







THE CITY OF  
**FLORENCE**  
ALABAMA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016

## **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, 2016**

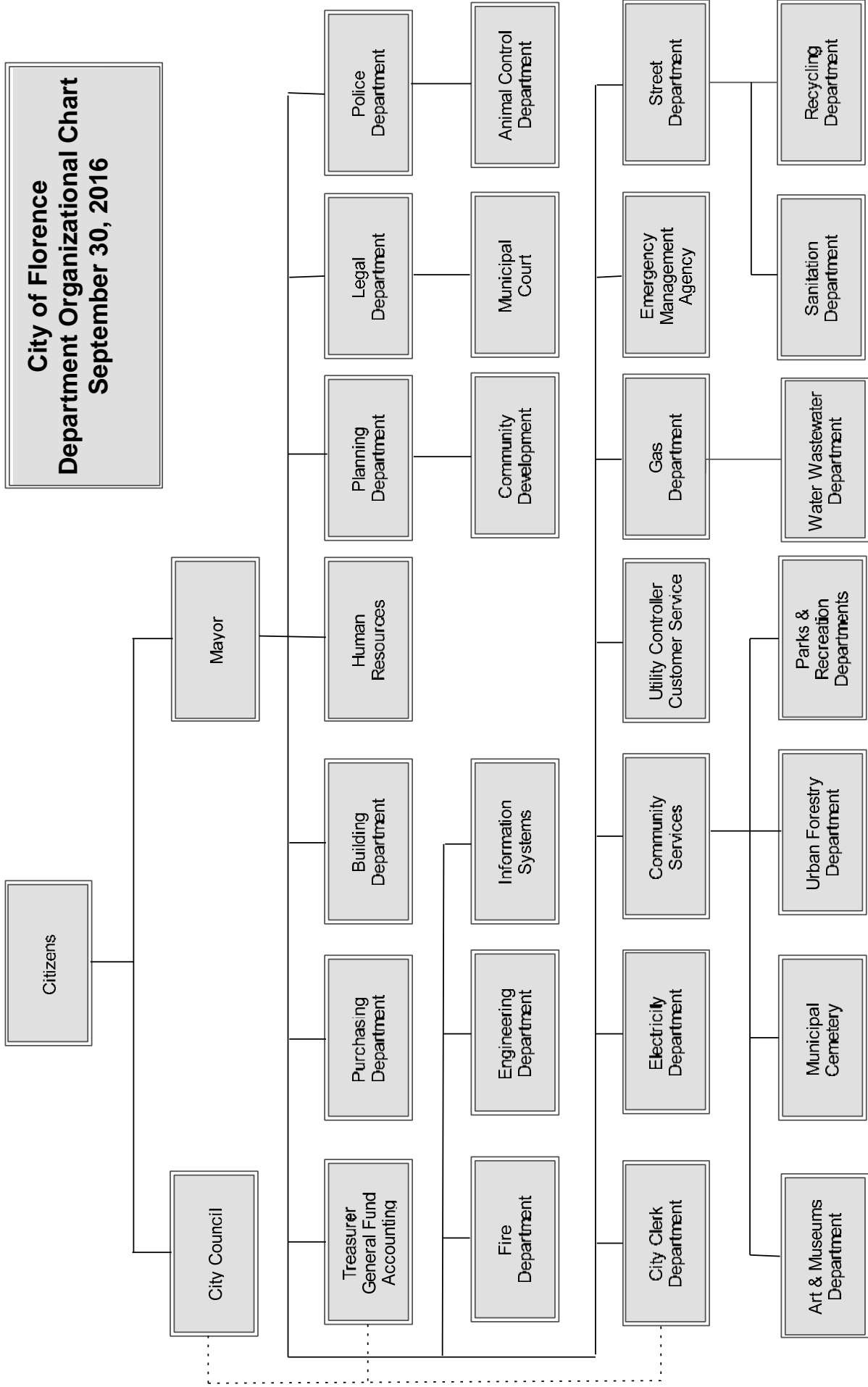
**Elected Officials**

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

**Department Heads**

Treasurer / Chief Accountant	Dan D. Barger
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Jeff Perkins
Information Systems	Steve Price
Insurance	Ben Maharrey
Parks and Recreation	Tina Kitchens
Human Resources Director	Alanna Sullivan
Planning	Melissa Bailey
Police	Ron Tyler
Purchasing/Grants Administration	Phillip L. Stevenson
Street, Solid Waste, and Recycling	David Koonce
Controller of Utilities	Vance Young
Electricity	Richard Morrissey
Gas and Water/Wastewater	Michael G. Doyle

# City of Florence Department Organizational Chart September 30, 2016





## **FINANCIAL SECTION**



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

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 4 through 27 and 79 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the City of Florence, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Alabama's internal control over financial reporting and compliance.

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

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
March 30, 2017



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**City of Florence, Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2016**

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, 2016. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

September 30, 2016 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, 2016 long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 31 and 33.

Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 30 and 32 of this report. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information section of this report that begins on page 88.

**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 37-40 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. In the current fiscal year, the City began operations of an Employee Health and Wellness Center for the benefit of all City employees. The internal service fund financial statements can be found on pages 90-92 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 43-78 of this report.

## **Supplementary Information**

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided on pages 88-92. Required supplementary information can be found on pages 79-87 of this report. Other Supplementary Schedules follow, starting on page 88.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$299,712,549 (net position). Of this amount, \$33,362,633 is unrestricted net position. The City's net position includes \$99,364,806 from Governmental Activities and \$200,347,743 from Business-Type Activities, as reported on page 28.

By far the largest portion of the City's net position (85.64%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.23%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

### **Governmental Activities**

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



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

### Revenues – Governmental Funds

	Fiscal Year 2016		Fiscal Year 2015		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 33,170,944	56.64%	\$ 31,552,493	56.76%	5.13%
Property Taxes and Equivalents	12,307,587	21.01%	11,938,539	21.48%	3.09%
Motor Fuel	1,089,968	1.86%	1,054,870	1.90%	3.33%
Alcoholic Beverages	1,033,531	1.76%	1,003,811	1.81%	2.96%
Other	394,904	0.67%	435,591	0.78%	-9.34%
Licenses and Permits	3,681,736	6.29%	3,465,737	6.23%	6.23%
Court Fines and Forfeitures	1,369,622	2.34%	1,393,623	2.51%	-1.72%
Charges for Services	1,995,790	3.41%	1,785,611	3.21%	11.77%
Intergovernmental	2,998,896	5.12%	1,932,143	3.48%	55.21%
Interest Revenues	130,350	0.22%	91,495	0.16%	42.47%
Other	396,249	0.68%	937,255	1.69%	-57.72%
Total	<u>\$ 58,569,578</u>	<u>100.00%</u>	<u>\$ 55,591,168</u>	<u>100.00%</u>	<u>5.36%</u>

Sales and Use taxes are the largest revenue source for the City comprising 56.64% of total governmental revenues. Sales and Use tax revenues increased from fiscal year September 30, 2015 to September 30, 2016 by \$1,618,451 or 5.13%. Property taxes are the second largest revenue source for the City comprising 21.01% of governmental revenues. For the year ended September 30, 2016, taxes of real property inside the City limits produced revenues of \$4,971,104 while personal property taxes for the period were \$689,456. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,647,027.

The following shows the City's expenditures, at the fund financial statement level, related to those functions typically associated with governments. In the following table, General Government includes the following departments: City Council, Mayor, Urban Forestry, Purchasing, Legal, Planning, Building, Engineering, and other General Administration departments. Public Safety encompasses the Police, Fire, Municipal Court, Jail, and Animal Control departments. Public Works is made up of the Street and Cemetery departments, Municipal Lighting, and the City's parking deck facility. Culture and Recreation contains the City's parks, community recreation centers, and museums.

### Expenditures – Governmental Funds

	Fiscal Year 2016		Fiscal Year 2015		Change
Current Operating					
General Administration	\$ 5,921,327	9.55%	\$ 5,763,626	9.78%	2.74%
Public Safety	18,673,201	30.13%	17,980,114	30.51%	3.85%
Public Works	5,563,564	8.98%	5,547,877	9.42%	0.28%
Culture and Recreation	7,412,884	11.96%	7,165,954	12.16%	3.45%
Other	1,590,603	2.57%	1,546,148	2.62%	2.88%
Education	11,747,520	18.95%	9,686,775	16.44%	21.27%
Capital Outlay and Improvements	5,491,867	8.86%	4,147,419	7.04%	32.42%
Debt Service					
Principal Payments	3,873,249	6.25%	5,193,825	8.81%	-25.43%
Interest and Fiscal Charges	1,704,826	2.75%	1,893,082	3.21%	-9.94%
Total	<u>\$ 61,979,041</u>	<u>100.00%</u>	<u>\$ 58,924,820</u>	<u>100.00%</u>	<u>5.18%</u>

## Analysis of the Governmental Funds

As of the end of the 2016 fiscal year, the City's governmental funds reported a combined ending fund balance of \$24,438,777. In the City's General Fund, the ending fund balance is \$13,440,805.

The General Fund's fund balance is 24.63% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. During fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15.00% of the total budgeted revenue. The current fund balance exceeds this required minimum by \$5,255,468 or 64.21%.

## Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 12,783,749	\$ 15,064,491	\$ 27,848,240
Fund Balance-Ending	13,440,805	10,997,972	24,438,777
Net Change in Fund Balance	\$ 657,056	\$ (4,066,519)	\$ (3,409,463)

## Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2016	FY 2015	Variance	
			Dollars	Percent
Current Assets	\$ 42,687,837	\$ 44,555,292	\$ (1,867,455)	-4.19%
Restricted Assets	250,100	150,000	100,100	66.73%
Capital Assets, Net	117,878,980	115,941,776	1,937,204	1.67%
Total Assets	\$ 160,816,917	\$ 160,647,068	\$ 169,849	0.11%
Deferred Outflows of Resources	\$ 7,119,007	\$ 3,963,491	\$ 3,155,516	79.61%
Current Liabilities	\$ 13,004,781	\$ 11,121,428	\$ 1,883,353	16.93%
Long-term Liabilities	54,979,044	55,769,714	(790,670)	-1.42%
Total Liabilities	\$ 67,983,825	\$ 66,891,142	\$ 1,092,683	1.63%
Deferred Inflows of Resources	\$ 587,293	\$ 783,058	\$ (195,765)	-25.00%
Net Investment in				
Capital Assets	\$ 85,096,276	\$ 82,813,880	\$ 2,282,396	2.76%
Restricted	2,005,799	1,667,314	338,485	20.30%
Unrestricted	12,262,731	12,455,165	(192,434)	-1.55%
Total Net Position	\$ 99,364,806	\$ 96,936,359	\$ 2,428,447	2.51%

## Changes in Net Position – Governmental Activities

	Governmental Activities Changes in Net Position			
	FY 2016	FY 2015	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 33,170,944	\$ 31,552,493	\$ 1,618,451	5.13%
Property	12,307,587	11,938,539	369,048	3.09%
Motor Fuel	1,089,968	1,054,870	35,098	3.33%
Alcoholic Beverages	1,033,531	1,003,811	29,720	2.96%
Other	394,904	435,591	(40,687)	-9.34%
Interest Revenues	158,738	108,360	50,378	46.49%
Gain (Loss) on Disposal of Assets	21,193	501,145	(479,952)	-95.77%
Total General Revenues	<u>\$ 48,176,865</u>	<u>\$ 46,594,809</u>	<u>\$ 1,582,056</u>	<u>3.40%</u>
Program Revenues				
Charges for Services	\$ 8,848,778	\$ 8,125,172	\$ 723,606	8.91%
Operating Grants and Contributions	446,174	552,852	(106,678)	-19.30%
Capital Grants and Contributions	1,676,149	334,737	1,341,412	400.74%
Total Program Revenues	<u>\$ 10,971,101</u>	<u>\$ 9,012,761</u>	<u>\$ 1,958,340</u>	<u>21.73%</u>
Total Revenues	<u>\$ 59,147,966</u>	<u>\$ 55,607,570</u>	<u>\$ 3,540,396</u>	<u>6.37%</u>
Governmental Expenses				
General Administration	\$ 5,997,910	\$ 6,016,797	\$ (18,887)	-0.31%
Public Safety	19,008,024	18,239,480	768,544	4.21%
Public Works	5,652,774	5,651,354	1,420	0.03%
Public Ways and Facilities	1,605,773	1,310,088	295,685	22.57%
Culture and Recreation	9,515,533	9,356,693	158,840	1.70%
Other	1,590,603	1,546,148	44,455	2.88%
Education—Funding for School District	11,747,520	9,686,775	2,060,745	21.27%
Interest and Fiscal Charges	1,601,382	1,789,364	(187,982)	-10.51%
Total Expenses	<u>\$ 56,719,519</u>	<u>\$ 53,596,699</u>	<u>\$ 3,122,820</u>	<u>5.83%</u>
Change in Net Position	\$ 2,428,447	\$ 2,010,871	\$ 417,576	20.77%
Total Net Position - Beginning	<u>96,936,359</u>	<u>94,925,488</u>	<u>2,010,871</u>	<u>2.12%</u>
Total Net Position - Ending	<u>\$ 99,364,806</u>	<u>\$ 96,936,359</u>	<u>\$ 2,428,447</u>	<u>2.51%</u>

## **Business-Type Activities**

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

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

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$.5 million or .6%; Gas increased \$.5 million or 1.3%; Water and Wastewater increased \$2.7 million or 3.7%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.8 million or 3%; Gas decreased \$.1 million or .5%; Water and Wastewater decreased \$1.3 million or 1%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$5.3 million or 4%; Gas decreased \$3.9 million or 21%; Water and Wastewater increased \$.7 million or 3%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$4.8 million or 4%; Gas decreased \$3.6 million or 20%; Water and Wastewater increased \$.9 million or 6%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$46,800 or 33%; Gas increased about \$9,400 or 7%; Water and Wastewater increased about \$4,500 or 115%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$23,900 or 7%; Gas had no nonoperating expenses in FY 2016 or 2015; Water and Wastewater decreased \$591,800 or 24%.

