<u>\$ 2,571,162</u>	<u>\$ 2,072,987</u>	<u>80.62%</u>



## **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 \$47,852,426. Of this amount, \$42,523,777 comprises debt serviced by revenues from governmental activities. Of the \$42,523,777, \$6,755,000 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

In addition to the outstanding general obligation debt, \$2,624,620 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$2,704,029 has been accrued as an actuarially determined claim reserve in the Internal Service Funds for Liability Insurance (\$856,200) and Workers' Compensation Insurance (\$1,847,829).

During FY 2010, Moody's Investor Services reviewed municipal credit ratings nationally. Their reason was to better reflect a municipality's credit worthiness compared to other debt including corporate debt and financial institutions. During this process, the City's credit rating was improved by two categories to a rating of Aa3 from its previous A2. Standard & 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 financial statement notes, 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 2010, the Electricity Department exceeded that requirement at about 12.31 times.

The other issue outstanding is a line of credit warrant with CB&S Bank, the Electric Taxable Revenue Warrant 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 2010. 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 warrant issue at year-end as described in the financial statement notes. The Department redeemed the Natural Gas Revenue Warrant, Series 1998 early on June 1, 2010. The scheduled last payment date for the issue was June 1, 2018.

The issue outstanding at year-end is a line of credit warrant with CB&S Bank, the Natural Gas Taxable Revenue Warrant, 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 2010. 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 the financial statements. These issues are (1) Water and Sewer Revenue Warrants, Series 1995, interest rates ranging from 3.5% to 5.625%, (2) Water and Sewer Revenue Warrants, SRF Series 1998, interest rate 3.75%, (3) Water and Sewer Revenue Warrants, SRF Series 1999, interest rate 3.5%, (4) Water and Sewer Revenue Warrants, SRF Series 1999B, interest rate 3.5%, (5) Water and Sewer Revenue Warrants, SRF Series 2000, interest rate 3.85%, (6) Water and Sewer Revenue Warrants, SRF Series 2006, interest rate 3.25%, and (7) Water and Sewer Revenue Warrants, SRF Series 2007, interest rate 3.5%. 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 \$2.4 million remains available of the 2007 issue. The 1995 Series is insured by AMBAC. The department received an A rating from Moody's at its issue.

The 1995 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 2010, the Water and Wastewater Department exceeded that requirement at about 1.32 times.

Subsequent to year-end, the Department, in connection with 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 3.157% of the savings on the Series 2000 warrant financing was \$488,696. The present value at 2.503% of the savings on the Series 1998, 1999, and 1999B refinancing was \$805,931.

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

At the close of fiscal year 2010, the Solid Waste Fund had no debt other than routine operating liabilities (\$341,875), accrued liability for employee annual and sick leave (\$101,201), and a reserve for landfill closure and post-closure care expenses (\$1,968,257). The Solid Waste Fund's cash reserves were 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 2010–2011 budget on October 5, 2010.

The fiscal year 2010–2011 budget is cautious with revenue projections and proposed expenditures. Revenue is budgeted at \$47,083,330, an increase of \$87,970 or .19% compared to the previous fiscal year's final budget, and an increase of \$522,189 from the prior year's actual revenue. Expenditures including appropriations are budgeted at \$46,799,605, an increase of \$56,394 or .12% above the prior year's final budget and an increase of \$422,627 from the prior year's actual. The 2011 budget contains a 3.0% general wage increase for all City employees. Other expenditures were held in-line with the prior year's budget and reduced where feasible. With budgeted revenue in excess of budgeted expenditures, the 2010–2011 General Fund budget yields an anticipated surplus budget of \$283,725.

## **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 September 2010 was 8.7% as compared to 10.6% for September 2009. The State of Alabama's unemployment rates were 9.1% for September 2010, and 10.7% for September 2009. 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, kWh sales for FY 2011 through September for electricity have increased from the same number through the same time last year by 12%. Dth sales to commercial and industrial natural gas customers for the period July 2010 through September 2010 as compared to sales for the same period in the previous fiscal year have decreased approximately 6%. FY 2011 sales revenues from water and wastewater operations through September have increased 3% over the same period in FY 2010.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2011 budgets on June 15, 2010. The City Council adopted the Electricity Department's FY 2011 budget on September 7, 2010. All three budgets were amended on October 5, 2010.

The City's power contract with TVA provides for a monthly fuel cost adjustment (FCA) on sales to its distributors. In FY 2011, the FCA has resulted in rate increases to our customers effective July 2010, August 2010, and September 2010. Florence Utilities anticipates passing 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 slight rate increase in July 2010 and August 2010. 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 2007, July 2008, July 2009, and July 2010 to fund the financing of repairs/improvements to the sewer collection system. The City received this financing from the State Revolving Fund.

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

The City Council adopted the Fund's fiscal year 2011 budget on October 5, 2010. Garbage collection fees and landfill tipping fees will be evaluated during the 2011 fiscal year. Having been eight years since these rates were adjusted, an increase in commercial rates is scheduled for the 2011 fiscal year. Residential rates will be evaluated and addressed during the 2011 fiscal year. The fiscal year 2011 budget has expected combined revenues of \$4,461,440 and expenses of \$4,526,160. A deficit of \$64,720 is expected. Net assets will be used for this deficit should rates not be adjusted to adequately address planned expenses.

During fiscal years 2004 and 2005, a new disposal cell was constructed at a cost of approximately \$1,235,070. This new cell should service solid waste disposal for the next 2-3 years. The construction of an additional cell is planned, which would provide another 4-6 years of service. With this additional cell, the landfill is expected to reach capacity and close somewhere between the years 2015 - 2017. The City is also evaluating closing the existing landfill, constructing a transfer-station, and contracting with a regional landfill for 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 \$526,000 to the Library in this fiscal year. These appropriations are approximately 55.17% of the Library's total revenues. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report and can be found on pages 39-40. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.



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**CITY OF FLORENCE, ALABAMA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,695,394	\$ 23,880,809	\$ 49,576,203	\$ 2,298,024
Investments	500,000	1,898,196	2,398,196	
Receivables (net)	4,343,509	15,149,211	19,492,720	14,938
Accrued interest receivable	5,530	6,246	11,776	
Loan receivables (net)	1,129,853		1,129,853	
Pledge receivable			—	69,900
Internal balances	879,774	(879,774)	—	
Inventories	123,130	3,794,778	3,917,908	
Prepaid expenses		7,197,602	7,197,602	
Restricted assets:				
Cash and investments	150,000	6,306,883	6,456,883	
Conservation loans receivables		6,155,895	6,155,895	
Capital assets (net)	115,426,701	206,961,385	322,388,086	681,802
Other:				
Unamortized debt issuance costs	499,300	508,728	1,008,028	
<b>Total assets</b>	<b>\$ 148,753,191</b>	<b>\$ 270,979,959</b>	<b>\$ 419,733,150</b>	<b>\$ 3,064,664</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 4,625,227	\$ 17,043,847	\$ 21,669,074	\$ 39,964
Customer deposits		6,035,901	6,035,901	
Deferred revenues		88,350	88,350	
Liabilities payable from restricted assets:				
Accrued interest		718,367	718,367	
Advances for conservation loans		6,313,961	6,313,961	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	3,817,363	5,257,139	9,074,502	
Compensated absences	1,049,848	1,039,702	2,089,550	8,721
Promise to give				5,000
Portion due or payable after one year:				
Warrants and notes payable	38,706,414	51,998,023	90,704,437	
Compensated absences	1,574,772	1,559,551	3,134,323	
Promise to give				64,900
Claims reserve	2,704,029		2,704,029	
Accrued landfill closure and postclosure care costs		1,968,257	1,968,257	
<b>Total liabilities</b>	<b>\$ 52,477,653</b>	<b>\$ 92,023,098</b>	<b>\$ 144,500,751</b>	<b>\$ 118,585</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 72,902,924	\$ 149,706,223	\$ 222,609,147	\$ 681,802
Restricted for:				
Debt service		6,306,883	6,306,883	
Other purposes-expendable	150,000		150,000	1,971
Other purposes-nonexpendable	240,167		240,167	2,000,000
Unrestricted	22,982,447	22,943,755	45,926,202	262,306
<b>Total net assets</b>	<b>\$ 96,275,538</b>	<b>\$ 178,956,861</b>	<b>\$ 275,232,399</b>	<b>\$ 2,946,079</b>

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



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**CITY OF FLORENCE, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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	\$ 5,445,035	\$ 4,131,793	\$ 206,392	\$ 87,345	\$ (1,019,505)		\$ (1,019,505)	
Public safety	16,876,873	1,513,381	596,225	99,343	(14,667,924)		(14,667,924)	
Public works	5,057,243	61,162	469,972		(4,526,109)		(4,526,109)	
Public ways and facilities	4,036,641			239,804	(3,796,837)		(3,796,837)	
Culture and recreation	7,311,032	1,391,540	22,500		(5,896,992)		(5,896,992)	
Other	1,448,697		534		(1,448,163)		(1,448,163)	
Education—funding for school district	7,940,977				(7,940,977)		(7,940,977)	
Interest and fiscal charges	1,844,580				(1,844,580)		(1,844,580)	
Total governmental activities	<u>\$ 49,961,078</u>	<u>\$ 7,097,876</u>	<u>\$ 1,295,623</u>	<u>\$ 426,492</u>	<u>\$ (41,141,087)</u>		<u>\$ (41,141,087)</u>	
Business-type activities:								
Electricity	\$ 107,439,316	\$ 111,474,835	\$	\$	\$	\$ 4,035,519	\$ 4,035,519	
Gas	21,556,827	23,032,519				1,475,692	1,475,692	
Water and wastewater	14,580,609	17,096,627				2,516,018	2,516,018	
Solid waste	4,701,860	4,247,452	164,450			(289,958)	(289,958)	
Total business-type activities	<u>\$ 148,278,612</u>	<u>\$ 155,851,433</u>	<u>\$ 164,450</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,737,271</u>	<u>\$ 7,737,271</u>	
Total primary government	<u>\$ 198,239,690</u>	<u>\$ 162,949,309</u>	<u>\$ 1,460,073</u>	<u>\$ 426,492</u>	<u>\$ (41,141,087)</u>	<u>\$ 7,737,271</u>	<u>\$ (33,403,816)</u>	
<b>Component units:</b>								
All	<u>\$ 1,132,216</u>	<u>\$ 69,106</u>	<u>\$ 883,949</u>	<u>\$ —</u>				<u>\$ (179,161)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 26,408,135	\$	\$ 26,408,135	\$
Property					11,094,561		11,094,561	
Motor fuel					1,051,354		1,051,354	
Alcoholic beverages					1,006,266		1,006,266	
Other					341,115		341,115	
Interest revenues					127,116	131,468	258,584	12,988
Gain (loss) on disposal of capital assets					67,604	50,536	118,140	
Total general revenues					<u>\$ 40,096,151</u>	<u>\$ 182,004</u>	<u>\$ 40,278,155</u>	<u>\$ 12,988</u>
Change in net assets					\$ (1,044,936)	\$ 7,919,275	\$ 6,874,339	\$ (166,173)
Net assets—beginning					<u>97,320,474</u>	<u>171,037,586</u>	<u>268,358,060</u>	<u>3,112,252</u>
Net assets—ending					<u>\$ 96,275,538</u>	<u>\$ 178,956,861</u>	<u>\$ 275,232,399</u>	<u>\$ 2,946,079</u>

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



**CITY OF FLORENCE, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,863,717	\$ 7,732,930	\$ 18,596,647
Investments	500,000		500,000
Receivables (net)	3,767,627	502,983	4,270,610
Accrued interest receivable	3,070	638	3,708
Loan receivables (net)	511,131	618,722	1,129,853
Interfund receivables	557,229	639,175	1,196,404
Inventories	123,130		123,130
<b>Total assets</b>	<b><u>\$ 16,325,904</u></b>	<b><u>\$ 9,494,448</u></b>	<b><u>\$ 25,820,352</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued expenses	\$ 2,648,823	\$ 1,860,784	\$ 4,509,607
Compensated absences	1,049,848		1,049,848
Interfund payables	652,016	2,944,572	3,596,588
<b>Total liabilities</b>	<b><u>\$ 4,350,687</u></b>	<b><u>\$ 4,805,356</u></b>	<b><u>\$ 9,156,043</u></b>
Fund balances			
Reserved for:			
Other purposes-nonexpendable	\$	\$ 240,167	\$ 240,167
Unreserved, reported in:			
General fund	11,975,217		11,975,217
Special revenue funds		2,162,746	2,162,746
Capital projects funds		2,286,179	2,286,179
<b>Total fund balances</b>	<b><u>\$ 11,975,217</u></b>	<b><u>\$ 4,689,092</u></b>	<b><u>\$ 16,664,309</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 16,325,904</u></b>	<b><u>\$ 9,494,448</u></b>	<b><u>\$ 25,820,352</u></b>

