







THE CITY OF  
**FLORENCE**  
ALABAMA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009

## **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, 2009

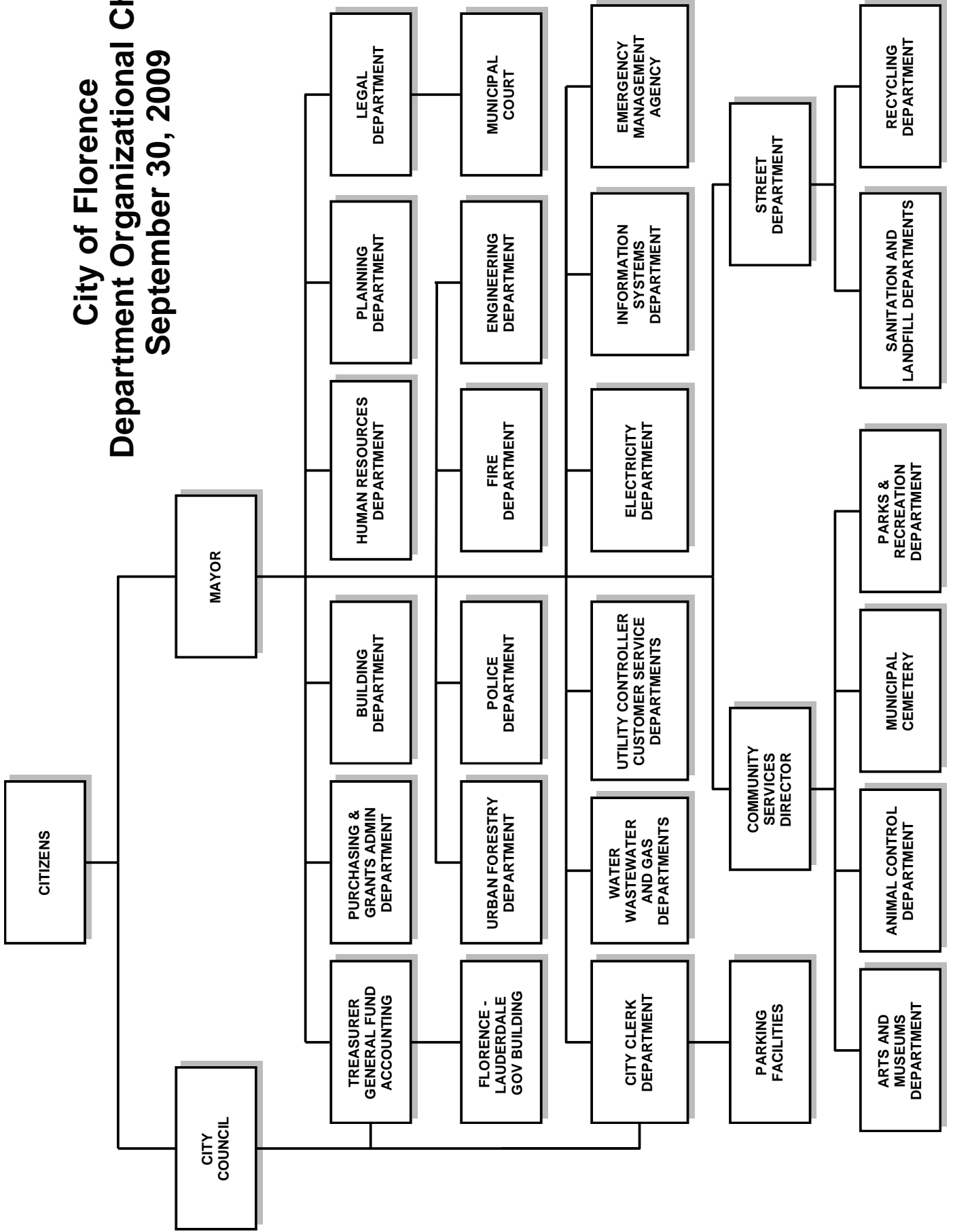
### Elected Officials

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, 2009





## **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 AUDITORS' 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, 2009, 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, 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, 2009, 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 February 19, 2010, 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 the 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 74 through 80, 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.  
February 19, 2010

## **City of Florence, Alabama Management's Discussion and Analysis September 30, 2009**

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, 2009. 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, 2009 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, 2009 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 81.

**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 83-85 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 41-73 of this report.

## Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 81-85. Required supplementary information can be found on pages 74-80 of this report. Other Supplementary Schedules follow, starting on page 81.

### 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 \$268,358,060 (net assets). Of this amount, \$43,957,326 is unrestricted net assets. The City's net assets include \$97,320,474 from Governmental Activities and \$171,037,586 from Business-Type Activities. This is shown on page 28.

By far the largest portion of the City's net assets (80.9%) 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 (2.69%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$43,957,326) 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:

<b><u>Revenues – Governmental Funds</u></b>					
	<u>Fiscal Year 2009</u>		<u>Fiscal Year 2008</u>		<u>Change</u>
Taxes					
Sales, Use, and Lodging Taxes	\$ 26,395,736	54.15%	\$ 27,407,712	53.91%	-3.69%
Property Taxes and Equivalents	11,116,156	22.80%	10,601,421	20.85%	4.86%
Motor Fuel	1,017,540	2.09%	1,083,828	2.13%	-6.12%
Alcoholic Beverages	1,000,661	2.05%	1,016,719	2.00%	-1.58%
Other	412,376	0.85%	302,962	0.60%	36.11%
Licenses and Permits	3,099,679	6.36%	2,884,578	5.67%	7.46%
Court Fines and Forfeitures	1,303,156	2.67%	1,475,204	2.90%	-11.66%
Charges for Services	1,666,553	3.42%	1,602,897	3.15%	3.97%
Intergovernmental	1,875,095	3.85%	3,254,188	6.40%	-42.38%
Interest Revenues	263,701	0.54%	764,090	1.50%	-65.49%
Other	595,706	1.22%	444,999	0.88%	33.87%
Total	<u>\$ 48,746,359</u>	<u>100.00%</u>	<u>\$ 50,838,598</u>	<u>100.00%</u>	<u>-4.12%</u>

Sales and Use taxes are the largest revenue source for the City comprising 54.15% of total governmental revenues. Sales and Use Tax revenues decreased from fiscal year September 30, 2008 to September 30, 2009 by \$1,011,976 or 3.69%. Property taxes are the second largest revenue source for the City comprising 22.80% of governmental revenues. For the year ended September 30, 2009, taxes of real property inside the City limits produced revenues of \$4,140,381 while personal property taxes for the period were \$573,554. Payments in lieu of property taxes paid by Florence Utilities, Florence Housing Authority, and the Tennessee Valley Authority produced \$6,402,220.

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 2009</u>		<u>Fiscal Year 2008</u>		<u>Percent Change</u>
Current Operating					
General Administration	\$ 4,887,954	10.21%	\$ 5,407,446	8.61%	-9.61%
Public Safety	15,398,860	32.17%	15,730,921	25.06%	-2.11%
Public Works	4,554,428	9.52%	4,683,527	7.46%	-2.76%
Culture and Recreation	6,030,967	12.60%	5,340,832	8.51%	12.92%
Other	1,617,096	3.38%	1,553,287	2.47%	4.11%
Education	7,955,349	16.62%	8,130,781	12.95%	-2.16%
Capital Outlay and Improvements	1,176,918	2.46%	15,857,432	25.26%	-92.58%
Debt Service					
Principal Payments	4,005,000	8.37%	3,895,000	6.20%	2.82%
Interest and Fiscal Charges	2,233,455	4.67%	2,181,138	3.47%	2.40%
Total	<u>\$ 47,860,027</u>	<u>100.00%</u>	<u>\$ 62,780,364</u>	<u>100.00%</u>	<u>-23.77%</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 \$14,868,921. In the General Fund, the fund balance is \$11,791,054.

The General Fund's fund balance is approximately 24.67% 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 \$4,621,927 or 64.47%.

## Changes in Fund Balance – Governmental Funds

### Governmental Funds

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance-Beginning	\$ 11,630,661	\$ 2,155,195	\$ 13,785,856
Fund Balance-Ending	11,791,054	3,077,867	14,868,921
Net Change in Fund Balances	<u>\$ 160,393</u>	<u>\$ 922,672</u>	<u>\$ 1,083,065</u>

## Net Assets – Governmental Activities

### Governmental Activities

#### Net Assets

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Current Assets	\$ 30,941,710	\$ 30,946,473	\$ (4,763)	-0.02%
Restricted Assets	289,832	277,654	12,178	4.39%
Other Assets	573,668	513,514	60,154	11.71%
Capital Assets, Net	121,444,102	127,842,974	(6,398,872)	-5.01%
Total Assets	<u>\$ 153,249,312</u>	<u>\$ 159,580,615</u>	<u>\$ (6,331,303)</u>	<u>-3.97%</u>
Current Liabilities	\$ 5,048,914	\$ 6,012,078	\$ (963,164)	-16.02%
Long-term Liabilities	50,879,924	54,608,255	(3,728,331)	-6.83%
Total Liabilities	<u>\$ 55,928,838</u>	<u>\$ 60,620,333</u>	<u>\$ (4,691,495)</u>	<u>-7.74%</u>
Invested in Capital Assets, Net of Related Debt	\$ 75,635,775	\$ 78,772,644	\$ (3,136,869)	-3.98%
Restricted	521,097	515,888	5,209	1.01%
Unrestricted	21,163,602	19,671,750	1,491,852	7.58%
Total Net Assets	<u>\$ 97,320,474</u>	<u>\$ 98,960,282</u>	<u>\$ (1,639,808)</u>	<u>-1.66%</u>



## Changes in Net Assets – Governmental Activities

### Governmental Activities Changes in Net Assets

	FY 2009	FY 2008	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 26,395,736	\$ 27,407,712	\$ (1,011,976)	-3.69%
Property	11,116,156	10,601,421	514,735	4.86%
Motor Fuel	1,017,540	1,083,828	(66,288)	-6.12%
Other	412,376	302,962	109,414	36.11%
Alcoholic Beverages	1,000,661	1,016,719	(16,058)	-1.58%
Interest Revenues	389,028	1,055,420	(666,392)	-63.14%
Gain (Loss) on Disposal of Assets	27,969	11,629	16,340	140.51%
Total General Revenues	<u>\$ 40,359,466</u>	<u>\$ 41,479,691</u>	<u>\$ (1,120,225)</u>	<u>-2.70%</u>
Program Revenues				
Charges for Services	\$ 7,165,901	\$ 7,233,758	\$ (67,857)	-0.94%
Operating Grants and Contributions	612,751	1,454,548	(841,797)	-57.87%
Capital Grants and Contributions	733,568	934,806	(201,238)	-21.53%
Total Program Revenues	<u>\$ 8,512,220</u>	<u>\$ 9,623,112</u>	<u>\$ (1,110,892)</u>	<u>-11.54%</u>
Total Revenues	<u>\$ 48,871,686</u>	<u>\$ 51,102,803</u>	<u>\$ (2,231,117)</u>	<u>-4.37%</u>
Governmental Expenses				
General Administration	\$ 5,466,150	\$ 5,873,337	\$ (407,187)	-6.93%
Public Safety	16,670,935	17,227,089	(556,154)	-3.23%
Public Works	5,082,366	5,022,016	60,350	1.20%
Public Ways and Facilities	4,035,258	3,759,643	275,615	7.33%
Culture and Recreation	7,712,966	6,693,078	1,019,888	15.24%
Other	1,405,998	1,553,287	(147,289)	-9.48%
Education–Funding for School District	7,955,349	8,130,781	(175,432)	-2.16%
Interest and Fiscal Charges	2,182,472	2,246,743	(64,271)	-2.86%
Total Expenses	<u>\$ 50,511,494</u>	<u>\$ 50,505,974</u>	<u>\$ 5,520</u>	<u>0.01%</u>
Change in Net Assets	\$ (1,639,808)	\$ 596,829	\$ (2,236,637)	-374.75%
Total Net Assets - Beginning	<u>98,960,282</u>	<u>98,363,453</u>	<u>596,829</u>	<u>0.61%</u>
Total Net Assets - Ending	<u>\$ 97,320,474</u>	<u>\$ 98,960,282</u>	<u>\$ (1,639,808)</u>	<u>-1.66%</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 \$2.6 million or 4%; Gas increased \$.9 million or 2%; Water and Wastewater increased \$2.6 million or 5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$1.6 million or 2.3%; Gas decreased \$.6 million or 2%; Water and Wastewater increased \$6.2 million or 7%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$15.7 million or 15%; Gas decreased \$.3 million or 1%; Water and Wastewater decreased \$22,000 or .1%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$13.9 million or 14%; Gas decreased \$.8 million or 3%; Water and Wastewater increased \$.5 million or 4%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$171,500 or 44%; Gas decreased about \$110,500 or 47%; Water and Wastewater decreased about \$192,000 or 50%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$22,200 or 5%; Gas decreased about \$22,400 or 11%; Water and Wastewater decreased \$32,000 or 2%.

## Electricity Department

The Electricity Department's net assets increased from last year by \$2,570,258 or about 4%. 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 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 24,626,092	\$ 22,840,747	\$ 1,785,345	7.82%
Capital Assets, Net	70,089,226	68,509,408	1,579,818	2.31%
Other Noncurrent Assets	6,425,941	5,930,820	495,121	8.35%
Total Assets	<u>\$ 101,141,259</u>	<u>\$ 97,280,975</u>	<u>\$ 3,860,284</u>	<u>3.97%</u>
Current Liabilities	\$ 21,376,576	\$ 20,632,561	\$ 744,015	3.61%
Noncurrent Liabilities	12,667,747	12,121,736	546,011	4.50%
Total Liabilities	<u>\$ 34,044,323</u>	<u>\$ 32,754,297</u>	<u>\$ 1,290,026</u>	<u>3.94%</u>
Invested in Capital Assets, Net of Related Debt	\$ 63,149,796	\$ 61,083,343	\$ 2,066,453	3.38%
Restricted	1,011,674	1,065,391	(53,717)	-5.04%
Unrestricted	2,935,466	2,377,944	557,522	23.45%
Total Net Assets	<u>\$ 67,096,936</u>	<u>\$ 64,526,678</u>	<u>\$ 2,570,258</u>	<u>3.98%</u>

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

As the table below indicates, operating revenues increased approximately \$15.7 million or about 15% from FY 2008. During FY 2009, TVA had four rate increases to its distributors under its fuel cost adjustment provisions – one effective July 2008, one effective October 2008, one effective January 2009, and the last effective April 2009. Florence Utilities passed these rate increases along to our customers. Our corresponding rate increases were revenue neutral for us. In November 2008, we had a rate increase for our benefit. In FY 2009, we experienced approximately a 4% decrease in kWh sold over that for FY 2008. The Electricity Department experienced a decrease in nonoperating revenues of \$171,453 primarily due to decreased interest revenues caused by decreasing interest rates. The Electricity Department experienced a decrease in nonoperating expenses by \$22,222 or about 5%, primarily interest expense.

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

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 118,087,893</u>	<u>\$ 102,385,890</u>	<u>\$ 15,702,003</u>	<u>15.34%</u>
Operating Expenses				
Cost of Sales	\$ 96,575,631	\$ 81,854,275	\$ 14,721,356	17.98%
Operations	8,343,588	7,700,062	643,526	8.36%
Maintenance	4,450,667	4,804,702	(354,035)	-7.37%
Depreciation	3,022,170	4,285,339	(1,263,169)	-29.48%
Taxes and Tax Equivalents	2,939,195	2,772,283	166,912	6.02%
Total Operating Expenses	<u>\$ 115,331,251</u>	<u>\$ 101,416,661</u>	<u>\$ 13,914,590</u>	<u>13.72%</u>
Operating Income	<u>\$ 2,756,642</u>	<u>\$ 969,229</u>	<u>\$ 1,787,413</u>	<u>184.42%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 220,185	\$ 391,638	\$ (171,453)	-43.78%
Nonoperating Expenses	(406,569)	(428,791)	22,222	-5.18%
Total Nonoperating Revenues (Exp)	<u>\$ (186,384)</u>	<u>\$ (37,153)</u>	<u>\$ (149,231)</u>	<u>401.67%</u>
Change in Net Assets	\$ 2,570,258	\$ 932,076	\$ 1,638,182	175.76%
Total Net Assets - Beginning	<u>64,526,678</u>	<u>63,594,602</u>	<u>932,076</u>	<u>1.47%</u>
Total Net Assets - Ending	<u><u>\$ 67,096,936</u></u>	<u><u>\$ 64,526,678</u></u>	<u><u>\$ 2,570,258</u></u>	<u><u>3.98%</u></u>

## Gas Department

The Gas Department's net assets increased from last year by \$894,000 or about 2%. The summaries below focus on the Gas Department's net assets and changes in net assets during the years presented.

### Gas Department Net Assets

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 11,800,984	\$ 11,313,048	\$ 487,936	4.31%
Capital Assets, Net	32,191,818	32,801,187	(609,369)	-1.86%
Other Noncurrent Assets	565,115	596,107	(30,992)	-5.20%
Total Assets	<u>\$ 44,557,917</u>	<u>\$ 44,710,342</u>	<u>\$ (152,425)</u>	<u>-0.34%</u>
Current Liabilities	\$ 1,685,518	\$ 2,450,397	\$ (764,879)	-31.21%
Noncurrent Liabilities	3,226,419	3,507,965	(281,546)	-8.03%
Total Liabilities	<u>\$ 4,911,937</u>	<u>\$ 5,958,362</u>	<u>\$ (1,046,425)</u>	<u>-17.56%</u>
Invested in Capital Assets, Net of Related Debt	\$ 28,962,059	\$ 29,288,597	\$ (326,538)	-1.11%
Restricted	496,632	520,048	(23,416)	-4.50%
Unrestricted	10,187,289	8,943,335	1,243,954	13.91%
Total Net Assets	<u>\$ 39,645,980</u>	<u>\$ 38,751,980</u>	<u>\$ 894,000</u>	<u>2.31%</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 \$.3 million or about 1% from FY 2008. The Gas Department had five changes to rates in FY 2009 – effective July 2008, January 2009, February 2009, March 2009, and April 2009. These rate changes (four decreases and one increase) reflected the uncertainty of the natural gas market. The Gas Department experienced an approximate 2% increase in overall sales volume in FY 2009 over FY 2008. Cost of sales decreased by \$.6 million or about 3% due to decreased gas prices. The Gas Department experienced a decrease in nonoperating revenues of \$110,466 primarily due to decreased interest revenues caused by falling interest rates. The Gas Department experienced a decrease in nonoperating expenses of \$22,436 or 11% due to decreasing interest expense and the prior year's loss on disposition of assets.