## Electricity Department

The Electricity Department's net position increased from last year by \$456,667 or about 1%. The summaries below focus on the Electricity Department's net position and changes in net position during the years presented.

### Electricity Department Statements of Net Position

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 36,165,832	\$ 39,206,110	\$ (3,040,278)	-7.75%
Capital Assets, Net	85,085,872	82,315,981	2,769,891	3.36%
Other Noncurrent Assets	5,898,871	7,214,641	(1,315,770)	-18.24%
<b>Total Assets</b>	<b>\$ 127,150,575</b>	<b>\$ 128,736,732</b>	<b>\$ (1,586,157)</b>	<b>-1.23%</b>
Deferred Outflows of Resources	\$ 3,745,667	\$ 1,781,779	\$ 1,963,888	110.22%
Current Liabilities	\$ 27,287,766	\$ 27,247,935	\$ 39,831	0.15%
Noncurrent Liabilities	22,681,270	22,680,188	1,082	0.00%
<b>Total Liabilities</b>	<b>\$ 49,969,036</b>	<b>\$ 49,928,123</b>	<b>\$ 40,913</b>	<b>0.08%</b>
Deferred Inflows of Resources	\$ 359,545	\$ 479,394	\$ (119,849)	-25.00%
Net Investment in Capital Assets	\$ 76,284,026	\$ 72,754,891	\$ 3,529,135	4.85%
Restricted for Debt Service	985,834	983,728	2,106	0.21%
Unrestricted	3,297,801	6,372,375	(3,074,574)	-48.25%
<b>Total Net Position</b>	<b>\$ 80,567,661</b>	<b>\$ 80,110,994</b>	<b>\$ 456,667</b>	<b>0.57%</b>

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

As the following table indicates, operating revenues decreased approximately \$5.3 million or about 4% from FY 2015. During FY 2016, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. The Electricity Department experienced an approximate 4% decrease in kilowatt-hours sold in FY 2016 compared to FY 2015. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses by \$23,911 or about 7%.

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

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 117,015,869</u>	<u>\$ 122,288,703</u>	<u>\$ (5,272,834)</u>	<u>-4.31%</u>
Operating Expenses				
Cost of Sales	\$ 92,637,438	\$ 98,677,848	\$ (6,040,410)	-6.12%
Operations	8,794,834	9,003,944	(209,110)	-2.32%
Maintenance	6,533,678	5,267,929	1,265,749	24.03%
Depreciation	5,063,677	4,929,365	134,312	2.72%
Taxes and Tax Equivalents	3,386,033	3,319,618	66,415	2.00%
Total Operating Expenses	<u>\$ 116,415,660</u>	<u>\$ 121,198,704</u>	<u>\$ (4,783,044)</u>	<u>-3.95%</u>
Operating Income	<u>\$ 600,209</u>	<u>\$ 1,089,999</u>	<u>\$ (489,790)</u>	<u>-44.93%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 187,317	\$ 140,468	\$ 46,849	33.35%
Nonoperating Expenses	(330,859)	(354,770)	23,911	-6.74%
Total Nonoperating Revenues (Exp)	<u>\$ (143,542)</u>	<u>\$ (214,302)</u>	<u>\$ 70,760</u>	<u>33.02%</u>
Change in Net Position	\$ 456,667	\$ 875,697	\$ (419,030)	-47.85%
Total Net Position - Beginning	<u>80,110,994</u>	<u>79,235,297</u>	<u>875,697</u>	<u>1.11%</u>
Total Net Position - Ending	<u><u>\$ 80,567,661</u></u>	<u><u>\$ 80,110,994</u></u>	<u><u>\$ 456,667</u></u>	<u><u>0.57%</u></u>

## Gas Department

The Gas Department's net position increased from last year by \$525,507 or about 1%. The summaries below focus on the Gas Department's net position and changes in net position during the years presented.

### Gas Department Statements of Net Position

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 14,625,859	\$ 14,316,160	\$ 309,699	2.16%
Capital Assets, Net	31,867,752	32,016,513	(148,761)	-0.46%
Total Assets	<u>\$ 46,493,611</u>	<u>\$ 46,332,673</u>	<u>\$ 160,938</u>	<u>0.35%</u>
Deferred Outflows of Resources	\$ 1,507,962	\$ 264,827	\$ 1,243,135	469.41%
Current Liabilities	\$ 1,122,338	\$ 1,643,478	\$ (521,140)	-31.71%
Noncurrent Liabilities	4,242,299	2,800,295	1,442,004	51.49%
Total Liabilities	<u>\$ 5,364,637</u>	<u>\$ 4,443,773</u>	<u>\$ 920,864</u>	<u>20.72%</u>
Deferred Inflows of Resources	\$ 126,893	\$ 169,191	\$ (42,298)	-25.00%
Net Investment in Capital Assets	\$ 31,867,752	\$ 32,016,513	\$ (148,761)	-0.46%
Unrestricted	10,642,291	9,968,023	674,268	6.76%
Total Net Position	<u>\$ 42,510,043</u>	<u>\$ 41,984,536</u>	<u>\$ 525,507</u>	<u>1.25%</u>

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

As the following table indicates, operating revenues decreased approximately \$3.9 million or about 21% from FY 2015. The last general rate change in FY 2016 was effective December 2015. The Gas Department experienced an approximate 15.2% decrease in overall sales volume in FY 2016 compared to FY 2015. Cost of sales decreased by \$3.4 million or about 33% due to decreased sales caused by a mild winter and the unit cost of purchased gas was lower. The Gas Department experienced an increase in nonoperating revenues of \$9,424 or about 7%. The Gas Department did not have nonoperating expenses in FY 2016 or FY 2015.

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

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 14,574,944	\$ 18,513,461	\$ (3,938,517)	-21.27%
Operating Expenses				
Cost of Sales	\$ 6,873,074	\$ 10,297,285	\$ (3,424,211)	-33.25%
Operations	2,691,967	2,856,290	(164,323)	-5.75%
Maintenance	1,626,823	1,615,883	10,940	0.68%
Depreciation and Amortization	1,471,533	1,523,920	(52,387)	-3.44%
Taxes and Tax Equivalents	1,536,490	1,497,567	38,923	2.60%
Total Operating Expenses	<u>\$ 14,199,887</u>	<u>\$ 17,790,945</u>	<u>\$ (3,591,058)</u>	<u>-20.18%</u>
Operating Income	<u>\$ 375,057</u>	<u>\$ 722,516</u>	<u>\$ (347,459)</u>	<u>-48.09%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 150,450	\$ 141,026	\$ 9,424	6.68%
Total Nonoperating Revenues (Exp)	<u>\$ 150,450</u>	<u>\$ 141,026</u>	<u>\$ 9,424</u>	<u>6.68%</u>
Change in Net Position	\$ 525,507	\$ 863,542	\$ (338,035)	-39.15%
Total Net Position - Beginning	<u>41,984,536</u>	<u>41,120,994</u>	<u>863,542</u>	<u>2.10%</u>
Total Net Position - Ending	<u><u>\$ 42,510,043</u></u>	<u><u>\$ 41,984,536</u></u>	<u><u>\$ 525,507</u></u>	<u><u>1.25%</u></u>



## Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,692,273 or about 4%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

### Water and Wastewater Department Statements of Net Position

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 12,020,518	\$ 11,334,842	\$ 685,676	6.05%
Capital Assets, Net	115,723,022	117,039,044	(1,316,022)	-1.12%
Other Noncurrent Assets	7,535,872	8,577,094	(1,041,222)	-12.14%
Total Assets	\$ 135,279,412	\$ 136,950,980	\$ (1,671,568)	-1.22%
Deferred Outflows of Resources	\$ 1,213,933	\$ 636,056	\$ 577,877	90.85%
Current Liabilities	\$ 6,271,996	\$ 6,402,913	\$ (130,917)	-2.04%
Noncurrent Liabilities	54,025,678	57,638,707	(3,613,029)	-6.27%
Total Liabilities	\$ 60,297,674	\$ 64,041,620	\$ (3,743,946)	-5.85%
Deferred Inflows of Resources	\$ 126,056	\$ 168,073	\$ (42,017)	100.00%
Net Investment in Capital Assets	\$ 60,742,291	\$ 57,989,289	\$ 2,753,002	4.75%
Restricted for Debt Service	6,686,684	7,677,451	(990,767)	-12.90%
Unrestricted	8,640,641	7,710,603	930,038	12.06%
Total Net Position	\$ 76,069,616	\$ 73,377,343	\$ 2,692,273	3.67%

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

As the following table indicates, operating revenues increased approximately \$.7 million or about 3% from FY 2015 revenues. The increase in operating revenues was largely due to a rate increase implemented July 2015. Operating expenses increased by about \$883,153 or about 6%. The Water and Wastewater Department experienced an increase in nonoperating revenues of about \$4,549 or 115%. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$591,818 or 24% primarily due to nonrecurring retirements of capital assets that were not fully depreciated in FY 2015.

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

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 19,783,158</u>	<u>\$ 19,126,420</u>	<u>\$ 656,738</u>	<u>3.43%</u>
Operating Expenses				
Water Treatment and Pumping	\$ 2,956,275	\$ 2,896,453	\$ 59,822	2.07%
Sewage Disposal	2,074,143	2,017,003	57,140	2.83%
Transmission and Distribution	1,732,216	1,597,297	134,919	8.45%
Accounting and Collections	1,140,024	930,891	209,133	22.47%
Administrative and General	1,974,688	1,789,913	184,775	10.32%
Depreciation	3,650,614	3,458,344	192,270	5.56%
Taxes and Tax Equivalents	1,683,373	1,638,279	45,094	2.75%
Total Operating Expenses	<u>\$ 15,211,333</u>	<u>\$ 14,328,180</u>	<u>\$ 883,153</u>	<u>6.16%</u>
Operating Income	<u>\$ 4,571,825</u>	<u>\$ 4,798,240</u>	<u>\$ (226,415)</u>	<u>-4.72%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 8,514	\$ 3,965	\$ 4,549	114.73%
Nonoperating Expenses	<u>(1,888,066)</u>	<u>(2,479,884)</u>	<u>591,818</u>	<u>-23.86%</u>
Total Nonoperating Revenues (Exp)	<u>\$ (1,879,552)</u>	<u>\$ (2,475,919)</u>	<u>\$ 596,367</u>	<u>-24.09%</u>
Change in Net Position	\$ 2,692,273	\$ 2,322,321	\$ 369,952	15.93%
Total Net Position - Beginning	<u>73,377,343</u>	<u>71,055,022</u>	<u>2,322,321</u>	<u>3.27%</u>
Total Net Position - Ending	<u>\$ 76,069,616</u>	<u>\$ 73,377,343</u>	<u>\$ 2,692,273</u>	<u>3.67%</u>

## Financial Highlights – Solid Waste Fund – Sanitation and Recycling Departments

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

- The Solid Waste Fund had an operating loss of \$113,965 and nonoperating income of \$265,117 for the fiscal year ended September 30, 2016. This operating loss results from direct Grant expenses being included in operating expenses while the revenue is recognized as nonoperating income. Most of the grant's purchases were capitalized and will be expensed through depreciation over the next five years. Additionally contributing to the operating loss, was \$22,100 of grant pass-through providing equipment to other municipal entities and additional re-permitting costs for the landfill.
- Of the Fund's \$3,840,081 in total liabilities, \$3,442,298 is noncurrent, which is reported as accrued landfill closure and post-closure care costs of \$2,261,778, accrued compensated absences of \$139,737, and accrued pension liability of \$1,040,783.
- The Solid Waste Fund's operating revenues increased \$56,401 or 1.02% from the prior year and operating expenses increased \$114,764 or 2.06%.
- Nonoperating revenues decreased by \$314,015 or 54.22%. The total grant revenue of \$243,332 is recognized as nonoperating revenue for the period.
- Total assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,560,371.
- An increase in fees for waste collection and disposal was enacted by the City Council on March 5, 2013. Fully implemented in May 2013 the increase was applicable to both residential and commercial fees. There were no adjustments to this fee schedule during the current fiscal year.