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, 2010**

Total fund balances—governmental funds		\$ 16,664,309
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	\$ 243,322,628	
Accumulated depreciation	<u>(127,895,927)</u>	115,426,701
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		499,300
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	\$ (42,740,000)	
Unamortized debt discount, premium, and loss on current refunding	216,223	
Compensated absences	<u>(1,574,772)</u>	(44,098,549)
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>7,783,777</u>
Net assets of governmental activities		<u>\$ 96,275,538</u>

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 39,250,021	\$ 651,409	\$ 39,901,430
Licenses and permits	3,052,721		3,052,721
Fines and forfeitures	1,390,953		1,390,953
Charges for services	1,546,975		1,546,975
Intergovernmental	897,377	1,512,818	2,410,195
Interest revenues	49,663	54,981	104,644
Other	73,431	413,695	487,126
<b>Total revenues</b>	<b>\$ 46,261,141</b>	<b>\$ 2,632,903</b>	<b>\$ 48,894,044</b>
<b>EXPENDITURES</b>			
Current operating:			
General administration	\$ 4,240,162	\$ 696,645	\$ 4,936,807
Public safety	15,340,091	601,011	15,941,102
Public works	4,457,351	126,322	4,583,673
Culture and recreation	5,706,601	39,996	5,746,597
Other	1,207,852	240,845	1,448,697
Education—funding for school district	6,839,153	1,101,824	7,940,977
Capital outlay and improvements		1,446,041	1,446,041
Debt service:			
Principal payments		3,315,000	3,315,000
Interest and fiscal charges		1,739,762	1,739,762
<b>Total expenditures</b>	<b>\$ 37,791,210</b>	<b>\$ 9,307,446</b>	<b>\$ 47,098,656</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 8,469,931</b>	<b>\$ (6,674,543)</b>	<b>\$ 1,795,388</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 300,000	\$ 12,177,150	\$ 12,477,150
Transfers out	(8,585,768)	(3,891,382)	(12,477,150)
<b>Total other financing sources (uses)</b>	<b>\$ (8,285,768)</b>	<b>\$ 8,285,768</b>	<b>\$ —</b>
<b>Net change in fund balances</b>	<b>\$ 184,163</b>	<b>\$ 1,611,225</b>	<b>\$ 1,795,388</b>
<b>Fund balances—beginning</b>	<b>11,791,054</b>	<b>3,077,867</b>	<b>14,868,921</b>
<b>Fund balances—ending</b>	<b>\$ 11,975,217</b>	<b>\$ 4,689,092</b>	<b>\$ 16,664,309</b>

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, 2010**

Total net change in fund balances—governmental funds		\$ 1,795,388
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 1,752,025	
Current year depreciation expense	<u>(7,769,051)</u>	(6,017,026)
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.		
		(374)
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:		
Repayments of debt principal	\$ 3,315,000	
Amortization of debt discount, premium, issuance costs, and loss on current refunding	<u>(104,818)</u>	3,210,182
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in long-term compensated absences		(57,908)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>24,802</u>
Change in net assets of governmental activities		<u>\$ (1,044,936)</u>

**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, 2010</b>	<b>June 30, 2010</b>	<b>June 30, 2010</b>	<b>September 30, 2010</b>		<b>Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 9,030,571	\$ 8,221,806	\$ 6,044,554	\$ 583,878	\$ 23,880,809	\$ 7,098,747
Investments				1,898,196	1,898,196	
Receivables (net)	12,278,805	1,077,938	1,371,838	420,630	15,149,211	72,899
Accrued interest receivable		691	3,542	2,013	6,246	1,822
Interfund receivables					—	2,412,946
Inventories	1,577,998	1,589,534	584,883	42,363	3,794,778	
Prepaid expenses	6,227,804	9,465	701,583		6,938,852	
<b>Total current assets</b>	<b>\$ 29,115,178</b>	<b>\$ 10,899,434</b>	<b>\$ 8,706,400</b>	<b>\$ 2,947,080</b>	<b>\$ 51,668,092</b>	<b>\$ 9,586,414</b>
Noncurrent assets:						
Restricted cash and investments:						
Cash and investments	\$ 990,244		\$ 5,316,639		\$ 6,306,883	\$ 150,000
Receivables from customers for conservation loans	6,155,895				6,155,895	
Capital assets:						
Utility plant in service (at cost)	139,892,178	51,507,281	143,132,371	13,651,168	348,182,998	
Acquisition adjustment (net of amortization)		222,108			222,108	
Construction in progress	1,376,323	44,936	69,299		1,490,558	
Less: accumulated depreciation	71,366,223	19,828,471	42,732,566	9,007,019	142,934,279	
Prepaid purchased power-TVA DEU program	258,750				258,750	
Unamortized debt issuance costs	111,205	706	396,817		508,728	
<b>Total noncurrent assets</b>	<b>\$ 77,418,372</b>	<b>\$ 31,946,560</b>	<b>\$ 106,182,560</b>	<b>\$ 4,644,149</b>	<b>\$ 220,191,641</b>	<b>\$ 150,000</b>
<b>Total assets</b>	<b>\$ 106,533,550</b>	<b>\$ 42,845,994</b>	<b>\$ 114,888,960</b>	<b>\$ 7,591,229</b>	<b>\$ 271,859,733</b>	<b>\$ 9,736,414</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2010	June 30, 2010	June 30, 2010	September 30, 2010		Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 14,844,873	\$ 1,166,061	\$ 772,335	\$ 260,578	\$ 17,043,847	\$ 115,620
Interfund payables					—	12,762
Deferred interest income-TVA DEU program	29,600				29,600	
Compensated absences—payable within one year	543,422	207,439	221,373	67,468	1,039,702	
Customer deposits	6,022,072			13,829	6,035,901	
<b>Total current liabilities</b>	<u>\$ 21,439,967</u>	<u>\$ 1,373,500</u>	<u>\$ 993,708</u>	<u>\$ 341,875</u>	<u>\$ 24,149,050</u>	<u>\$ 128,382</u>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 705,000	\$ —	\$ 4,595,000	\$ —	\$ 5,300,000	\$ —
Unamortized debt discount	(4,660)		(11,804)		(16,464)	
Unamortized deferred loss on early retirement of debt	(26,397)				(26,397)	
Accrued interest	17,619		700,748		718,367	
Advances from TVA for conservation loans	6,313,961				6,313,961	
<b>Total liabilities payable from restricted assets</b>	<u>\$ 7,005,523</u>	<u>\$ —</u>	<u>\$ 5,283,944</u>	<u>\$ —</u>	<u>\$ 12,289,467</u>	<u>\$ —</u>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 6,280,000	\$ —	\$ 45,971,398	\$ —	\$ 52,251,398	\$ —
Unamortized debt discount	(37,275)		(4,919)		(42,194)	
Unamortized deferred loss on early retirement of debt	(211,181)				(211,181)	
Compensated absences—payable after one year	815,132	311,159	332,059	101,201	1,559,551	
Deferred interest income-TVA DEU program	58,750				58,750	
Accrued landfill closure and postclosure care costs				1,968,257	1,968,257	
Claims reserve					—	2,704,029
<b>Total noncurrent liabilities</b>	<u>\$ 6,905,426</u>	<u>\$ 311,159</u>	<u>\$ 46,298,538</u>	<u>\$ 2,069,458</u>	<u>\$ 55,584,581</u>	<u>\$ 2,704,029</u>
<b>Total liabilities</b>	<u>\$ 35,350,916</u>	<u>\$ 1,684,659</u>	<u>\$ 52,576,190</u>	<u>\$ 2,411,333</u>	<u>\$ 92,023,098</u>	<u>\$ 2,832,411</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 63,196,791	\$ 31,945,854	\$ 49,919,429	\$ 4,644,149	\$ 149,706,223	\$ —
Restricted for debt service	990,244		5,316,639		6,306,883	
Restricted for other purposes-expendable					—	150,000
Unrestricted	6,995,599	9,215,481	7,076,702	535,747	23,823,529	6,754,003
<b>Total net assets</b>	<u>\$ 71,182,634</u>	<u>\$ 41,161,335</u>	<u>\$ 62,312,770</u>	<u>\$ 5,179,896</u>	<u>\$ 179,836,635</u>	<u>\$ 6,904,003</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(879,774)	
<b>Net assets of business-type activities</b>					<u>\$ 178,956,861</u>	

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



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**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET 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, 2010</b>	<b>June 30, 2010</b>	<b>June 30, 2010</b>	<b>September 30, 2010</b>		<b>Funds</b>
<b>Operating revenues</b>						
User charges	\$ 110,659,359	\$ 22,935,845	\$ 16,885,321	\$ 4,240,686	\$ 154,721,211	\$ 835,032
Other	637,095	11,196	211,306	6,766	866,363	
<b>Total operating revenues</b>	<b>\$ 111,296,454</b>	<b>\$ 22,947,041</b>	<b>\$ 17,096,627</b>	<b>\$ 4,247,452</b>	<b>\$ 155,587,574</b>	<b>\$ 835,032</b>
<b>Operating expenses</b>						
Cost of sales	\$ 87,239,996	\$ 14,232,153	\$	\$	\$ 101,472,149	\$
Operations, maintenance, and administration	12,503,552	4,247,623	8,277,727	3,757,038	28,785,940	335,544
Depreciation	4,342,399	1,316,594	2,776,120	818,295	9,253,408	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,070,324	1,522,031	1,462,860	127,041	6,182,256	
Insurance premiums and claims (net of refunds)					—	494,305
<b>Total operating expenses</b>	<b>\$ 107,156,271</b>	<b>\$ 21,329,062</b>	<b>\$ 12,516,707</b>	<b>\$ 4,702,374</b>	<b>\$ 145,704,414</b>	<b>\$ 829,849</b>
<b>Operating income (loss)</b>	<b>\$ 4,140,183</b>	<b>\$ 1,617,979</b>	<b>\$ 4,579,920</b>	<b>\$ (454,922)</b>	<b>\$ 9,883,160</b>	<b>\$ 5,183</b>
<b>Nonoperating revenues (expenses)</b>						
Interest revenues	\$ 51,317	\$ 18,602	\$ 47,805	\$ 13,744	\$ 131,468	\$ 22,472
Gain (loss) on disposal of capital assets		22,096	12,579	15,861	50,536	
Miscellaneous nonoperating income	178,381	85,478			263,859	
Recycling grant				164,450	164,450	
Interest expense	(240,542)	(140,782)	(2,006,235)		(2,387,559)	
Amortization of debt discount and costs	(43,641)	(88,018)	(57,833)		(189,492)	
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (54,485)</b>	<b>\$ (102,624)</b>	<b>\$ (2,003,684)</b>	<b>\$ 194,055</b>	<b>\$ (1,966,738)</b>	<b>\$ 22,472</b>
<b>Change in net assets</b>	<b>\$ 4,085,698</b>	<b>\$ 1,515,355</b>	<b>\$ 2,576,236</b>	<b>\$ (260,867)</b>	<b>\$ 7,916,422</b>	<b>\$ 27,655</b>
<b>Net assets—beginning</b>	<b>67,096,936</b>	<b>39,645,980</b>	<b>59,736,534</b>	<b>5,440,763</b>		<b>6,876,348</b>
<b>Net assets—ending</b>	<b>\$ 71,182,634</b>	<b>\$ 41,161,335</b>	<b>\$ 62,312,770</b>	<b>\$ 5,179,896</b>		<b>\$ 6,904,003</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,853	
<b>Change in net assets of business-type activities</b>					<b>\$ 7,919,275</b>	