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

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 25,771,240	\$ 26,059,359	\$ (288,119)	-1.11%
Operating Expenses				
Cost of Sales	\$ 17,678,749	\$ 18,314,767	\$ (636,018)	-3.47%
Operations	2,690,227	2,789,078	(98,851)	-3.54%
Maintenance	1,502,303	1,532,673	(30,370)	-1.98%
Depreciation and Amortization	1,397,062	1,441,674	(44,612)	-3.09%
Taxes and Tax Equivalents	1,557,710	1,594,102	(36,392)	-2.28%
Total Operating Expenses	\$ 24,826,051	\$ 25,672,294	\$ (846,243)	-3.30%
Operating Income	\$ 945,189	\$ 387,065	\$ 558,124	144.19%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 123,371	\$ 233,837	\$ (110,466)	-47.24%
Nonoperating Expenses	(174,560)	(196,996)	22,436	-11.39%
Total Nonoperating Revenues (Exp)	\$ (51,189)	\$ 36,841	\$ (88,030)	-238.95%
Change in Net Assets	\$ 894,000	\$ 423,906	\$ 470,094	110.90%
Total Net Assets - Beginning	38,751,980	38,328,074	423,906	1.11%
Total Net Assets - Ending	\$ 39,645,980	\$ 38,751,980	\$ 894,000	2.31%

## Water and Wastewater Department

The Water and Wastewater Department's net assets increased from last year by \$2,622,741 or about 5%. The summaries below focus on the Water and Wastewater Department's net assets and changes in net assets during the years presented.

### Water and Wastewater Department Net Assets

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 9,546,567	\$ 12,116,545	\$ (2,569,978)	-21.21%
Capital Assets, Net	101,660,947	95,418,690	6,242,257	6.54%
Other Noncurrent Assets	5,631,471	5,229,691	401,780	7.68%
Total Assets	<u>\$ 116,838,985</u>	<u>\$ 112,764,926</u>	<u>\$ 4,074,059</u>	<u>3.61%</u>
Current Liabilities	\$ 6,390,143	\$ 6,360,774	\$ 29,369	0.46%
Noncurrent Liabilities	50,712,308	49,290,359	1,421,949	2.88%
Total Liabilities	<u>\$ 57,102,451</u>	<u>\$ 55,651,133</u>	<u>\$ 1,451,318</u>	<u>2.61%</u>
Invested in Capital Assets, Net of Related Debt	\$ 46,863,914	\$ 42,500,814	\$ 4,363,100	10.27%
Restricted	5,188,625	4,740,817	447,808	9.45%
Unrestricted	7,683,995	9,872,162	(2,188,167)	-22.17%
Total Net Assets	<u>\$ 59,736,534</u>	<u>\$ 57,113,793</u>	<u>\$ 2,622,741</u>	<u>4.59%</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 decreased approximately \$22,000 or about .1% from FY 2008 revenues. The small decrease in operating revenues, despite a rate increase, was largely due to decreased commercial sales. Operating expenses increased by \$.5 million or about 4% due to increased energy costs and other supplies. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$191,912 or 50% due to declining interest income. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$31,731, or 2% primarily due to decreasing interest expense. The Department received a non-recurring donation of sewer assets valued at \$564,000 during FY 2008.

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

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,060,717	\$ 17,082,284	\$ (21,567)	-0.13%
Operating Expenses				
Water Treatment and Pumping	\$ 2,500,175	\$ 2,435,237	\$ 64,938	2.67%
Sewage Disposal	2,163,686	1,907,465	256,221	13.43%
Transmission and Distribution	1,218,632	1,134,527	84,105	7.41%
Accounting and Collections	1,044,434	1,055,769	(11,335)	-1.07%
Administrative and General	1,534,849	1,514,320	20,529	1.36%
Depreciation	2,654,526	2,580,700	73,826	2.86%
Taxes and Tax Equivalents	1,445,953	1,441,897	4,056	0.28%
Total Operating Expenses	\$ 12,562,255	\$ 12,069,915	\$ 492,340	4.08%
Operating Income	\$ 4,498,462	\$ 5,012,369	\$ (513,907)	-10.25%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 190,245	\$ 382,157	\$ (191,912)	-50.22%
Nonoperating Expenses	(2,065,966)	(2,097,697)	31,731	-1.51%
Total Nonoperating Revenues (Exp)	\$ (1,875,721)	\$ (1,715,540)	\$ (160,181)	9.34%
Income Before Capital Contributions	\$ 2,622,741	\$ 3,296,829	\$ (674,088)	-20.45%
Capital Contributions				
Donated Capital Assets	-	564,500	(564,500)	-100.00%
Change in Net Assets	\$ 2,622,741	\$ 3,861,329	\$ (1,238,588)	-32.08%
Total Net Assets - Beginning	57,113,793	53,252,464	3,861,329	7.25%
Total Net Assets - Ending	\$ 59,736,534	\$ 57,113,793	\$ 2,622,741	4.59%



## Solid Waste Fund – Sanitation and Recycling Departments

On October 1, 2001, the City combined its recycling operations with its sanitation operations and established the Solid Waste Fund. 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 \$157,600 and non-operating income of \$95,249 for the fiscal year ended September 30, 2009.
- Total net assets were \$5,440,763. This is a decrease of \$62,351 or 1.13% from the prior year.
- Of the Fund's \$2,414,881 in liabilities, \$1,998,224 is non-current and designated accrued landfill closure and post-closure care costs of \$1,898,196 and accrued compensated absences of \$100,028. Reserves for these costs represent 37.81% of the Fund's current assets.
- The Solid Waste Fund's operating revenues decreased \$160,122 or 3.81% from the prior year while operating expenses increased \$24,765 or .59%.
- Non-operating revenues decreased by \$113,880 or 54.45%.
- Total assets of the Fund exceeded its liabilities at the close of the fiscal year by \$5,440,763. Of this amount, \$2,869,601 is unrestricted net assets and may be used to meet the ongoing obligations of providing an effective solid waste disposal system for the citizens and industries of Florence.

The Solid Waste Fund's Net Assets decreased from last year by \$62,351 or 1.13%. The table below focuses on the changes in net assets for the fiscal year:

	<b>Solid Waste Fund</b>		<b>Net Assets</b>	
	FY 2009	FY 2008	Variance	
			Dollars	Percent
Current Assets	\$ 5,284,482	\$ 5,074,767	\$ 209,715	4.13%
Capital Assets, Net	2,571,162	2,567,968	3,194	0.12%
<b>Total Assets</b>	<b>\$ 7,855,644</b>	<b>\$ 7,642,735</b>	<b>\$ 212,909</b>	<b>2.79%</b>
Current Liabilities	\$ 416,657	\$ 207,126	\$ 209,531	101.16%
Noncurrent Liabilities	1,998,224	1,932,495	65,729	3.40%
<b>Total Liabilities</b>	<b>\$ 2,414,881</b>	<b>\$ 2,139,621</b>	<b>\$ 275,260</b>	<b>12.86%</b>
<b>Net Assets</b>				
Invested in Capital Assets	\$ 2,571,162	\$ 2,567,968	\$ 3,194	0.12%
Unrestricted	2,869,601	2,935,146	(65,545)	-2.23%
<b>Total Net Assets</b>	<b>\$ 5,440,763</b>	<b>\$ 5,503,114</b>	<b>\$ (62,351)</b>	<b>-1.13%</b>

As the following table indicates, Solid Waste Fund operating revenues decreased \$160,122 or 3.81% from the prior year while operating expenses increased \$24,765 or .59%.

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

	FY 2009	FY 2008	Variance	
			Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 3,068,614	\$ 3,099,095	\$ (30,481)	-0.98%
Landfill Fees	468,508	484,525	(16,017)	-3.31%
Recycling Revenue and Fees	497,817	607,604	(109,787)	-18.07%
Other Operating Revenues	4,695	8,532	(3,837)	-44.97%
Total Operating Revenues	<u>\$ 4,039,634</u>	<u>\$ 4,199,756</u>	<u>\$ (160,122)</u>	<u>-3.81%</u>
Operating Expenses				
Sanitation	\$ 3,575,865	\$ 3,568,460	\$ 7,405	0.21%
Recycling	621,369	604,009	17,360	2.87%
Total Operating Expenses	<u>\$ 4,197,234</u>	<u>\$ 4,172,469</u>	<u>\$ 24,765</u>	<u>0.59%</u>
Operating Income (Loss)	\$ (157,600)	\$ 27,287	\$ (184,887)	-677.56%
Nonoperating Revenues	95,249	209,129	(113,880)	-54.45%
Change in Net Assets	\$ (62,351)	\$ 236,416	\$ (298,767)	-126.37%
Total Net Assets-Beginning	5,503,114	5,266,698	236,416	4.49%
Total Net Assets-Ending	<u>\$ 5,440,763</u>	<u>\$ 5,503,114</u>	<u>\$ (62,351)</u>	<u>-1.13%</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 21, 2008. This budget was revised for changes in expenditures on May 19, 2009. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, as shown on pages 74-76.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$46,991,597 compared to the final budget of \$47,841,807. Revenues were \$850,210 below budget. Total expenditures and appropriations for the period were \$46,831,204 compared to the final budget of \$47,794,181.

Collectively the departments of the General Fund completed the fiscal year \$636,366 under budget. Department operating budgets and actual performance can be seen on pages 74-76 of this report.

**General Fund  
Budgetary Comparison Schedule**

	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 11,630,661	\$ 11,630,661	\$ 11,630,661	\$ -	-
Resources (Inflows)					
Taxes	40,059,257	40,059,257	39,314,133	(745,124)	-1.86%
Licenses and Permits	3,012,000	3,012,000	3,099,679	87,679	2.91%
Fines and Forfeitures	1,386,500	1,386,500	1,303,156	(83,344)	-6.01%
Charges for Services	1,645,100	1,645,100	1,666,553	21,453	1.30%
Intergovernmental	897,950	897,950	877,765	(20,185)	-2.25%
Other	536,000	536,000	426,999	(109,001)	-20.34%
Transfers From Other Funds	305,000	305,000	303,312	(1,688)	-0.55%
Amounts Available for Appropriation	<u>\$ 59,472,468</u>	<u>\$ 59,472,468</u>	<u>\$ 58,622,258</u>	<u>\$ (850,210)</u>	<u>-1.43%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 4,545,558	\$ 4,545,558	\$ 4,262,782	\$ 282,776	6.22%
Public Safety	15,295,021	15,295,096	14,998,038	297,058	1.94%
Public Works	4,525,960	4,525,960	4,373,763	152,197	3.36%
Cultural and Recreation	5,864,217	5,864,217	5,959,882	(95,665)	-1.63%
Non-Departmental	17,553,350	17,563,350	17,236,739	326,611	1.86%
Total Charges to Appropriations	<u>\$ 47,784,106</u>	<u>\$ 47,794,181</u>	<u>\$ 46,831,204</u>	<u>\$ 962,977</u>	<u>2.01%</u>
Budgetary Fund Balance Ending	<u>\$ 11,688,362</u>	<u>\$ 11,678,287</u>	<u>\$ 11,791,054</u>	<u>\$ 112,767</u>	<u>0.97%</u>

**Business-Type Activities**

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2009 original budgets for the Gas and Water and Wastewater Departments were adopted on June 17, 2008. The original budget for the Electricity Department was adopted on August 5, 2008. The Electricity Department's budget was amended on November 18, 2008, April 7, 2009, and June 16, 2009. The Gas Department's budget was amended on April 7, 2009 and June 16, 2009. The Water and Wastewater Department's budget was amended on April 7, 2009 and June 16, 2009. 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, 2009**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 118,140,000	\$ 118,087,893	\$ (52,107)	-0.04%
Operating Expenses	115,015,000	115,331,251	(316,251)	-0.27%
Operating Income	\$ 3,125,000	\$ 2,756,642	\$ (368,358)	-11.79%
Nonoperating Revenues (Expenses)	(221,200)	(186,384)	34,816	-15.74%
Change in Net Assets	<u>\$ 2,903,800</u>	<u>\$ 2,570,258</u>	<u>\$ (333,542)</u>	<u>-11.49%</u>

As the above budget report shows, the Electricity Department fell short of the budgeted Change in Net Assets by \$333,542. This represents less than .3% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, there were three line items with large variances from the budget. The cost of electricity sold exceeded the budgeted amount due to the year-end true up with TVA. In FY 2009, the true-up resulted in an additional liability of approximately \$720,000 to TVA. After the final budget amendment was approved by the City Council, the Electricity Department was required to pay an additional \$605,000 to the City's Health Insurance Fund. The third large variance was due to a decrease in depreciation expense of \$1,225,810 due to a change in depreciation method.

## 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, 2009**

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 25,938,100	\$ 25,771,240	\$ (166,860)	-0.64%
Operating Expenses	25,062,300	24,826,051	236,249	0.94%
Operating Income	\$ 875,800	\$ 945,189	\$ 69,389	7.92%
Nonoperating Revenues (Expenses)	(69,200)	(51,189)	18,011	-26.03%
Change in Net Assets	<u>\$ 806,600</u>	<u>\$ 894,000</u>	<u>\$ 87,400</u>	<u>10.84%</u>

The Gas Department exceeded budgeted Change in Net Assets by \$87,400, or approximately .3% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the gas sales revenues was slightly less than expectations. The cost of sales was less than expected due to lower than expected cost of gas.

**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, 2009**

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 17,279,500	\$ 17,060,717	\$ (218,783)	-1.27%
Operating Expenses	12,191,092	12,562,255	(371,163)	-3.04%
Operating Income	\$ 5,088,408	\$ 4,498,462	\$ (589,946)	-11.59%
Nonoperating Revenues (Expenses)	(1,849,000)	(1,875,721)	(26,721)	1.45%
Change in Net Assets	\$ 3,239,408	\$ 2,622,741	\$ (616,667)	-19.04%

The Water and Wastewater Department fell short of the budgeted Change in Net Assets by \$616,667. This represents about 3.6% of final budgeted operating revenues. This was caused primarily by over estimation of revenues and under estimation of expenses.

**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, 2009**

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 3,003,000	\$ 3,003,000	\$ 3,068,614	\$ 65,614	2.18%
Landfill Fees	565,000	565,000	468,508	(96,492)	-17.08%
Recycling Revenue and Fees	590,000	590,000	497,817	(92,183)	-15.62%
Other Operating Revenues	6,000	6,000	4,695	(1,305)	-21.75%
Total Operating Revenues	\$ 4,164,000	\$ 4,164,000	\$ 4,039,634	\$ (124,366)	-2.99%
Operating Expenses					
Sanitation	\$ 3,639,185	\$ 3,639,185	\$ 3,575,865	\$ (63,320)	-1.74%
Recycling	663,817	663,817	621,369	(42,448)	-6.39%
Total Operating Expenses	\$ 4,303,002	\$ 4,303,002	\$ 4,197,234	\$ (105,768)	-2.46%
Operating Loss	\$ (139,002)	\$ (139,002)	\$ (157,600)	\$ (18,598)	13.38%
Nonoperating Revenues	140,000	140,000	95,249	(44,751)	-31.97%
Change in Net Assets	\$ 998	\$ 998	\$ (62,351)	\$ (63,349)	-6347.60%

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of FY 2009, 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, 2009 amounted to \$327,957,255.

#### Governmental Activities

	<b>Governmental Activities</b>				
	<b><u>Capital Assets, Net</u></b>				
	FY 2009	FY 2008	Variance		
		Dollars	Percent		
Land	\$ 6,704,973	\$ 6,704,973	\$ -	0.00%	
Construction in Progress	12,482,262	12,826,220	(343,958)	-2.68%	
Land Improvements	23,199,651	23,165,030	34,621	0.15%	
Accumulated Depreciation	(5,981,293)	(5,061,638)	(919,655)	-18.17%	
Buildings	38,433,153	37,341,386	1,091,767	2.92%	
Accumulated Depreciation	(13,537,345)	(12,640,801)	(896,544)	-7.09%	
Equipment and Vehicles	19,451,108	19,241,427	209,681	1.09%	
Accumulated Depreciation	(16,341,442)	(14,906,461)	(1,434,981)	-9.63%	
Infrastructure	141,688,168	141,367,457	320,711	0.23%	
Accumulated Depreciation	(84,655,133)	(80,194,619)	(4,460,514)	-5.56%	
Net Capital Assets	<u>\$ 121,444,102</u>	<u>\$ 127,842,974</u>	<u>\$ (6,398,872)</u>	<u>-5.01%</u>	

Major capital additions for the fiscal year include expenditures for vehicles and capital equipment of \$582,698, infrastructure improvements including the completion of various small storm drainage projects totaling \$320,711, land improvements of \$34,621, and building renovations and additions of \$1,091,767. Included in the building additions is the City's \$1,008,014 Police firing range and training facility. Of this year's capital additions, \$687,946 was capitalized from the prior year's construction in progress. In addition to those capital assets added during the fiscal year, at September 30, 2009, \$12,482,262 of capital projects were recorded as construction in progress. The City's Sports Complex project is nearing completion and comprises \$12,021,140 of the construction in progress.

## Business-Type Activities

At the end of FY 2009, 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 2009

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 136,783,179	\$ 132,960,599	\$ 3,822,580	2.87%
Construction in Progress	1,941,365	1,849,618	91,747	4.96%
Less: Accumulated Depreciation	(68,635,318)	(66,300,809)	(2,334,509)	3.52%
Net Utility Plant	<u>\$ 70,089,226</u>	<u>\$ 68,509,408</u>	<u>\$ 1,579,818</u>	<u>2.31%</u>

As the above table shows, the Electricity Department experienced a 2.31% increase in net utility plant. The department plans to finance capital expenditures in FY 2010 through cash generated from operations.

### Gas Department

#### Gas Department Capital Assets, Net FY 2009

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 50,791,714	\$ 50,452,090	\$ 339,624	0.67%
Acquisition Adjustment (net of amortization)	232,769	243,431	(10,662)	-4.38%
Construction in Progress	186,382	65,456	120,926	184.74%
Less: Accumulated Depreciation	(19,019,047)	(17,959,790)	(1,059,257)	5.90%
Net Utility Plant	<u>\$ 32,191,818</u>	<u>\$ 32,801,187</u>	<u>\$ (609,369)</u>	<u>-1.86%</u>

As the above table shows, the Gas Department decreased net utility plant by 1.86%. The department plans to finance capital expenditures in FY 2010 through cash generated from operations.