The Solid Waste Fund's net position increased from last year by \$151,152 or 4.43%. The table below focuses on the changes in net position for the fiscal year:

		Solid Waste Fund Net Position		Variance	
				Dollars	Percent
	FY 2016	FY 2015			
Current Assets	\$ 4,265,999	\$ 3,875,718	\$ 390,281		10.07%
Capital Assets, Net	2,681,254	2,870,559	(189,305)		-6.59%
Total Assets	\$ 6,947,253	\$ 6,746,277	\$ 200,976		2.98%
Deferred Outflows of Resources	\$ 505,614	\$ 143,378	\$ 362,236		252.64%
Current Liabilities	\$ 397,783	\$ 321,110	\$ 76,673		23.88%
Noncurrent Liabilities	3,442,298	3,089,440	352,858		11.42%
Total Liabilities	\$ 3,840,081	\$ 3,410,550	\$ 429,531		12.59%
Deferred Inflows of Resources	\$ 52,415	\$ 69,886	\$ (17,471)		-25.00%
Net Position					
Net Investment in Capital Assets	\$ 2,681,254	\$ 2,870,559	\$ (189,305)		-6.59%
Unrestricted	879,117	538,660	340,457		63.20%
Total Net Position	\$ 3,560,371	\$ 3,409,219	\$ 151,152		4.43%

As the following table indicates, the Solid Waste Fund's operating revenues increased \$56,401 or 1.02% from the prior year and operating expenses increased \$114,764 or 2.06%:

		Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
				Dollars	Percent
	FY 2016	FY 2015			
Operating Revenues					
Garbage Service Fees	\$ 4,686,438	\$ 4,652,059	\$ 34,379		0.74%
Landfill Fees	164,580	191,669	(27,089)		-14.13%
Recycling Revenue and Fees	712,602	665,874	46,728		7.02%
Other Operating Revenues	5,976	3,593	2,383		66.32%
Total Operating Revenues	\$ 5,569,596	\$ 5,513,195	\$ 56,401		1.02%
Operating Expenses					
Sanitation	\$ 4,566,301	\$ 4,533,572	\$ 32,729		0.72%
Recycling	1,117,260	1,035,225	82,035		7.92%
Total Operating Expenses	\$ 5,683,561	\$ 5,568,797	\$ 114,764		2.06%
Operating Income (Loss)	\$ (113,965)	\$ (55,602)	\$ (58,363)		-104.97%
Nonoperating Revenues	265,117	579,132	(314,015)		-54.22%
Change in Net Position	\$ 151,152	\$ 523,530	\$ (372,378)		-71.13%
Total Net Position-Beginning	3,409,219	2,885,689	523,530		18.14%
Total Net Position-Ending	\$ 3,560,371	\$ 3,409,219	\$ 151,152		4.43%

## BUDGETARY HIGHLIGHTS

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

### Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its General Fund. The City Council adopted the General Fund's budget on October 6, 2015. This original budget was not revised during the fiscal year. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget, as shown on pages 79-81.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$56,274,120 compared to the final budget of \$54,568,916. Revenues exceeded the budgeted amount by \$1,705,204. Total expenditures and appropriations for the period were \$55,617,064 compared to the final budget of \$54,452,416.

The General Fund's departmental operating budgets and actual performance are shown on pages 79-81 of this report.

<b>General Fund Budgetary Comparison Schedule</b>					
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Fund Balance-Beginning	\$ 12,783,749	\$ 12,783,749	\$ 12,783,749	\$ -	-
Resources (Inflows)					
Taxes	46,287,895	46,287,895	47,344,458	1,056,563	2.28%
Licenses and Permits	3,514,400	3,514,400	3,681,736	167,336	4.76%
Fines and Forfeitures	1,364,000	1,364,000	1,369,622	5,622	0.41%
Charges for Services	1,834,674	1,834,674	1,995,790	161,116	8.78%
Intergovernmental	1,283,947	1,283,947	1,601,673	317,726	24.75%
Other	84,000	84,000	79,888	(4,112)	-4.90%
Transfers From Other Funds	200,000	200,000	200,953	953	0.48%
Amounts Available for Appropriation	<u>\$ 67,352,665</u>	<u>\$ 67,352,665</u>	<u>\$ 69,057,869</u>	<u>\$ 1,705,204</u>	<u>2.53%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 5,228,774	\$ 5,228,774	\$ 5,367,179	\$ 138,405	2.65%
Public Safety	18,126,299	18,126,299	18,507,916	381,617	2.11%
Public Works	5,035,941	5,035,941	5,023,135	(12,806)	-0.25%
Cultural and Recreation	7,131,292	7,131,292	7,265,375	134,083	1.88%
Non-Departmental	18,930,110	18,930,110	19,453,459	523,349	2.76%
Total Charges to Appropriations	<u>\$ 54,452,416</u>	<u>\$ 54,452,416</u>	<u>\$ 55,617,064</u>	<u>\$ 1,164,648</u>	<u>2.14%</u>
Budgetary Fund Balance-Ending	<u>\$ 12,900,249</u>	<u>\$ 12,900,249</u>	<u>\$ 13,440,805</u>	<u>\$ 540,556</u>	<u>4.19%</u>

### Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2016 original budgets for the Gas and Water and Wastewater Departments were adopted on June 16, 2015. The original budget for the Electricity Department was adopted on October 6, 2015. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were not amended in FY 2016. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

## Electricity Department

### Electricity Department Schedule of Revenues, Expenses, and Changes in Fund Net Position Budget and Actual (GAAP Budgetary Basis) For the Year Ended June 30, 2016

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 123,718,000	\$ 117,015,869	\$ (6,702,131)	-5.42%
Operating Expenses	121,979,625	116,415,660	5,563,965	4.56%
Operating Income	\$ 1,738,375	\$ 600,209	\$ (1,138,166)	-65.47%
Nonoperating Revenues (Expenses)	(157,800)	(143,542)	14,258	9.04%
Change in Net Position	\$ 1,580,575	\$ 456,667	\$ (1,123,908)	-71.11%
Total Net Position - Beginning	80,110,994	80,110,994		
Total Net Position - Ending	\$ 81,691,569	\$ 80,567,661	\$ (1,123,908)	-1.38%

As the above budget report shows, the Electricity Department did not meet the budgeted Change in Net Position by \$1,123,908 or approximately 71%. As you can see on the budget schedule in the supplementary information, the decrease in sales and cost of sales of electricity accounted for most of the budget operating expenses variance amount. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts.

## Gas Department

### Gas Department Schedule of Revenues, Expenses, and Changes in Fund Net Position Budget and Actual (GAAP Budgetary Basis) For the Year Ended June 30, 2016

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 19,363,700	\$ 14,574,944	\$ (4,788,756)	-24.73%
Operating Expenses	18,970,400	14,199,887	4,770,513	25.15%
Operating Income	\$ 393,300	\$ 375,057	\$ (18,243)	-4.64%
Nonoperating Revenues (Expenses)	24,000	150,450	126,450	526.88%
Change in Net Position	\$ 417,300	\$ 525,507	\$ 108,207	25.93%
Total Net Position - Beginning	41,984,536	41,984,536		
Total Net Position - Ending	\$ 42,401,836	\$ 42,510,043	\$ 108,207	0.26%

The Gas Department exceeded the budgeted Change in Net Position by \$108,207, or approximately .26%. As you can see on the budget schedule in the supplementary information, the total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was largely offset by the variance in operating expenses, which includes cost of sales.

## Water and Wastewater Department

### Water and Wastewater Department Schedule of Revenues, Expenses, and Changes in Fund Net Position Budget and Actual (GAAP Budgetary Basis) For the Year Ended June 30, 2016

	Final		Variance	
	Budget	Actual	Dollars	Percent
Operating Revenues	\$ 19,701,500	\$ 19,783,158	\$ 81,658	0.41%
Operating Expenses	15,684,200	15,211,333	472,867	3.01%
Operating Income	\$ 4,017,300	\$ 4,571,825	\$ 554,525	13.80%
Nonoperating Revenues (Expenses)	(1,900,100)	(1,879,552)	20,548	1.08%
Change in Net Position	\$ 2,117,200	\$ 2,692,273	\$ 575,073	27.16%
Total Net Position - Beginning	73,377,343	73,377,343		
Total Net Position - Ending	\$ 75,494,543	\$ 76,069,616	\$ 575,073	0.76%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$575,073, or approximately 27%. As you can see on the budget schedule in the supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water sales, sewage disposal expense, depreciation expense, and loss on disposition of assets.

### Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 6, 2015. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. On a quarterly basis, the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. A budget comparison schedule is included in the Supplementary Information of this annual report.

### Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Position- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2016

	Original	Final	Actual	Variance	
	Budget	Budget		Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,686,438	\$ (29,047)	-0.62%
Landfill Fees	185,000	185,000	164,580	(20,420)	-11.04%
Recycling Revenue and Fees	754,000	754,000	712,602	(41,398)	-5.49%
Other Operating Revenues	4,000	4,000	5,976	1,976	49.40%
Total Operating Revenues	\$ 5,658,485	\$ 5,658,485	\$ 5,569,596	\$ (88,889)	-1.57%
Operating Expenses					
Sanitation	\$ 4,712,915	\$ 4,712,915	\$ 4,566,301	\$ 146,614	3.11%
Recycling	1,128,820	1,128,820	1,117,260	11,560	1.02%
Total Operating Expenses	\$ 5,841,735	\$ 5,841,735	\$ 5,683,561	\$ 158,174	2.71%
Operating Income (Loss)	\$ (183,250)	\$ (183,250)	\$ (113,965)	\$ 69,285	37.81%
Nonoperating Revenues	123,000	123,000	265,117	142,117	115.54%
Change in Net Position	\$ (60,250)	\$ (60,250)	\$ 151,152	\$ 211,402	350.87%

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of Fiscal Year 2016, 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, 2016 amounted to \$353,236,880.

#### Governmental Activities

#### Governmental Activities Capital Assets, Net

	FY 2016	FY 2015	Variance	
			Dollars	Percent
Land	\$ 7,154,900	\$ 7,103,200	\$ 51,700	0.73%
Construction in Progress	7,005,693	1,912,286	5,093,407	266.35%
Land Improvements	26,006,987	26,006,987	-	0.00%
Accumulated Depreciation	(12,411,412)	(11,404,362)	(1,007,050)	-8.83%
Buildings	43,313,019	43,009,582	303,437	0.71%
Accumulated Depreciation	(20,615,632)	(19,525,937)	(1,089,695)	-5.58%
Equipment and Vehicles	23,850,127	23,011,975	838,152	3.64%
Accumulated Depreciation	(21,010,688)	(20,062,771)	(947,917)	-4.72%
Infrastructure	165,185,063	164,359,170	825,893	0.50%
Accumulated Depreciation	(100,599,077)	(98,468,354)	(2,130,723)	-2.16%
Net Capital Assets	<u>\$ 117,878,980</u>	<u>\$ 115,941,776</u>	<u>\$ 1,937,204</u>	<u>1.67%</u>

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$1,073,545, infrastructure improvements of \$825,893, and building renovations and additions of \$303,437. In addition to those capital assets added during the fiscal year, at September 30, 2016, \$5,093,407 of capital projects were recorded as construction in progress.