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

	<b>Business-type Activities—Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service Funds</b>
	<b>June 30, 2010</b>	<b>June 30, 2010</b>	<b>June 30, 2010</b>	<b>September 30, 2010</b>		<b>Funds</b>
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 109,895,284	\$ 22,940,138	\$ 16,680,987	\$ 4,329,475	\$ 153,845,884	\$ 875,030
Receipts from interfund services provided	2,412,589	106,155	146,042		2,664,786	
Payments to suppliers	(89,738,423)	(14,640,758)	(3,517,013)	(1,198,912)	(109,095,106)	(712,521)
Payments to employees for services and benefits—exclusive of capitalized costs	(9,430,938)	(2,784,920)	(3,852,192)	(2,425,857)	(18,493,907)	(36,528)
Payments for interfund services used	(5,088,635)	(2,468,548)	(2,785,941)	(255,290)	(10,598,414)	
<b>Net cash from operating activities</b>	<b>\$ 8,049,877</b>	<b>\$ 3,152,067</b>	<b>\$ 6,671,883</b>	<b>\$ 449,416</b>	<b>\$ 18,323,243</b>	<b>\$ 125,981</b>
<b>Cash flows from noncapital financing activities</b>						
Increase in receivables from customers for conservation loans	\$ (1,226,767)	\$	\$	\$	\$ (1,226,767)	\$
Increase in advances from TVA for conservation loans	1,255,929				1,255,929	
Deferred TVA DEU program (net)	100,000				100,000	
<b>Net cash from noncapital financing activities</b>	<b>\$ 129,162</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 129,162</b>	<b>\$ —</b>
<b>Cash flows from capital and related financing activities</b>						
Purchase and construction of capital assets (net)	\$ (4,239,866)	\$ (1,039,317)	\$ (1,588,203)	\$ (2,891,282)	\$ (9,758,668)	\$
Removal costs of retirements of capital assets	(276,370)	(46,903)			(323,273)	
Salvage value of retirements of capital assets	63,118				63,118	
Proceeds from disposition of capital assets		27,025	16,505	15,861	59,391	
Proceeds from capital debt			150,838		150,838	
Principal paid on capital debt	(265,000)	(3,250,000)	(4,410,000)		(7,925,000)	
Interest paid on capital debt	(255,192)	(153,580)	(2,056,279)		(2,465,051)	
Payment of debt discount, issuance costs, and redemption premium	(27,000)				(27,000)	
<b>Net cash from capital and related financing activities</b>	<b>\$ (5,000,310)</b>	<b>\$ (4,462,775)</b>	<b>\$ (7,887,139)</b>	<b>\$ (2,875,421)</b>	<b>\$ (20,225,645)</b>	<b>\$ —</b>
<b>Cash flows from investing activities</b>						
Interest on investments	\$ 51,317	\$ 19,935	\$ 91,491	\$ 21,528	\$ 184,271	\$ 23,003
Due to (from) other funds					—	799,816
<b>Net cash from investing activities</b>	<b>\$ 51,317</b>	<b>\$ 19,935</b>	<b>\$ 91,491</b>	<b>\$ 21,528</b>	<b>\$ 184,271</b>	<b>\$ 822,819</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 3,230,046</b>	<b>\$ (1,290,773)</b>	<b>\$ (1,123,765)</b>	<b>\$ (2,404,477)</b>	<b>\$ (1,588,969)</b>	<b>\$ 948,800</b>
<b>Cash and cash equivalents—beginning of the year</b>	<b>6,790,769</b>	<b>9,512,579</b>	<b>12,484,958</b>	<b>4,886,551</b>	<b>33,674,857</b>	<b>6,299,947</b>
<b>Cash and cash equivalents—end 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>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2010	June 30, 2010	June 30, 2010	September 30, 2010		Funds
<b><i>Classified as:</i></b>						
Current assets	\$ 9,030,571	\$ 8,221,806	\$ 6,044,554	\$ 2,482,074	\$ 25,779,005	\$ 7,098,747
Restricted assets	990,244		5,316,639		6,306,883	150,000
<b>Totals</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><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>						
Operating income (loss)	\$ 4,140,183	\$ 1,617,979	\$ 4,579,920	\$ (454,922)	\$ 9,883,160	\$ 5,183
<b><i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i></b>						
Depreciation	\$ 4,640,066	\$ 1,316,594	\$ 2,776,120	\$ 818,295	\$ 9,551,075	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				70,061	70,061	
Miscellaneous nonoperating income	178,381	85,478			263,859	
Proceeds from recycling grant				164,450	164,450	
<b><i>Changes in assets and liabilities</i></b>						
Receivables (net)	(1,579,551)	(102,793)	(116,769)	(82,427)	(1,881,540)	61,180
Inventories	71,709	207,142	12,310	7,568	298,729	
Prepaid expenses	270,232	1,727	(350,839)		(78,880)	
Accounts payables and accrued expenses	328,857	15,279	(228,859)	(73,609)	41,668	59,618
<b>Total adjustments</b>	<b>\$ 3,909,694</b>	<b>\$ 1,534,088</b>	<b>\$ 2,091,963</b>	<b>\$ 904,338</b>	<b>\$ 8,440,083</b>	<b>\$ 120,798</b>
<b>Net cash from operating activities</b>	<b>\$ 8,049,877</b>	<b>\$ 3,152,067</b>	<b>\$ 6,671,883</b>	<b>\$ 449,416</b>	<b>\$ 18,323,243</b>	<b>\$ 125,981</b>

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

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2010**

	<u>Postretirement Benefits Plan</u>
<b>ASSETS</b>	
Receivables	
Employer	\$ 560,343
<b>Total assets</b>	<u>\$ 560,343</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<u>\$ 560,343</u>

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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	483,054
End of year	\$ 560,343

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

	<b>Florence- Lauderdale Public Library September 30, 2010</b>	<b>Florence Library Foundation, Inc. June 30, 2010</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 33,598	\$ 2,264,426	\$ 2,298,024
Accounts receivable	14,938		14,938
Pledge receivable		69,900	69,900
Capital assets (net)	681,802		681,802
<b>Total assets</b>	<b>\$ 730,338</b>	<b>\$ 2,334,326</b>	<b>\$ 3,064,664</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 39,964	\$	\$ 39,964
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	8,721		8,721
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>	<b>\$ 118,585</b>	<b>\$ —</b>	<b>\$ 118,585</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 681,802	\$	\$ 681,802
Restricted for:			
Other purposes-expendable		1,971	1,971
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	(70,049)	332,355	262,306
<b>Total net assets</b>	<b>\$ 611,753</b>	<b>\$ 2,334,326</b>	<b>\$ 2,946,079</b>

**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, 2010</u></b>							
Florence-Lauderdale Public Library	\$ 1,129,091	\$ 69,106	\$ 883,949	\$ —	\$ (176,036)	\$	\$ (176,036)
<b><u>June 30, 2010</u></b>							
Florence Library Foundation, Inc.	<u>3,125</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,125)</u>	<u>(3,125)</u>
Total component units	<u>\$ 1,132,216</u>	<u>\$ 69,106</u>	<u>\$ 883,949</u>	<u>\$ —</u>	<u>\$ (176,036)</u>	<u>\$ (3,125)</u>	<u>\$ (179,161)</u>
General revenues:							
Interest revenues					<u>318</u>	<u>12,670</u>	<u>12,988</u>
Change in net assets					\$ (175,718)	\$ 9,545	\$ (166,173)
Net assets—beginning					<u>787,471</u>	<u>2,324,781</u>	<u>3,112,252</u>
Net assets—ending					<u>\$ 611,753</u>	<u>\$ 2,334,326</u>	<u>\$ 2,946,079</u>

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



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**CITY OF FLORENCE, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**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, 2010**  
(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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

*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.

**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.

The policy of the City and the Library is to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

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 accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Alabama.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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.

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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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.

**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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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:

Description	Years
<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

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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

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.

**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.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose, but only if the restrictions are narrower in scope than the purpose for which the related individual funds were established. Any designations of fund balance represent tentative management plans that are subject to change.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2010:

State Gas Tax (\$.07) Fund	\$ 92,370
Miscellaneous Grants Fund	389,548
Drug Task Force Grant Fund	109,804

All of these excess expenditures were provided for by available fund balances and current year’s revenues in their respective funds.

**C. DEFICIT FUND EQUITY**

As of September 30, 2010, the Drug Enforcement Fund had a deficit fund balance of \$4,885, which the City plans to fund through future court awarded forfeitures.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**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	\$ 162,065	\$ 3,375,076	\$ 221,286	\$ 9,200	\$ 3,767,627
Other governmental funds	7,536		495,447		502,983
Internal service funds			72,899		72,899
Total—governmental activities	<u>\$ 169,601</u>	<u>\$ 3,375,076</u>	<u>\$ 789,632</u>	<u>\$ 9,200</u>	<u>\$ 4,343,509</u>
<b>Business-type Activities</b>					
Electricity	\$ 10,209,030	\$ —	\$ 325,272	\$ 2,071,265	\$ 12,605,567
Gas	1,091,799		16,656	4,025	1,112,480
Water and wastewater	1,445,717		12,552		1,458,269
Solid waste	456,345				456,345
Less: allowance for bad debts	483,450				483,450
Total—business-type activities	<u>\$ 12,719,441</u>	<u>\$ —</u>	<u>\$ 354,480</u>	<u>\$ 2,075,290</u>	<u>\$ 15,149,211</u>
<b>Component Unit</b>					
Public Library	<u>\$ 14,938</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,938</u>

Loan receivables consist of amounts due from the Florence City Board of Education, the University of North Alabama, and various commercial rehabilitation loans. Loans receivable amounted to \$1,946,140 at year-end, net of an allowance for bad debts of \$816,287.

**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	\$ 334,618	\$ 781,755	\$ 1,495,840	\$ 36,610	\$ 2,648,823
Other governmental funds	166,963		1,503,467	190,354	1,860,784
Internal service funds	115,620				115,620
Total—governmental activities	<u>\$ 617,201</u>	<u>\$ 781,755</u>	<u>\$ 2,999,307</u>	<u>\$ 226,964</u>	<u>\$ 4,625,227</u>
<b>Business-type Activities</b>					
Electricity	\$ 14,474,305	\$ 326,121	\$ 44,447	\$ —	\$ 14,844,873
Gas	801,576	95,866	268,619		1,166,061
Water and wastewater	337,140	121,051	314,144		772,335
Solid waste	42,124	91,377	127,077		260,578
Total—business-type activities	<u>\$ 15,655,145</u>	<u>\$ 634,415</u>	<u>\$ 754,287</u>	<u>\$ —</u>	<u>\$ 17,043,847</u>
<b>Component Unit</b>					
Public Library	<u>\$ 30,306</u>	<u>\$ 9,658</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,964</u>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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**

Interfund balances at September 30, 2010 consisted of the following:

		Payables			Total
		General Fund	Other Governmental	Internal Service	
<b>Receivables</b>	General fund	\$ —	\$ 544,467	\$ 12,762	\$ 557,229
	Other governmental	639,070	105		639,175
	Internal service	12,946	2,400,000		2,412,946
	Total	<u>\$ 652,016</u>	<u>\$ 2,944,572</u>	<u>\$ 12,762</u>	<u>\$ 3,609,350</u>

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, 2010, the balance of these interfund loans amounted to \$2,400,000.

**NOTE 5—INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2010 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
<b>Transfer to</b>	General fund	\$ —	\$ 300,000	\$ 300,000
	Other governmental	8,585,768	3,591,382	12,177,150
	Total	<u>\$ 8,585,768</u>	<u>\$ 3,891,382</u>	<u>\$ 12,477,150</u>

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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**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	265,244
Total restricted cash and investments	\$ 990,244

*Water and Wastewater Department*

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

<b>Series 1995 Warrant Funds</b>	
Short-term U. S. Government Securities	\$ 105,183
<b>Series 1995 Debt Service Reserve Fund</b>	
Short-term U. S. Government Securities	1,262,844
<b>SRF Series 1998 Warrant Funds</b>	
Short-term U. S. Government Securities	3,420,053
<b>SRF Series 2006 Warrant Funds</b>	
Short-term U. S. Government Securities	72,416
<b>SRF Series 2007 Warrant Funds</b>	
Short-term U. S. Government Securities	456,143
Total restricted cash and investments	\$ 5,316,639

**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, 2010, the Department had \$1,322,939 in storage gas that is valued using the weighted average method.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**NOTE 8—CAPITAL ASSETS**

Capital asset activity for the fiscal year is as follows:

	Primary Government			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
<b>Governmental Activities</b>				
Nondepreciable assets:				
Land	\$ 6,704,973	\$ —	\$ —	\$ 6,704,973
Construction in progress	12,482,262	289,887	12,401,429	370,720
Depreciable assets:				
Land improvements	23,199,651	63,185		23,262,836
Buildings	38,433,153	200,799		38,633,952
Equipment and vehicles	19,451,108	901,726	388,712	19,964,122
Infrastructure	141,688,168	12,697,857		154,386,025
<b>Total capital assets</b>	<b>\$ 241,959,315</b>	<b>\$ 14,153,454</b>	<b>\$ 12,790,141</b>	<b>\$ 243,322,628</b>
Less accumulated depreciation:				
Land improvements	\$ 5,981,293	\$ 911,045	\$ —	\$ 6,892,338
Buildings	13,537,345	921,580		14,458,925
Equipment and vehicles	16,341,442	1,471,053	388,337	17,424,158
Infrastructure	84,655,133	4,465,373		89,120,506
<b>Total accumulated depreciation</b>	<b>\$ 120,515,213</b>	<b>\$ 7,769,051</b>	<b>\$ 388,337</b>	<b>\$ 127,895,927</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 121,444,102</b>	<b>\$ 6,384,403</b>	<b>\$ 12,401,804</b>	<b>\$ 115,426,701</b>
<b>Business-type Activities</b>				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,941,365	\$ —	\$ 565,042	\$ 1,376,323
Gas	186,382		141,446	44,936
Water and wastewater	8,746,437		8,677,138	69,299
Depreciable assets:				
Utility plant in service:				
Electricity	136,783,179	4,955,313	1,846,314	139,892,178
Gas	50,791,714	1,180,763	465,196	51,507,281
Water and wastewater	133,045,327	10,265,341	178,297	143,132,371
Solid waste	10,965,536	2,891,282	205,650	13,651,168
Acquisition adjustment (net):				
Gas	232,769		10,661	222,108
<b>Total capital assets</b>	<b>\$ 342,692,709</b>	<b>\$ 19,292,699</b>	<b>\$ 12,089,744</b>	<b>\$ 349,895,664</b>
Less accumulated depreciation:				
Electricity	\$ 68,635,318	\$ 4,640,066	\$ 1,909,161	\$ 71,366,223
Gas	19,019,047	1,316,594	507,170	19,828,471
Water and wastewater	40,130,817	2,776,120	174,371	42,732,566
Solid waste	8,394,374	818,295	205,650	9,007,019
<b>Total accumulated depreciation</b>	<b>\$ 136,179,556</b>	<b>\$ 9,551,075</b>	<b>\$ 2,796,352</b>	<b>\$ 142,934,279</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 206,513,153</b>	<b>\$ 9,741,624</b>	<b>\$ 9,293,392</b>	<b>\$ 206,961,385</b>
<b>Depreciation expense was charged to the government functions as follows:</b>				
General administration				\$ 510,074
Public safety				1,007,058
Public works				548,455
Public ways and facilities				4,036,641
Culture and recreation				1,666,823
<b>Total depreciation expense</b>				<b>\$ 7,769,051</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**NOTE 8—CAPITAL ASSETS** (Continued)