**Water and Wastewater Department**

**Water and Wastewater Department  
Capital Assets, Net  
FY 2009**

	FY 2009	FY 2008	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 133,045,327	\$ 131,681,314	\$ 1,364,013	1.04%
Construction in Progress	8,746,437	1,202,578	7,543,859	627.31%
Less: Accumulated Depreciation	(40,130,817)	(37,465,202)	(2,665,615)	7.11%
Net Utility Plant	<u>\$ 101,660,947</u>	<u>\$ 95,418,690</u>	<u>\$ 6,242,257</u>	<u>6.54%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 6.54%. In FY 2009, the Department made capital improvements, particularly in the wastewater area. The department plans to finance capital expenditures in FY 2010 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 2009, net capital assets comprised 32.73% of the Fund's total assets. Capital assets are maintained in five distinct asset categories: land, land improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation.

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

**Solid Waste Fund  
Capital Assets, Net  
For the Year Ended September 30, 2009**

	FY 2009	FY 2008	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Land Improvements	3,565,418	3,565,418	-	0.00%
Accumulated Depreciation	(2,977,549)	(2,789,912)	(187,637)	-6.73%
Buildings	870,231	870,231	-	0.00%
Accumulated Depreciation	(407,892)	(386,733)	(21,159)	-5.47%
Equipment	3,959,992	3,543,536	416,456	11.75%
Accumulated Depreciation	(3,281,577)	(3,096,615)	(184,962)	-5.97%
Vehicles	2,365,542	2,207,524	158,018	7.16%
Accumulated Depreciation	(1,727,356)	(1,549,834)	(177,522)	-11.45%
Net Capital Assets	<u>\$ 2,571,162</u>	<u>\$ 2,567,968</u>	<u>\$ 3,194</u>	<u>0.12%</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 \$50,879,924. Of this amount, \$45,808,327 comprises debt serviced by revenues from governmental activities. Of the \$45,808,327, \$7,985,000 is general obligation school warrants serviced by sales tax pledged to the Board of Education.

In addition to the outstanding general obligation debt, \$2,528,108 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$2,543,489 has been accrued as an actuarially determined claim reserve in the Internal Service Funds for Liability Insurance (\$700,390) and Workers' Compensation Insurance (\$1,843,099).

During FY 2009, the City currently refunded its 1998-B General Obligation Warrants by issuing General Obligation Warrants, Series 2009-B, in the amount of \$11,235,000. During this process, Standard & Poor's upgraded the City's credit rating from an A+ to an AA- rating while Moody's Investors Services reaffirmed their previous A2 rating. 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 that have not been defeased 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 2009, the Electricity Department exceeded that requirement at about 9.32 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 2009. This line of credit is available until January 2013. This warrant has an interest rate of 4.99%.

During FY 2009, the Electricity Department refunded the 1999 Series warrants. The refunding of this issue resulted in a net present value savings of \$463,068.

#### **Gas Department**

The Gas Department has two outstanding warrant issues at year-end as described in the financial statement notes. The Natural Gas Revenue Warrant, Series 1998 interest rates range from 3.60% to 4.90%. The issue is insured by AMBAC. It was issued with an underlying A1 rating from Moody's. This issue requires that the Gas Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2009, the Gas Department exceeded that requirement at about 8.41 times.

The other issue outstanding 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 2009. 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 that have not been defeased. 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 \$2.6 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 2009, the Water and Wastewater Department exceeded that requirement at about 1.32 times.

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

At the close of fiscal year 2009, the Solid Waste Fund had no debt other than routine operating liabilities (\$416,657), accrued liability for employee annual and sick leave (\$100,028), and a reserve for landfill closure and post-closure care expenses (\$1,898,196). The Solid Waste Fund has cash reserves 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 2009–2010 budget on October 6, 2009.

The fiscal year 2009–2010 budget is cautious with revenue projections and proposed expenditures. Revenue is budgeted at \$46,993,260, a decrease of \$848,547 or 1.77% compared to the previous fiscal year's final budget and an increase of \$1,663 from the prior year's actual revenue. Expenditures including appropriations are budgeted at \$46,766,111, a decrease of \$1,028,070 or 2.15% below the prior year's final budget and a decrease of \$65,093 from the prior year's actual. The budget does not contain a general wage increase for 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 2009 – 2010 General Fund budget yields a surplus budget of \$227,149.

## **Business-Type Activities**

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

The geographic area served by Florence Utilities is facing an uncertain economic environment. The Florence MSA's unemployment rate for October 2009 was 10.9% as compared to 5.5% for October 2008. The State of Alabama's unemployment rates were 10.9% for October 2009, and 5.7% for October 2008. 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 2010 through October for electricity have decreased from the same number through the same time last year by 4%. Dth sales to commercial and industrial natural gas customers for the period July 2009 through October 2009 as compared to sales for the same period in the previous fiscal year have decreased approximately 8%. FY 2010 sales revenues from water and wastewater operations through October have decreased 6% over the same period in FY 2009.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2010 budgets on September 1, 2009. The City Council adopted the Electricity Department's FY 2010 budget on September 15, 2009.

The City's power contract with TVA provides for a fuel cost adjustment (FCA) on sales to its distributors. In FY 2010, the FCA has resulted in rate increases to our customers effective July 2009, October 2009, November 2009, and December 2009. Florence Utilities anticipates passing any rate increases or decreases on to its customers.

The Gas Department's rate ordinance allows for gas increases/decreases without further City Council action. 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 2010 budget on October 6, 2009. Garbage collection fees and landfill tipping fees will be evaluated during the 2010 fiscal year. Having been eight years since these rates were adjusted, an increase is likely to be implemented during the 2010 fiscal year. The fiscal year 2010 budget has expected combined revenues of \$4,227,500 and expenses of \$4,412,260. A deficit of \$184,760 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 3-4 years. The construction of an additional cell is planned which would provide another 4-6 years of service. With these additional cells, the landfill is expected to reach capacity and close in the year 2017.

On November 17, 2009, the City Council approved a resolution authorizing the City to enter into a Real Estate Sales Agreement for the purchase of property adjoining the current landfill. Purchase of this property will provide the City with an option to further expand the existing landfill for future needs. The Sales Agreement contains a 90-day Due Diligence period, whereby the City may investigate the physical condition, value, development, use, marketability, feasibility, and suitability of the property including environmental compliance, land use, zoning, and other government restrictions. During the Due Diligence period, the City may elect to terminate the agreement without cause or reason. This purchase would be paid from current assets. At this time, management does not anticipate any long-term borrowing to fund this expansion.

## **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 \$536,000 to the Library in this fiscal year. These appropriations are approximately 54.8% 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, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,769,219	\$ 25,347,050	\$ 46,116,269	\$ 2,416,472
Investments	4,150,000	1,630,876	5,780,876	
Receivables (net)	4,028,221	13,267,671	17,295,892	5,000
Accrued interest receivable	16,300	59,049	75,349	
Loan receivables (net)	1,009,347		1,009,347	
Pledge receivable			—	69,900
Internal balances	882,627	(882,627)	—	
Inventories	85,996	4,093,507	4,179,503	
Prepaid expenses		7,248,322	7,248,322	
Restricted assets:				
Cash and investments	289,832	6,696,931	6,986,763	
Conservation loans receivables		4,929,128	4,929,128	
Capital assets (net)	121,444,102	206,513,153	327,957,255	752,408
Other:				
Unamortized debt issuance costs	573,668	608,118	1,181,786	
<b>Total assets</b>	<b>\$ 153,249,312</b>	<b>\$ 269,511,178</b>	<b>\$ 422,760,490</b>	<b>\$ 3,243,780</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 5,048,914	\$ 17,359,804	\$ 22,408,718	\$ 53,389
Customer deposits		5,737,748	5,737,748	
Deferred revenues		117,950	117,950	
Liabilities payable from restricted assets:				
Accrued interest		795,859	795,859	
Advances for conservation loans		5,058,032	5,058,032	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	3,284,550	4,929,970	8,214,520	
Compensated absences	1,011,243	1,015,913	2,027,156	8,239
Promise to give				5,000
Portion due or payable after one year:				
Warrants and notes payable	42,523,777	60,036,252	102,560,029	
Compensated absences	1,516,865	1,523,868	3,040,733	
Promise to give				64,900
Claims reserve	2,543,489		2,543,489	
Accrued landfill closure and postclosure care costs		1,898,196	1,898,196	
<b>Total liabilities</b>	<b>\$ 55,928,838</b>	<b>\$ 98,473,592</b>	<b>\$ 154,402,430</b>	<b>\$ 131,528</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 75,635,775	\$ 141,546,931	\$ 217,182,706	\$ 752,408
Restricted for:				
Debt service	132,770	6,696,931	6,829,701	
Other purposes-expendable	150,000		150,000	1,678
Other purposes-nonexpendable	238,327		238,327	2,000,000
Unrestricted	21,163,602	22,793,724	43,957,326	358,166
<b>Total net assets</b>	<b>\$ 97,320,474</b>	<b>\$ 171,037,586</b>	<b>\$ 268,358,060</b>	<b>\$ 3,112,252</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, 2009**

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	\$ 5,466,150	\$ 4,216,218	\$ 76,423	\$	\$ (1,173,509)		\$ (1,173,509)	
Public safety	16,670,935	1,421,298	238,312	24,609	(14,986,716)		(14,986,716)	
Public works	5,082,366	61,880	260,921	46,811	(4,712,754)		(4,712,754)	
Public ways and facilities	4,035,258			652,938	(3,382,320)		(3,382,320)	
Culture and recreation	7,712,966	1,466,505	14,050	9,210	(6,223,201)		(6,223,201)	
Other	1,405,998		23,045		(1,382,953)		(1,382,953)	
Education—funding for school district	7,955,349				(7,955,349)		(7,955,349)	
Interest and fiscal charges	2,182,472				(2,182,472)		(2,182,472)	
Total governmental activities	<u>\$ 50,511,494</u>	<u>\$ 7,165,901</u>	<u>\$ 612,751</u>	<u>\$ 733,568</u>	<u>\$ (41,999,274)</u>		<u>\$ (41,999,274)</u>	
Business-type activities:								
Electricity	\$ 116,184,410	\$ 118,209,926	\$	\$	\$	\$ 2,025,516	\$ 2,025,516	
Gas	25,059,602	25,802,173				742,571	742,571	
Water and wastewater	14,646,312	17,060,717				2,414,405	2,414,405	
Solid waste	4,251,497	4,039,634				(211,863)	(211,863)	
Total business-type activities	<u>\$ 160,141,821</u>	<u>\$ 165,112,450</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,970,629</u>	<u>\$ 4,970,629</u>	
Total primary government	<u>\$ 210,653,315</u>	<u>\$ 172,278,351</u>	<u>\$ 612,751</u>	<u>\$ 733,568</u>	<u>\$ (41,999,274)</u>	<u>\$ 4,970,629</u>	<u>\$ (37,028,645)</u>	
<b>Component units:</b>								
All	<u>\$ 1,072,622</u>	<u>\$ 63,518</u>	<u>\$ 913,914</u>	<u>\$ —</u>				<u>\$ (95,190)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 26,395,736	\$	\$ 26,395,736	\$
Property					11,116,156		11,116,156	
Motor fuel					1,017,540		1,017,540	
Alcoholic beverages					1,000,661		1,000,661	
Other					412,376		412,376	
Interest revenues					389,028	452,714	841,742	28,486
Gain (loss) on disposal of capital assets					27,969	18,506	46,475	
Total general revenues					<u>\$ 40,359,466</u>	<u>\$ 471,220</u>	<u>\$ 40,830,686</u>	<u>\$ 28,486</u>
Change in net assets					\$ (1,639,808)	\$ 5,441,849	\$ 3,802,041	\$ (66,704)
Net assets—beginning					98,960,282	165,595,737	264,556,019	3,178,956
Net assets—ending					<u>\$ 97,320,474</u>	<u>\$ 171,037,586</u>	<u>\$ 268,358,060</u>	<u>\$ 3,112,252</u>

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



**CITY OF FLORENCE, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,642,586	\$ 7,126,686	\$ 14,769,272
Investments	4,000,000		4,000,000
Receivables (net)	3,470,458	423,684	3,894,142
Accrued interest receivable	12,033	1,914	13,947
Loan receivables (net)	391,130	618,217	1,009,347
Interfund receivables	291,320	537,095	828,415
Inventories	85,996		85,996
Restricted cash and investments	121,361	18,471	139,832
<b>Total assets</b>	<b>\$ 16,014,884</b>	<b>\$ 8,726,067</b>	<b>\$ 24,740,951</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable and accrued expenses	\$ 2,679,705	\$ 2,152,667	\$ 4,832,372
Compensated absences	1,011,243		1,011,243
Interfund payables	532,882	3,495,533	4,028,415
<b>Total liabilities</b>	<b>\$ 4,223,830</b>	<b>\$ 5,648,200</b>	<b>\$ 9,872,030</b>
Fund balances			
Reserved for:			
Other purposes-nonexpendable	\$ 121,361	\$ 238,327	\$ 238,327
Debt service		11,409	132,770
Unreserved, reported in:			
General fund	11,669,693		11,669,693
Special revenue funds		502,089	502,089
Capital projects funds		2,326,042	2,326,042
<b>Total fund balances</b>	<b>\$ 11,791,054</b>	<b>\$ 3,077,867</b>	<b>\$ 14,868,921</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,014,884</b>	<b>\$ 8,726,067</b>	<b>\$ 24,740,951</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, 2009**

Total fund balances—governmental funds	\$	14,868,921
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	\$ 241,959,315	
Accumulated depreciation	<u>(120,515,213)</u>	121,444,102
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		573,668
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	\$ (46,055,000)	
Unamortized debt discount, premium, and loss on current refunding	246,673	
Compensated absences	<u>(1,516,865)</u>	(47,325,192)
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>7,758,975</u>
Net assets of governmental activities	\$	<u><u>97,320,474</u></u>

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 39,314,133	\$ 628,336	\$ 39,942,469
Licenses and permits	3,099,679		3,099,679
Fines and forfeitures	1,303,156		1,303,156
Charges for services	1,666,553		1,666,553
Intergovernmental	877,765	997,330	1,875,095
Interest revenues	172,827	90,874	263,701
Other	254,172	341,534	595,706
<b>Total revenues</b>	<u>\$ 46,688,285</u>	<u>\$ 2,058,074</u>	<u>\$ 48,746,359</u>
<b>EXPENDITURES</b>			
Current operating:			
General administration	\$ 4,262,782	\$ 625,172	\$ 4,887,954
Public safety	14,998,038	400,822	15,398,860
Public works	4,373,763	180,665	4,554,428
Culture and recreation	5,959,882	71,085	6,030,967
Other	1,487,581	129,515	1,617,096
Education—funding for school district	6,855,050	1,100,299	7,955,349
Capital outlay and improvements		1,176,918	1,176,918
Debt service:			
Principal payments		4,005,000	4,005,000
Interest and fiscal charges		2,233,455	2,233,455
<b>Total expenditures</b>	<u>\$ 37,937,096</u>	<u>\$ 9,922,931</u>	<u>\$ 47,860,027</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 8,751,189</u>	<u>\$ (7,864,857)</u>	<u>\$ 886,332</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 303,312	\$ 17,015,818	\$ 17,319,130
Proceeds from refunding warrants		11,235,000	11,235,000
Discount on debt issuance		(119,167)	(119,167)
Payment to refunded debt escrow agent		(10,919,100)	(10,919,100)
Transfers out	(8,894,108)	(8,425,022)	(17,319,130)
<b>Total other financing sources (uses)</b>	<u>\$ (8,590,796)</u>	<u>\$ 8,787,529</u>	<u>\$ 196,733</u>
<b>Net change in fund balances</b>	<u>\$ 160,393</u>	<u>\$ 922,672</u>	<u>\$ 1,083,065</u>
<b>Fund balances—beginning</b>	11,630,661	2,155,195	13,785,856
<b>Fund balances—ending</b>	<u>\$ 11,791,054</u>	<u>\$ 3,077,867</u>	<u>\$ 14,868,921</u>

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

**CITY OF FLORENCE, ALABAMA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Total net change in fund balances—governmental funds		\$ 1,083,065
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays	\$ 1,685,839	
Current year depreciation expense	<u>(8,084,711)</u>	(6,398,872)
<p>In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.</p>		
		—
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net assets and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:</p>		
Repayments of debt principal	\$ 4,005,000	
Proceeds from refunding warrants	(11,235,000)	
Payment to refunded debt escrow agent	10,919,100	
Discount on debt issued	119,167	
Payment of debt issuance costs	132,100	
Amortization of debt discount, premium, issuance costs, and loss on current refunding	<u>(81,117)</u>	3,859,250
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in long-term compensated absences		(42,459)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.</p>		
		<u>(140,792)</u>
Change in net assets of governmental activities		<u><u>\$ (1,639,808)</u></u>