## Business-Type Activities

At the end of FY 2016, 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 2016

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 164,229,076	\$ 162,127,921	\$ 2,101,155	1.30%
Construction in Progress	5,016,802	5,720,497	(703,695)	-12.30%
Less: Accumulated Depreciation	(84,160,006)	(85,532,437)	1,372,431	-1.60%
Net Utility Plant	<u>\$ 85,085,872</u>	<u>\$ 82,315,981</u>	<u>\$ 2,769,891</u>	<u>3.36%</u>

As the above table shows, the Electricity Department experienced a 3.36% increase in net utility plant. The Department plans to finance capital expenditures in FY 2017 through cash generated from current operations and cash reserves.

### Gas Department

#### Gas Department Capital Assets, Net FY 2016

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 56,813,332	\$ 56,049,850	\$ 763,482	1.36%
Acquisition Adjustment (net of amortization)	158,141	168,802	(10,661)	-6.32%
Construction in Progress	134,961	12,002	122,959	1024.49%
Less: Accumulated Depreciation	(25,238,682)	(24,214,141)	(1,024,541)	4.23%
Net Utility Plant	<u>\$ 31,867,752</u>	<u>\$ 32,016,513</u>	<u>\$ (148,761)</u>	<u>-0.46%</u>

As the above table shows, the Gas Department decreased net utility plant by .46%. The Department plans to finance capital expenditures in FY 2017 through cash reserves and cash generated from current operations.

## Water and Wastewater Department

### Water and Wastewater Department Capital Assets, Net FY 2016

	FY 2016	FY 2015	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 173,392,362	\$ 167,971,612	\$ 5,420,750	3.23%
Construction in Progress	1,253,175	4,634,093	(3,380,918)	-72.96%
Less: Accumulated Depreciation	(58,922,515)	(55,566,661)	(3,355,854)	6.04%
Net Utility Plant	<u>\$ 115,723,022</u>	<u>\$ 117,039,044</u>	<u>\$ (1,316,022)</u>	<u>-1.12%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by 1.12%. At FY 2015 year-end, there were several large projects in progress, which were placed into service in FY 2016. In FY 2016, the Department spent about \$1.1 million of Series 2011 Revenue Warrants' proceeds on approved capital projects. The Department plans to finance capital expenditures in FY 2017 with cash reserves, cash generated from current operations, a grant, and the remaining proceeds from the Water and Sewer Revenue Warrants, Series 2011.

### Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2016, net capital assets comprised 38.59% of the Fund's total assets. Capital assets are maintained in six distinct asset categories: land, landfill improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation.

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

### Solid Waste Fund Capital Assets, Net For the Year Ended September 30, 2016

	FY 2016	FY 2015	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Landfill Improvements	3,611,786	3,611,786	-	0.00%
Accumulated Depreciation	(3,570,344)	(3,568,489)	(1,855)	-0.05%
Construction In Progress	28,779	9,650	19,129	198.23%
Buildings	1,115,802	954,335	161,467	16.92%
Accumulated Depreciation	(541,999)	(523,189)	(18,810)	-3.60%
Equipment	5,509,374	5,475,829	33,545	0.61%
Accumulated Depreciation	(4,437,943)	(4,130,881)	(307,062)	-7.43%
Vehicles	3,872,278	3,722,337	149,941	4.03%
Accumulated Depreciation	(3,110,832)	(2,885,172)	(225,660)	-7.82%
Net Capital Assets	<u>\$ 2,681,254</u>	<u>\$ 2,870,559</u>	<u>\$ (189,305)</u>	<u>-6.59%</u>

## **LONG-TERM DEBT**

### **Governmental Activities**

At the end of the 2016 fiscal year, the Governmental Activities of the City had total long-term debt of \$43,114,215. Of this amount, \$40,092,594 comprises debt serviced by revenues from governmental activities.

The City did not issue new debt in fiscal year 2016. Moody's Investors Service has assigned an Aa3 rating to the City. Standard & Poor's has assigned the City an AA- credit rating.

In addition to the City's outstanding general obligation debt, \$3,021,621 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,262,096 has been accrued as an actuarially determined claims reserve in the Internal Service Funds for Liability Insurance (\$815,403) and Workers' Compensation Insurance (\$2,446,693).

### **Business-Type Activities**

#### **Electricity Department**

The Electricity Department has two warrant issues as described in the notes to financial statements, outstanding at year-end. The first is the Electric Revenue Refunding Warrants, Series 2009, with interest rates ranging from 1.50% to 3.65%. It was issued with an underlying rating of A1 and AA- by Moody's and Standard & Poor's, respectively. The Electric Revenue Warrants, Series 2013, were issued in March 2013. Their interest rates range from 1.75% to 4.00%. It was issued with an underlying rating of Aa2 and AA-/ Stable by Moody's and Standard & Poor's, respectively. These issues require that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2016, the Electricity Department exceeded that requirement at about 7.94 times. The Department does not anticipate issuing new debt in FY 2017.

#### **Gas Department**

The Gas Department did not have any outstanding debt issues in FY 2016. The Department does not have any plans to issue any new debt in FY 2017.

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

The Water and Wastewater Department has eight warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2006, interest rate 3.25%, (2) Water and Sewer Revenue Warrants, SRF Series 2007, interest rate 3.5%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-A, interest rate 2.61%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate 2.57%, (6) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, (7) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, and (8) Water and Sewer Revenue Warrants, SRF Series 2013-DWSRF-DL, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter. The SRF warrants are issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue. At year-end, approximately \$2.8 million of the proceeds of the 2011 issue remain available. The 2011 issue requires that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2016, the Water and Wastewater Department exceeded that requirement at about 1.47 times. The Department is in the process of refinancing some of the existing debt to take advantage of more favorable interest rates.

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

At the close of fiscal year 2016, the Solid Waste Fund had no debt other than routine operating liabilities (\$285,050), customer deposits (\$19,575), accrued liability for employee annual and sick leave (\$232,895), non-current liabilities including pensions (\$1,040,783), and a reserve for landfill closure and post-closure care costs (\$2,261,778).

## **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 2016–2017 budget on October 18, 2016.

The fiscal year 2016–2017 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$56,871,331. This is an increase of \$2,302,415 or 4.22% compared to the previous fiscal year's final budget and an increase of \$597,211 (1.06%) over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$56,644,640. This is an increase of \$2,192,224 or 4.03% compared to the prior year's final budget and an increase of \$1,027,576 (1.85%) compared to the prior year's actual performance. The 2016 – 2017 General Fund budgeted revenue is in excess of budgeted expenditures yielding an anticipated \$226,691 increase in budgetary fund balance.

### **Business-Type Activities**

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

The Florence MSA's unemployment rate for August 2016 was 6.2% as compared to 7.7% for August 2015. The State of Alabama's unemployment rates were 5.7% for August 2016 and 6.5% for August 2015. In addition to the economic environment, the weather is an important factor in determining utility sales. Although it is impossible to predict the weather in the upcoming year, sales in kilowatt-hours for FY 2017 through September 2016 for electricity have increased from the same period last year by 8.7%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2016 through September 2016, as compared to sales for the same period in the previous fiscal year, have decreased approximately 10.1%. FY 2017 sales revenues from water and wastewater operations through September 2016 have increased about 4.9% over the same period in FY 2016.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2017 budgets on June 7, 2016. The City Council adopted the Electricity Department's FY 2017 budget on July 5, 2016. These budgets were amended on October 18, 2016 to reflect a general wage increase for employees to match the percentage raise given to the City's General Fund employees approved at the same meeting.

The City's power contract with TVA provides for a Total Monthly Fuel Cost Adjustment (TMFCA) on sales to its distributors. Florence Utilities passes any rate increases or decreases caused by TVA action on to its customers.

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate increase in December 2015. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

The current rate ordinance includes a provision to increase the water and sewer rates annually based upon increase in Consumer Price Index, subject to certain restrictions. The Water and Wastewater Department last implemented a rate increase effective July 1, 2015. The ordinance is available for review on the City's website at [www.florenceutilities.com](http://www.florenceutilities.com) along with some prior rate ordinances.

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

The City Council adopted the Solid Waste Fund's fiscal year 2017 budget on October 18, 2016. The fiscal year 2017 budget has expected combined revenues of \$5,823,485 and expenses of \$6,030,495, including grant revenue and expense of \$153,500. As adopted, the budget would yield a net loss of \$207,010. With the municipal solid waste portion of the landfill near capacity, the City has ceased its municipal solid waste operations at the landfill. A waste transportation and disposal agreement with North Alabama Transfer was entered into for a three-year period beginning July 2015. Under this agreement, the City's municipal solid waste is transported to a regional landfill in Mississippi. The City's remaining landfill space will be used for the disposal of construction waste and debris. Collection fees were addressed by the City Council in fiscal year 2013. Fiscal year 2017 will be the fourth year under the new rate structure and there are no plans to adjust these rates in fiscal year 2017. It is projected that the Solid Waste Fund will have operating deficits over the next two fiscal years. This planned drawdown of capital was anticipated at the time the 2013 rates were adjusted.

## **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.

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

### **Component Units**

The Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are included in this report as Discretely Presented Component Units of the City. The City appropriated \$658,000 to the Library in this fiscal year. These appropriations are approximately 40% 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 41-42. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,021,320	\$ 39,275,926	\$ 74,297,246	\$ 4,033,217
Amounts held by the Foundation			—	2,005,700
Receivables (net)	4,567,794	15,691,712	20,259,506	
Accrued interest receivable	9,902	10,718	20,620	
Loan receivables (net)	622,583		622,583	
Internal balances	2,359,948	(2,359,948)	—	
Inventories	106,290	3,251,134	3,357,424	8,256
Prepaid expenses		8,848,718	8,848,718	
Restricted assets:				
Cash and investments	250,100	8,365,635	8,615,735	
Conservation loans receivables		4,890,020	4,890,020	
Capital assets (net)	117,878,980	235,357,900	353,236,880	529,818
Prepaid debt related costs (net)		179,088	179,088	
<b>Total assets</b>	<b>\$ 160,816,917</b>	<b>\$ 313,510,903</b>	<b>\$ 474,327,820</b>	<b>\$ 6,576,991</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred expense on refunding debt	\$ 936,180	\$ 235,889	\$ 1,172,069	\$ —
Pensions	6,182,827	6,737,287	12,920,114	68,838
<b>Total deferred outflows of resources</b>	<b>\$ 7,119,007</b>	<b>\$ 6,973,176</b>	<b>\$ 14,092,183</b>	<b>\$ 68,838</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 7,575,972	\$ 20,417,806	\$ 27,993,778	\$ 50,638
Amounts held on behalf of the Library			—	1,999,177
Customer deposits		7,708,618	7,708,618	
Liabilities payable from restricted assets:				
Accrued interest		693,117	693,117	
Advances for conservation loans		5,026,787	5,026,787	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	4,220,161	5,067,762	9,287,923	
Compensated absences	1,208,648	1,192,580	2,401,228	14,773
Portion due or payable after one year:				
Warrants and notes payable	35,872,433	58,950,704	94,823,137	
Compensated absences	1,812,973	1,788,870	3,601,843	
Net other postretirement benefits obligation	130,935		130,935	
Net pension liability	13,900,607	16,363,406	30,264,013	166,425
Claims reserve	3,262,096		3,262,096	
Accrued landfill closure and postclosure care costs		2,261,778	2,261,778	
<b>Total liabilities</b>	<b>\$ 67,983,825</b>	<b>\$ 119,471,428</b>	<b>\$ 187,455,253</b>	<b>\$ 2,231,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	\$ 587,293	\$ 664,908	\$ 1,252,201	\$ 55,173
<b>NET POSITION</b>				
Net investment in capital assets	\$ 85,096,276	\$ 171,575,323	\$ 256,671,599	\$ 529,818
Restricted for:				
Debt service		7,672,518	7,672,518	
Capital projects	809,656		809,656	
Other purposes—expendable	955,273		955,273	13
Other purposes—nonexpendable	240,870		240,870	2,000,000
Unrestricted	12,262,731	21,099,902	33,362,633	1,829,812
<b>Total net position</b>	<b>\$ 99,364,806</b>	<b>\$ 200,347,743</b>	<b>\$ 299,712,549</b>	<b>\$ 4,359,643</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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental activities:								
General administration	\$ 5,997,910	\$ 5,406,480	\$	\$	\$ (591,430)		\$ (591,430)	
Public safety	19,008,024	1,578,110	164,525		(17,265,389)		(17,265,389)	
Public works	5,652,774	81,650	263,341		(5,307,783)		(5,307,783)	
Public ways and facilities	1,605,773			1,676,149	70,376		70,376	
Culture and recreation	9,515,533	1,782,538	18,308		(7,714,687)		(7,714,687)	
Other	1,590,603				(1,590,603)		(1,590,603)	
Education—funding for school district	11,747,520				(11,747,520)		(11,747,520)	
Interest and fiscal charges	1,601,382				(1,601,382)		(1,601,382)	
Total governmental activities	<u>\$ 56,719,519</u>	<u>\$ 8,848,778</u>	<u>\$ 446,174</u>	<u>\$ 1,676,149</u>	<u>\$ (45,748,418)</u>		<u>\$ (45,748,418)</u>	
Business-type activities:								
Electricity	\$ 116,681,453	\$ 117,158,639	\$	\$	\$	\$ 477,186	\$ 477,186	
Gas	14,145,775	14,717,558				571,783	571,783	
Water and wastewater	17,049,445	19,783,158				2,733,713	2,733,713	
Solid waste	5,654,457	5,569,596		243,332		158,471	158,471	
Total business-type activities	<u>\$ 153,531,130</u>	<u>\$ 157,228,951</u>	<u>\$ —</u>	<u>\$ 243,332</u>	<u>\$ —</u>	<u>\$ 3,941,153</u>	<u>\$ 3,941,153</u>	
Total primary government	<u>\$ 210,250,649</u>	<u>\$ 166,077,729</u>	<u>\$ 446,174</u>	<u>\$ 1,919,481</u>	<u>\$ (45,748,418)</u>	<u>\$ 3,941,153</u>	<u>\$ (41,807,265)</u>	
<b>Component units:</b>								
All	<u>\$ 1,604,395</u>	<u>\$ 109,360</u>	<u>\$ 1,512,404</u>	<u>\$ —</u>				<u>\$ 17,369</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 33,170,944	\$	\$ 33,170,944	\$
Property					12,307,587		12,307,587	
Motor fuel					1,089,968		1,089,968	
Alcoholic beverages					1,033,531		1,033,531	
Other					394,904		394,904	
Interest revenues					158,738	48,213	206,951	99,950
Gain (loss) on disposal of capital assets					21,193	(4,811)	16,382	
Total general revenues					<u>\$ 48,176,865</u>	<u>\$ 43,402</u>	<u>\$ 48,220,267</u>	<u>\$ 99,950</u>
Change in net position					\$ 2,428,447	\$ 3,984,555	\$ 6,413,002	\$ 117,319
Net position—beginning					<u>96,936,359</u>	<u>196,363,188</u>	<u>293,299,547</u>	<u>4,242,324</u>
Net position—ending					<u>\$ 99,364,806</u>	<u>\$ 200,347,743</u>	<u>\$ 299,712,549</u>	<u>\$ 4,359,643</u>