	Discretely Presented Component Unit—Library			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Depreciable assets:				
Furniture and fixtures	\$ 127,448	\$ 1,915	\$ —	\$ 129,363
Equipment	510,316	31,619		541,935
Library collection	2,034,857	77,915	67,312	2,045,460
<b>Total capital assets</b>	<b>\$ 2,672,621</b>	<b>\$ 111,449</b>	<b>\$ 67,312</b>	<b>\$ 2,716,758</b>
Less accumulated depreciation:				
Furniture and fixtures	\$ 62,447	\$ 10,874	\$ —	\$ 73,321
Equipment	424,357	42,488		466,845
Library collection	1,433,409	128,693	67,312	1,494,790
<b>Total accumulated depreciation</b>	<b>\$ 1,920,213</b>	<b>\$ 182,055</b>	<b>\$ 67,312</b>	<b>\$ 2,034,956</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 752,408</b>	<b>\$ (70,606)</b>	<b>\$ —</b>	<b>\$ 681,802</b>

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

Library services	<u>\$ 182,055</u>
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**Business-type Activities**

Electricity Department

As of June 30, 2010, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,054,104.

Depreciation for the fiscal year 2010 totaled \$4,640,066 of which \$4,342,399 was charged against income and \$71,029 was an error adjustment. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$226,638 for the fiscal year.

Gas Department

As of June 30, 2010, 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 \$1,316,594 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, 2010, accumulated amortization amounted to \$133,265.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
**(Continued)**

**NOTE 8—CAPITAL ASSETS** (Continued)

*Water and Wastewater Department*

As of June 30, 2010, 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 \$2,776,120 for the fiscal year.

*Solid Waste Fund*

As of September 30, 2010, 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 \$818,295 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, 2010, a total of \$6,155,895 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 \$6,313,961 for the year ended June 30, 2010.

**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 \$5,933,490 as of June 30, 2010 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, 2010, the balance of the investments was \$388,350 with \$258,750 reported as noncurrent prepaid purchased power and \$129,600 reported as current. The balance of the deferred interest income was \$88,350 with \$58,750 reported as noncurrent deferred interest income and \$29,600 as current.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(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-A	\$ 990,000	\$ —	\$ 990,000	\$ —	\$ —
Debt discount	(2,813)		(2,813)	—	—
Series 2003-B	20,000,000			20,000,000	840,000
Debt premium	77,113		5,508	71,605	5,508
Series 2007	5,845,000		615,000	5,230,000	645,000
Series 2009-B	11,235,000		480,000	10,755,000	1,100,000
Debt discount	(115,195)		(11,917)	(103,278)	(11,917)
Deferred loss on early retirement	(206,963)		(21,410)	(185,553)	(21,410)
General Obligation School					
Warrants, Series 2004	7,985,000		1,230,000	6,755,000	1,260,000
Debt premium	1,185		182	1,003	182
Compensated absences	2,528,108	1,107,755	1,011,243	2,624,620	1,049,848
<b>Total Governmental Activities</b>	<b>\$ 48,336,435</b>	<b>\$ 1,107,755</b>	<b>\$ 4,295,793</b>	<b>\$ 45,148,397</b>	<b>\$ 4,867,211</b>
<b>Business-type Activities</b>					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2008.	\$ —	\$ —	\$ —	\$ —	\$ —
Series 2009	7,250,000		265,000	6,985,000	705,000
Debt discount	(46,595)		(4,660)	(41,935)	(4,660)
Deferred loss on early retirement	(263,975)		(26,397)	(237,578)	(26,397)
Compensated absences	1,359,797	542,676	543,919	1,358,554	543,422
<u>Gas</u>					
Natural Gas Revenue Warrants,					
Series 1998	3,250,000		3,250,000	—	—
Debt discount	(20,241)		(20,241)	—	—
Series 2008	—			—	—
Compensated absences	490,818	224,107	196,327	518,598	207,439
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
Series 1995	2,900,000		1,115,000	1,785,000	1,175,000
Debt discount	(28,527)		(11,804)	(16,723)	(11,804)
SRF Series 1998	14,970,000		1,005,000	13,965,000	1,045,000
SRF Series 1999	14,475,000		990,000	13,485,000	1,025,000
SRF Series 1999B	3,625,000		245,000	3,380,000	255,000
SRF Series 2000	8,850,000		590,000	8,260,000	615,000
SRF Series 2006	3,735,000		155,000	3,580,000	160,000
SRF Series 2007	6,270,560	150,838	310,000	6,111,398	320,000
Compensated absences	522,452	239,961	208,981	553,432	221,373
<u>Solid waste</u>					
Compensated absences	166,714	68,641	66,686	168,669	67,468
<b>Total Business-type Activities</b>	<b>\$ 67,506,003</b>	<b>\$ 1,226,223</b>	<b>\$ 8,877,811</b>	<b>\$ 59,854,415</b>	<b>\$ 6,296,841</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 8,239	\$ 482	\$ —	\$ 8,721	\$ 8,721
Promise to give	69,900			69,900	5,000
<b>Total Governmental Activities</b>	<b>\$ 78,139</b>	<b>\$ 482</b>	<b>\$ —</b>	<b>\$ 78,621</b>	<b>\$ 13,721</b>

**Governmental Activities**

On July 23, 2003, the City issued General Obligation Warrants, Series 2003-A in the amount of \$9,210,000 to currently refund the General Obligation Warrants, Series 1994-B. These warrants bear interest rates of 0.75% to 3.00% and were fully paid in 2010.

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 to currently refund 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 September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2011	\$ 3,845,000	\$ 1,630,088	\$ 5,475,088
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—2020	13,715,000	3,438,302	17,153,302
2021—2023	8,505,000	1,615,833	10,120,833
	<b>\$ 42,740,000</b>	<b>\$ 11,932,415</b>	<b>\$ 54,672,415</b>



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

**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.

**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, 2010, 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 purpose of currently 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**

On November 1, 1998, the City issued Natural Gas Revenue Warrants, Series 1998 in the amount of \$5,650,000 with interest rates ranging from 3.60% to 4.90% for capital improvements and cast-iron replacement within the system. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually on June 1. Interest is payable semi-annually on each June 1 and December 1. On June 1, 2010, the Department elected to redeem the outstanding warrants.

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, 2010, the Department had no advances outstanding.

All interest costs were expensed for the fiscal year.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

*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.

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.

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.

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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
**(Continued)**

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

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.

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, 2010, the remaining balance of the warrants to be requested from ADEM was \$2,403,602.

All interest costs were expensed for the fiscal year.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

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

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

<b>Year Ending June 30</b>	<b>Business-type Activities</b>		
	<b>Electricity Department</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2011	\$ 705,000	\$ 211,430	\$ 916,430
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—2020	3,330,000	302,669	3,632,669
2021—2025			—
2026—2029			—
Totals	<u>\$ 6,985,000</u>	<u>\$ 1,192,492</u>	<u>\$ 8,177,492</u>
<b>Year Ending June 30</b>	<b>Water and Wastewater Department</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2011	\$ 4,595,000	\$ 1,876,609	\$ 6,471,609
2012	4,160,000	1,683,588	5,843,588
2013	3,675,000	1,535,623	5,210,623
2014	3,810,000	1,400,082	5,210,082
2015	3,955,000	1,259,630	5,214,630
2016—2020	22,085,000	3,998,466	26,083,466
2021—2025	7,870,000	945,709	8,815,709
2026—2029	2,820,000	229,874	3,049,874
Totals	<u>\$ 52,970,000</u>	<u>\$ 12,929,581</u>	<u>\$ 65,899,581</u>
Less: amount of SRF funds available for disbursement	<u>2,403,602</u>		
Total long-term debt as reported in the financial statements	<u>\$ 50,566,398</u>		
<b>Year Ending June 30</b>	<b>Totals—Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2011	\$ 5,300,000	\$ 2,088,039	\$ 7,388,039
2012	4,870,000	1,880,213	6,750,213
2013	4,405,000	1,715,208	6,120,208
2014	4,555,000	1,561,417	6,116,417
2015	4,720,000	1,400,478	6,120,478
2016—2020	25,415,000	4,301,135	29,716,135
2021—2025	7,870,000	945,709	8,815,709
2026—2029	2,820,000	229,874	3,049,874
Totals	<u>\$ 59,955,000</u>	<u>\$ 14,122,073</u>	<u>\$ 74,077,073</u>
Less: amount of SRF funds available for disbursement	<u>2,403,602</u>		
Total long-term debt as reported in the financial statements	<u>\$ 57,551,398</u>		

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(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 \$5,295,000 as of September 30, 2010. 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, 2010 of \$1,968,257 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 \$300,743 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 2010. The City has used 87 percent of the estimated capacity of the landfill as of September 30, 2010, and expects to close the landfill in the year 2017. 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, 2010**  
(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	\$ 4,020,393
Interest on net pension obligation	(114,200)
Adjustment to annual required contribution	<u>(182,350)</u>
Annual pension cost	\$ 3,723,843
Contributions made	<u>4,180,293</u>
Increase (decrease) in net pension obligation	\$ (456,450)
Net pension obligation—beginning of year	<u>(1,522,669)</u>
Net pension obligation—end of year	<u><u>\$ (1,979,119)</u></u>

**Three-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
October 1, 2009	\$ 3,723,843	112.3%	\$ (1,979,119)
October 1, 2008	3,399,764	113.7%	(1,522,669)
October 1, 2007	3,306,889	104.5%	(1,056,142)

**Funded Status and Funding Progress**—As of October 1, 2009, the most recent actuarial valuation date, the plan was 84.1% funded. The actuarial accrued liability for benefits was \$80.5 million and the actuarial value of assets was \$67.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$12.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26.8 million, and the ratio of the UAAL to the covered payroll was 47.8%.

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, 2010**  
(Continued)

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

**Actuarial Methods and Assumptions**—In the October 1, 2009 actuarial valuation, the entry age normal actuarial cost method with frozen initial liability 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, 2009, was twenty-nine (29) 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, 2010  
(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, 2010 was 12.47% of annual covered payroll based on the September 30, 2007 actuarial valuation as adjusted for COLAs granted to retirees.

**Annual Pension Cost**—For the year ended September 30, 2010, the Library's annual pension cost of \$46,919 was equal to the Library's required and actual contributions. The required contribution was determined as part of the September 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at September 30, 2007 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, 2007 was 20 years.

**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>
September 30, 2010	\$46,919	100%	\$0
September 30, 2009	\$42,981	100%	\$0
September 30, 2008	\$38,925	100%	\$0

**Funded Status and Funding Progress**—As of September 30, 2009, the most recent actuarial valuation date, the plan was 56.7% funded. The actuarial accrued liability for benefits was \$883,522 and the actuarial value of assets was \$501,096, resulting in an unfunded actuarial accrued liability (UAAL) of \$382,426. The covered payroll (annual payroll of active employees covered by the plan) was \$336,398 and the ratio of the UAAL to the covered payroll was 113.7%.

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, 2010**  
(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**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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, 2010**  
**(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.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**NOTE 16—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, 2010, the fund balance was \$19,046, 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 17—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:

<b>Fiscal Year Ending June 30</b>	<b>Amount</b>
2011	\$ 201,372
2012	201,372
2013	201,372
2014	201,372
2015	201,372
Total	<u>\$ 1,006,860</u>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(Continued)

**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, 2010, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$1,847,829, which has been computed on a present-value basis using a discount rate of 2.8%. 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, 2009	\$ 1,843,099	\$ 700,390
Provision for (adjustment to) claims	495,096	596,863
Payment of claims	(490,366)	(441,053)
Claims liability, September 30, 2010	\$ 1,847,829	\$ 856,200

At September 30, 2010, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$654,759, \$5,238,072, and \$3,693,583, respectively.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(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, 2010, 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 \$2,014,426.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(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 arbitration may be applicable to General Obligation Warrants when the proceeds were not expended within the legislated time period. At the present time, no determination of the amount to be refunded under rules of arbitration can be ascertained.