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

	<b>Business-type Activities—Enterprise Funds</b>				<b>Total</b>	<b>Governmental</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>		<b>Internal Service</b>
	<b>June 30, 2009</b>	<b>June 30, 2009</b>	<b>June 30, 2009</b>	<b>September 30, 2009</b>		<b>Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 5,779,095	\$ 9,015,947	\$ 7,296,333	\$ 3,255,675	\$ 25,347,050	\$ 5,999,947
Investments				1,630,876	1,630,876	150,000
Receivables (net)	10,699,254	975,145	1,255,069	338,203	13,267,671	134,079
Accrued interest receivable		2,024	47,228	9,797	59,049	2,353
Interfund receivables					—	3,200,000
Inventories	1,649,707	1,796,676	597,193	49,931	4,093,507	
Prepaid expenses	6,498,036	11,192	350,744		6,859,972	
<b>Total current assets</b>	<b>\$ 24,626,092</b>	<b>\$ 11,800,984</b>	<b>\$ 9,546,567</b>	<b>\$ 5,284,482</b>	<b>\$ 51,258,125</b>	<b>\$ 9,486,379</b>
Noncurrent assets:						
Restricted cash and investments:						
Cash and investments	1,011,674	496,632	5,188,625		6,696,931	150,000
Receivables from customers for conservation loans	4,929,128				4,929,128	
Capital assets:						
Utility plant in service (at cost)	136,783,179	50,791,714	133,045,327	10,965,536	331,585,756	
Acquisition adjustment (net of amortization)		232,769			232,769	
Construction in progress	1,941,365	186,382	8,746,437		10,874,184	
Less: accumulated depreciation	68,635,318	19,019,047	40,130,817	8,394,374	136,179,556	
Prepaid purchased power-TVA DEU program	388,350				388,350	
Unamortized debt issuance costs	96,789	68,483	442,846		608,118	
<b>Total noncurrent assets</b>	<b>\$ 76,515,167</b>	<b>\$ 32,756,933</b>	<b>\$ 107,292,418</b>	<b>\$ 2,571,162</b>	<b>\$ 219,135,680</b>	<b>\$ 150,000</b>
<b>Total assets</b>	<b>\$ 101,141,259</b>	<b>\$ 44,557,917</b>	<b>\$ 116,838,985</b>	<b>\$ 7,855,644</b>	<b>\$ 270,393,805</b>	<b>\$ 9,636,379</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2009	June 30, 2009	June 30, 2009	September 30, 2009		Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 14,811,075	\$ 1,178,562	\$ 1,032,174	\$ 337,993	\$ 17,359,804	\$ 216,542
Deferred interest income-TVA DEU program	29,600				29,600	
Compensated absences—payable within one year	543,919	196,327	208,981	66,686	1,015,913	
Customer deposits	5,725,770			11,978	5,737,748	
<b>Total current liabilities</b>	<b>\$ 21,110,364</b>	<b>\$ 1,374,889</b>	<b>\$ 1,241,155</b>	<b>\$ 416,657</b>	<b>\$ 24,143,065</b>	<b>\$ 216,542</b>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 265,000	\$ 300,000	\$ 4,410,000		\$ 4,975,000	\$
Unamortized debt discount	(4,660)	(2,169)	(11,804)		(18,633)	
Unamortized deferred loss on early retirement of debt	(26,397)				(26,397)	
Accrued interest	32,269	12,798	750,792		795,859	
Advances from TVA for conservation loans	5,058,032				5,058,032	
<b>Total liabilities payable from restricted assets</b>	<b>\$ 5,324,244</b>	<b>\$ 310,629</b>	<b>\$ 5,148,988</b>	<b>\$ —</b>	<b>\$ 10,783,861</b>	<b>\$ —</b>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 6,985,000	\$ 2,950,000	\$ 50,415,560		\$ 60,350,560	\$
Unamortized debt discount	(41,935)	(18,072)	(16,723)		(76,730)	
Unamortized deferred loss on early retirement of debt	(237,578)				(237,578)	
Compensated absences—payable after one year	815,878	294,491	313,471	100,028	1,523,868	
Deferred interest income-TVA DEU program	88,350				88,350	
Accrued landfill closure and postclosure care costs				1,898,196	1,898,196	
Claims reserve					—	2,543,489
<b>Total noncurrent liabilities</b>	<b>\$ 7,609,715</b>	<b>\$ 3,226,419</b>	<b>\$ 50,712,308</b>	<b>\$ 1,998,224</b>	<b>\$ 63,546,666</b>	<b>\$ 2,543,489</b>
<b>Total liabilities</b>	<b>\$ 34,044,323</b>	<b>\$ 4,911,937</b>	<b>\$ 57,102,451</b>	<b>\$ 2,414,881</b>	<b>\$ 98,473,592</b>	<b>\$ 2,760,031</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 63,149,796	\$ 28,962,059	\$ 46,863,914	\$ 2,571,162	\$ 141,546,931	\$
Restricted for debt service	1,011,674	496,632	5,188,625		6,696,931	
Restricted for other purposes-expendable					—	150,000
Unrestricted	2,935,466	10,187,289	7,683,995	2,869,601	23,676,351	6,726,348
<b>Total net assets</b>	<b>\$ 67,096,936</b>	<b>\$ 39,645,980</b>	<b>\$ 59,736,534</b>	<b>\$ 5,440,763</b>	<b>\$ 171,920,213</b>	<b>\$ 6,876,348</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(882,627)	
<b>Net assets of business-type activities</b>					<b>\$ 171,037,586</b>	

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, 2009</b>	<b>June 30, 2009</b>	<b>June 30, 2009</b>	<b>September 30, 2009</b>		<b>Funds</b>
<b>Operating revenues</b>						
User charges	\$ 117,473,375	\$ 25,758,184	\$ 16,843,721	\$ 4,034,939	\$ 164,110,219	\$ 1,488,159
Other	614,518	13,056	216,996	4,695	849,265	
<b>Total operating revenues</b>	<b>\$ 118,087,893</b>	<b>\$ 25,771,240</b>	<b>\$ 17,060,717</b>	<b>\$ 4,039,634</b>	<b>\$ 164,959,484</b>	<b>\$ 1,488,159</b>
<b>Operating expenses</b>						
Cost of sales	\$ 96,575,631	\$ 17,678,749	\$	\$	\$ 114,254,380	\$
Operations, maintenance, and administration	12,794,255	4,192,530	8,461,776	3,422,410	28,870,971	348,432
Depreciation	3,022,170	1,386,401	2,654,526	654,737	7,717,834	
Amortization		10,661			10,661	
Taxes and tax equivalents	2,939,195	1,557,710	1,445,953	120,087	6,062,945	
Insurance premiums and claims (net of refunds)					—	1,988,645
<b>Total operating expenses</b>	<b>\$ 115,331,251</b>	<b>\$ 24,826,051</b>	<b>\$ 12,562,255</b>	<b>\$ 4,197,234</b>	<b>\$ 156,916,791</b>	<b>\$ 2,337,077</b>
<b>Operating income (loss)</b>	<b>\$ 2,756,642</b>	<b>\$ 945,189</b>	<b>\$ 4,498,462</b>	<b>\$ (157,600)</b>	<b>\$ 8,042,693</b>	<b>\$ (848,918)</b>
<b>Nonoperating revenues (expenses)</b>						
Interest revenues	\$ 98,152	\$ 92,438	\$ 190,245	\$ 71,879	\$ 452,714	\$ 125,327
Gain (loss) on disposal of capital assets			(4,864)	23,370	18,506	
Miscellaneous nonoperating income	122,033	30,933			152,966	
Interest expense	(387,232)	(164,814)	(2,003,269)		(2,555,315)	
Amortization of debt discount and costs	(19,337)	(9,746)	(57,833)		(86,916)	
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (186,384)</b>	<b>\$ (51,189)</b>	<b>\$ (1,875,721)</b>	<b>\$ 95,249</b>	<b>\$ (2,018,045)</b>	<b>\$ 125,327</b>
<b>Change in net assets</b>	<b>\$ 2,570,258</b>	<b>\$ 894,000</b>	<b>\$ 2,622,741</b>	<b>\$ (62,351)</b>	<b>\$ 6,024,648</b>	<b>\$ (723,591)</b>
<b>Net assets—beginning</b>	<b>64,526,678</b>	<b>38,751,980</b>	<b>57,113,793</b>	<b>5,503,114</b>		<b>7,599,939</b>
<b>Net assets—ending</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>
					(582,799)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					\$ 5,441,849	
<b>Change in net assets of business-type activities</b>					<b>\$ 5,441,849</b>	

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



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

	<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, 2009</b>	<b>June 30, 2009</b>	<b>June 30, 2009</b>	<b>September 30, 2009</b>		<b>Funds</b>
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 118,203,618	\$ 26,633,611	\$ 18,337,849	\$ 4,042,637	\$ 167,217,715	\$ 1,357,721
Receipts from interfund services provided	2,263,142	136,051	140,427		2,539,620	
Payments to suppliers	(98,732,733)	(19,488,490)	(3,621,884)	(593,514)	(122,436,621)	(2,321,676)
Payments to employees for services and benefits—exclusive of capitalized costs	(9,658,487)	(2,757,298)	(3,737,363)	(2,425,825)	(18,578,973)	(35,201)
Payments for interfund services used	(4,895,827)	(2,547,500)	(2,674,378)	(254,036)	(10,371,741)	
<b>Net cash from operating activities</b>	<b>\$ 7,179,713</b>	<b>\$ 1,976,374</b>	<b>\$ 8,444,651</b>	<b>\$ 769,262</b>	<b>\$ 18,370,000</b>	<b>\$ (999,156)</b>
<b>Cash flows from noncapital financing activities</b>						
Increase in receivables from customers for conservation loans	\$ (737,531)	\$	\$	\$	\$ (737,531)	\$
Increase in advances from TVA for conservation loans	769,649				769,649	
Deferred TVA DEU program (net)	100,000				100,000	
<b>Net cash from noncapital financing activities</b>	<b>\$ 132,118</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 132,118</b>	<b>\$ —</b>
<b>Cash flows from capital and related financing activities</b>						
Purchase and construction of capital assets (net)	\$ (4,536,615)	\$ (732,303)	\$ (8,901,647)	\$ (634,561)	\$ (14,805,126)	\$
Removal costs of retirements of capital assets	(338,819)	(55,390)			(394,209)	
Salvage value of retirements of capital assets	27,711				27,711	
Proceeds from capital debt	7,250,000		5,802,353		13,052,353	
Principal paid on capital debt	(7,485,000)	(285,000)	(3,935,000)		(11,705,000)	
Interest paid on capital debt	(387,232)	(165,836)	(1,931,705)		(2,484,773)	
Payment of debt discount, issuance costs, and redemption premium	(211,879)				(211,879)	
<b>Net cash from capital and related financing activities</b>	<b>\$ (5,681,834)</b>	<b>\$ (1,238,529)</b>	<b>\$ (8,965,999)</b>	<b>\$ (634,561)</b>	<b>\$ (16,520,923)</b>	<b>\$ —</b>
<b>Cash flows from investing activities</b>						
Interest on investments	\$ 98,152	\$ 97,165	\$ 186,103	\$ 76,697	\$ 458,117	\$ 141,436
Due to (from) other funds					—	774,762
<b>Net cash from investing activities</b>	<b>\$ 98,152</b>	<b>\$ 97,165</b>	<b>\$ 186,103</b>	<b>\$ 76,697</b>	<b>\$ 458,117</b>	<b>\$ 916,198</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,728,149</b>	<b>\$ 835,010</b>	<b>\$ (335,245)</b>	<b>\$ 211,398</b>	<b>\$ 2,439,312</b>	<b>\$ (82,958)</b>
<b>Cash and cash equivalents—beginning of the year</b>	<b>5,062,620</b>	<b>8,677,569</b>	<b>12,820,203</b>	<b>4,675,153</b>	<b>31,235,545</b>	<b>6,382,905</b>
<b>Cash and cash equivalents—end 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>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Activities
	June 30, 2009	June 30, 2009	June 30, 2009	September 30, 2009		Internal Service Funds
<b>Classified as:</b>						
Current assets	\$ 5,779,095	\$ 9,015,947	\$ 7,296,333	\$ 4,886,551	\$ 26,977,926	\$ 6,149,947
Restricted assets	1,011,674	496,632	5,188,625		6,696,931	150,000
<b>Totals</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>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 2,756,642	\$ 945,189	\$ 4,498,462	\$ (157,600)	\$ 8,042,693	\$ (848,918)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation	\$ 3,267,903	\$ 1,386,401	\$ 2,654,526	\$ 654,737	\$ 7,963,567	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				67,320	67,320	
Miscellaneous nonoperating income	122,033	30,933			152,966	
<b>Changes in assets and liabilities</b>						
Receivables (net)	(6,307)	794,503	1,599,855	3,003	2,391,054	(130,438)
Inventories	119,126	(429,146)	(12,345)	(6,138)	(328,503)	
Prepaid expenses	(116,298)	405	203,557		87,664	
Accounts payables and accrued expenses	1,036,614	(762,572)	(499,404)	207,940	(17,422)	(19,800)
<b>Total adjustments</b>	<b>\$ 4,423,071</b>	<b>\$ 1,031,185</b>	<b>\$ 3,946,189</b>	<b>\$ 926,862</b>	<b>\$ 10,327,307</b>	<b>\$ (150,238)</b>
<b>Net cash from operating activities</b>	<b>\$ 7,179,713</b>	<b>\$ 1,976,374</b>	<b>\$ 8,444,651</b>	<b>\$ 769,262</b>	<b>\$ 18,370,000</b>	<b>\$ (999,156)</b>

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

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2009**

	<u>Postretirement Benefits Plan</u>
<b>ASSETS</b>	
Receivables	
Employer	\$ 483,054
<b>Total assets</b>	<u>\$ 483,054</u>
<b>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<u>\$ 483,054</u>

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Postretirement Benefits Plan</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 241,527
<b>NET INCREASE</b>	\$ 241,527
 <b>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	
Beginning of year	241,527
End of year	\$ 483,054

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

	<u>Florence- Lauderdale Public Library September 30, 2009</u>	<u>Florence Library Foundation, Inc. June 30, 2009</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 161,591	\$ 2,254,881	\$ 2,416,472
Accounts receivable	5,000		5,000
Pledge receivable		69,900	69,900
Capital assets (net)	752,408		752,408
<b>Total assets</b>	<u>\$ 918,999</u>	<u>\$ 2,324,781</u>	<u>\$ 3,243,780</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 53,389	\$	\$ 53,389
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	8,239		8,239
Promise to give	5,000		5,000
Portion due or payable after one year:			
Promise to give	64,900		64,900
<b>Total liabilities</b>	<u>\$ 131,528</u>	<u>\$ —</u>	<u>\$ 131,528</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 752,408	\$	\$ 752,408
Restricted for:			
Other purposes-expendable		1,678	1,678
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	35,063	323,103	358,166
<b>Total net assets</b>	<u>\$ 787,471</u>	<u>\$ 2,324,781</u>	<u>\$ 3,112,252</u>

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Florence- Lauderdale Public Library</u>	<u>Florence Library Foundation, Inc.</u>	<u>Total</u>
<b>Component units:</b>							
<b><u>September 30, 2009</u></b>							
Florence-Lauderdale Public Library	\$ 1,068,055	\$ 63,518	\$ 913,914	\$ —	\$ (90,623)	\$	\$ (90,623)
<b><u>June 30, 2009</u></b>							
Florence Library Foundation, Inc.	4,567	—	—	—		(4,567)	(4,567)
Total component units	<u>\$ 1,072,622</u>	<u>\$ 63,518</u>	<u>\$ 913,914</u>	<u>\$ —</u>	<u>\$ (90,623)</u>	<u>\$ (4,567)</u>	<u>\$ (95,190)</u>
General revenues:							
Interest revenues					764	27,722	28,486
Change in net assets					\$ (89,859)	\$ 23,155	\$ (66,704)
Net assets—beginning					877,330	2,301,626	3,178,956
Net assets—ending					<u>\$ 787,471</u>	<u>\$ 2,324,781</u>	<u>\$ 3,112,252</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, 2009**

**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, 2009**  
(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, 2009**  
(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.

As a general rule, 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, 2009**  
(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, 2009**  
(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, 2009**  
(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, 2009**  
(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, 2009**  
(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, 2009**  
(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, 2009:

Miscellaneous Grants Fund	\$ 98,786
1995 Capital Sales Tax Fund	2,061,592
Debt Service Fund	11,144,591

For the Miscellaneous Grants Fund, the excess expenditures were provided for by current year's revenues, since these excesses resulted from grants becoming available that were not foreseeable during budget development. For the 1995 Capital Sales Tax Fund, the City plans to fund the excess expenditures through future capital revenues. For the Debt Service Fund, the excess expenditures were provided by available fund balance in the fund and proceeds from refunding warrants.

**C. DEFICIT FUND EQUITY**

As of September 30, 2009, the 1995 Capital Sales Tax Fund had a deficit fund balance of \$1,167,734, which the City plans to fund through future capital revenues. These revenues are pledged to repay interfund loans from the City's Liability Insurance and Workers' Compensation Insurance funds, which are more fully discussed in Note 4. The Drug Enforcement Fund had a deficit fund balance of \$3,950, which the City plans to fund through future court awarded forfeitures. The Series 2003-B G.O. Warrants Fund had a deficit fund balance of \$32,675, which the City plans to fund through an operating transfer from the 1995 Capital Sales Tax Fund.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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	\$ 68,024	\$ 3,105,357	\$ 265,018	\$ 32,059	\$ 3,470,458
Other governmental funds	12,732		410,952		423,684
Internal service funds	39,998		94,081		134,079
Total—governmental activities	<u>\$ 120,754</u>	<u>\$ 3,105,357</u>	<u>\$ 770,051</u>	<u>\$ 32,059</u>	<u>\$ 4,028,221</u>
<b>Business-type Activities</b>					
Electricity	\$ 9,218,225	\$ —	\$ 414,282	\$ 1,348,878	\$ 10,981,385
Gas	1,045,439		18,098	21,509	1,085,046
Water and wastewater	1,328,466		11,123		1,339,589
Solid waste	362,883				362,883
Less: allowance for bad debts	501,232				501,232
Total—business-type activities	<u>\$ 11,453,781</u>	<u>\$ —</u>	<u>\$ 443,503</u>	<u>\$ 1,370,387</u>	<u>\$ 13,267,671</u>
<b>Component Unit</b>					
Public Library	\$ 5,000	\$ —	\$ —	\$ —	\$ 5,000

Loan receivables consist of amounts due from the Florence-Lauderdale Tourism Board, the University of North Alabama, and various commercial rehabilitation loans. Loans receivable amounted to \$1,788,672 at year-end, net of an allowance for bad debts of \$779,325.