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



**CITY OF FLORENCE, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,622,624	\$ 13,264,353	\$ 27,886,977
Receivables (net)	4,113,978	282,232	4,396,210
Accrued interest receivable	5,119	2,308	7,427
Loan receivables (net)	293,910	328,673	622,583
Interfund receivables	395,841	1,002,993	1,398,834
Inventories	106,290		106,290
<b>Total assets</b>	<u>\$ 19,537,762</u>	<u>\$ 14,880,559</u>	<u>\$ 34,418,321</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 4,089,961	\$ 3,420,500	\$ 7,510,461
Compensated absences	1,208,648		1,208,648
Interfund payables	798,348	462,087	1,260,435
<b>Total liabilities</b>	<u>\$ 6,096,957</u>	<u>\$ 3,882,587</u>	<u>\$ 9,979,544</u>
<b>Fund balances</b>			
Nonspendable:			
Inventories	\$ 106,290		\$ 106,290
Loan receivables	293,910		293,910
Permanent fund principal		240,870	240,870
Restricted for:			
Street resurfacing and improvements		171,576	171,576
Culture and recreation		27,400	27,400
Public safety		234,217	234,217
Community development and rehabilitation		271,980	271,980
Capital projects		7,183,366	7,183,366
Assigned to:			
Capital projects		2,750,996	2,750,996
Municipal building maintenance		17,142	17,142
Economic development		99,290	99,290
Unassigned	13,040,605	1,135	13,041,740
<b>Total fund balances</b>	<u>\$ 13,440,805</u>	<u>\$ 10,997,972</u>	<u>\$ 24,438,777</u>
<b>Total liabilities and fund balances</b>	<u>\$ 19,537,762</u>	<u>\$ 14,880,559</u>	<u>\$ 34,418,321</u>

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

**CITY OF FLORENCE, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

Total fund balances—governmental funds		\$ 24,438,777
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		
Governmental capital assets	\$ 272,515,789	
Accumulated depreciation	<u>(154,636,809)</u>	117,878,980
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Governmental warrants payable	\$ (38,035,180)	
Unamortized debt discount and premium	(2,057,414)	
Deferred expense on refunding debt	936,180	
Compensated absences	(1,812,973)	
Other postretirement benefits	(130,935)	
Pensions	<u>(13,900,607)</u>	(55,000,929)
Deferred outflows of resources related to pensions are not reported in governmental funds.		
		6,182,827
Deferred inflows of resources related to pensions are not reported in governmental funds.		
		(587,293)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		
		<u>6,452,444</u>
Net position of governmental activities		<u><u>\$ 99,364,806</u></u>

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 47,344,458	\$ 652,477	\$ 47,996,935
Licenses and permits	3,681,736		3,681,736
Fines and forfeitures	1,369,622		1,369,622
Charges for services	1,995,790		1,995,790
Intergovernmental	1,601,673	1,397,223	2,998,896
Interest revenues	56,015	74,335	130,350
Other	23,873	372,376	396,249
<b>Total revenues</b>	<u>\$ 56,073,167</u>	<u>\$ 2,496,411</u>	<u>\$ 58,569,578</u>
<b>EXPENDITURES</b>			
Current operating:			
General administration	\$ 5,367,179	\$ 554,148	\$ 5,921,327
Public safety	18,507,916	165,285	18,673,201
Public works	5,023,135	540,429	5,563,564
Culture and recreation	7,265,375	147,509	7,412,884
Other	1,348,841	241,762	1,590,603
Education—funding for school district	8,475,332	3,272,188	11,747,520
Capital outlay and improvements		5,491,867	5,491,867
Debt service:			
Principal payments		3,873,249	3,873,249
Interest and fiscal charges		1,704,826	1,704,826
<b>Total expenditures</b>	<u>\$ 45,987,778</u>	<u>\$ 15,991,263</u>	<u>\$ 61,979,041</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 10,085,389</u>	<u>\$ (13,494,852)</u>	<u>\$ (3,409,463)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 200,953	\$ 14,586,924	\$ 14,787,877
Transfers out	(9,629,286)	(5,158,591)	(14,787,877)
<b>Total other financing sources (uses)</b>	<u>\$ (9,428,333)</u>	<u>\$ 9,428,333</u>	<u>\$ —</u>
<b>Net change in fund balances</b>	<u>\$ 657,056</u>	<u>\$ (4,066,519)</u>	<u>\$ (3,409,463)</u>
<b>Fund balances—beginning</b>	12,783,749	15,064,491	27,848,240
<b>Fund balances—ending</b>	<u>\$ 13,440,805</u>	<u>\$ 10,997,972</u>	<u>\$ 24,438,777</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, 2016**

Total net change in fund balances—governmental funds	\$	(3,409,463)
<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	\$ 6,797,982	
Current year depreciation expense	<u>(5,410,778)</u>	1,387,204
<p>In the statement of activities, the value of capital assets contributed to the government are reported as revenue from capital contributions, however, these are not reported as revenue in the governmental funds.</p>		
		550,000
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:</p>		
Repayments of debt principal	\$ 3,873,249	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>103,444</u>	3,976,693
<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	\$ (12,373)	
Other postretirement benefits	(130,935)	
Pensions	<u>(97,370)</u>	(240,678)
<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>164,691</u>
Change in net position of governmental activities	\$	<u><u>2,428,447</u></u>