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2010, open contracts for construction totaled \$569,244 of which \$198,737 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, issued Special Obligation Bonds in the amount of \$17,925,000. These Special Obligation Bonds are to be payable from a new 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 agreed 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.

**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, 2010, open contracts for construction totaled \$55,891 of which \$10,386 had been recorded as construction in progress. As of June 30, 2010, open contracts for system maintenance totaled \$2,898,308 of which \$727,173 had been recorded as current maintenance expense.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**  
(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, 2010, the Department had made purchase commitments amounting to \$4,221,660 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, 2010, open contracts for construction totaled \$662,921 of which \$268,773 had been recorded as construction in progress. As of June 30, 2010, open contracts for system maintenance totaled \$277,115 of which \$102,141 had been recorded as current maintenance expense.

**NOTE 21—SUBSEQUENT EVENT**

**Business-type Activities**

*Water and Wastewater Department*

Subsequent to year-end, the Department, in conjunction with the AWPCA, refunded, on a current basis, the Water and Sewer Revenue Warrants, SRF Series 1998, 1999, 1999B, and 2000 by exchange in connection with the issuance of the Water and Sewer Revenue Warrants, SRF Series 2010-B, 2010-C, 2010-D, and 2010-A, respectively. As a result, the Department will benefit from lower interest rates on the new warrants. As of the issuance dates of the new warrants, the outstanding balance of the warrants totaled \$36,765,000.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
<b>Budgetary fund balance—beginning</b>	\$ 11,791,054	\$ 11,791,054	\$ 11,791,054	\$ —
<b>Resources (inflows):</b>				
Taxes:				
Sales, use, and lodging	\$ 26,350,795	\$ 26,350,795	\$ 26,408,136	\$ 57,341
Property	11,152,010	11,152,010	11,094,561	(57,449)
Motor fuel	410,000	410,000	399,943	(10,057)
Tobacco	270,000	270,000	264,034	(5,966)
Alcoholic beverages	1,046,000	1,046,000	1,006,266	(39,734)
Other	50,000	50,000	77,081	27,081
Total taxes	<u>\$ 39,278,805</u>	<u>\$ 39,278,805</u>	<u>\$ 39,250,021</u>	<u>\$ (28,784)</u>
Licenses and permits:				
Business	\$ 3,006,000	\$ 3,006,000	\$ 2,939,441	\$ (66,559)
Non-business	117,000	117,000	113,280	(3,720)
Total licenses and permits	<u>\$ 3,123,000</u>	<u>\$ 3,123,000</u>	<u>\$ 3,052,721</u>	<u>\$ (70,279)</u>
Fines and forfeitures	<u>\$ 1,270,250</u>	<u>\$ 1,270,250</u>	<u>\$ 1,390,953</u>	<u>\$ 120,703</u>
Charges for services:				
Cultural and recreational	\$ 1,589,265	\$ 1,589,265	\$ 1,410,499	\$ (178,766)
Highways and streets	68,500	68,500	59,871	(8,629)
Other	67,250	67,250	76,605	9,355
Total charges for services	<u>\$ 1,725,015</u>	<u>\$ 1,725,015</u>	<u>\$ 1,546,975</u>	<u>\$ (178,040)</u>
Intergovernmental	<u>\$ 1,020,450</u>	<u>\$ 1,022,550</u>	<u>\$ 897,377</u>	<u>\$ (125,173)</u>
Other:				
Interest	\$ 223,240	\$ 223,240	\$ 49,663	\$ (173,577)
Other	50,000	50,000	73,431	23,431
Total other	<u>\$ 273,240</u>	<u>\$ 273,240</u>	<u>\$ 123,094</u>	<u>\$ (150,146)</u>
Transfers from other funds	<u>\$ 302,500</u>	<u>\$ 302,500</u>	<u>\$ 300,000</u>	<u>\$ (2,500)</u>
<b>Amounts available for appropriation</b>	<u>\$ 58,784,314</u>	<u>\$ 58,786,414</u>	<u>\$ 58,352,195</u>	<u>\$ (434,219)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration:				
Mayor's office	\$ 254,785	\$ 254,785	\$ 235,341	\$ 19,444
City council	267,331	267,331	251,295	16,036
Urban forestry	265,438	265,438	245,582	19,856
Purchasing and grants administration	185,976	189,794	192,066	(2,272)
Legal	226,805	226,805	211,598	15,207
Accounting	428,782	428,782	406,647	22,135
City clerk	504,619	504,619	495,228	9,391
Planning	300,473	300,473	289,882	10,591
Human resources	211,714	211,714	209,674	2,040
Administrative buildings	553,860	553,860	553,053	807
Building	593,711	593,711	542,657	51,054
Engineering	639,804	639,804	607,139	32,665
Total general administration	<u>\$ 4,433,298</u>	<u>\$ 4,437,116</u>	<u>\$ 4,240,162</u>	<u>\$ 196,954</u>

**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**  
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 7,792,576	\$ 7,792,576	\$ 7,777,280	\$ 15,296
Jail	450,000	450,000	390,822	59,178
Municipal court	438,185	438,185	411,874	26,311
Animal control	366,601	366,601	339,017	27,584
Fire	6,346,275	6,346,275	6,421,098	(74,823)
Total public safety	<u>\$ 15,393,637</u>	<u>\$ 15,393,637</u>	<u>\$ 15,340,091</u>	<u>\$ 53,546</u>
Public works:				
Streets	\$ 3,221,799	\$ 3,220,081	\$ 3,230,796	\$ (10,715)
Municipal lighting and utilities	896,500	896,500	925,223	(28,723)
Cemetery	237,383	237,383	221,071	16,312
Parking deck facility	86,875	86,875	80,261	6,614
Total public works	<u>\$ 4,442,557</u>	<u>\$ 4,440,839</u>	<u>\$ 4,457,351</u>	<u>\$ (16,512)</u>
Culture and recreation:				
Parks and recreation administration	\$ 1,551,751	\$ 1,551,751	\$ 1,569,463	\$ (17,712)
Parks	2,615,075	2,615,075	2,561,501	53,574
Golf course	1,050,699	1,050,699	1,046,940	3,759
Braly municipal stadium	262,564	262,564	248,796	13,768
Arts and museums	287,105	287,105	279,901	7,204
Total culture and recreation	<u>\$ 5,767,194</u>	<u>\$ 5,767,194</u>	<u>\$ 5,706,601</u>	<u>\$ 60,593</u>
Nondepartmental:				
Other	\$ 1,260,250	\$ 1,260,250	\$ 1,207,852	\$ 52,398
Education—funding for school district	6,867,180	6,867,180	6,839,153	28,027
Transfers to other funds	8,576,995	8,576,995	8,585,768	(8,773)
Total nondepartmental	<u>\$ 16,704,425</u>	<u>\$ 16,704,425</u>	<u>\$ 16,632,773</u>	<u>\$ 71,652</u>
<b>Total charges to appropriations</b>	<u>\$ 46,741,111</u>	<u>\$ 46,743,211</u>	<u>\$ 46,376,978</u>	<u>\$ 366,233</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 12,043,203</u>	<u>\$ 12,043,203</u>	<u>\$ 11,975,217</u>	<u>\$ (67,986)</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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	\$ 58,352,195
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	(11,791,054)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(300,000)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 46,261,141</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 46,376,978
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,585,768)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 37,791,210</u>

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

The following departments within the General Fund incurred expenditures in excess of appropriations for the year ended September 30, 2010:

General administration:

Purchasing and grants administration	\$ 2,272
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Public safety:

Fire	74,823
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Public works:

Streets	10,715
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Municipal lighting and utilities	28,723
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Culture and recreation:

Parks and recreation administration	17,712
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The excess expenditures were provided for by available fund balance in the General Fund.



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**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, 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%
October 1, 2007	66,351,235	75,291,669	8,940,434	88.1%	25,653,135	34.9%

<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, 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	121.5%
September 30, 2007	458,731	853,174	394,443	53.8%	325,544	121.2%

**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.



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## **SUPPLEMENTARY INFORMATION**



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**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	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	Municipal Court
<b>ASSETS</b>										
Cash and cash equivalents	\$ 544,990	\$ 235,595	\$ 413,860	\$ 30,517	\$	\$ 128,506	\$ 3,440,226	\$ 4,808	\$ 142,184	\$ 259,616
Receivables (net)	13,637	14,520	33,571	164,816			24,414		72,433	2,545
Accrued interest receivable	79	54					48			
Loan receivables (net)						537,385	81,337			
Interfund receivables	106				48,905		573,719		16,445	
<b>Total assets</b>	<u>\$ 558,812</u>	<u>\$ 250,169</u>	<u>\$ 447,431</u>	<u>\$ 195,333</u>	<u>\$ 48,905</u>	<u>\$ 665,891</u>	<u>\$ 4,119,744</u>	<u>\$ 4,808</u>	<u>\$ 231,062</u>	<u>\$ 262,161</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$ 137,345	\$	\$	\$	\$	\$	\$ 1,381,018	\$ 9,693	\$ 169,873	\$ 99,630
Interfund payables		2,422		179,937		98,087	2,402,625			159,986
<b>Total liabilities</b>	<u>\$ 137,345</u>	<u>\$ 2,422</u>	<u>\$ —</u>	<u>\$ 179,937</u>	<u>\$ —</u>	<u>\$ 98,087</u>	<u>\$ 3,783,643</u>	<u>\$ 9,693</u>	<u>\$ 169,873</u>	<u>\$ 259,616</u>
<b>Fund balances</b>										
Reserved for:										
Other purposes-nonexpendable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, reported in:										
Special revenue funds	421,467	247,747	447,431	15,396	48,905	567,804	336,101	(4,885)	61,189	2,545
Capital project funds										
<b>Total fund balances</b>	<u>\$ 421,467</u>	<u>\$ 247,747</u>	<u>\$ 447,431</u>	<u>\$ 15,396</u>	<u>\$ 48,905</u>	<u>\$ 567,804</u>	<u>\$ 336,101</u>	<u>\$ (4,885)</u>	<u>\$ 61,189</u>	<u>\$ 2,545</u>
<b>Total liabilities and fund balance</b>	<u>\$ 558,812</u>	<u>\$ 250,169</u>	<u>\$ 447,431</u>	<u>\$ 195,333</u>	<u>\$ 48,905</u>	<u>\$ 665,891</u>	<u>\$ 4,119,744</u>	<u>\$ 4,808</u>	<u>\$ 231,062</u>	<u>\$ 262,161</u>

**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010  
(Continued)**

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds				Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2003-B G.O. Warrants	Total		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 50,971	\$ 5,251,273	\$	\$ 629,315	\$ 1,612,351	\$	\$ 2,241,666	\$ 7,732,930	
Receivables (net)	75,079	401,015		101,792			101,792	502,983	
Accrued interest receivable		181		221	236		457	638	
Loan receivables (net)		618,722					—	618,722	
Interfund receivables		639,175					—	639,175	
<b>Total assets</b>	<u>\$ 126,050</u>	<u>\$ 6,910,366</u>	<u>\$ —</u>	<u>\$ 731,328</u>	<u>\$ 1,612,587</u>	<u>\$ —</u>	<u>\$ 2,343,915</u>	<u>\$ 9,494,448</u>	
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 18,322	\$ 1,815,881	\$	\$ 37,988	\$ 6,915	\$	\$ 44,903	\$ 1,860,784	
Interfund payables	88,682	2,931,739		6,833	6,000		12,833	2,944,572	
<b>Total liabilities</b>	<u>\$ 107,004</u>	<u>\$ 4,747,620</u>	<u>\$ —</u>	<u>\$ 44,821</u>	<u>\$ 12,915</u>	<u>\$ —</u>	<u>\$ 57,736</u>	<u>\$ 4,805,356</u>	
<b>Fund balances</b>									
Reserved for:									
Other purposes-nonexpendable	\$	\$ —	\$	\$	\$	\$	\$ 240,167	\$ 240,167	
Unreserved, reported in:									
Special revenue funds	19,046	2,162,746					—	2,162,746	
Capital project funds		—		686,507	1,599,672		2,286,179	2,286,179	
<b>Total fund balances</b>	<u>\$ 19,046</u>	<u>\$ 2,162,746</u>	<u>\$ —</u>	<u>\$ 686,507</u>	<u>\$ 1,599,672</u>	<u>\$ —</u>	<u>\$ 2,286,179</u>	<u>\$ 4,689,092</u>	
<b>Total liabilities and fund balance</b>	<u>\$ 126,050</u>	<u>\$ 6,910,366</u>	<u>\$ —</u>	<u>\$ 731,328</u>	<u>\$ 1,612,587</u>	<u>\$ —</u>	<u>\$ 2,343,915</u>	<u>\$ 9,494,448</u>	