**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	\$ 296,757	\$ 1,239,190	\$ 1,100,368	\$ 43,390	\$ 2,679,705
Other governmental funds	539,489		1,412,943	200,235	2,152,667
Internal service funds	216,542				216,542
Total—governmental activities	<u>\$ 1,052,788</u>	<u>\$ 1,239,190</u>	<u>\$ 2,513,311</u>	<u>\$ 243,625</u>	<u>\$ 5,048,914</u>
<b>Business-type Activities</b>					
Electricity	\$ 14,510,152	\$ 256,586	\$ 44,337	\$ —	\$ 14,811,075
Gas	811,409	76,112	291,041		1,178,562
Water and wastewater	437,352	132,869	461,953		1,032,174
Solid waste	188,801	72,289	76,903		337,993
Total—business-type activities	<u>\$ 15,947,714</u>	<u>\$ 537,856</u>	<u>\$ 874,234</u>	<u>\$ —</u>	<u>\$ 17,359,804</u>
<b>Component Unit</b>					
Public Library	\$ 35,247	\$ 18,142	\$ —	\$ —	\$ 53,389

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009 consisted of the following:

		Payables		
		General Fund	Other Governmental	Total
<b>Receivables</b>	General fund	\$ —	\$ 291,320	\$ 291,320
	Other governmental	532,882	4,213	537,095
	Internal service		3,200,000	3,200,000
	Total	<u>\$ 532,882</u>	<u>\$ 3,495,533</u>	<u>\$ 4,028,415</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, 2009, the balance of these interfund loans amounted to \$3,200,000.

**NOTE 5—INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2009 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
<b>Transfer to</b>	General fund	\$ —	\$ 303,312	\$ 303,312
	Other governmental	8,894,108	8,121,710	17,015,818
	Total	<u>\$ 8,894,108</u>	<u>\$ 8,425,022</u>	<u>\$ 17,319,130</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, 2009**  
(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.

In compliance with the bond financing agreement, certain amounts are required to be deposited monthly into a restricted fund for debt service. These funds are invested in U. S. government securities and are carried at fair market value, as follows:

<b>Series 2003-A Warrant Fund</b>	
Short-term U. S. Government Securities	\$ 121,361
<b>Series 2009-B Warrant Fund</b>	
Short-term U. S. Government Securities	18,471
Total restricted cash and investments	<u>\$ 139,832</u>

**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 1999 Warrant Funds</b>	
Short-term U. S. Government Securities	\$ 59,465
<b>Series 1999 Debt Service Reserve Fund</b>	
Short-term U. S. Government Securities	913,875
<b>Series 2009 Warrant Funds</b>	
Short-term U. S. Government Securities	38,334
Total restricted cash and investments	<u>\$ 1,011,674</u>

**Gas Department**

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

<b>Series 1998 Warrant Funds</b>	
Short-term U. S. Government Securities	\$ 39,857
<b>Series 1998 Debt Service Reserve Fund</b>	
Short-term U. S. Government Securities	456,775
Total restricted cash and investments	<u>\$ 496,632</u>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(Continued)

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

*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	\$ 105,471
<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	3,362,307
<b>SRF Series 2006 Warrant Funds</b>	
Short-term U. S. Government Securities	237,982
<b>SRF Series 2007 Warrant Funds</b>	
Short-term U. S. Government Securities	<u>220,021</u>
Total restricted cash and investments	<u><u>\$ 5,188,625</u></u>

**NOTE 7—STORAGE GAS**

**Business-type Activities**

*Gas Department*

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2009, the Department had \$1,529,013 in storage gas that is valued using the weighted average method.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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	12,826,220	343,988	687,946	12,482,262
Depreciable assets:				
Land improvements	23,165,030	34,621		23,199,651
Buildings	37,341,386	1,091,767		38,433,153
Equipment and vehicles	19,241,427	582,698	373,017	19,451,108
Infrastructure	141,367,457	320,711		141,688,168
<b>Total capital assets</b>	<b>\$ 240,646,493</b>	<b>\$ 2,373,785</b>	<b>\$ 1,060,963</b>	<b>\$ 241,959,315</b>
Less accumulated depreciation:				
Land improvements	\$ 5,061,638	\$ 919,655	\$ —	\$ 5,981,293
Buildings	12,640,801	896,544		13,537,345
Equipment and vehicles	14,906,461	1,807,998	373,017	16,341,442
Infrastructure	80,194,619	4,460,514		84,655,133
<b>Total accumulated depreciation</b>	<b>\$ 112,803,519</b>	<b>\$ 8,084,711</b>	<b>\$ 373,017</b>	<b>\$ 120,515,213</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 127,842,974</b>	<b>\$ (5,710,926)</b>	<b>\$ 687,946</b>	<b>\$ 121,444,102</b>
<b>Business-type Activities</b>				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,849,618	\$ 91,747	\$ —	\$ 1,941,365
Gas	65,456	120,926		186,382
Water and wastewater	1,202,578	7,543,859		8,746,437
Depreciable assets:				
Utility plant in service:				
Electricity	132,960,599	4,444,866	622,286	136,783,179
Gas	50,452,090	611,378	271,754	50,791,714
Water and wastewater	131,681,314	1,378,891	14,878	133,045,327
Solid waste	10,391,062	657,931	83,457	10,965,536
Acquisition adjustment (net):				
Gas	243,431		10,662	232,769
<b>Total capital assets</b>	<b>\$ 328,846,148</b>	<b>\$ 14,849,598</b>	<b>\$ 1,003,037</b>	<b>\$ 342,692,709</b>
Less accumulated depreciation:				
Electricity	\$ 66,300,809	\$ 3,267,903	\$ 933,394	\$ 68,635,318
Gas	17,959,790	1,386,401	327,144	19,019,047
Water and wastewater	37,465,202	2,675,629	10,014	40,130,817
Solid waste	7,823,094	654,737	83,457	8,394,374
<b>Total accumulated depreciation</b>	<b>\$ 129,548,895</b>	<b>\$ 7,984,670</b>	<b>\$ 1,354,009</b>	<b>\$ 136,179,556</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 199,297,253</b>	<b>\$ 6,864,928</b>	<b>\$ (350,972)</b>	<b>\$ 206,513,153</b>
<b>Depreciation expense was charged to the government functions as follows:</b>				
General administration				\$ 536,527
Public safety				1,207,490
Public works				581,563
Public ways and facilities				4,035,258
Culture and recreation				1,723,873
<b>Total depreciation expense</b>				<b>\$ 8,084,711</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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	\$ 113,278	\$ 14,170	\$ —	\$ 127,448
Equipment	478,230	32,086		510,316
Library collection	2,061,244	116,861	143,248	2,034,857
<b>Total capital assets</b>	<b>\$ 2,652,752</b>	<b>\$ 163,117</b>	<b>\$ 143,248</b>	<b>\$ 2,672,621</b>
Less accumulated depreciation:				
Furniture and fixtures	\$ 52,008	\$ 10,439	\$ —	\$ 62,447
Equipment	383,984	40,373		424,357
Library collection	1,440,215	136,442	143,248	1,433,409
<b>Total accumulated depreciation</b>	<b>\$ 1,876,207</b>	<b>\$ 187,254</b>	<b>\$ 143,248</b>	<b>\$ 1,920,213</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 776,545</b>	<b>\$ (24,137)</b>	<b>\$ —</b>	<b>\$ 752,408</b>

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

Library services	<u>\$ 187,254</u>
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**Business-type Activities**

Electricity Department

As of June 30, 2009, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,012,336.

Depreciation for the fiscal year totaled \$4,493,713 of which \$4,247,980 was charged against income. The Department changed its method of accounting for depreciation from the composite method to the specific identification method on its General Plant assets. This change was accounted for prospectively, which resulted in a reduction in depreciation expense in the current year of \$1,225,810. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$245,733 for the fiscal year.

Gas Department

As of June 30, 2009, 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 \$1,386,401 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 \$10,662. As of June 30, 2009, accumulated amortization amounted to \$122,604.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
**(Continued)**

**NOTE 8—CAPITAL ASSETS** (Continued)

*Water and Wastewater Department*

As of June 30, 2009, 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 \$2,654,526 for the fiscal year.

*Solid Waste Fund*

As of September 30, 2009, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$204,353.

Depreciation expense charged against income amounted to \$654,737 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, 2009, a total of \$4,929,128 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 \$5,058,032 for the year ended June 30, 2009.

**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 \$6,248,500 as of June 30, 2009 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, 2009, the balance of the investments was \$517,950 with \$388,350 reported as noncurrent prepaid purchased power and \$129,600 reported as current. The balance of the deferred interest income was \$117,950 with \$88,350 reported as noncurrent deferred interest income and \$29,600 as current.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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 1998-B	\$ 11,530,000	\$ —	\$ 11,530,000	\$ —	\$ —
Series 2003-A	2,385,000		1,395,000	990,000	990,000
Debt discount	(6,565)		(3,752)	(2,813)	(2,813)
Series 2003-B	20,000,000			20,000,000	—
Debt premium	82,621		5,508	77,113	5,508
Series 2007	6,435,000		590,000	5,845,000	615,000
Series 2009-B	—	11,235,000		11,235,000	480,000
Debt discount	—	(119,167)	(3,972)	(115,195)	(11,917)
Deferred loss on early retirement	—	(214,100)	(7,137)	(206,963)	(21,410)
General Obligation School					
Warrants, Series 2004	9,180,000		1,195,000	7,985,000	1,230,000
Debt premium	1,367		182	1,185	182
Compensated absences	2,457,343	1,053,702	982,937	2,528,108	1,011,243
<b>Total Governmental Activities</b>	<b>\$ 52,064,766</b>	<b>\$ 11,955,435</b>	<b>\$ 15,683,766</b>	<b>\$ 48,336,435</b>	<b>\$ 4,295,793</b>
<b>Business-type Activities</b>					
<i>Electricity</i>					
Electric Revenue Warrants,					
Series 1999	\$ 7,485,000	\$ —	\$ 7,485,000	\$ —	\$ —
Series 2008	—			—	—
Series 2009	—	7,250,000		7,250,000	265,000
Debt discount	(58,935)	(46,595)	(58,935)	(46,595)	(4,660)
Deferred loss on early retirement	—	(263,975)		(263,975)	(26,397)
Compensated absences	1,348,300	550,817	539,320	1,359,797	543,919
<i>Gas</i>					
Natural Gas Revenue Warrants,					
Series 1998	3,535,000		285,000	3,250,000	300,000
Series 2008	—			—	—
Debt discount	(22,410)		(2,169)	(20,241)	(2,169)
Compensated absences	463,676	212,612	185,470	490,818	196,327
<i>Water and wastewater</i>					
Water and Sewer Revenue Warrants,					
Series 1995	3,955,000		1,055,000	2,900,000	1,115,000
Debt discount	(40,331)		(11,804)	(28,527)	(11,804)
SRF Series 1998	15,940,000		970,000	14,970,000	1,005,000
SRF Series 1999	15,430,000		955,000	14,475,000	990,000
SRF Series 1999B	3,860,000		235,000	3,625,000	245,000
SRF Series 2000	9,420,000		570,000	8,850,000	590,000
SRF Series 2006	3,683,426	201,574	150,000	3,735,000	155,000
SRF Series 2007	669,781	5,600,779		6,270,560	310,000
Compensated absences	492,799	226,773	197,120	522,452	208,981
<i>Solid waste</i>					
Compensated absences	169,365	65,095	67,746	166,714	66,686
<b>Total Business-type Activities</b>	<b>\$ 66,330,671</b>	<b>\$ 13,797,080</b>	<b>\$ 12,621,748</b>	<b>\$ 67,506,003</b>	<b>\$ 5,945,883</b>



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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	\$ 7,203	\$ 1,036	\$ —	\$ 8,239	\$ 8,239
Promise to give	75,000		5,100	69,900	5,000
<b>Total Governmental Activities</b>	<b>\$ 82,203</b>	<b>\$ 1,036</b>	<b>\$ 5,100</b>	<b>\$ 78,139</b>	<b>\$ 13,239</b>

**Governmental Activities**

On December 22, 1998, the City issued General Obligation Warrants, Series 1998-B in the amount of \$17,650,000 for capital improvements. These warrants bear interest rates of 3.30% to 5.00%. On June 10, 2009, these warrants were currently refunded with the issuance of the General Obligation Warrants, Series 2009-B.

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 will be 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>			
Year Ending September 30	Principal	Interest	Total Debt Service
2010	\$ 3,315,000	\$ 1,732,217	\$ 5,047,217
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—2019	15,535,000	3,973,567	19,508,567
2020—2023	11,080,000	2,169,833	13,249,833
	<b>\$ 46,055,000</b>	<b>\$ 13,664,632</b>	<b>\$ 59,719,632</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
**(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**

On July 8, 1999, the City issued Electric Revenue Warrants, Series 1999 in the amount of \$11,280,000 with interest rates ranging from 4.10% to 5.25% for capital improvements including the construction of electrical substations, construction of administrative offices at the warehouse, and replacement of underground high voltage cable. 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 25, 2009, these warrants were currently refunded with the issuance of the Electric Revenue Refunding Warrants, Series 2009.

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, 2009, 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.

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, 2009, 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, 2009**  
(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, 2009**  
**(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 beginning on August 15, 2009. Interest is payable semi-annually on each February 15 and August 15, beginning in February 2009. As of June 30, 2009, the remaining balance of the warrants to be requested from ADEM was \$2,554,440.

All interest costs were expensed for the fiscal year.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(Continued)

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

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

Year Ending June 30	Business-type Activities					
	Totals—Electricity Department			Totals—Gas Department		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2010	\$ 265,000	\$ 215,405	\$ 480,405	\$ 300,000	\$ 153,580	\$ 453,580
2011	705,000	211,430	916,430	310,000	140,680	450,680
2012	710,000	196,625	906,625	325,000	127,040	452,040
2013	730,000	179,585	909,585	340,000	112,415	452,415
2014	745,000	161,335	906,335	360,000	96,775	456,775
2015—2019	4,095,000	443,517	4,538,517	1,615,000	202,615	1,817,615
2020—2024			—			—
2025—2029			—			—
Totals	\$ 7,250,000	\$ 1,407,897	\$ 8,657,897	\$ 3,250,000	\$ 833,105	\$ 4,083,105

Year Ending June 30	Totals—Water and Wastewater Department			Totals—Business-type Activities		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
	2010	\$ 4,410,000	\$ 1,919,279	\$ 6,329,279	\$ 4,975,000	\$ 2,288,264
2011	4,595,000	1,876,609	6,471,609	5,610,000	2,228,719	7,838,719
2012	4,160,000	1,683,588	5,843,588	5,195,000	2,007,253	7,202,253
2013	3,675,000	1,535,623	5,210,623	4,745,000	1,827,623	6,572,623
2014	3,810,000	1,400,082	5,210,082	4,915,000	1,658,192	6,573,192
2015—2019	21,295,000	4,783,950	26,078,950	27,005,000	5,430,082	32,435,082
2020—2024	11,835,000	1,295,817	13,130,817	11,835,000	1,295,817	13,130,817
2025—2029	3,600,000	353,912	3,953,912	3,600,000	353,912	3,953,912
Totals	\$ 57,380,000	\$ 14,848,860	\$ 72,228,860	\$ 67,880,000	\$ 17,089,862	\$ 84,969,862

Less: amount of SRF funds available for disbursement	2,554,440	2,554,440
Total long-term debt as reported in the financial statements	<u>\$ 54,825,560</u>	<u>\$ 65,325,560</u>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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 \$5,550,000 as of September 30, 2009. 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, 2009 of \$1,898,196 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 \$370,804 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 2009. The City has used 84 percent of the estimated capacity of the landfill as of September 30, 2009, 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, 2009**  
(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	\$ 3,605,457
Interest on net pension obligation	(79,211)
Adjustment to annual required contribution	<u>(126,482)</u>
Annual pension cost	\$ 3,399,764
Contributions made	<u>3,866,291</u>
Increase (decrease) in net pension obligation	\$ (466,527)
Net pension obligation—beginning of year	<u>(1,056,142)</u>
Net pension obligation—end of year	<u><u>\$ (1,522,669)</u></u>

**Three-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
October 1, 2008	\$ 3,399,764	113.7%	\$ (1,522,669)
October 1, 2007	3,306,889	104.5%	(1,056,142)
October 1, 2006	3,238,203	98.4%	(907,437)

**Funded Status and Funding Progress**—As of October 1, 2008, the most recent actuarial valuation date, the plan was 85.2% funded. The actuarial accrued liability for benefits was \$78.1 million and the actuarial value of assets was \$66.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26.3 million, and the ratio of the UAAL to the covered payroll was 43.8%.

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, 2009**  
(Continued)

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

**Actuarial Methods and Assumptions**—In the October 1, 2008 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, 2008, was reestablished by the City over thirty (30) years.

**Deferred Compensation Plan**

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

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

**Discretely Presented Component Unit—Library**

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

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

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



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009 was 12.34% of annual covered payroll based on the September 30, 2006 actuarial valuation as adjusted for COLAs granted to retirees.

**Annual Pension Cost**—For the year ended September 30, 2009, the Library's annual pension cost of \$42,981 was equal to the Library's required and actual contributions. The required contribution was determined as part of the September 30, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at September 30, 2006 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, 2006 was for 18 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, 2009	\$42,981	100%	\$0
September 30, 2008	\$38,925	100%	\$0
September 30, 2007	\$31,385	100%	\$0

**Funded Status and Funding Progress**—As of September 30, 2008, the most recent actuarial valuation date, the plan was 57.1% funded. The actuarial accrued liability for benefits was \$828,553 and the actuarial value of assets was \$472,760, resulting in an unfunded actuarial accrued liability (UAAL) of \$355,793. The covered payroll (annual payroll of active employees covered by the plan) was \$309,542 and the ratio of the UAAL to the covered payroll was 114.9%.

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, 2009**  
(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.

Membership of the plan consisted of the following at October 1, 2007, the date of the latest actuarial valuation:

Retirees currently receiving benefits	25
Active employees	680
Total	705

**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. This portion is based on projected payments of benefits on behalf of current participants and is estimated at \$228,450 for the fiscal year. As a result, the annual required contribution was reduced to \$241,527.