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

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

	<b>Business-type Activities—Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service Funds</b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>		<b>September 30, 2016</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 14,949,543	\$ 11,333,793	\$ 9,279,316	\$ 3,713,274	\$ 39,275,926	\$ 7,134,343
Receivables (net)	12,652,539	706,701	1,815,695	516,777	15,691,712	171,584
Accrued interest receivable	2,560	3,490	3,220	1,448	10,718	2,475
Inventories	1,560,896	1,009,284	646,454	34,500	3,251,134	
Prepaid expenses	7,000,294	1,572,591	275,833		8,848,718	
<b>Total current assets</b>	<b>\$ 36,165,832</b>	<b>\$ 14,625,859</b>	<b>\$ 12,020,518</b>	<b>\$ 4,265,999</b>	<b>\$ 67,078,208</b>	<b>\$ 7,308,402</b>
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 1,008,851		\$ 7,356,784		\$ 8,365,635	\$ 250,100
Receivables from customers for conservation loans	4,890,020				4,890,020	
Capital assets:						
Utility plant in service (at cost)	164,229,076	56,813,332	173,392,362	14,313,593	408,748,363	
Acquisition adjustment (net of amortization)		158,141			158,141	
Construction in progress	5,016,802	134,961	1,253,175	28,779	6,433,717	
Less: accumulated depreciation	84,160,006	25,238,682	58,922,515	11,661,118	179,982,321	
Prepaid debt related costs (net)			179,088		179,088	
<b>Total noncurrent assets</b>	<b>\$ 90,984,743</b>	<b>\$ 31,867,752</b>	<b>\$ 123,258,894</b>	<b>\$ 2,681,254</b>	<b>\$ 248,792,643</b>	<b>\$ 250,100</b>
<b>Total assets</b>	<b>\$ 127,150,575</b>	<b>\$ 46,493,611</b>	<b>\$ 135,279,412</b>	<b>\$ 6,947,253</b>	<b>\$ 315,870,851</b>	<b>\$ 7,558,502</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred expense on refunding debt	\$ 79,192		\$ 156,697		\$ 235,889	\$
Pensions	3,666,475	1,507,962	1,057,236	505,614	6,737,287	
<b>Total deferred outflows of resources</b>	<b>\$ 3,745,667</b>	<b>\$ 1,507,962</b>	<b>\$ 1,213,933</b>	<b>\$ 505,614</b>	<b>\$ 6,973,176</b>	<b>\$ —</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2016	June 30, 2016	June 30, 2016	September 30, 2016		Funds
					September 30, 2016	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,164,105	\$ 894,440	\$ 1,074,211	\$ 285,050	\$ 20,417,806	\$ 65,511
Interfund payables					—	138,399
Compensated absences—payable within one year	600,960	227,898	270,564	93,158	1,192,580	
Customer deposits	7,689,043			19,575	7,708,618	
<b>Total current liabilities</b>	<b>\$ 26,454,108</b>	<b>\$ 1,122,338</b>	<b>\$ 1,344,775</b>	<b>\$ 397,783</b>	<b>\$ 29,319,004</b>	<b>\$ 203,910</b>
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 815,000	\$ —	\$ 4,255,000	\$ —	\$ 5,070,000	\$ —
Unamortized debt premium (discount), net	(4,359)		2,121		(2,238)	
Accrued interest	23,017		670,100		693,117	
Advances from TVA for conservation loans	5,026,787				5,026,787	
<b>Total liabilities payable from restricted assets</b>	<b>\$ 5,860,445</b>	<b>\$ —</b>	<b>\$ 4,927,221</b>	<b>\$ —</b>	<b>\$ 10,787,666</b>	<b>\$ —</b>
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 8,075,000	\$ —	\$ 50,840,000	\$ —	\$ 58,915,000	\$ —
Unamortized debt premium (discount), net	(4,603)		40,307		35,704	
Compensated absences—payable after one year	901,440	341,847	405,846	139,737	1,788,870	
Pensions	8,682,646	3,900,452	2,739,525	1,040,783	16,363,406	
Accrued landfill closure and postclosure care costs				2,261,778	2,261,778	
Claims reserve					—	3,262,096
<b>Total noncurrent liabilities</b>	<b>\$ 17,654,483</b>	<b>\$ 4,242,299</b>	<b>\$ 54,025,678</b>	<b>\$ 3,442,298</b>	<b>\$ 79,364,758</b>	<b>\$ 3,262,096</b>
<b>Total liabilities</b>	<b>\$ 49,969,036</b>	<b>\$ 5,364,637</b>	<b>\$ 60,297,674</b>	<b>\$ 3,840,081</b>	<b>\$ 119,471,428</b>	<b>\$ 3,466,006</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pensions	\$ 359,545	\$ 126,893	\$ 126,055	\$ 52,415	\$ 664,908	\$ —
<b>NET POSITION</b>						
Net investment in capital assets	\$ 76,284,026	\$ 31,867,752	\$ 60,742,291	\$ 2,681,254	\$ 171,575,323	\$ —
Restricted for debt service	985,834		6,686,684		7,672,518	
Restricted for other purposes—expendable					—	250,100
Unrestricted	3,297,801	10,642,291	8,640,641	879,117	23,459,850	3,842,396
<b>Total net position</b>	<b>\$ 80,567,661</b>	<b>\$ 42,510,043</b>	<b>\$ 76,069,616</b>	<b>\$ 3,560,371</b>	<b>\$ 202,707,691</b>	<b>\$ 4,092,496</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(2,359,948)	
<b>Net position of business-type activities</b>					<b>\$ 200,347,743</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 POSITION**  
**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 Funds</b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>		<b>September 30, 2016</b>
<b>Operating revenues</b>						
User charges	\$ 116,407,831	\$ 14,561,471	\$ 19,651,335	\$ 5,563,620	\$ 156,184,257	\$ 951,579
Other	608,038	13,473	131,823	5,976	759,310	
<b>Total operating revenues</b>	<b>\$ 117,015,869</b>	<b>\$ 14,574,944</b>	<b>\$ 19,783,158</b>	<b>\$ 5,569,596</b>	<b>\$ 156,943,567</b>	<b>\$ 951,579</b>
<b>Operating expenses</b>						
Cost of sales	\$ 92,637,438	\$ 6,873,074	\$	\$	\$ 99,510,512	\$
Operations, maintenance, and administration	15,328,512	4,318,790	9,877,346	4,821,536	34,346,184	594,155
Depreciation	5,063,677	1,460,872	3,650,614	715,809	10,890,972	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,386,033	1,536,490	1,683,373	146,216	6,752,112	
Insurance premiums and claims (net of refunds)					—	62,165
<b>Total operating expenses</b>	<b>\$ 116,415,660</b>	<b>\$ 14,199,887</b>	<b>\$ 15,211,333</b>	<b>\$ 5,683,561</b>	<b>\$ 151,510,441</b>	<b>\$ 656,320</b>
<b>Operating income (loss)</b>	<b>\$ 600,209</b>	<b>\$ 375,057</b>	<b>\$ 4,571,825</b>	<b>\$ (113,965)</b>	<b>\$ 5,433,126</b>	<b>\$ 295,259</b>
<b>Nonoperating revenues (expenses)</b>						
Interest revenues	\$ 17,005	\$ 7,386	\$ 8,514	\$ 15,308	\$ 48,213	\$ 28,388
Gain (loss) on disposition of capital assets	27,542	450	(39,280)	6,477	(4,811)	
Miscellaneous nonoperating income	142,770	142,614			285,384	
Grants				243,332	243,332	
Interest expense	(300,103)		(1,803,856)		(2,103,959)	
Amortization of debt related costs	(30,756)		(44,930)		(75,686)	
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (143,542)</b>	<b>\$ 150,450</b>	<b>\$ (1,879,552)</b>	<b>\$ 265,117</b>	<b>\$ (1,607,527)</b>	<b>\$ 28,388</b>
<b>Change in net position</b>	<b>\$ 456,667</b>	<b>\$ 525,507</b>	<b>\$ 2,692,273</b>	<b>\$ 151,152</b>	<b>\$ 3,825,599</b>	<b>\$ 323,647</b>
<b>Net position—beginning</b>	<b>80,110,994</b>	<b>41,984,536</b>	<b>73,377,343</b>	<b>3,409,219</b>		<b>3,768,849</b>
<b>Net position—ending</b>	<b>\$ 80,567,661</b>	<b>\$ 42,510,043</b>	<b>\$ 76,069,616</b>	<b>\$ 3,560,371</b>		<b>\$ 4,092,496</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					158,956	
<b>Change in net position of business-type activities</b>					<b>\$ 3,984,555</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 Activities</b>
	<b>Electricity</b>	<b>Gas</b>	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service Funds</b>
	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>		<b>September 30, 2016</b>
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 116,657,484	\$ 14,686,437	\$ 19,334,369	\$ 5,502,254	\$ 156,180,544	\$ 893,558
Receipts from interfund services provided	3,504,479	167,305	156,092		3,827,876	
Payments to suppliers	(100,287,448)	(7,126,920)	(3,756,665)	(1,692,248)	(112,863,281)	(918,860)
Payments to employees for services and benefits—exclusive of capitalized costs	(10,668,149)	(2,907,111)	(4,580,863)	(2,893,962)	(21,050,085)	
Payments for interfund services used	(3,168,003)	(2,565,689)	(3,189,183)	(328,007)	(9,250,882)	
<b>Net cash from operating activities</b>	<b>\$ 6,038,363</b>	<b>\$ 2,254,022</b>	<b>\$ 7,963,750</b>	<b>\$ 588,037</b>	<b>\$ 16,844,172</b>	<b>\$ (25,302)</b>
<b>Cash flows from noncapital financing activities:</b>						
Change in receivables from customers for conservation loans	\$ 1,315,703	\$	\$	\$	\$ 1,315,703	\$
Change in advances from TVA for conservation loans	(1,354,135)				(1,354,135)	
<b>Net cash from noncapital financing activities</b>	<b>\$ (38,432)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (38,432)</b>	<b>\$ —</b>
<b>Cash flows from capital and related financing activities:</b>						
Purchase and construction of capital assets (net)	\$ (7,748,756)	\$ (1,271,992)	\$ (2,468,949)	\$ (526,504)	\$ (12,016,201)	\$
Removal costs of retirements of capital assets	(534,966)	(50,779)			(585,745)	
Salvage value of retirements of capital assets	1,447				1,447	
Proceeds from disposition of capital assets	58,188	450		6,477	65,115	
Proceeds from capital grants				243,332	243,332	
Principal paid on capital debt	(790,000)		(4,105,000)		(4,895,000)	
Interest paid on capital debt	(302,276)		(1,845,357)		(2,147,633)	
<b>Net cash from capital and related financing activities</b>	<b>\$ (9,316,363)</b>	<b>\$ (1,322,321)</b>	<b>\$ (8,419,306)</b>	<b>\$ (276,695)</b>	<b>\$ (19,334,685)</b>	<b>\$ —</b>
<b>Cash flows from investing activities:</b>						
Interest on investments	\$ 15,557	\$ 4,684	\$ 5,406	\$ 13,860	\$ 39,507	\$ 25,913
Interfund receivables (payables)					—	(100,268)
<b>Net cash from investing activities</b>	<b>\$ 15,557</b>	<b>\$ 4,684</b>	<b>\$ 5,406</b>	<b>\$ 13,860</b>	<b>\$ 39,507</b>	<b>\$ (74,355)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (3,300,875)</b>	<b>\$ 936,385</b>	<b>\$ (450,150)</b>	<b>\$ 325,202</b>	<b>\$ (2,489,438)</b>	<b>\$ (99,657)</b>
<b>Cash and cash equivalents—beginning of the year</b>	<b>19,259,269</b>	<b>10,397,408</b>	<b>17,086,250</b>	<b>3,388,072</b>	<b>50,130,999</b>	<b>7,484,100</b>
<b>Cash and cash equivalents—end of the year</b>	<b>\$ 15,958,394</b>	<b>\$ 11,333,793</b>	<b>\$ 16,636,100</b>	<b>\$ 3,713,274</b>	<b>\$ 47,641,561</b>	<b>\$ 7,384,443</b>

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service
	June 30, 2016	June 30, 2016	June 30, 2016	September 30, 2016		Funds
						September 30, 2016
<b>Classified as:</b>						
Current assets	\$ 14,949,543	\$ 11,333,793	\$ 9,279,316	\$ 3,713,274	\$ 39,275,926	\$ 7,134,343
Restricted assets	1,008,851		7,356,784		8,365,635	250,100
<b>Totals</b>	<b>\$ 15,958,394</b>	<b>\$ 11,333,793</b>	<b>\$ 16,636,100</b>	<b>\$ 3,713,274</b>	<b>\$ 47,641,561</b>	<b>\$ 7,384,443</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 600,209	\$ 375,057	\$ 4,571,825	\$ (113,965)	\$ 5,433,126	\$ 295,259
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation	\$ 5,481,738	\$ 1,460,872	\$ 3,745,691	\$ 715,809	\$ 11,404,110	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				7,048	7,048	
Miscellaneous nonoperating income	142,770	142,614			285,384	
<b>Changes in assets and liabilities:</b>						
Receivables (net)	(501,155)	(31,121)	(61,074)	(67,342)	(660,692)	49,792
Inventories	30,453	331,558	(33,289)	3,711	332,433	
Prepaid expenses	211,620	328,951	(6,087)		534,484	
Deferred outflows of resources—pensions	(1,990,285)	(1,243,135)	(615,974)	(362,236)	(4,211,630)	
Accounts and other payables	(472,083)	(515,973)	(275,446)	79,318	(1,184,184)	(370,353)
Customer deposits	465,234			533	465,767	
Net pension liability	2,189,711	1,436,836	680,122	342,632	4,649,301	
Deferred inflows of resources—pensions	(119,849)	(42,298)	(42,018)	(17,471)	(221,636)	
<b>Total adjustments</b>	<b>\$ 5,438,154</b>	<b>\$ 1,878,965</b>	<b>\$ 3,391,925</b>	<b>\$ 702,002</b>	<b>\$ 11,411,046</b>	<b>\$ (320,561)</b>
<b>Net cash from operating activities</b>	<b>\$ 6,038,363</b>	<b>\$ 2,254,022</b>	<b>\$ 7,963,750</b>	<b>\$ 588,037</b>	<b>\$ 16,844,172</b>	<b>\$ (25,302)</b>

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

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016**

	<u>Employees' Retirement Plan</u>
<b>ASSETS</b>	
Investments:	
MetLife Separate Accounts	\$ 80,420,505
<b>Total assets</b>	<u>\$ 80,420,505</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u>\$ 80,420,505</u>

**CITY OF FLORENCE, ALABAMA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Employees'</u> <u>Retirement Plan</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 4,000,482
Employee	1,454,721
Total contributions	<u>\$ 5,455,203</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ 6,016,454
Interest and dividends	1,740,811
Net investment income	<u>\$ 7,757,265</u>
<b>Total additions</b>	<u>\$ 13,212,468</u>
<b>DEDUCTIONS</b>	
Benefit payments, including refunds of member contributions	\$ 9,007,798
Administrative expenses	536,781
<b>Total deductions</b>	<u>\$ 9,544,579</u>
<b>NET INCREASE IN NET POSITION</b>	\$ 3,667,889
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	
Beginning of year	<u>76,752,616</u>
End of year	<u>\$ 80,420,505</u>

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

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016**

	<u>Postretirement Benefits Plan</u>
<b>ASSETS</b>	
Receivables	
Employer	\$ 1,147,813
<b>Total assets</b>	<u>\$ 1,147,813</u>
<b>NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	<u><u>\$ 1,147,813</u></u>

**CITY OF FLORENCE, ALABAMA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>Postretirement Benefits Plan</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ —
Investment income	
Interest	2,749
<b>NET INCREASE</b>	<b>\$ 2,749</b>
 <b>NET POSITION HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</b>	
Beginning of year	1,145,064
End of year	\$ 1,147,813

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

	<b>Florence- Lauderdale Public Library September 30, 2016</b>	<b>Florence Library Foundation, Inc. June 30, 2016</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 140,802	\$ 3,892,415	\$ 4,033,217
Amounts held by the Foundation	2,005,700		2,005,700
Inventories	8,256		8,256
Capital assets (net)	529,818		529,818
<b>Total assets</b>	<b>\$ 2,684,576</b>	<b>\$ 3,892,415</b>	<b>\$ 6,576,991</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	\$ 68,838	\$ —	\$ 68,838
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 50,638	\$ —	\$ 50,638
Amounts held on behalf of the Library		1,999,177	1,999,177
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	14,773		14,773
Portion due or payable after one year:			
Net pension liability	166,425		166,425
<b>Total liabilities</b>	<b>\$ 231,836</b>	<b>\$ 1,999,177</b>	<b>\$ 2,231,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	\$ 55,173	\$ —	\$ 55,173
<b>NET POSITION</b>			
Net investment in capital assets	\$ 529,818	\$ —	\$ 529,818
Restricted for:			
Other purposes-expendable		13	13
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	1,936,587	(106,775)	1,829,812
<b>Total net position</b>	<b>\$ 2,466,405</b>	<b>\$ 1,893,238</b>	<b>\$ 4,359,643</b>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Florence- Lauderdale Public Library</u>	<u>Florence Library Foundation, Inc.</u>	<u>Total</u>
<b>Component units:</b>							
<b><u>September 30, 2016</u></b>							
Florence-Lauderdale Public Library	\$ 1,357,920	\$ 109,360	\$ 1,512,404	\$	\$ 263,844	\$ —	\$ 263,844
<b><u>June 30, 2016</u></b>							
Florence Library Foundation, Inc.	<u>246,475</u>					<u>(246,475)</u>	<u>(246,475)</u>
Total component units	<u>\$ 1,604,395</u>	<u>\$ 109,360</u>	<u>\$ 1,512,404</u>	<u>\$ —</u>	<u>\$ 263,844</u>	<u>\$ (246,475)</u>	<u>\$ 17,369</u>
General revenues:							
Interest revenues					<u>33,182</u>	<u>66,768</u>	<u>99,950</u>
Change in net position					<u>\$ 297,026</u>	<u>\$ (179,707)</u>	<u>\$ 117,319</u>
Net position—beginning					<u>2,169,379</u>	<u>2,072,945</u>	<u>4,242,324</u>
Net position—ending					<u>\$ 2,466,405</u>	<u>\$ 1,893,238</u>	<u>\$ 4,359,643</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, 2016**

**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, 2016**  
(Continued)

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

**Related Organizations**

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

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

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

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

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

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

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

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

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

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

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

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

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

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

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

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

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

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

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

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

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

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

**Discretely Presented Component Unit—Foundation**

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

**Estimates**

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

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

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

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

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

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR EQUITY**

**Deposits and Investments**

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

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

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

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

The financial instruments, which consist primarily of cash, approximate their fair values.