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	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	Municipal Court
<b>REVENUES</b>										
Taxes	\$ 150,521	\$ 161,115	\$ 339,773	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				519,950		457,212			295,852	
Interest revenues	1,489	291	721	76		44	45,918	14	304	
Program revenues						12,211			60,115	2,545
Miscellaneous							99,343			
<b>Total revenues</b>	<u>\$ 152,010</u>	<u>\$ 161,406</u>	<u>\$ 340,494</u>	<u>\$ 520,026</u>	<u>\$ —</u>	<u>\$ 469,467</u>	<u>\$ 145,261</u>	<u>\$ 14</u>	<u>\$ 356,271</u>	<u>\$ 2,545</u>
<b>EXPENDITURES</b>										
Current operating:										
General administration	\$	\$	\$	\$ 206,190	\$	\$ 71,089	\$ 113,272	\$	\$	\$
Public safety				206,363			78,759	949	309,804	
Public works		32,612				93,710				
Culture and recreation				7,500	5,573		11,647			
Other						239,161				
Education—funding for school district							1,101,824			
Capital outlay and improvements	137,345		7,325	99,695			938,116			
Debt service:										
Principal payments										
Interest and fiscal charges							6,657			
<b>Total expenditures</b>	<u>\$ 137,345</u>	<u>\$ 32,612</u>	<u>\$ 7,325</u>	<u>\$ 519,748</u>	<u>\$ 5,573</u>	<u>\$ 403,960</u>	<u>\$ 2,250,275</u>	<u>\$ 949</u>	<u>\$ 309,804</u>	<u>\$ —</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 14,665</u>	<u>\$ 128,794</u>	<u>\$ 333,169</u>	<u>\$ 278</u>	<u>\$ (5,573)</u>	<u>\$ 65,507</u>	<u>\$ (2,105,014)</u>	<u>\$ (935)</u>	<u>\$ 46,467</u>	<u>\$ 2,545</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$	\$	\$	\$	\$	\$	\$ 7,072,136	\$	\$	\$
Transfers out	(107,025)	(107,025)	(214,045)				(3,463,287)			
<b>Total other financing sources (uses)</b>	<u>\$ (107,025)</u>	<u>\$ (107,025)</u>	<u>\$ (214,045)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,608,849</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Net change in fund balances</b>	<u>\$ (92,360)</u>	<u>\$ 21,769</u>	<u>\$ 119,124</u>	<u>\$ 278</u>	<u>\$ (5,573)</u>	<u>\$ 65,507</u>	<u>\$ 1,503,835</u>	<u>\$ (935)</u>	<u>\$ 46,467</u>	<u>\$ 2,545</u>
<b>Fund balances—beginning</b>	<u>513,827</u>	<u>225,978</u>	<u>328,307</u>	<u>15,118</u>	<u>54,478</u>	<u>502,297</u>	<u>(1,167,734)</u>	<u>(3,950)</u>	<u>14,722</u>	<u></u>
<b>Fund balances—ending</b>	<u>\$ 421,467</u>	<u>\$ 247,747</u>	<u>\$ 447,431</u>	<u>\$ 15,396</u>	<u>\$ 48,905</u>	<u>\$ 567,804</u>	<u>\$ 336,101</u>	<u>\$ (4,885)</u>	<u>\$ 61,189</u>	<u>\$ 2,545</u>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

(Continued)

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Permanent Fund Cemetery Perpetual Care	Total Other Governmental Funds
	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2003-B G.O. Warrants		
<b>REVENUES</b>								
Taxes	\$	\$ 651,409	\$	\$	\$	\$ —	\$	\$ 651,409
Intergovernmental		1,273,014		239,804		239,804		1,512,818
Interest revenues	135	48,992		1,852	4,137	5,989	1,840	54,981
Program revenues	237,567	312,438				—		314,278
Miscellaneous	74	99,417				—		99,417
<b>Total revenues</b>	<u>\$ 237,776</u>	<u>\$ 2,385,270</u>	<u>\$ —</u>	<u>\$ 241,656</u>	<u>\$ 4,137</u>	<u>\$ —</u>	<u>\$ 1,840</u>	<u>\$ 2,632,903</u>
<b>EXPENDITURES</b>								
Current operating:								
General administration	\$ 306,094	\$ 696,645	\$	\$	\$	\$ —	\$	\$ 696,645
Public safety		595,875		5,136		5,136		601,011
Public works		126,322				—		126,322
Culture and recreation		24,720		15,276		15,276		39,996
Other		239,161		1,684		1,684		240,845
Education—funding for school district		1,101,824				—		1,101,824
Capital outlay and improvements		1,182,481		259,320	36,915	(32,675)		1,446,041
Debt service:								
Principal payments		—	3,315,000			—		3,315,000
Interest and fiscal charges		6,657	1,733,105			—		1,739,762
<b>Total expenditures</b>	<u>\$ 306,094</u>	<u>\$ 3,973,685</u>	<u>\$ 5,048,105</u>	<u>\$ 281,416</u>	<u>\$ 36,915</u>	<u>\$ (32,675)</u>	<u>\$ —</u>	<u>\$ 9,307,446</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (68,318)</u>	<u>\$ (1,588,415)</u>	<u>\$ (5,048,105)</u>	<u>\$ (39,760)</u>	<u>\$ (32,778)</u>	<u>\$ 32,675</u>	<u>\$ 1,840</u>	<u>\$ (6,674,543)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	\$ 68,318	\$ 7,140,454	\$ 5,036,696	\$	\$	\$ —	\$	\$ 12,177,150
Transfers out		(3,891,382)				—		(3,891,382)
<b>Total other financing sources (uses)</b>	<u>\$ 68,318</u>	<u>\$ 3,249,072</u>	<u>\$ 5,036,696</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,285,768</u>
<b>Net change in fund balances</b>	<u>\$ —</u>	<u>\$ 1,660,657</u>	<u>\$ (11,409)</u>	<u>\$ (39,760)</u>	<u>\$ (32,778)</u>	<u>\$ 32,675</u>	<u>\$ 1,840</u>	<u>\$ 1,611,225</u>
<b>Fund balances—beginning</b>	<u>19,046</u>	<u>502,089</u>	<u>11,409</u>	<u>726,267</u>	<u>1,632,450</u>	<u>(32,675)</u>	<u>238,327</u>	<u>3,077,867</u>
<b>Fund balances—ending</b>	<u>\$ 19,046</u>	<u>\$ 2,162,746</u>	<u>\$ —</u>	<u>\$ 686,507</u>	<u>\$ 1,599,672</u>	<u>\$ —</u>	<u>\$ 240,167</u>	<u>\$ 4,689,092</u>

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2010**

	<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	\$ 581,607	\$ 3,734,962	\$ 2,782,178	\$ 7,098,747
Receivables (net)	72,899			72,899
Accrued interest receivable	253	1,114	455	1,822
Interfund receivables		1,501,996	910,950	2,412,946
<b>Total current assets</b>	<b>\$ 654,759</b>	<b>\$ 5,238,072</b>	<b>\$ 3,693,583</b>	<b>\$ 9,586,414</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>\$ 654,759</b>	<b>\$ 5,288,072</b>	<b>\$ 3,793,583</b>	<b>\$ 9,736,414</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 59,801	\$ 38,467	\$ 17,352	\$ 115,620
Interfund payables	12,762			12,762
Noncurrent liabilities				
Claims reserve		856,200	1,847,829	2,704,029
<b>Total liabilities</b>	<b>\$ 72,563</b>	<b>\$ 894,667</b>	<b>\$ 1,865,181</b>	<b>\$ 2,832,411</b>
<b>NET ASSETS</b>				
Restricted for:				
Other purposes	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted	582,196	4,343,405	1,828,402	6,754,003
<b>Total net assets</b>	<b>\$ 582,196</b>	<b>\$ 4,393,405</b>	<b>\$ 1,928,402</b>	<b>\$ 6,904,003</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, 2010**

	<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	\$	\$ 325,162	\$ 509,870	\$ 835,032
<b>Total operating revenues</b>	<u>\$ —</u>	<u>\$ 325,162</u>	<u>\$ 509,870</u>	<u>\$ 835,032</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 212,386	\$ 441,053	\$ (159,134)	\$ 494,305
Operations and administration	18,057	257,527	59,960	335,544
<b>Total operating expenses</b>	<u>\$ 230,443</u>	<u>\$ 698,580</u>	<u>\$ (99,174)</u>	<u>\$ 829,849</u>
<b>Operating income (loss)</b>	<u>\$ (230,443)</u>	<u>\$ (373,418)</u>	<u>\$ 609,044</u>	<u>\$ 5,183</u>
<b>Non-operating revenues (expenses)</b>				
Interest revenues	1,438	13,217	7,817	22,472
<b>Change in net assets</b>	<u>\$ (229,005)</u>	<u>\$ (360,201)</u>	<u>\$ 616,861</u>	<u>\$ 27,655</u>
<b>Net assets—beginning</b>	811,201	4,753,606	1,311,541	6,876,348
<b>Net assets—ending</b>	<u><u>\$ 582,196</u></u>	<u><u>\$ 4,393,405</u></u>	<u><u>\$ 1,928,402</u></u>	<u><u>\$ 6,904,003</u></u>



**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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	\$	\$ 325,544	\$ 549,486	\$ 875,030
Payments to suppliers	(156,361)	(567,048)	10,888	(712,521)
Payments to employees for services and benefits		(36,528)		(36,528)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (156,361)</b>	<b>\$ (278,032)</b>	<b>\$ 560,374</b>	<b>\$ 125,981</b>
<b>Cash flows from investing activities</b>				
Interest on investments	\$ 1,300	\$ 13,651	\$ 8,052	\$ 23,003
Due to (from) other funds	12,762	498,004	289,050	799,816
<b>Net cash provided (used) by investing activities</b>	<b>\$ 14,062</b>	<b>\$ 511,655</b>	<b>\$ 297,102</b>	<b>\$ 822,819</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (142,299)</b>	<b>\$ 233,623</b>	<b>\$ 857,476</b>	<b>\$ 948,800</b>
<b>Cash and cash equivalents—beginning</b>	<b>723,906</b>	<b>3,551,339</b>	<b>2,024,702</b>	<b>6,299,947</b>
<b>Cash and cash equivalents—ending</b>	<b>\$ 581,607</b>	<b>\$ 3,784,962</b>	<b>\$ 2,882,178</b>	<b>\$ 7,248,747</b>
<b><i>Classified as:</i></b>				
Current assets	\$ 581,607	\$ 3,734,962	\$ 2,782,178	\$ 7,098,747
Restricted assets		50,000	100,000	150,000
<b>Totals</b>	<b>\$ 581,607</b>	<b>\$ 3,784,962</b>	<b>\$ 2,882,178</b>	<b>\$ 7,248,747</b>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i></b>				
Operating income (loss)	\$ (230,443)	\$ (373,418)	\$ 609,044	\$ 5,183
<b>Changes in assets and liabilities</b>				
Receivables (net)	\$ 21,182	\$ 382	\$ 39,616	\$ 61,180
Accounts payable and accrued expenses	52,900	95,004	(88,286)	59,618
<b>Total adjustments</b>	<b>\$ 74,082</b>	<b>\$ 95,386</b>	<b>\$ (48,670)</b>	<b>\$ 120,798</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (156,361)</b>	<b>\$ (278,032)</b>	<b>\$ 560,374</b>	<b>\$ 125,981</b>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .07) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 513,827	\$ 513,827	\$ 513,827	\$ —
<b>Resources (inflows):</b>				
Taxes	150,000	150,000	150,521	521
Interest revenues	2,000	2,000	1,489	(511)
<b>Amounts available for appropriation</b>	<u>\$ 665,827</u>	<u>\$ 665,827</u>	<u>\$ 665,837</u>	<u>\$ 10</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 44,975	\$ 44,975	\$ 137,345	\$ (92,370)
Transfers to other funds	107,025	107,025	107,025	—
<b>Total charges to appropriations</b>	<u>\$ 152,000</u>	<u>\$ 152,000</u>	<u>\$ 244,370</u>	<u>\$ (92,370)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 513,827</u>	<u>\$ 513,827</u>	<u>\$ 421,467</u>	<u>\$ (92,360)</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	\$ 665,837
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	(513,827)
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>\$ 152,010</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 244,370
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(107,025)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 137,345</u>