**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	\$ 469,977
Interest on prior year net OPEB obligation	—
Adjustment to annual required contribution	—
Annual OPEB cost	\$ 469,977
Contributions made	469,977
Increase (decrease) in net OPEB obligation	\$ —
Net OPEB obligation—beginning of year	—
Net OPEB obligation—end of year	\$ —

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(Continued)

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 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, 2008	\$ 469,977	100.0%	\$ —
September 30, 2007	N/A	N/A	N/A
September 30, 2006	N/A	N/A	N/A

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

***Funded Status and Funding Progress***—As of October 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4.2 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$26.1 million, and the ratio of the UAAL to the covered payroll was 16.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the October 1, 2007 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, 2007 was thirty (30) years.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009, 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 have plans to renovate and utilize 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. The monthly charge has been recomputed to be \$16,781, effective April 1, 2007. 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>
2010	\$ 201,372
2011	201,372
2012	201,372
2013	201,372
2014	201,372
Total	<u>\$ 1,006,860</u>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$1,843,099, which has been computed on a present-value basis using a discount rate of 3.2%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$700,390, 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, 2008	\$ 1,843,099	\$ 700,390
Provision for (adjustment to) claims	1,105,736	203,510
Payment of claims	(1,105,736)	(203,510)
Claims liability, September 30, 2009	\$ 1,843,099	\$ 700,390

At September 30, 2009, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$818,102, \$5,553,269, and \$3,265,008, respectively.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009, 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 \$2,004,881.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
(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, 2009, open contracts for construction totaled \$10,999,447 of which \$10,693,914 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**

In prior years, the Department has advanced refunded various debt issues by irrevocably depositing funds into escrow accounts to provide for the retirement of principal and interest of these issues. These funds consist of essentially risk-free investments in U.S. Government securities. A portion of the debt was loaned from the U.S. Department of Agriculture Rural Utilities Service. The outstanding balance of these defeased debt issues at June 30, 2009 was \$60,000.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**  
**(Continued)**

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

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2009, open contracts for construction totaled \$29,586 of which \$0 had been recorded as construction in progress. As of June 30, 2009, open contracts for system maintenance totaled \$4,746,673 of which \$1,057,156 had been recorded as current maintenance expense.

**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, 2009, the Department had made purchase commitments amounting to \$5,134,188 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, 2009, open contracts for construction totaled \$7,857,680 of which \$7,016,649 had been recorded as construction in progress. As of June 30, 2009, open contracts for system maintenance totaled \$244,123 of which \$82,801 had been recorded as current maintenance expense.

**NOTE 21—SUBSEQUENT EVENT**

**Business-type Activities**

**Solid Waste Fund**

On November 17, 2009, the City Council approved a resolution authorizing the City to enter into a Real Estate Sales Agreement for the purchase of property adjoining the current landfill. The purchase of this property will provide the City with an option to expand the existing landfill for future needs. The agreement contains a 90-day due diligence period, whereby the City may investigate the physical condition, value, development, use, marketability, feasibility, and suitability of the property including environmental compliance, land use, zoning, and other government restrictions. During this 90-day period, the City may elect to terminate the agreement without cause or reason.





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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
<b>Budgetary fund balance—beginning</b>	\$ 11,630,661	\$ 11,630,661	\$ 11,630,661	\$ —
<b>Resources (inflows):</b>				
Taxes:				
Sales, use, and lodging	\$ 27,531,760	\$ 27,531,760	\$ 26,395,736	\$ (1,136,024)
Property	10,812,997	10,812,997	11,116,156	303,159
Motor fuel	410,000	410,000	389,204	(20,796)
Tobacco	260,000	260,000	256,378	(3,622)
Alcoholic beverages	994,500	994,500	1,000,661	6,161
Other	50,000	50,000	155,998	105,998
Total taxes	<u>\$ 40,059,257</u>	<u>\$ 40,059,257</u>	<u>\$ 39,314,133</u>	<u>\$ (745,124)</u>
Licenses and permits:				
Business	\$ 2,906,000	\$ 2,906,000	\$ 2,988,611	\$ 82,611
Non-business	106,000	106,000	111,068	5,068
Total licenses and permits	<u>\$ 3,012,000</u>	<u>\$ 3,012,000</u>	<u>\$ 3,099,679</u>	<u>\$ 87,679</u>
Fines and forfeitures	<u>\$ 1,386,500</u>	<u>\$ 1,386,500</u>	<u>\$ 1,303,156</u>	<u>\$ (83,344)</u>
Charges for services:				
Cultural and recreational	\$ 1,504,350	\$ 1,504,350	\$ 1,505,805	\$ 1,455
Highways and streets	68,000	68,000	61,786	(6,214)
Other	72,750	72,750	98,962	26,212
Total charges for services	<u>\$ 1,645,100</u>	<u>\$ 1,645,100</u>	<u>\$ 1,666,553</u>	<u>\$ 21,453</u>
Intergovernmental	<u>\$ 897,950</u>	<u>\$ 897,950</u>	<u>\$ 877,765</u>	<u>\$ (20,185)</u>
Other:				
Interest	\$ 486,000	\$ 486,000	\$ 172,827	\$ (313,173)
Other	50,000	50,000	254,172	204,172
Total other	<u>\$ 536,000</u>	<u>\$ 536,000</u>	<u>\$ 426,999</u>	<u>\$ (109,001)</u>
Transfers from other funds	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ 303,312</u>	<u>\$ (1,688)</u>
<b>Amounts available for appropriation</b>	<u>\$ 59,472,468</u>	<u>\$ 59,472,468</u>	<u>\$ 58,622,258</u>	<u>\$ (850,210)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration:				
Mayor's office	\$ 281,631	\$ 281,631	\$ 253,985	\$ 27,646
City council	293,248	293,248	256,192	37,056
Urban forestry	239,301	239,301	221,495	17,806
Purchasing and grants administration	187,450	187,450	179,575	7,875
Legal	230,493	230,493	213,739	16,754
Accounting	436,236	436,236	413,175	23,061
City clerk	491,379	491,379	490,837	542
Planning	295,113	295,113	299,549	(4,436)
Human resources	211,848	211,848	226,461	(14,613)
Administrative buildings	600,570	600,570	549,968	50,602
Building	591,164	591,164	574,322	16,842
Engineering	687,125	687,125	583,484	103,641
Total general administration	<u>\$ 4,545,558</u>	<u>\$ 4,545,558</u>	<u>\$ 4,262,782</u>	<u>\$ 282,776</u>

**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**  
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 7,837,874	\$ 7,837,874	\$ 7,715,452	\$ 122,422
Jail	550,000	550,000	376,154	173,846
Municipal court	453,463	453,463	404,551	48,912
Animal control	312,944	313,019	325,414	(12,395)
Fire	6,140,740	6,140,740	6,176,467	(35,727)
Total public safety	<u>\$ 15,295,021</u>	<u>\$ 15,295,096</u>	<u>\$ 14,998,038</u>	<u>\$ 297,058</u>
Public works:				
Streets	\$ 3,209,648	\$ 3,209,648	\$ 3,094,618	\$ 115,030
Municipal lighting and utilities	978,215	978,215	985,549	(7,334)
Cemetery	251,532	251,532	210,421	41,111
Parking deck facility	86,565	86,565	83,175	3,390
Total public works	<u>\$ 4,525,960</u>	<u>\$ 4,525,960</u>	<u>\$ 4,373,763</u>	<u>\$ 152,197</u>
Culture and recreation:				
Parks and recreation administration	\$ 1,552,729	\$ 1,552,729	\$ 1,656,937	\$ (104,208)
Parks	2,742,616	2,742,616	2,717,254	25,362
Golf course	1,034,930	1,034,930	1,072,016	(37,086)
Braly municipal stadium	241,278	241,278	243,803	(2,525)
Arts and museums	292,664	292,664	269,872	22,792
Total culture and recreation	<u>\$ 5,864,217</u>	<u>\$ 5,864,217</u>	<u>\$ 5,959,882</u>	<u>\$ (95,665)</u>
Nondepartmental:				
Other	\$ 1,277,500	\$ 1,287,500	\$ 1,487,581	\$ (200,081)
Education—funding for school district	6,953,540	6,953,540	6,855,050	98,490
Transfers to other funds	9,322,310	9,322,310	8,894,108	428,202
Total nondepartmental	<u>\$ 17,553,350</u>	<u>\$ 17,563,350</u>	<u>\$ 17,236,739</u>	<u>\$ 326,611</u>
<b>Total charges to appropriations</b>	<u>\$ 47,784,106</u>	<u>\$ 47,794,181</u>	<u>\$ 46,831,204</u>	<u>\$ 962,977</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 11,688,362</u>	<u>\$ 11,678,287</u>	<u>\$ 11,791,054</u>	<u>\$ 112,767</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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	\$ 58,622,258
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	(11,630,661)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(303,312)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 46,688,285</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 46,831,204
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(8,894,108)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 37,937,096</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, 2009:

General administration:

Planning	\$ 4,436
Human resources	14,613

Public safety:

Animal control	12,395
Fire	35,727

Public works:

Municipal lighting and utilities	7,334
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Culture and recreation:

Parks and recreation administration	104,208
Golf course	37,086
Braly municipal stadium	2,525

Nondepartmental:

Other	200,081
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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**

**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)— Entry Age (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>
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%
October 1, 2006	61,149,457	72,170,897	11,021,440	84.7%	24,300,964	45.4%



**CITY OF FLORENCE, ALABAMA**

**Schedule of Funding Progress**

<b>Postretirement Benefits 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>
October 1, 2007	\$ —	\$ 4,186,288	\$ 4,186,288	0.0%	\$ 26,065,584	16.1%
October 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2005	N/A	N/A	N/A	N/A	N/A	N/A

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

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Funding Progress

Employees' Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)—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)
September 30, 2008	\$ 472,760	\$ 828,553	\$ 355,793	57.1%	\$ 309,542	114.9%
September 30, 2007	458,731	853,174	394,443	53.8%	325,544	121.5%
September 30, 2006	411,480	783,418	371,938	52.5%	323,525	115.0%

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

<b>Postretirement Benefits Plan</b>		
Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
September 30, 2008	\$ 469,977	100.0%
September 30, 2007	N/A	N/A
September 30, 2006	N/A	N/A

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

## **SUPPLEMENTARY INFORMATION**



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**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	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	\$ 502,288	\$ 214,612	\$ 300,546	\$ 12,279	\$	\$ 55,246	\$ 2,918,223	\$ 16,320	\$ 133,726	\$ 188,855
Receivables (net)	13,065	11,315	27,761	29,816			230,523		32,527	5,369
Accrued interest receivable	252	173					244			
Loan receivables (net)						529,011	89,206			
Interfund receivables				4,082	54,478		478,335	200		
Restricted cash and investments										
<b>Total assets</b>	<u>\$ 515,605</u>	<u>\$ 226,100</u>	<u>\$ 328,307</u>	<u>\$ 46,177</u>	<u>\$ 54,478</u>	<u>\$ 584,257</u>	<u>\$ 3,716,531</u>	<u>\$ 16,520</u>	<u>\$ 166,253</u>	<u>\$ 194,224</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$ 1,778			\$ 15,017			\$ 1,684,265	\$ 16,388	\$ 151,531	\$ 115,402
Interfund payables		122		16,042		81,960	3,200,000	4,082		78,822
<b>Total liabilities</b>	<u>\$ 1,778</u>	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 31,059</u>	<u>\$ —</u>	<u>\$ 81,960</u>	<u>\$ 4,884,265</u>	<u>\$ 20,470</u>	<u>\$ 151,531</u>	<u>\$ 194,224</u>
<b>Fund balances</b>										
Reserved for:										
Other purposes-nonexpendable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt service										
Unreserved, reported in:										
Special revenue funds	513,827	225,978	328,307	15,118	54,478	502,297	(1,167,734)	(3,950)	14,722	
Capital project funds										
<b>Total fund balances</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>Total liabilities and fund balance</b>	<u>\$ 515,605</u>	<u>\$ 226,100</u>	<u>\$ 328,307</u>	<u>\$ 46,177</u>	<u>\$ 54,478</u>	<u>\$ 584,257</u>	<u>\$ 3,716,531</u>	<u>\$ 16,520</u>	<u>\$ 166,253</u>	<u>\$ 194,224</u>

**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009  
(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	Series 2007 G.O. Warrants			Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ 4,023	\$ 4,346,118	\$	\$ 743,850	\$ 1,631,622	\$ 166,601	\$	\$ 2,542,073	\$ 238,495	\$ 7,126,686
Receivables (net)	73,308	423,684						—		423,684
Accrued interest receivable		669		417	828			1,245		1,914
Loan receivables (net)		618,217						—		618,217
Interfund receivables		537,095						—		537,095
Restricted cash and investments		—	18,471					—		18,471
<b>Total assets</b>	<b>\$ 77,331</b>	<b>\$ 5,925,783</b>	<b>\$ 18,471</b>	<b>\$ 744,267</b>	<b>\$ 1,632,450</b>	<b>\$ 166,601</b>	<b>\$ —</b>	<b>\$ 2,543,318</b>	<b>\$ 238,495</b>	<b>\$ 8,726,067</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$ 14,803	\$ 1,999,184	\$ 7,062	\$ 18,000	\$	\$ 128,421	\$	\$ 146,421	\$	\$ 2,152,667
Interfund payables	43,482	3,424,510				70,855		70,855	168	3,495,533
<b>Total liabilities</b>	<b>\$ 58,285</b>	<b>\$ 5,423,694</b>	<b>\$ 7,062</b>	<b>\$ 18,000</b>	<b>\$ —</b>	<b>\$ 199,276</b>	<b>\$ —</b>	<b>\$ 217,276</b>	<b>\$ 168</b>	<b>\$ 5,648,200</b>
<b>Fund balances</b>										
Reserved for:										
Other purposes-nonexpendable	\$	\$ —	\$	\$	\$	\$	\$	\$ —	\$ 238,327	\$ 238,327
Debt service		—	11,409					—		11,409
Unreserved, reported in:										
Special revenue funds	19,046	502,089						—		502,089
Capital project funds		—		726,267	1,632,450	(32,675)	—	2,326,042		2,326,042
<b>Total fund balances</b>	<b>\$ 19,046</b>	<b>\$ 502,089</b>	<b>\$ 11,409</b>	<b>\$ 726,267</b>	<b>\$ 1,632,450</b>	<b>\$ (32,675)</b>	<b>\$ —</b>	<b>\$ 2,326,042</b>	<b>\$ 238,327</b>	<b>\$ 3,077,867</b>
<b>Total liabilities and fund balance</b>	<b>\$ 77,331</b>	<b>\$ 5,925,783</b>	<b>\$ 18,471</b>	<b>\$ 744,267</b>	<b>\$ 1,632,450</b>	<b>\$ 166,601</b>	<b>\$ —</b>	<b>\$ 2,543,318</b>	<b>\$ 238,495</b>	<b>\$ 8,726,067</b>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	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	\$ 148,479	\$ 159,001	\$ 320,856	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				180,328		232,380	1,301		142,782	
Interest revenues	3,895	2,014	755	79		44	58,674	38	357	
Program revenues						16,562			18,601	
Miscellaneous				9,210						
<b>Total revenues</b>	<u>\$ 152,374</u>	<u>\$ 161,015</u>	<u>\$ 321,611</u>	<u>\$ 189,617</u>	<u>\$ —</u>	<u>\$ 248,986</u>	<u>\$ 59,975</u>	<u>\$ 38</u>	<u>\$ 161,740</u>	<u>\$ —</u>
<b>EXPENDITURES</b>										
Current operating:										
General administration	\$	\$	\$	\$ 61,581	\$	\$ 49,958	\$ 148,999	\$	\$	\$
Public safety				17,904			188,310	12,222	182,386	
Public works				14,435		120,394	45,836			
Culture and recreation				4,116	6,834		42,727			
Other						129,515				
Education—funding for school district							1,100,299			
Capital outlay and improvements	1,778	33,426		65,950			899,435			
Debt service:										
Principal payments										
Interest and fiscal charges							44,733			
<b>Total expenditures</b>	<u>\$ 1,778</u>	<u>\$ 33,426</u>	<u>\$ —</u>	<u>\$ 163,986</u>	<u>\$ 6,834</u>	<u>\$ 299,867</u>	<u>\$ 2,470,339</u>	<u>\$ 12,222</u>	<u>\$ 182,386</u>	<u>\$ —</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 150,596</u>	<u>\$ 127,589</u>	<u>\$ 321,611</u>	<u>\$ 25,631</u>	<u>\$ (6,834)</u>	<u>\$ (50,881)</u>	<u>\$ (2,410,364)</u>	<u>\$ (12,184)</u>	<u>\$ (20,646)</u>	<u>\$ —</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$	\$	\$	\$	\$	\$	\$ 7,068,546	\$	\$	\$
Proceeds from refunding warrants										
Discount on debt issuance										
Payment to refunded debt escrow agent										
Transfers out	(107,268)	(107,268)	(214,535)				(7,992,638)			
<b>Total other financing sources (uses)</b>	<u>\$ (107,268)</u>	<u>\$ (107,268)</u>	<u>\$ (214,535)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (924,092)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Net change in fund balances</b>	<u>\$ 43,328</u>	<u>\$ 20,321</u>	<u>\$ 107,076</u>	<u>\$ 25,631</u>	<u>\$ (6,834)</u>	<u>\$ (50,881)</u>	<u>\$ (3,334,456)</u>	<u>\$ (12,184)</u>	<u>\$ (20,646)</u>	<u>\$ —</u>
<b>Fund balances—beginning</b>	470,499	205,657	221,231	(10,513)	61,312	553,178	2,166,722	8,234	35,368	
<b>Fund balances—ending</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>