**Receivables and Payables**

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

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Donated Services, Materials, and Facilities—Discretely Presented Component Unit—Foundation**

The Foundation receives minimal amounts of donated services, materials, and facilities. No amounts have been recognized in the statement of activities because the criteria for recognition under professional standards have not been satisfied.

**Inventories**

Inventories are valued at the lower of average cost or market using the first-in, first-out method and are expensed when used. Inventories consist of materials and supplies held for consumption or construction projects.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets may also represent certain resources that are segregated from other resources to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Resources set aside in separate escrow accounts whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted.

**Capital Assets**

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The City's capitalization levels are \$5,000 on tangible personal property; \$10,000 for buildings and improvements and land improvements; and, \$100,000 on infrastructure. The City's infrastructure consists of streets, bridges, curbs, sidewalks, traffic signals, and storm sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
<b>Governmental Activities</b>	
Buildings and improvements	40
Land improvements	25
Infrastructure	25
Equipment, vehicles, furniture and fixtures	5
<b>Business-type Activities</b>	
Utility plant	5 - 75

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

The Library's capital assets are recorded at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at the fair market value on the date donated. The Library maintains a capitalization threshold of \$1,000. Repairs and maintenance that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from five to forty (5-40) years.

**Compensated Absences**

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

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

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

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

In the government-wide financial statements and in the fund financial statements of proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Debt premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount.

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

**Debt Discounts, Premiums, and Issuance Costs**

In the fund financial statements, debt discounts and debt premiums are treated as period costs in the year of issue. Debt premiums and discounts are shown as an "Other Financing Source/Use".

In the government-wide financial statements, debt discounts and debt premiums are amortized over the term of the debt using the straight-line method. Debt discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the long-term obligation.

Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure in the period incurred.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Deferred Inflow/Outflow from Current Refunding or Advance Refunding of Debt**

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**Net Position**

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

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

**Fund Balance**

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

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

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

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

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Florence, Alabama Employees' Retirement Plan ("CFAERP") and additions to/deductions from CFAERP's fiduciary net position have been determined on the same basis as they are reported by CFAERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Pensions—Discretely Presented Component Unit—Library**

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

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a private foundation under IRC Section 509(a). The Foundation is subject to federal excise taxes. The Foundation is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The excise tax expense reported in the current fiscal year is \$159, which includes \$4 of interest and penalties.

The Foundation's federal income tax returns for 2013, 2014, and 2015 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

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

**A. BUDGETARY PROCESS**

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

**B. DEFICIT NET POSITION**

**Governmental Activities**

As of September 30, 2016, the Workers' Compensation Insurance Fund had a deficit net position of \$495,555, which is expected to be funded by future revenues or transfers from the General Fund.

**NOTE 3—RECEIVABLES AND PAYABLES**

**A. RECEIVABLES**

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables
<b>Governmental Activities</b>					
General Fund	\$ 288,956	\$ 3,476,211	\$ 343,266	\$ 5,545	\$ 4,113,978
Other governmental funds	18,704	55,632	207,896		282,232
Internal service funds			132,878	38,706	171,584
<b>Total—governmental activities</b>	<b>\$ 307,660</b>	<b>\$ 3,531,843</b>	<b>\$ 684,040</b>	<b>\$ 44,251</b>	<b>\$ 4,567,794</b>
<b>Business-type Activities</b>					
Electricity	\$ 10,402,721	\$ —	\$ 914,986	\$ 1,636,755	\$ 12,954,462
Gas	680,231		39,616	6,635	726,482
Water and wastewater	1,862,754		12,259		1,875,013
Solid waste	449,953		86,832		536,785
Less: allowance for bad debts	401,030				401,030
<b>Total—business-type activities</b>	<b>\$ 12,994,629</b>	<b>\$ —</b>	<b>\$ 1,053,693</b>	<b>\$ 1,643,390</b>	<b>\$ 15,691,712</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

Loan receivables in governmental funds consist of amounts due from the Florence City Board of Education, the University of North Alabama, and various commercial rehabilitation loans that are generally not expected or scheduled to be collected in the subsequent year. Loans receivable amounted to \$1,648,401 at year-end, net of an allowance for bad debts of \$1,025,818. Of the customer accounts receivable for the Gas Department, \$5,675 is not due to be collected in the subsequent fiscal year.

**B. PAYABLES**

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
<b>Governmental Activities</b>					
General Fund	\$ 2,618,015	\$ 460,966	\$ 1,004,425	\$ 6,555	\$ 4,089,961
Other governmental funds	2,951,907		233,184	235,409	3,420,500
Internal service funds	65,511				65,511
<b>Total—governmental activities</b>	<b>\$ 5,635,433</b>	<b>\$ 460,966</b>	<b>\$ 1,237,609</b>	<b>\$ 241,964</b>	<b>\$ 7,575,972</b>
<b>Business-type Activities</b>					
Electricity	\$ 17,547,053	\$ 602,474	\$ 14,578	\$ —	\$ 18,164,105
Gas	523,507	143,327	227,606		894,440
Water and wastewater	423,495	209,233	441,483		1,074,211
Solid waste	198,819	46,431	39,800		285,050
<b>Total—business-type activities</b>	<b>\$ 18,692,874</b>	<b>\$ 1,001,465</b>	<b>\$ 723,467</b>	<b>\$ —</b>	<b>\$ 20,417,806</b>
<b>Component Unit</b>					
Public Library	\$ 44,188	\$ 6,450	\$ —	\$ —	\$ 50,638

**NOTE 4—INTERFUND BALANCES**

**Governmental Activities**

Interfund balances at September 30, 2016 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
<b>Receivables</b>	General Fund	\$ —	\$ 257,442	\$ 138,399	\$ 395,841
	Other governmental	798,348	204,645		1,002,993
	<b>Total</b>	<b>\$ 798,348</b>	<b>\$ 462,087</b>	<b>\$ 138,399</b>	<b>\$ 1,398,834</b>

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 5—INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2016 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
<b>Transfer to</b>	General Fund	\$ —	\$ 200,953	\$ 200,953
	Other governmental	9,629,286	4,957,638	14,586,924
	<b>Total</b>	<b>\$ 9,629,286</b>	<b>\$ 5,158,591</b>	<b>\$ 14,787,877</b>

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

**NOTE 6—RESTRICTED ASSETS**

**Governmental Activities**

Resources set aside in separate escrow accounts whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted assets. At year-end, the amounts held for the general liability insurance fund and workers' compensation insurance fund was \$50,000 and \$200,100, respectively, and are considered expendable.

**Business-type Activities**

Revenue warrants issued by the enterprise funds require that certain amounts from debt proceeds and debt service outlays be deposited into restricted funds, which are expended for their specified purposes. These funds are invested in short-term U. S. Government securities that are carried at fair value.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

*Electricity Department*

Special funds created for capital construction and debt service by the bond financing agreements are as follows:

Series 2009 Debt Service Reserve Fund	\$ 725,000
Series 2009 Warrant Funds	75,510
Series 2013 Debt Service Reserve Fund	192,869
Series 2013 Warrant Funds	15,472
Total restricted cash and cash equivalents	\$ 1,008,851

*Water and Wastewater Department*

Special funds created for capital construction and debt service by the bond financing agreements are as follows:

SRF Series 2006 Warrant Funds	\$ 115,683
SRF Series 2007 Warrant Funds	459,842
SRF Series 2010-A Warrant Funds	755,129
SRF Series 2010-B Warrant Funds	1,275,062
SRF Series 2010-C Warrant Funds	1,226,815
SRF Series 2010-D Warrant Funds	311,005
Series 2011 Warrant Funds	404,850
Series 2011 Construction Fund	2,808,398
Total restricted cash and cash equivalents	\$ 7,356,784

**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, 2016, the Department had \$678,102 in storage gas that is valued using the weighted average method.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 8—CAPITAL ASSETS**

Capital asset activity for the fiscal year is as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Additions and Transfers</b>	<b>Retirements and Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Nondepreciable assets:				
Land	\$ 7,103,200	\$ 51,700	\$ —	\$ 7,154,900
Construction in progress	1,912,286	5,093,407		7,005,693
Depreciable assets:				
Land improvements	26,006,987			26,006,987
Buildings	43,009,582	303,437		43,313,019
Equipment and vehicles	23,011,975	1,073,545	235,393	23,850,127
Infrastructure	164,359,170	825,893		165,185,063
<b>Total capital assets</b>	<b>\$ 265,403,200</b>	<b>\$ 7,347,982</b>	<b>\$ 235,393</b>	<b>\$ 272,515,789</b>
Less accumulated depreciation:				
Land improvements	\$ 11,404,362	\$ 1,007,050	\$ —	\$ 12,411,412
Buildings	19,525,937	1,089,695		20,615,632
Equipment and vehicles	20,062,771	1,183,310	235,393	21,010,688
Infrastructure	98,468,354	2,130,723		100,599,077
<b>Total accumulated depreciation</b>	<b>\$ 149,461,424</b>	<b>\$ 5,410,778</b>	<b>\$ 235,393</b>	<b>\$ 154,636,809</b>
<b>Net capital assets—governmental activities</b>	<b>\$ 115,941,776</b>	<b>\$ 1,937,204</b>	<b>\$ —</b>	<b>\$ 117,878,980</b>
<b>Business-type Activities</b>				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 5,720,497	\$ —	\$ 703,695	\$ 5,016,802
Gas	12,002	122,959		134,961
Water and wastewater	4,634,093		3,380,918	1,253,175
Solid waste	9,650	19,129		28,779
Depreciable assets:				
Utility plant in service:				
Electricity	162,127,921	8,452,451	6,351,296	164,229,076
Gas	56,049,850	1,149,035	385,553	56,813,332
Water and wastewater	167,971,612	5,849,867	429,117	173,392,362
Solid waste	13,968,640	507,375	162,422	14,313,593
Acquisition adjustment (net):				
Gas	168,802		10,661	158,141
<b>Total capital assets</b>	<b>\$ 410,663,067</b>	<b>\$ 16,100,816</b>	<b>\$ 11,423,662</b>	<b>\$ 415,340,221</b>
Less accumulated depreciation:				
Electricity	\$ 85,532,437	\$ 5,481,738	\$ 6,854,169	\$ 84,160,006
Gas	24,214,141	1,460,872	436,331	25,238,682
Water and wastewater	55,566,661	3,745,691	389,837	58,922,515
Solid waste	11,107,731	715,809	162,422	11,661,118
<b>Total accumulated depreciation</b>	<b>\$ 176,420,970</b>	<b>\$ 11,404,110</b>	<b>\$ 7,842,759</b>	<b>\$ 179,982,321</b>
<b>Net capital assets—business-type activities</b>	<b>\$ 234,242,097</b>	<b>\$ 4,696,706</b>	<b>\$ 3,580,903</b>	<b>\$ 235,357,900</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 8—CAPITAL ASSETS** (Continued)

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

General administration	\$ 464,412
Public safety	696,173
Public works	399,100
Public ways and facilities	1,605,773
Culture and recreation	2,245,320
<b>Total</b>	<b>\$ 5,410,778</b>

**Discretely Presented Component Unit—Library**

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Depreciable assets:				
Furniture and fixtures	\$ 144,595	\$ —	\$ —	\$ 144,595
Equipment	519,429	17,064		536,493
Building improvements	33,000	8,175		41,175
Library collection	1,849,849	92,042	61,126	1,880,765
<b>Total capital assets</b>	<b>\$ 2,546,873</b>	<b>\$ 117,281</b>	<b>\$ 61,126</b>	<b>\$ 2,603,028</b>
Less accumulated depreciation:				
Furniture and fixtures	\$ 122,862	\$ 4,322	\$ —	\$ 127,184
Equipment	430,003	31,996		461,999
Building improvements	1,306	876		2,182
Library collection	1,442,669	100,302	61,126	1,481,845
<b>Total accumulated depreciation</b>	<b>\$ 1,996,840</b>	<b>\$ 137,496</b>	<b>\$ 61,126</b>	<b>\$ 2,073,210</b>
<b>Net capital assets—governmental activities</b>	<b>\$ 550,033</b>	<b>\$ (20,215)</b>	<b>\$ —</b>	<b>\$ 529,818</b>

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

Library services	\$ 137,496
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**Business-type Activities**

Electricity Department

As of June 30, 2016, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$1,155,380.