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

The fund incurred expenditures in excess of appropriations of \$92,370 for the year ended September 30, 2010. The excess expenditures were provided for by available fund balance and current year's revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .04) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 225,978	\$ 225,978	\$ 225,978	\$ —
<b>Resources (inflows):</b>				
Taxes	161,000	161,000	161,115	115
Interest revenues	1,500	1,500	291	(1,209)
<b>Amounts available for appropriation</b>	<u>\$ 388,478</u>	<u>\$ 388,478</u>	<u>\$ 387,384</u>	<u>\$ (1,094)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public works	\$ 30,000	\$ 30,000	\$ 32,612	\$ (2,612)
Capital outlay and improvements	25,475	25,475	25,475	25,475
Transfers to other funds	107,025	107,025	107,025	—
<b>Total charges to appropriations</b>	<u>\$ 162,500</u>	<u>\$ 162,500</u>	<u>\$ 139,637</u>	<u>\$ 22,863</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 225,978</u>	<u>\$ 225,978</u>	<u>\$ 247,747</u>	<u>\$ 21,769</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	\$ 387,384
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	(225,978)
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>\$ 161,406</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 139,637
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(107,025)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 32,612</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COUNTY GAS TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 328,307	\$ 328,307	\$ 328,307	\$ —
<b>Resources (inflows):</b>				
Taxes	320,000	320,000	339,773	19,773
Interest revenues	2,000	2,000	721	(1,279)
<b>Amounts available for appropriation</b>	<u>\$ 650,307</u>	<u>\$ 650,307</u>	<u>\$ 668,801</u>	<u>\$ 18,494</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 107,955	\$ 107,955	\$ 7,325	\$ 100,630
Transfers to other funds	214,045	214,045	214,045	—
<b>Total charges to appropriations</b>	<u>\$ 322,000</u>	<u>\$ 322,000</u>	<u>\$ 221,370</u>	<u>\$ 100,630</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 328,307</u>	<u>\$ 328,307</u>	<u>\$ 447,431</u>	<u>\$ 119,124</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	\$ 668,801
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	(328,307)
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>\$ 340,494</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 221,370
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(214,045)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 7,325</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS GRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 15,118	\$ 15,118	\$ 15,118	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	302,500	302,500	519,950	217,450
Interest revenues	200	200	76	(124)
<b>Amounts available for appropriation</b>	<u>\$ 317,818</u>	<u>\$ 317,818</u>	<u>\$ 535,144</u>	<u>\$ 217,326</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$	\$	\$ 206,190	\$ (206,190)
Public safety	60,000	60,000	206,363	(146,363)
Public works	65,000	65,000		65,000
Culture and recreation			7,500	(7,500)
Capital outlay and improvements	5,200	5,200	99,695	(94,495)
<b>Total charges to appropriations</b>	<u>\$ 130,200</u>	<u>\$ 130,200</u>	<u>\$ 519,748</u>	<u>\$ (389,548)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 187,618</u>	<u>\$ 187,618</u>	<u>\$ 15,396</u>	<u>\$ (172,222)</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	\$ 535,144
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	(15,118)
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>\$ 520,026</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 519,748
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>\$ 519,748</u>

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

The fund incurred expenditures in excess of appropriations of \$389,548 for the year ended September 30, 2010. The excess expenditures were provided for by available fund balance and current year's revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE ARTS COUNCIL GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 54,478	\$ 54,478	\$ 54,478	\$ —
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$ 20,000	\$ 20,000	\$ 5,573	\$ 14,427
<b>Total charges to appropriations</b>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 5,573</u>	<u>\$ 14,427</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 34,478</u>	<u>\$ 34,478</u>	<u>\$ 48,905</u>	<u>\$ 14,427</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	\$ 54,478
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	(54,478)
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	\$ 5,573
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,573</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 502,297	\$ 502,297	\$ 502,297	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	534,175	534,175	457,212	(76,963)
Interest revenues			44	44
Program revenues	60,000	60,000	12,211	(47,789)
<b>Amounts available for appropriation</b>	<u>\$ 1,096,472</u>	<u>\$ 1,096,472</u>	<u>\$ 971,764</u>	<u>\$ (124,708)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 100,000	\$ 100,000	\$ 71,089	\$ 28,911
Public works	257,175	257,175	93,710	163,465
Other	237,000	237,000	239,161	(2,161)
<b>Total charges to appropriations</b>	<u>\$ 594,175</u>	<u>\$ 594,175</u>	<u>\$ 403,960</u>	<u>\$ 190,215</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 502,297</u>	<u>\$ 502,297</u>	<u>\$ 567,804</u>	<u>\$ 65,507</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	\$ 971,764
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(502,297)
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>\$ 469,467</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 403,960
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>\$ 403,960</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
1995 CAPITAL SALES TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ (1,167,734)	\$ (1,167,734)	\$ (1,167,734)	\$ —
<b>Resources (inflows):</b>				
Interest revenues	24,500	24,500	45,918	21,418
Miscellaneous			99,343	99,343
Transfers from other funds	7,071,430	7,071,430	7,072,136	706
<b>Amounts available for appropriation</b>	<u>\$ 5,928,196</u>	<u>\$ 5,928,196</u>	<u>\$ 6,049,663</u>	<u>\$ 121,467</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 85,000	\$ 85,000	\$ 113,272	\$ (28,272)
Public safety			78,759	(78,759)
Public works		16,200		16,200
Culture and recreation		20,000	11,647	8,353
Education—funding for school district	1,112,375	1,112,375	1,101,824	10,551
Capital outlay and improvements	1,034,475	1,442,910	938,116	504,794
Debt service:				
Interest and fiscal charges	832,000	832,000	6,657	825,343
Transfers to other funds	4,096,080	4,096,080	3,463,287	632,793
<b>Total charges to appropriations</b>	<u>\$ 7,159,930</u>	<u>\$ 7,604,565</u>	<u>\$ 5,713,562</u>	<u>\$ 1,891,003</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (1,231,734)</u>	<u>\$ (1,676,369)</u>	<u>\$ 336,101</u>	<u>\$ 2,012,470</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,049,663
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	1,167,734
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(7,072,136)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 145,261</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,713,562
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,463,287)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,250,275</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG ENFORCEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ (3,950)	\$ (3,950)	\$ (3,950)	\$ —
<b>Resources (inflows):</b>				
Interest revenues			14	14
Program revenues	5,000	5,000		(5,000)
<b>Amounts available for appropriation</b>	<u>\$ 1,050</u>	<u>\$ 1,050</u>	<u>\$ (3,936)</u>	<u>\$ (4,986)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 5,000	\$ 5,000	\$ 949	\$ 4,051
<b>Total charges to appropriations</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 949</u>	<u>\$ 4,051</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (3,950)</u>	<u>\$ (3,950)</u>	<u>\$ (4,885)</u>	<u>\$ (935)</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	\$ (3,936)
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	3,950
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>\$ 14</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 949
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>\$ 949</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG TASK FORCE GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 14,722	\$ 14,722	\$ 14,722	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	200,000	200,000	295,852	95,852
Interest revenues			304	304
Program revenues			60,115	60,115
<b>Amounts available for appropriation</b>	<u>\$ 214,722</u>	<u>\$ 214,722</u>	<u>\$ 370,993</u>	<u>\$ 156,271</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 200,000	\$ 200,000	\$ 309,804	\$ (109,804)
<b>Total charges to appropriations</b>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 309,804</u>	<u>\$ (109,804)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 14,722</u>	<u>\$ 14,722</u>	<u>\$ 61,189</u>	<u>\$ 46,467</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	\$ 370,993
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	(14,722)
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>\$ 356,271</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 309,804
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>\$ 309,804</u>

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

The fund incurred expenditures in excess of appropriations of \$109,804 for the year ended September 30, 2010. The excess expenditures were provided for by available fund balance and current year's revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
FLO-LAUD GOVERNMENT BUILDING  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 19,046	\$ 19,046	\$ 19,046	\$ —
<b>Resources (inflows):</b>				
Interest revenues	250	250	135	(115)
Program revenues	281,250	281,250	237,567	(43,683)
Miscellaneous			74	74
Transfers from other funds	57,000	57,000	68,318	11,318
<b>Amounts available for appropriation</b>	<u>\$ 357,546</u>	<u>\$ 357,546</u>	<u>\$ 325,140</u>	<u>\$ (32,406)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 338,500	\$ 338,500	\$ 306,094	\$ 32,406
<b>Total charges to appropriations</b>	<u>\$ 338,500</u>	<u>\$ 338,500</u>	<u>\$ 306,094</u>	<u>\$ 32,406</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 19,046</u>	<u>\$ 19,046</u>	<u>\$ 19,046</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	\$ 325,140
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>(68,318)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 237,776</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 306,094
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>\$ 306,094</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 11,409	\$ 11,409	\$ 11,409	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds	5,672,740	5,672,740	5,036,696	(636,044)
<b>Amounts available for appropriation</b>	<u>\$ 5,684,149</u>	<u>\$ 5,684,149</u>	<u>\$ 5,048,105</u>	<u>\$ (636,044)</u>
<b>Charges to appropriations (outflows):</b>				
Debt service:				
Principal payments	\$ 3,965,000	\$ 3,965,000	\$ 3,315,000	\$ 650,000
Interest and fiscal charges	1,707,740	1,707,740	1,733,105	(25,365)
<b>Total charges to appropriations</b>	<u>\$ 5,672,740</u>	<u>\$ 5,672,740</u>	<u>\$ 5,048,105</u>	<u>\$ 624,635</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 11,409</u>	<u>\$ 11,409</u>	<u>\$ —</u>	<u>\$ (11,409)</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	\$ 5,048,105
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	(11,409)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(5,036,696)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,048,105
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,048,105</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 726,267	\$ 726,267	\$ 726,267	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	202,750	202,750	239,804	37,054
Interest revenues	4,000	4,000	1,852	(2,148)
<b>Amounts available for appropriation</b>	<u>\$ 933,017</u>	<u>\$ 933,017</u>	<u>\$ 967,923</u>	<u>\$ 34,906</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 29,000	\$ 29,000	\$ 5,136	\$ 23,864
Culture and recreation	43,750	54,650	15,276	39,374
Other			1,684	(1,684)
Capital outlay and improvements	134,000	483,390	259,320	224,070
<b>Total charges to appropriations</b>	<u>\$ 206,750</u>	<u>\$ 567,040</u>	<u>\$ 281,416</u>	<u>\$ 285,624</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 726,267</u>	<u>\$ 365,977</u>	<u>\$ 686,507</u>	<u>\$ 320,530</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	\$ 967,923
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	(726,267)
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>\$ 241,656</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 281,416
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>\$ 281,416</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ 1,632,450	\$ 1,632,450	\$ 1,632,450	\$ —
<b>Resources (inflows):</b>				
Interest revenues	16,250	16,250	4,137	(12,113)
<b>Amounts available for appropriation</b>	<u>\$ 1,648,700</u>	<u>\$ 1,648,700</u>	<u>\$ 1,636,587</u>	<u>\$ (12,113)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 250,000	\$ 250,000	\$ 36,915	\$ 213,085
<b>Total charges to appropriations</b>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 36,915</u>	<u>\$ 213,085</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 1,398,700</u>	<u>\$ 1,398,700</u>	<u>\$ 1,599,672</u>	<u>\$ 200,972</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	\$ 1,636,587
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	(1,632,450)
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>\$ 4,137</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 36,915
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>\$ 36,915</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
SERIES 2003-B G.O. WARRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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>	\$ (32,675)	\$ (32,675)	\$ (32,675)	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds				—
<b>Amounts available for appropriation</b>	<u>\$ (32,675)</u>	<u>\$ (32,675)</u>	<u>\$ (32,675)</u>	<u>\$ —</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ —	\$ —	\$ (32,675)	32,675
<b>Total charges to appropriations</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (32,675)</u>	<u>\$ 32,675</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (32,675)</u>	<u>\$ (32,675)</u>	<u>\$ —</u>	<u>\$ 32,675</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	\$ (32,675)
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	32,675
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	\$ (32,675)
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ (32,675)</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY PERPETUAL CARE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 238,327	\$ 238,327	\$ 238,327	\$ —
<b>Resources (inflows):</b>				
Program revenues	4,000	4,000	1,840	(2,160)
<b>Amounts available for appropriation</b>	<u>\$ 242,327</u>	<u>\$ 242,327</u>	<u>\$ 240,167</u>	<u>\$ (2,160)</u>
<b>Charges to appropriations (outflows):</b>				
Transfers to other funds	\$ 1,500	\$ 1,500	\$ —	\$ 1,500
<b>Total charges to appropriations</b>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ 1,500</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 240,827</u>	<u>\$ 240,827</u>	<u>\$ 240,167</u>	<u>\$ (660)</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	\$ 240,167
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	(238,327)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,840</u>

**Uses/outflows of resources**

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



**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, 2010**

	<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	\$ 118,600,000	\$ 109,681,000	\$ 110,659,359	\$ 978,359
Other	670,000	670,000	637,095	(32,905)
<b>Total operating revenues</b>	<u>\$ 119,270,000</u>	<u>\$ 110,351,000</u>	<u>\$ 111,296,454</u>	<u>\$ 945,454</u>
<b>Operating expenses</b>				
Costs of sales	\$ 95,630,000	\$ 87,213,000	\$ 87,239,996	\$ (26,996)
Operations, maintenance, and administration	12,788,600	12,938,200	12,503,552	434,648
Depreciation	4,400,000	4,281,200	4,342,399	(61,199)
Taxes and tax equivalents	2,977,500	3,017,500	3,070,324	(52,824)
<b>Total operating expenses</b>	<u>\$ 115,796,100</u>	<u>\$ 107,449,900</u>	<u>\$ 107,156,271</u>	<u>\$ 293,629</u>
<b>Operating income (loss)</b>	<u>\$ 3,473,900</u>	<u>\$ 2,901,100</u>	<u>\$ 4,140,183</u>	<u>\$ 1,239,083</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 100,000	\$ 52,000	\$ 51,317	\$ (683)
Merchandising revenues (net of costs)	130,000	130,000	153,735	23,735
Miscellaneous nonoperating income		24,000	24,646	646
Interest expense	(236,900)	(236,900)	(240,542)	(3,642)
Amortization of debt discount and costs	(43,700)	(43,700)	(43,641)	59
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (50,600)</u>	<u>\$ (74,600)</u>	<u>\$ (54,485)</u>	<u>\$ 20,115</u>
<b>Change in net assets</b>	<u>\$ 3,423,300</u>	<u>\$ 2,826,500</u>	<u>\$ 4,085,698</u>	<u>\$ 1,259,198</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, 2010**