**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(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	Series 2007 G.O. Warrants			Total
<b>REVENUES</b>										
Taxes	\$	\$ 628,336	\$	\$	\$	\$	\$ —	\$	\$ 628,336	
Intergovernmental		556,791		440,539			440,539		997,330	
Interest revenues	86	65,942		2,073	21,338	686	835	24,932	90,874	
Program revenues	292,724	327,887						—	3,406	
Miscellaneous	31	9,241		1,000			1,000		10,241	
<b>Total revenues</b>	<b>\$ 292,841</b>	<b>\$ 1,588,197</b>	<b>\$ —</b>	<b>\$ 443,612</b>	<b>\$ 21,338</b>	<b>\$ 686</b>	<b>\$ 835</b>	<b>\$ 466,471</b>	<b>\$ 3,406</b>	<b>\$ 2,058,074</b>
<b>EXPENDITURES</b>										
Current operating:										
General administration	\$ 363,634	\$ 624,172	\$	\$ 1,000	\$	\$	\$ 1,000	\$	\$ 625,172	
Public safety		400,822					—		400,822	
Public works		180,665					—		180,665	
Culture and recreation		53,677		122		17,286		17,408	71,085	
Other		129,515					—		129,515	
Education—funding for school district		1,100,299					—		1,100,299	
Capital outlay and improvements		1,000,589		139,757		12,158	24,414	176,329	1,176,918	
Debt service:										
Principal payments		—	4,005,000					—	4,005,000	
Interest and fiscal charges		44,733	2,188,722					—	2,233,455	
<b>Total expenditures</b>	<b>\$ 363,634</b>	<b>\$ 3,534,472</b>	<b>\$ 6,193,722</b>	<b>\$ 140,879</b>	<b>\$ —</b>	<b>\$ 29,444</b>	<b>\$ 24,414</b>	<b>\$ 194,737</b>	<b>\$ —</b>	<b>\$ 9,922,931</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (70,793)</b>	<b>\$ (1,946,275)</b>	<b>\$ (6,193,722)</b>	<b>\$ 302,733</b>	<b>\$ 21,338</b>	<b>\$ (28,758)</b>	<b>\$ (23,579)</b>	<b>\$ 271,734</b>	<b>\$ 3,406</b>	<b>\$ (7,864,857)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$ 66,528	\$ 7,135,074	\$ 5,880,744	\$	\$	\$ 4,000,000	\$	\$ 4,000,000	\$	\$ 17,015,818
Proceeds from refunding warrants		—	11,235,000					—		11,235,000
Discount on debt issuance		—	(119,167)					—		(119,167)
Payment to refunded debt escrow agent		—	(10,919,100)					—		(10,919,100)
Transfers out		(8,421,709)						—	(3,313)	(8,425,022)
<b>Total other financing sources (uses)</b>	<b>\$ 66,528</b>	<b>\$ (1,286,635)</b>	<b>\$ 6,077,477</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4,000,000</b>	<b>\$ —</b>	<b>\$ 4,000,000</b>	<b>\$ (3,313)</b>	<b>\$ 8,787,529</b>
<b>Net change in fund balances</b>	<b>\$ (4,265)</b>	<b>\$ (3,232,910)</b>	<b>\$ (116,245)</b>	<b>\$ 302,733</b>	<b>\$ 21,338</b>	<b>\$ 3,971,242</b>	<b>\$ (23,579)</b>	<b>\$ 4,271,734</b>	<b>\$ 93</b>	<b>\$ 922,672</b>
<b>Fund balances—beginning</b>	<b>23,311</b>	<b>3,734,999</b>	<b>127,654</b>	<b>423,534</b>	<b>1,611,112</b>	<b>(4,003,917)</b>	<b>23,579</b>	<b>(1,945,692)</b>	<b>238,234</b>	<b>2,155,195</b>
<b>Fund balances—ending</b>	<b>\$ 19,046</b>	<b>\$ 502,089</b>	<b>\$ 11,409</b>	<b>\$ 726,267</b>	<b>\$ 1,632,450</b>	<b>\$ (32,675)</b>	<b>\$ —</b>	<b>\$ 2,326,042</b>	<b>\$ 238,327</b>	<b>\$ 3,077,867</b>

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2009**

	<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	\$ 573,906	\$ 3,501,339	\$ 1,924,702	\$ 5,999,947
Investments	150,000			150,000
Receivables (net)	94,081	382	39,616	134,079
Accrued interest receivable	115	1,548	690	2,353
Interfund receivables		2,000,000	1,200,000	3,200,000
<b>Total current assets</b>	<b>\$ 818,102</b>	<b>\$ 5,503,269</b>	<b>\$ 3,165,008</b>	<b>\$ 9,486,379</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>\$ 818,102</b>	<b>\$ 5,553,269</b>	<b>\$ 3,265,008</b>	<b>\$ 9,636,379</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 6,901	\$ 99,273	\$ 110,368	\$ 216,542
Noncurrent liabilities				
Claims reserve		700,390	1,843,099	2,543,489
<b>Total liabilities</b>	<b>\$ 6,901</b>	<b>\$ 799,663</b>	<b>\$ 1,953,467</b>	<b>\$ 2,760,031</b>
<b>NET ASSETS</b>				
Restricted for:				
Other purposes	\$ —	\$ 50,000	\$ 100,000	\$ 150,000
Unrestricted	811,201	4,703,606	1,211,541	6,726,348
<b>Total net assets</b>	<b>\$ 811,201</b>	<b>\$ 4,753,606</b>	<b>\$ 1,311,541</b>	<b>\$ 6,876,348</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, 2009**

	<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	\$ 696,675	\$ 325,176	\$ 466,308	\$ 1,488,159
<b>Total operating revenues</b>	<u>\$ 696,675</u>	<u>\$ 325,176</u>	<u>\$ 466,308</u>	<u>\$ 1,488,159</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 679,399	\$ 203,510	\$ 1,105,736	\$ 1,988,645
Operations and administration	18,371	242,900	87,161	348,432
<b>Total operating expenses</b>	<u>\$ 697,770</u>	<u>\$ 446,410</u>	<u>\$ 1,192,897</u>	<u>\$ 2,337,077</u>
<b>Operating income (loss)</b>	<u>\$ (1,095)</u>	<u>\$ (121,234)</u>	<u>\$ (726,589)</u>	<u>\$ (848,918)</u>
<b>Non-operating revenues (expenses)</b>				
Interest revenues	6,268	70,157	48,902	125,327
<b>Change in net assets</b>	<u>\$ 5,173</u>	<u>\$ (51,077)</u>	<u>\$ (677,687)</u>	<u>\$ (723,591)</u>
<b>Net assets—beginning</b>	806,028	4,804,683	1,989,228	7,599,939
<b>Net assets—ending</b>	<u><u>\$ 811,201</u></u>	<u><u>\$ 4,753,606</u></u>	<u><u>\$ 1,311,541</u></u>	<u><u>\$ 6,876,348</u></u>

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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	\$ 606,235	\$ 324,794	\$ 426,692	\$ 1,357,721
Payments to suppliers	(769,723)	(343,877)	(1,208,076)	(2,321,676)
Payments to employees for services and benefits		(35,201)		(35,201)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (163,488)</b>	<b>\$ (54,284)</b>	<b>\$ (781,384)</b>	<b>\$ (999,156)</b>
<b>Cash flows from investing activities</b>				
Interest on investments	\$ 7,574	\$ 76,785	\$ 57,077	\$ 141,436
Due to (from) other funds	(28,178)	502,940	300,000	774,762
<b>Net cash provided (used) by investing activities</b>	<b>\$ (20,604)</b>	<b>\$ 579,725</b>	<b>\$ 357,077</b>	<b>\$ 916,198</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (184,092)</b>	<b>\$ 525,441</b>	<b>\$ (424,307)</b>	<b>\$ (82,958)</b>
<b>Cash and cash equivalents—beginning</b>	<b>907,998</b>	<b>3,025,898</b>	<b>2,449,009</b>	<b>6,382,905</b>
<b>Cash and cash equivalents—ending</b>	<b>\$ 723,906</b>	<b>\$ 3,551,339</b>	<b>\$ 2,024,702</b>	<b>\$ 6,299,947</b>
<b><i>Classified as:</i></b>				
Current assets	\$ 723,906	\$ 3,501,339	\$ 1,924,702	\$ 6,149,947
Restricted assets		50,000	100,000	150,000
<b>Totals</b>	<b>\$ 723,906</b>	<b>\$ 3,551,339</b>	<b>\$ 2,024,702</b>	<b>\$ 6,299,947</b>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i></b>				
Operating income (loss)	\$ (1,095)	\$ (121,234)	\$ (726,589)	\$ (848,918)
<b>Changes in assets and liabilities</b>				
Receivables (net)	\$ (90,440)	\$ (382)	\$ (39,616)	\$ (130,438)
Accounts payable and accrued expenses	(71,953)	67,332	(15,179)	(19,800)
<b>Total adjustments</b>	<b>\$ (162,393)</b>	<b>\$ 66,950</b>	<b>\$ (54,795)</b>	<b>\$ (150,238)</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (163,488)</b>	<b>\$ (54,284)</b>	<b>\$ (781,384)</b>	<b>\$ (999,156)</b>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .07) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 470,499	\$ 470,499	\$ 470,499	\$ —
<b>Resources (inflows):</b>				
Taxes	152,000	152,000	148,479	(3,521)
Interest revenues	5,000	5,000	3,895	(1,105)
<b>Amounts available for appropriation</b>	<u>\$ 627,499</u>	<u>\$ 627,499</u>	<u>\$ 622,873</u>	<u>\$ (4,626)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 49,732	\$ 49,732	\$ 1,778	\$ 47,954
Transfers to other funds	107,268	107,268	107,268	—
<b>Total charges to appropriations</b>	<u>\$ 157,000</u>	<u>\$ 157,000</u>	<u>\$ 109,046</u>	<u>\$ 47,954</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 470,499</u>	<u>\$ 470,499</u>	<u>\$ 513,827</u>	<u>\$ 43,328</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	\$ 622,873
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	(470,499)
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>\$ 152,374</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 109,046
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(107,268)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,778</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .04) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 205,657	\$ 205,657	\$ 205,657	\$ —
<b>Resources (inflows):</b>				
Taxes	167,000	167,000	159,001	(7,999)
Interest revenues	3,000	3,000	2,014	(986)
<b>Amounts available for appropriation</b>	<u>\$ 375,657</u>	<u>\$ 375,657</u>	<u>\$ 366,672</u>	<u>\$ (8,985)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 62,732	\$ 62,732	\$ 33,426	\$ 29,306
Transfers to other funds	107,268	107,268	107,268	—
<b>Total charges to appropriations</b>	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 140,694</u>	<u>\$ 29,306</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 205,657</u>	<u>\$ 205,657</u>	<u>\$ 225,978</u>	<u>\$ 20,321</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	\$ 366,672
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	(205,657)
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>\$ 161,015</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 140,694
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(107,268)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 33,426</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COUNTY GAS TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 221,231	\$ 221,231	\$ 221,231	\$ —
<b>Resources (inflows):</b>				
Taxes	340,000	340,000	320,856	(19,144)
Interest revenues	4,000	4,000	755	(3,245)
<b>Amounts available for appropriation</b>	<u>\$ 565,231</u>	<u>\$ 565,231</u>	<u>\$ 542,842</u>	<u>\$ (22,389)</u>
<b>Charges to appropriations (outflows):</b>				
Transfers to other funds	\$ 344,000	\$ 344,000	\$ 214,535	\$ 129,465
<b>Total charges to appropriations</b>	<u>\$ 344,000</u>	<u>\$ 344,000</u>	<u>\$ 214,535</u>	<u>\$ 129,465</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 221,231</u>	<u>\$ 221,231</u>	<u>\$ 328,307</u>	<u>\$ 107,076</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	\$ 542,842
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	(221,231)
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>\$ 321,611</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 214,535
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(214,535)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS GRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ (10,513)	\$ (10,513)	\$ (10,513)	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	65,000	65,000	180,328	115,328
Interest revenues	200	200	79	(121)
Miscellaneous			9,210	9,210
<b>Amounts available for appropriation</b>	<u>\$ 54,687</u>	<u>\$ 54,687</u>	<u>\$ 179,104</u>	<u>\$ 124,417</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$	\$	\$ 61,581	\$ (61,581)
Public safety	55,200	55,200	17,904	37,296
Public works	10,000	10,000	14,435	(4,435)
Culture and recreation			4,116	(4,116)
Capital outlay and improvements			65,950	(65,950)
<b>Total charges to appropriations</b>	<u>\$ 65,200</u>	<u>\$ 65,200</u>	<u>\$ 163,986</u>	<u>\$ (98,786)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (10,513)</u>	<u>\$ (10,513)</u>	<u>\$ 15,118</u>	<u>\$ 25,631</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	\$ 179,104
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	10,513
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>\$ 189,617</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 163,986
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>\$ 163,986</u>

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

The fund incurred expenditures in excess of appropriations of \$98,786 for the year ended September 30, 2009. The excess expenditures were provided for by current year's revenues. These excesses resulted from grants becoming available that were not foreseeable during budget development.



**CITY OF FLORENCE, ALABAMA  
 BUDGETARY COMPARISON SCHEDULE  
 STATE ARTS COUNCIL GRANT FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 61,312	\$ 61,312	\$ 61,312	\$ —
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$ 24,500	\$ 24,500	\$ 6,834	\$ 17,666
<b>Total charges to appropriations</b>	<u>\$ 24,500</u>	<u>\$ 24,500</u>	<u>\$ 6,834</u>	<u>\$ 17,666</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 36,812</u>	<u>\$ 36,812</u>	<u>\$ 54,478</u>	<u>\$ 17,666</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	\$ 61,312
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(61,312)
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	\$ 6,834
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,834</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 553,178	\$ 553,178	\$ 553,178	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	419,121	419,121	232,380	(186,741)
Interest revenues			44	44
Program revenues	60,000	60,000	16,562	(43,438)
<b>Amounts available for appropriation</b>	<u>\$ 1,032,299</u>	<u>\$ 1,032,299</u>	<u>\$ 802,164</u>	<u>\$ (230,135)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 95,121	\$ 95,121	\$ 49,958	\$ 45,163
Public works	88,000	88,000	120,394	(32,394)
Other	294,000	294,000	129,515	164,485
<b>Total charges to appropriations</b>	<u>\$ 477,121</u>	<u>\$ 477,121</u>	<u>\$ 299,867</u>	<u>\$ 177,254</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 555,178</u>	<u>\$ 555,178</u>	<u>\$ 502,297</u>	<u>\$ (52,881)</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	\$ 802,164
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	(553,178)
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>\$ 248,986</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 299,867
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>\$ 299,867</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
1995 CAPITAL SALES TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 2,166,722	\$ 2,166,722	\$ 2,166,722	\$ —
<b>Resources (inflows):</b>				
Intergovernmental			1,301	1,301
Interest revenues	55,000	55,000	58,674	3,674
Transfers from other funds	7,386,570	7,386,570	7,068,546	(318,024)
<b>Amounts available for appropriation</b>	<u>\$ 9,608,292</u>	<u>\$ 9,608,292</u>	<u>\$ 9,295,243</u>	<u>\$ (313,049)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 85,000	\$ 85,000	\$ 148,999	\$ (63,999)
Public safety		191,000	188,310	2,690
Public works		45,905	45,836	69
Culture and recreation	45,000	45,000	42,727	2,273
Other	15,000	15,000		15,000
Education—funding for school district	1,224,135	1,224,135	1,100,299	123,836
Capital outlay and improvements	1,115,585	1,838,495	899,435	939,060
Debt service:				
Interest and fiscal charges	888,000	888,000	44,733	843,267
Transfers to other funds	4,068,850	4,068,850	7,992,638	(3,923,788)
<b>Total charges to appropriations</b>	<u>\$ 7,441,570</u>	<u>\$ 8,401,385</u>	<u>\$ 10,462,977</u>	<u>\$ (2,061,592)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 2,166,722</u>	<u>\$ 1,206,907</u>	<u>\$ (1,167,734)</u>	<u>\$ (2,374,641)</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	\$ 9,295,243
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,166,722)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(7,068,546)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 59,975</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,462,977
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(7,992,638)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 2,470,339</u>

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

The fund incurred expenditures in excess of appropriations of \$2,061,592 for the year ended September 30, 2009. The City plans to fund the excess expenditures through future capital revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG ENFORCEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 8,234	\$ 8,234	\$ 8,234	\$ —
<b>Resources (inflows):</b>				
Interest revenues			38	38
Program revenues	6,500	6,500		(6,500)
<b>Amounts available for appropriation</b>	<u>\$ 14,734</u>	<u>\$ 14,734</u>	<u>\$ 8,272</u>	<u>\$ (6,462)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 6,500	\$ 6,500	\$ 12,222	\$ (5,722)
<b>Total charges to appropriations</b>	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 12,222</u>	<u>\$ (5,722)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 8,234</u>	<u>\$ 8,234</u>	<u>\$ (3,950)</u>	<u>\$ (12,184)</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	\$ 8,272
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	(8,234)
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>\$ 38</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,222
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>\$ 12,222</u>

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

The fund incurred expenditures in excess of appropriations of \$5,722 for the year ended September 30, 2009. The City plans to fund the excess expenditures through future court awarded forfeitures. The fund currently holds seized funds in the amount of \$7,001 pending forfeiture award.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG TASK FORCE GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 35,368	\$ 35,368	\$ 35,368	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	200,000	200,000	142,782	(57,218)
Interest revenues			357	357
Program revenues			18,601	18,601
<b>Amounts available for appropriation</b>	<u>\$ 235,368</u>	<u>\$ 235,368</u>	<u>\$ 197,108</u>	<u>\$ (38,260)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 200,000	\$ 200,000	\$ 182,386	\$ 17,614
<b>Total charges to appropriations</b>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 182,386</u>	<u>\$ 17,614</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 35,368</u>	<u>\$ 35,368</u>	<u>\$ 14,722</u>	<u>\$ (20,646)</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	\$ 197,108
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	(35,368)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 161,740</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 182,386
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>\$ 182,386</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
FLO-LAUD GOVERNMENT BUILDING  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 23,311	\$ 23,311	\$ 23,311	\$ —
<b>Resources (inflows):</b>				
Interest revenues	5,000	5,000	86	(4,914)
Program revenues	244,800	244,800	292,724	47,924
Miscellaneous			31	31
Transfers from other funds			66,528	66,528
<b>Amounts available for appropriation</b>	<u>\$ 273,111</u>	<u>\$ 273,111</u>	<u>\$ 382,680</u>	<u>\$ 109,569</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 318,500	\$ 318,500	\$ 363,634	\$ (45,134)
<b>Total charges to appropriations</b>	<u>\$ 318,500</u>	<u>\$ 318,500</u>	<u>\$ 363,634</u>	<u>\$ (45,134)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (45,389)</u>	<u>\$ (45,389)</u>	<u>\$ 19,046</u>	<u>\$ 64,435</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 382,680
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	(23,311)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(66,528)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 292,841</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 363,634
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>\$ 363,634</u>

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

The fund incurred expenditures in excess of appropriations of \$45,134 for the year ended September 30, 2009. The excess expenditures were provided for by available fund balance in the fund and current year's revenues.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 127,654	\$ 127,654	\$ 127,654	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds	6,087,398	6,087,398	5,880,744	(206,654)
Proceeds from refunding warrants			11,235,000	11,235,000
<b>Amounts available for appropriation</b>	<u>\$ 6,215,052</u>	<u>\$ 6,215,052</u>	<u>\$ 17,243,398</u>	<u>\$ 11,028,346</u>
<b>Charges to appropriations (outflows):</b>				
Debt service:				
Principal payments	\$ 4,005,000	\$ 4,005,000	\$ 4,005,000	\$ —
Interest and fiscal charges	2,080,398	2,082,398	2,188,722	(106,324)
Discount on debt issuance			119,167	(119,167)
Payment to refunded debt escrow agent			10,919,100	(10,919,100)
<b>Total charges to appropriations</b>	<u>\$ 6,085,398</u>	<u>\$ 6,087,398</u>	<u>\$ 17,231,989</u>	<u>\$ (11,144,591)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 129,654</u>	<u>\$ 127,654</u>	<u>\$ 11,409</u>	<u>\$ (116,245)</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 17,243,398
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	(127,654)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,880,744)
Proceeds from refunding warrants are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(11,235,000)</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	\$ 17,231,989
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Payment of debt issuance discount is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	(119,167)
Payment to refunded debt escrow agent is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	<u>(10,919,100)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 6,193,722</u>