	<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	\$ 22,095,000	\$ 22,943,000	\$ 22,935,845	\$ (7,155)
Other	13,600	13,600	11,196	(2,404)
<b>Total operating revenues</b>	<u>\$ 22,108,600</u>	<u>\$ 22,956,600</u>	<u>\$ 22,947,041</u>	<u>\$ (9,559)</u>
<b>Operating expenses</b>				
Costs of sales	\$ 13,886,000	\$ 14,280,000	\$ 14,232,153	\$ 47,847
Operations, maintenance, and administration	4,540,500	4,401,000	4,247,623	153,377
Depreciation	1,425,000	1,320,000	1,316,594	3,406
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,586,700	1,526,700	1,522,031	4,669
<b>Total operating expenses</b>	<u>\$ 21,448,900</u>	<u>\$ 21,538,400</u>	<u>\$ 21,329,062</u>	<u>\$ 209,338</u>
<b>Operating income (loss)</b>	<u>\$ 659,700</u>	<u>\$ 1,418,200</u>	<u>\$ 1,617,979</u>	<u>\$ 199,779</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 95,000	\$ 19,000	\$ 18,602	\$ (398)
Gain (loss) on disposal of capital assets	1,000	1,000	22,096	21,096
Miscellaneous nonoperating income	8,000	89,000	85,478	(3,522)
Interest expense	(152,600)	(152,600)	(140,782)	11,818
Amortization of debt discount and costs	(9,800)	(88,100)	(88,018)	82
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (58,400)</u>	<u>\$ (131,700)</u>	<u>\$ (102,624)</u>	<u>\$ 29,076</u>
<b>Change in net assets</b>	<u>\$ 601,300</u>	<u>\$ 1,286,500</u>	<u>\$ 1,515,355</u>	<u>\$ 228,855</u>

**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, 2010**

	<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	\$ 17,815,000	\$ 16,891,000	\$ 16,885,321	\$ (5,679)
Other	219,000	219,000	211,306	(7,694)
<b>Total operating revenues</b>	<u>\$ 18,034,000</u>	<u>\$ 17,110,000</u>	<u>\$ 17,096,627</u>	<u>\$ (13,373)</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 8,774,350	\$ 8,328,050	\$ 8,277,727	\$ 50,323
Depreciation	2,587,200	2,651,400	2,776,120	(124,720)
Taxes and tax equivalents	1,521,400	1,446,600	1,462,860	(16,260)
<b>Total operating expenses</b>	<u>\$ 12,882,950</u>	<u>\$ 12,426,050</u>	<u>\$ 12,516,707</u>	<u>\$ (90,657)</u>
<b>Operating income (loss)</b>	<u>\$ 5,151,050</u>	<u>\$ 4,683,950</u>	<u>\$ 4,579,920</u>	<u>\$ (104,030)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 222,000	\$ 55,000	\$ 47,805	\$ (7,195)
Gain (loss) on disposal of capital assets			12,579	12,579
Interest expense	(2,039,724)	(2,039,724)	(2,006,235)	33,489
Amortization of debt discount and costs	(57,840)	(57,840)	(57,833)	7
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (1,875,564)</u>	<u>\$ (2,042,564)</u>	<u>\$ (2,003,684)</u>	<u>\$ 38,880</u>
<b>Change in net assets</b>	<u>\$ 3,275,486</u>	<u>\$ 2,641,386</u>	<u>\$ 2,576,236</u>	<u>\$ (65,150)</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, 2010**

	<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	\$ 4,131,000	\$ 4,131,000	\$ 4,240,686	\$ 109,686
Other	5,000	5,000	6,766	1,766
<b>Total operating revenues</b>	<u>\$ 4,136,000</u>	<u>\$ 4,136,000</u>	<u>\$ 4,247,452</u>	<u>\$ 111,452</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 3,523,349	\$ 3,523,349	\$ 3,757,038	\$ (233,689)
Depreciation	763,358	763,358	818,295	(54,937)
Taxes and tax equivalents	125,553	125,553	127,041	(1,488)
<b>Total operating expenses</b>	<u>\$ 4,412,260</u>	<u>\$ 4,412,260</u>	<u>\$ 4,702,374</u>	<u>\$ (290,114)</u>
<b>Operating income (loss)</b>	<u>\$ (276,260)</u>	<u>\$ (276,260)</u>	<u>\$ (454,922)</u>	<u>\$ (178,662)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 67,500	\$ 67,500	\$ 13,744	\$ (53,756)
Gain (loss) on disposal of capital assets	24,000	24,000	15,861	(8,139)
Grant proceeds			164,450	164,450
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 91,500</u>	<u>\$ 91,500</u>	<u>\$ 194,055</u>	<u>\$ 102,555</u>
<b>Change in net assets</b>	<u>\$ (184,760)</u>	<u>\$ (184,760)</u>	<u>\$ (260,867)</u>	<u>\$ (76,107)</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, 2010**

	<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)	\$ (10,000)	\$ (10,000)	\$ 212,386	\$ (222,386)
Operations and administration	15,000	15,000	18,057	(3,057)
<b>Total operating expenses</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 230,443</u>	<u>\$ (225,443)</u>
<b>Operating income (loss)</b>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ (230,443)</u>	<u>\$ (225,443)</u>
<b>Nonoperating revenues</b>				
Interest revenues	5,000	5,000	1,438	(3,562)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (229,005)</u>	<u>\$ (229,005)</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, 2010**

	<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	\$ 325,162	\$ 162
<b>Total operating revenues</b>	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 325,162</u>	<u>\$ 162</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 255,400	\$ 255,400	\$ 441,053	\$ (185,653)
Operations and administration	159,600	159,600	257,527	(97,927)
<b>Total operating expenses</b>	<u>\$ 415,000</u>	<u>\$ 415,000</u>	<u>\$ 698,580</u>	<u>\$ (283,580)</u>
<b>Operating income (loss)</b>	<u>\$ (90,000)</u>	<u>\$ (90,000)</u>	<u>\$ (373,418)</u>	<u>\$ (283,418)</u>
<b>Nonoperating revenues</b>				
Interest revenues	90,000	90,000	13,217	(76,783)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (360,201)</u>	<u>\$ (360,201)</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, 2010**

	<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	\$ 466,455	\$ 466,455	\$ 509,870	\$ 43,415
<b>Total operating revenues</b>	<u>\$ 466,455</u>	<u>\$ 466,455</u>	<u>\$ 509,870</u>	<u>\$ 43,415</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 419,455	\$ 419,455	\$ (159,134)	\$ 578,589
Operations and administration	107,000	106,000	59,960	46,040
<b>Total operating expenses</b>	<u>\$ 526,455</u>	<u>\$ 525,455</u>	<u>\$ (99,174)</u>	<u>\$ 624,629</u>
<b>Operating income (loss)</b>	<u>\$ (60,000)</u>	<u>\$ (59,000)</u>	<u>\$ 609,044</u>	<u>\$ 668,044</u>
<b>Nonoperating revenues</b>				
Interest revenues	60,000	60,000	7,817	(52,183)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ 1,000</u>	<u>\$ 616,861</u>	<u>\$ 615,861</u>

# **SINGLE AUDIT SECTION**



**CITY OF FLORENCE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>Department of Housing and Urban Development:</u></b>			
<i>Direct programs:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-01-0003	\$ 29,966
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-01-0003	9,667
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-01-0003	36,854
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-01-0003	236,042
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-01-0003	109,758
Subtotal			<u>\$ 422,287</u>
ARRA-Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253	B-09-MY-01-0003	78,946
Community Development Block Grants—Section 108 Loan Guarantees	14.248	B-94-MC-01-0003	330
Total direct programs			<u>\$ 501,563</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Emergency Shelter Grants Program (Note 2)	14.231	ESG-08-002	6,869
Emergency Shelter Grants Program (Note 2)	14.231	ESG-09-002	104,264
Total pass-through program			<u>\$ 111,133</u>
Total Department of Housing and Urban Development			<u>\$ 612,696</u>
<b><u>Department of Justice:</u></b>			
<i>Direct programs:</i>			
Bulletproof Vest Partnership Program	16.607	2007BUBX07039633	\$ 5,676
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0039	183,185
Total direct programs			<u>\$ 188,861</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
ARRA-Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	09-DR-01-027	\$ 255,736
Total pass-through program			<u>\$ 255,736</u>
Total Department of Justice			<u>\$ 444,597</u>
<b><u>Environmental Protection Agency:</u></b>			
<i>Direct program:</i>			
ARRA-Brownfields Assessment and Cleanup Cooperative Agreements	66.818	95407508-0	\$ 183,228
Total Environmental Protection Agency			<u>\$ 183,228</u>
<b><u>Department of Energy:</u></b>			
<i>Direct program:</i>			
ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0002083	\$ 87,345
Total Department of Energy			<u>\$ 87,345</u>

**CITY OF FLORENCE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**  
(Continued)

<b>Federal Grantor/ Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>Department of Transportation:</u></b>			
<i>Pass-through program from—</i>			
<i>North Alabama Highway Safety Office:</i>			
State and Community Highway Safety	20.600	10-SP-PT-005	\$ 6,115
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	10-HS-K8-009	983
Occupant Protection Incentive Grants	20.602	10-HS-K4-008	1,427
Total Department of Transportation			<u>\$ 8,525</u>
<b><u>General Services Administration:</u></b>			
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Donation of Federal Surplus Personal Property	39.003		\$ 901
Total General Services Administration			<u>\$ 901</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,337,292</u></u>

**CITY OF FLORENCE, ALABAMA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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—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>111,133</u>



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

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**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, 2010, which collectively comprise the City of Florence, Alabama's basic financial statements and have issued our report thereon dated April 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, 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

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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Florence, Alabama's financial statements are free 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 matters that we reported to management of the City of Florence, Alabama in a separate letter dated April 12, 2011.

This report is intended solely for the information and use of the management, members of the City Council, the Mayor, 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.  
April 12, 2011



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

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American Institute of CPA's  
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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 the City of Florence, Alabama's major federal program for the year ended September 30, 2010. The City of Florence, Alabama's major federal program is 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 its major federal program 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.

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 its major federal program for the year ended September 30, 2010. 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 2010-1 and 2010-2.



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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 the management, members of the City Council, the Mayor, 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.



The Watkins Johnsey Professional Group, P.C.  
April 12, 2011



**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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

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, 2010  
(Continued)**

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

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**Finding #2010-1      U.S. Department of Housing and Urban Development**

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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, we noted four cash advances that were not disbursed by the City in a timely manner.

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

**Context:** The City requested sixteen 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 #2010-2      U.S. Department of Housing and Urban Development**

---

CDBG—Entitlement Grants Cluster CFDA Number    14.

**Type:** Compliance Finding

**Criteria:** Section 1512 of the American Recovery and Reinvestment Act of 2009 states that not later than ten days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency with information as cited in the Act.

**Condition:** In our review of the Section 1512 reporting, we noted that the required reporting was not submitted for one quarter in the fiscal year.

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

**Context:** There were four required reports during the fiscal year.

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

**Recommendation:** We recommend the City establish controls to ensure compliance with the reporting provisions of Section 1512 of the American Recovery and Reinvestment Act of 2009.



# CITY OF FLORENCE, ALABAMA

Office of the Treasurer  
General Fund Accounting

## AUDITEE RESPONSE/CORRECTIVE ACTION PLAN

April 12, 2011

The City of Florence, Alabama respectfully submits the following Auditee Response/Corrective Action Plan for the year ended September 30, 2010.

### **Finding #2010-1:**

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 of the City in November 2010, procedures and controls have been developed and implemented to ensure the timely disbursement of all payments in accordance with cash management provisions of federal regulations. Payment requests will be prepared and submitted at the time a drawdown is requested with the disbursement made immediately upon confirmation of the availability of funds.

Anticipated completion date: Completed.

### **Finding #2010-2:**

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

Recommendation: The City should establish controls to ensure compliance with the reporting provisions of Section 1512 of the American Recovery and Reinvestment Act of 2009.

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 of the City in November 2010, delinquent ARRA reports were prepared and submitted immediately. Subsequently, the City will comply with all reporting requirements.

Anticipated completion date: Completed.