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

The fund incurred expenditures in excess of appropriations of \$11,144,591 for the year ended September 30, 2009. The excess expenditures were provided for by available fund balance in the fund and proceeds from refunding warrants.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 423,534	\$ 423,534	\$ 423,534	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	250,530	268,530	440,539	172,009
Interest revenues	9,000	9,000	2,073	(6,927)
Miscellaneous			1,000	1,000
<b>Amounts available for appropriation</b>	<u>\$ 683,064</u>	<u>\$ 701,064</u>	<u>\$ 867,146</u>	<u>\$ 166,082</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$	\$	\$ 1,000	\$ (1,000)
Culture and recreation	18,600	36,600	122	36,478
Capital outlay and improvements	240,930	240,930	139,757	101,173
<b>Total charges to appropriations</b>	<u>\$ 259,530</u>	<u>\$ 277,530</u>	<u>\$ 140,879</u>	<u>\$ 136,651</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 423,534</u>	<u>\$ 423,534</u>	<u>\$ 726,267</u>	<u>\$ 302,733</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	\$ 867,146
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	(423,534)
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>\$ 443,612</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 140,879
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>\$ 140,879</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ 1,611,112	\$ 1,611,112	\$ 1,611,112	\$ —
<b>Resources (inflows):</b>				
Interest revenues	51,000	51,000	21,338	(29,662)
<b>Amounts available for appropriation</b>	<u>\$ 1,662,112</u>	<u>\$ 1,662,112</u>	<u>\$ 1,632,450</u>	<u>\$ (29,662)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 250,000	\$ 250,000	\$ —	\$ 250,000
<b>Total charges to appropriations</b>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ —</u>	<u>\$ 250,000</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 1,412,112</u>	<u>\$ 1,412,112</u>	<u>\$ 1,632,450</u>	<u>\$ 220,338</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	\$ 1,632,450
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	(1,611,112)
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>\$ 21,338</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  
BUDGETARY COMPARISON SCHEDULE  
SERIES 2003-B G.O. WARRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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>	\$ (4,003,917)	\$ (4,003,917)	\$ (4,003,917)	\$ —
<b>Resources (inflows):</b>				
Interest revenues			686	686
Transfers from other funds			4,000,000	4,000,000
<b>Amounts available for appropriation</b>	<u>\$ (4,003,917)</u>	<u>\$ (4,003,917)</u>	<u>\$ (3,231)</u>	<u>\$ 4,000,686</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$	\$	\$ 17,286	\$ (17,286)
Capital outlay and improvements			12,158	(12,158)
<b>Total charges to appropriations</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,444</u>	<u>\$ (29,444)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ (4,003,917)</u>	<u>\$ (4,003,917)</u>	<u>\$ (32,675)</u>	<u>\$ 3,971,242</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	\$ (3,231)
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	4,003,917
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(4,000,000)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 686</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 29,444
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>\$ 29,444</u>

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

The fund incurred expenditures in excess of appropriations of \$29,444 for the year ended September 30, 2009. The City plans to fund the excess expenditures through an operating transfer from the 1995 Capital Sales Tax Fund in fiscal year 2010 to close out the projects financed by this debt issue.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
SERIES 2007 G.O. WARRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 23,579	\$ 23,579	\$ 23,579	\$ —
<b>Resources (inflows):</b>				
Interest revenues			835	835
<b>Amounts available for appropriation</b>	\$ 23,579	\$ 23,579	\$ 24,414	\$ 835
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 1,500,000	\$ 1,500,000	\$ 24,414	\$ 1,475,586
<b>Total charges to appropriations</b>	\$ 1,500,000	\$ 1,500,000	\$ 24,414	\$ 1,475,586
<b>Budgetary fund balance—ending</b>	\$ (1,476,421)	\$ (1,476,421)	\$ —	\$ 1,476,421

**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	\$ 24,414
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	(23,579)
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>\$ 835</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 24,414
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>\$ 24,414</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY PERPETUAL CARE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 238,234	\$ 238,234	\$ 238,234	\$ —
<b>Resources (inflows):</b>				
Program revenues	7,500	7,500	3,406	(4,094)
<b>Amounts available for appropriation</b>	<u>\$ 245,734</u>	<u>\$ 245,734</u>	<u>\$ 241,640</u>	<u>\$ (4,094)</u>
<b>Charges to appropriations (outflows):</b>				
Transfers to other funds	\$ 5,000	\$ 5,000	\$ 3,313	\$ 1,687
<b>Total charges to appropriations</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 3,313</u>	<u>\$ 1,687</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 240,734</u>	<u>\$ 240,734</u>	<u>\$ 238,327</u>	<u>\$ (2,407)</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 241,640
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	(238,234)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 3,406</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,313
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,313)</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 111,332,000	\$ 117,470,000	\$ 117,473,375	\$ 3,375
Other	670,000	670,000	614,518	(55,482)
<b>Total operating revenues</b>	<u>\$ 112,002,000</u>	<u>\$ 118,140,000</u>	<u>\$ 118,087,893</u>	<u>\$ (52,107)</u>
<b>Operating expenses</b>				
Costs of sales	\$ 91,117,000	\$ 95,480,000	\$ 96,575,631	\$ (1,095,631)
Operations, maintenance, and administration	12,225,200	12,070,200	12,794,255	(724,055)
Depreciation	4,500,000	4,500,000	3,022,170	1,477,830
Taxes and tax equivalents	2,850,800	2,964,800	2,939,195	25,605
<b>Total operating expenses</b>	<u>\$ 110,693,000</u>	<u>\$ 115,015,000</u>	<u>\$ 115,331,251</u>	<u>\$ (316,251)</u>
<b>Operating income (loss)</b>	<u>\$ 1,309,000</u>	<u>\$ 3,125,000</u>	<u>\$ 2,756,642</u>	<u>\$ (368,358)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 156,000	\$ 117,000	\$ 98,152	\$ (18,848)
Merchandising revenues (net of costs)	130,000	66,000	122,033	56,033
Interest expense	(385,100)	(385,100)	(387,232)	(2,132)
Amortization of debt discount and costs	(19,100)	(19,100)	(19,337)	(237)
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (118,200)</u>	<u>\$ (221,200)</u>	<u>\$ (186,384)</u>	<u>\$ 34,816</u>
<b>Change in net assets</b>	<u>\$ 1,190,800</u>	<u>\$ 2,903,800</u>	<u>\$ 2,570,258</u>	<u>\$ (333,542)</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 31,905,000	\$ 25,925,000	\$ 25,758,184	\$ (166,816)
Other	13,100	13,100	13,056	(44)
<b>Total operating revenues</b>	<b>\$ 31,918,100</b>	<b>\$ 25,938,100</b>	<b>\$ 25,771,240</b>	<b>\$ (166,860)</b>
<b>Operating expenses</b>				
Costs of sales	\$ 23,975,000	\$ 17,770,000	\$ 17,678,749	\$ 91,251
Operations, maintenance, and administration	4,319,400	4,316,800	4,192,530	124,270
Depreciation	1,440,000	1,400,000	1,386,401	13,599
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,614,800	1,564,800	1,557,710	7,090
<b>Total operating expenses</b>	<b>\$ 31,359,900</b>	<b>\$ 25,062,300</b>	<b>\$ 24,826,051</b>	<b>\$ 236,249</b>
<b>Operating income (loss)</b>	<b>\$ 558,200</b>	<b>\$ 875,800</b>	<b>\$ 945,189</b>	<b>\$ 69,389</b>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 185,000	\$ 95,000	\$ 92,438	\$ (2,562)
Gain (loss) on disposal of capital assets	3,000	3,000		(3,000)
Miscellaneous nonoperating income	7,500	7,500	30,933	23,433
Interest expense	(164,900)	(164,900)	(164,814)	86
Amortization of debt discount and costs	(9,800)	(9,800)	(9,746)	54
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 20,800</b>	<b>\$ (69,200)</b>	<b>\$ (51,189)</b>	<b>\$ 18,011</b>
<b>Change in net assets</b>	<b>\$ 579,000</b>	<b>\$ 806,600</b>	<b>\$ 894,000</b>	<b>\$ 87,400</b>

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 17,761,237	\$ 17,061,200	\$ 16,843,721	\$ (217,479)
Other	257,100	218,300	216,996	(1,304)
<b>Total operating revenues</b>	<u>\$ 18,018,337</u>	<u>\$ 17,279,500</u>	<u>\$ 17,060,717</u>	<u>\$ (218,783)</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 8,251,170	\$ 8,146,070	\$ 8,461,776	\$ (315,706)
Depreciation	2,527,100	2,527,100	2,654,526	(127,426)
Taxes and tax equivalents	1,562,422	1,517,922	1,445,953	71,969
<b>Total operating expenses</b>	<u>\$ 12,340,692</u>	<u>\$ 12,191,092</u>	<u>\$ 12,562,255</u>	<u>\$ (371,163)</u>
<b>Operating income (loss)</b>	<u>\$ 5,677,645</u>	<u>\$ 5,088,408</u>	<u>\$ 4,498,462</u>	<u>\$ (589,946)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 288,400	\$ 203,900	\$ 190,245	\$ (13,655)
Gain (loss) on disposal of capital assets			(4,864)	(4,864)
Interest expense	(1,995,000)	(1,995,000)	(2,003,269)	(8,269)
Amortization of debt discount and costs	(29,851)	(57,900)	(57,833)	67
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (1,736,451)</u>	<u>\$ (1,849,000)</u>	<u>\$ (1,875,721)</u>	<u>\$ (26,721)</u>
<b>Change in net assets</b>	<u>\$ 3,941,194</u>	<u>\$ 3,239,408</u>	<u>\$ 2,622,741</u>	<u>\$ (616,667)</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 4,158,000	\$ 4,158,000	\$ 4,034,939	\$ (123,061)
Other	6,000	6,000	4,695	(1,305)
<b>Total operating revenues</b>	<b>\$ 4,164,000</b>	<b>\$ 4,164,000</b>	<b>\$ 4,039,634</b>	<b>\$ (124,366)</b>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 3,507,282	\$ 3,507,282	\$ 3,422,410	\$ 84,872
Depreciation	671,910	671,910	654,737	17,173
Taxes and tax equivalents	123,810	123,810	120,087	3,723
<b>Total operating expenses</b>	<b>\$ 4,303,002</b>	<b>\$ 4,303,002</b>	<b>\$ 4,197,234</b>	<b>\$ 105,768</b>
<b>Operating income (loss)</b>	<b>\$ (139,002)</b>	<b>\$ (139,002)</b>	<b>\$ (157,600)</b>	<b>\$ (18,598)</b>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 130,000	\$ 130,000	\$ 71,879	\$ (58,121)
Gain (loss) on disposal of capital assets	10,000	10,000	23,370	13,370
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>\$ 95,249</b>	<b>\$ (44,751)</b>
<b>Change in net assets</b>	<b>\$ 998</b>	<b>\$ 998</b>	<b>\$ (62,351)</b>	<b>\$ (63,349)</b>



**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, 2009**

	<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	\$	\$	\$ 696,675	\$ 696,675
<b>Total operating revenues</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 696,675</u>	<u>\$ 696,675</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 390,500	\$ 390,500	\$ 679,399	\$ (288,899)
Operations and administration	27,500	27,500	18,371	9,129
<b>Total operating expenses</b>	<u>\$ 418,000</u>	<u>\$ 418,000</u>	<u>\$ 697,770</u>	<u>\$ (279,770)</u>
<b>Operating income (loss)</b>	<u>\$ (418,000)</u>	<u>\$ (418,000)</u>	<u>\$ (1,095)</u>	<u>\$ 416,905</u>
<b>Nonoperating revenues</b>				
Interest revenues	40,000	40,000	6,268	(33,732)
<b>Change in net assets</b>	<u>\$ (378,000)</u>	<u>\$ (378,000)</u>	<u>\$ 5,173</u>	<u>\$ 383,173</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 325,000	\$ 325,000	\$ 325,176	\$ 176
<b>Total operating revenues</b>	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 325,176</u>	<u>\$ 176</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 280,000	\$ 280,000	\$ 203,510	\$ 76,490
Operations and administration	175,000	175,000	242,900	(67,900)
<b>Total operating expenses</b>	<u>\$ 455,000</u>	<u>\$ 455,000</u>	<u>\$ 446,410</u>	<u>\$ 8,590</u>
<b>Operating income (loss)</b>	<u>\$ (130,000)</u>	<u>\$ (130,000)</u>	<u>\$ (121,234)</u>	<u>\$ 8,766</u>
<b>Nonoperating revenues</b>				
Interest revenues	130,000	130,000	70,157	(59,843)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (51,077)</u>	<u>\$ (51,077)</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Operating revenues</b>				
User charges	\$ 466,455	\$ 466,455	\$ 466,308	\$ (147)
<b>Total operating revenues</b>	<u>\$ 466,455</u>	<u>\$ 466,455</u>	<u>\$ 466,308</u>	<u>\$ (147)</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 487,955	\$ 487,955	\$ 1,105,736	\$ (617,781)
Operations and administration	113,500	113,500	87,161	26,339
<b>Total operating expenses</b>	<u>\$ 601,455</u>	<u>\$ 601,455</u>	<u>\$ 1,192,897</u>	<u>\$ (591,442)</u>
<b>Operating income (loss)</b>	<u>\$ (135,000)</u>	<u>\$ (135,000)</u>	<u>\$ (726,589)</u>	<u>\$ (591,589)</u>
<b>Nonoperating revenues</b>				
Interest revenues	135,000	135,000	48,902	(86,098)
<b>Change in net assets</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (677,687)</u>	<u>\$ (677,687)</u>



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# **SINGLE AUDIT SECTION**

**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<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>Appalachian Regional Commission:</u></b>			
<i>Direct program:</i>			
Appalachian Area Development	23.002	AL-15873-08	\$ 20,906
Total Appalachian Regional Commission			<u>\$ 20,906</u>
<b><u>Department of Housing and Urban Development:</u></b>			
<i>Direct programs:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-01-0003	\$ (18)
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-01-0003	54,635
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-01-0003	170,770
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-01-0003	51,854
Subtotal			<u>\$ 277,241</u>
Community Development Block Grants—Section 108 Loan Guarantees	14.248	B-94-MC-01-0003	468
Total direct programs			<u>\$ 277,709</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-07-001	26,587
Emergency Shelter Grants Program (Note 2)	14.231	ESG-08-002	109,631
Total pass-through program			<u>\$ 136,218</u>
Total Department of Housing and Urban Development			<u>\$ 413,927</u>
<b><u>Department of Justice:</u></b>			
<i>Direct program:</i>			
Bulletproof Vest Partnership Program	16.607	2007BUBX07039633	\$ 4,302
Total direct program			<u>\$ 4,302</u>
<i>Pass-through program from—</i>			
<i>Alabama Department of Economic and Community Affairs:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DJ-01-022	\$ 43,673
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DJ-01-038	55,436
<i>Lauderdale County Commission:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0692	13,124
Total pass-through program			<u>\$ 112,233</u>
Total Department of Justice			<u>\$ 116,535</u>
<b><u>Environmental Protection Agency:</u></b>			
<i>Direct program:</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	95407508-0	\$ 42,484
Total Environmental Protection Agency			<u>\$ 42,484</u>
<b><u>Department of Homeland Security:</u></b>			
<i>Pass-through program from—</i>			
<i>Alabama Emergency Management Agency:</i>			
Hazard Mitigation Grant	97.039	07-11-605-S	\$ 18,636
Total Department of Homeland Security			<u>\$ 18,636</u>

**CITY OF FLORENCE, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**  
(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>Alabama Department of Transportation:</i>			
Highway Planning and Construction	20.205	STPTE-TE03(908)	\$ 1,301
<i>North Alabama Highway Safety Office:</i>			
State and Community Highway Safety	20.600	09-SP-PT-001	4,488
Safety Belt Performance Grants	20.609	07-HS-K4-016	1,312
Total Department of Transportation			<u>\$ 7,101</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		\$ 7,456
Total General Services Administration			<u>\$ 7,456</u>
Total Expenditures of Federal Awards			<u><u>\$ 627,045</u></u>

**CITY OF FLORENCE, ALABAMA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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>136,218</u>





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Charles L. Watkins, 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, 2009, which collectively comprise the City of Florence, Alabama's basic financial statements and have issued our report thereon dated February 19, 2010. 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, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Florence, Alabama's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Florence, Alabama's financial statements that is more than inconsequential will not be prevented or detected by the City of Florence, Alabama's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Florence, Alabama's internal control.



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

#### 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 February 19, 2010.

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 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.  
February 19, 2010



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

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

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 compliance of the City of Florence, Alabama with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The City of Florence, Alabama's major federal program is identified in the summary of auditors' 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 requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

### Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.



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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 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.  
February 19, 2010

**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Section I—Summary of Auditors' Results**

*Financial Statements*

Type of auditors' 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 auditors' 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?      Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants

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

Auditee qualified as low-risk auditee?   X   Yes      No

**Section II—Financial Statement Findings**

None to be reported.

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

None to be reported.

**CITY OF FLORENCE, ALABAMA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Department of Housing and Urban Development**

Finding #2008-1: Community Development Block Grants/Entitlement Grants

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

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

*Current Status:* Procedures established has ensured the timely distribution of federal funds and the City is in compliance with the cash management provisions of the federal regulations and grant agreement.

Finding #2008-2: Community Development Block Grants/Entitlement Grants

*Condition:* Planning and program administration costs expended exceeded 20 percent of the sum of the entitlement grant, plus the program income received.

*Recommendation:* The auditor recommended that City personnel more closely monitor its planning and program administration costs to ensure adherence with the applicable federal regulations. Management concurred with the recommendation.

*Current Status:* Management did heighten their monitoring of administrative costs and is in compliance with the applicable federal regulations.