Depreciation for the fiscal year 2016 totaled \$5,481,738 of which \$5,063,677 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$418,061 for the fiscal year.

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net position in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current year depreciation amounted to \$39,655. As of June 30, 2016, accumulated depreciation amounted to \$198,276.

Gas Department

As of June 30, 2016, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$320,855.

Depreciation expense charged against income amounted to \$1,460,872 for the fiscal year.



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 8—CAPITAL ASSETS** (Continued)

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements, and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current year amortization amounted to \$10,661. As of June 30, 2016, accumulated amortization amounted to \$197,232.

*Water and Wastewater Department*

As of June 30, 2016, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and right-of-ways in the amount of \$968,039.

Depreciation for the fiscal year 2016 totaled \$3,745,691 of which \$3,650,614 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$95,077 for the fiscal year.

*Solid Waste Fund*

As of September 30, 2016, nondepreciable capital assets included in utility plant in service consisted of land, land rights, right-of-ways, and construction in progress in the amount of \$233,132.

Depreciation expense charged against income amounted to \$715,809 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. During the 2016 fiscal year, TVA discontinued this Energy Right program. Subsequently, TVA established the eScore program, which gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option, thus the Department will act as a fiscal intermediary only for existing conservation loans until all are paid in full. The Department had at June 30, 2016, a total of \$4,890,020 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 \$5,026,787 as of June 30, 2016.

**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 \$6,723,609 as of June 30, 2016 is reflected as prepaid expenses.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(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 2009-B	\$ 5,095,000	\$ —	\$ 1,215,000	\$ 3,880,000	\$ 1,255,000
Debt discount	(43,694)		(11,916)	(31,778)	(11,917)
Series 2012	17,455,000		1,895,000	15,560,000	1,965,000
Debt premium	1,878,114		237,235	1,640,879	237,235
Series 2013	1,788,429		113,249	1,675,180	78,211
Series 2013-B	17,570,000		650,000	16,920,000	670,000
Debt premium	474,946		26,633	448,313	26,632
Compensated absences	3,000,999	1,221,022	1,200,400	3,021,621	1,208,648
<b>Total—governmental activities</b>	<b>\$ 47,218,794</b>	<b>\$ 1,221,022</b>	<b>\$ 5,325,601</b>	<b>\$ 43,114,215</b>	<b>\$ 5,428,809</b>
<b>Business-type Activities</b>					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2009	\$ 3,330,000	\$ —	\$ 790,000	\$ 2,540,000	\$ 815,000
Debt discount	(18,638)		(4,660)	(13,978)	(4,660)
Series 2013	6,350,000			6,350,000	—
Debt premium	5,317		301	5,016	301
Compensated absences	1,542,155	577,107	616,862	1,502,400	600,960
<u>Gas</u>					
Compensated absences	561,132	233,066	224,453	569,745	227,898
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2006	2,725,000		190,000	2,535,000	195,000
SRF Series 2007	6,790,000		385,000	6,405,000	395,000
SRF Series 2010-A	4,935,000		745,000	4,190,000	775,000
SRF Series 2010-B	8,325,000		1,260,000	7,065,000	1,310,000
SRF Series 2010-C	7,990,000		1,220,000	6,770,000	1,260,000
SRF Series 2010-D	2,010,000		305,000	1,705,000	320,000
Series 2011	20,600,000			20,600,000	—
Debt premium	44,549		2,121	42,428	2,121
SRF Series 2013	5,825,000			5,825,000	—
Compensated absences	736,461	234,534	294,585	676,410	270,564
<u>Solid waste</u>					
Compensated absences	227,598	96,336	91,039	232,895	93,158
<b>Total—business-type activities</b>	<b>\$ 71,978,574</b>	<b>\$ 1,141,043</b>	<b>\$ 6,119,701</b>	<b>\$ 66,999,916</b>	<b>\$ 6,260,342</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

	<b>Discretely Presented Component Unit—Library</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Compensated absences	\$ 12,313	\$ 2,460	\$ —	\$ 14,773	\$ 14,773
<b>Total—governmental activities</b>	\$ 12,313	\$ 2,460	\$ —	\$ 14,773	\$ 14,773

**Governmental Activities**

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

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

On February 25, 2013, the City issued General Obligation Warrants, Series 2013 in the amount of \$2,000,000 to construct the Visitor's Center for use by the Florence/Lauderdale Tourism Board. These warrants bear interest at a rate of 3.75% and are payable in semi-annual installments based on a twenty-year amortization with a balloon payment due at maturity on February 25, 2028.

On August 20, 2013, the City issued General Obligation Warrants, Series 2013-B in the amount of \$18,805,000 for capital improvements. These warrants bear interest rates from 3.00% to 5.00% and will be fully paid in 2033.

All interest costs were expensed for the fiscal year.

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

<b>Totals—Governmental Activities</b>			
<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2017	\$ 3,968,211	\$ 1,597,511	\$ 5,565,722
2018	3,761,171	1,466,799	5,227,970
2019	3,349,244	1,312,090	4,661,334
2020	3,467,433	1,189,373	4,656,806
2021	3,635,742	1,017,063	4,652,805
2022—2026	10,921,911	2,964,421	13,886,332
2027—2031	6,336,468	1,391,496	7,727,964
2032—2033	2,595,000	179,712	2,774,712
<b>Totals</b>	<b>\$ 38,035,180</b>	<b>\$ 11,118,465</b>	<b>\$ 49,153,645</b>

**Compensated Absences Liability**

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Electricity, Gas, Water and Wastewater, and Solid Waste enterprise funds; and the Library.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Business-type Activities**

*Electricity Department*

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

The City issued Electric Revenue Warrants, Series 2013, dated March 1, 2013, in the amount of \$6,350,000 with interest rates ranging from 1.75% to 4.00% for the purpose of purchasing and constructing capital improvements to the system. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually beginning on June 1, 2020. Interest is payable semi-annually on each June 1 and December 1.

All interest costs were expensed for the fiscal year.

*Water and Wastewater Department*

The City issued Water and Sewer Revenue Warrants, SRF Series 2006, dated January 15, 2006, in the amount of \$4,030,000 bearing an interest rate of 3.25%. The warrants were issued for constructing wastewater treatment and related facilities in connection with the sanitary sewer system. The warrants were issued under the State of Alabama Revolving Fund (SRF) and are administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and the Alabama Department of Environmental Management (ADEM). The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually beginning on February 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, SRF Series 2007, dated September 15, 2007, in the amount of \$8,825,000 bearing an interest rate of 3.50%. The warrants were issued for making certain improvements to the sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

The City issued Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$12,920,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1998. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2010-C-CWSRF-BL, dated August 13, 2010, in the amount of \$12,460,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The City issued Water and Sewer Revenue Warrants, Series 2010-D-CWSRF-BL, dated August 13, 2010, in the amount of \$3,125,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999B. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

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

The City issued Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL, dated October 15, 2013, in the amount of \$5,825,000 with interest rates ranging from 1.70% to 2.45%. The warrants were issued for capital improvements to upgrade the water treatment plants, the acquisition of and installation of automatic meter reading equipment, and capital improvements to the Wilson Lake intake equipment. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Interest in the amount of \$309,728 has been accrued on the warrants until February 15, 2017 and the Department, as part of the capital projects, capitalized that interest. Principal is payable annually beginning on August 15, 2017. Interest is payable semi-annually on each February 15 and August 15 beginning in February 2017.

All interest costs were expensed for the fiscal year.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

<b>Business-type Activities</b>			
Year Ending June 30	<b>Electricity Department</b>		
	Principal	Interest	Total Debt Service
2017	\$ 815,000	\$ 276,205	\$ 1,091,205
2018	850,000	247,680	1,097,680
2019	875,000	217,080	1,092,080
2020	385,000	185,143	570,143
2021	390,000	178,405	568,405
2022—2026	2,100,000	759,570	2,859,570
2027—2031	2,395,000	460,100	2,855,100
2032—2033	1,080,000	65,200	1,145,200
<b>Totals</b>	<b>\$ 8,890,000</b>	<b>\$ 2,389,383</b>	<b>\$ 11,279,383</b>
Year Ending June 30	<b>Water and Wastewater Department</b>		
	Principal	Interest	Total Debt Service
2017	\$ 4,255,000	\$ 1,762,108	\$ 6,017,108
2018	4,640,000	1,756,001	6,396,001
2019	4,805,000	1,629,470	6,434,470
2020	4,985,000	1,498,225	6,483,225
2021	5,160,000	1,362,240	6,522,240
2022—2026	7,715,000	5,850,183	13,565,183
2027—2031	9,270,000	4,297,192	13,567,192
2032—2036	11,610,000	1,958,852	13,568,852
2037	2,655,000	58,859	2,713,859
<b>Totals</b>	<b>\$ 55,095,000</b>	<b>\$ 20,173,130</b>	<b>\$ 75,268,130</b>
Year Ending June 30	<b>Totals—Business-type Activities</b>		
	Principal	Interest	Total Debt Service
2017	\$ 5,070,000	\$ 2,038,313	\$ 7,108,313
2018	5,490,000	2,003,681	7,493,681
2019	5,680,000	1,846,550	7,526,550
2020	5,370,000	1,683,368	7,053,368
2021	5,550,000	1,540,645	7,090,645
2022—2026	9,815,000	6,609,753	16,424,753
2027—2031	11,665,000	4,757,292	16,422,292
2032—2036	12,690,000	2,024,052	14,714,052
2037	2,655,000	58,859	2,713,859
<b>Totals</b>	<b>\$ 63,985,000</b>	<b>\$ 22,562,513</b>	<b>\$ 86,547,513</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(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 \$1,905,000 as of September 30, 2016. In accordance with professional standards, these warrants are not reported as liabilities in the accompanying financial statements.

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

**Business-type Activities**

*Solid Waste Fund*

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill closes, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. During the 2011-2012 fiscal year, the City ceased its municipal solid waste landfill operations and contracted with a regional landfill for disposal of municipal solid waste. The City will continue to use the remaining landfill capacity for construction and demolition materials. During the 2013-2014 fiscal year, the City reevaluated the estimated total cost for closure and post-closure care costs, as well as, the total estimated capacity of the landfill for construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2016 of \$2,261,778 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 \$238,222 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City has used 90 percent of the estimated capacity of the landfill as of September 30, 2016. With this limited use, the City estimates that the landfill will close in 2023.

**NOTE 13—PROPERTY TAXES**

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

<b>Class</b>	<b>Description</b>	<b>Assessment Percentage</b>
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, 2016**  
(Continued)

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

**Governmental Activities and Business-type Activities**

**Pension Plan**

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

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

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

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

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



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Employees Covered by Benefit Terms**—At September 30, 2015, the following employees were covered by the benefit terms:

Active employees who have not reached age 65	649
Active participants attaining Normal Retirement Age 65	11
Inactive participants (19 in pay status)	79
Total participants	739

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

For the year ended September 30, 2015, the active employee contribution rate was 2.56% on the first \$350 of monthly compensation and 5.12% of monthly compensation in excess of \$350. The City contributes 2.75 times the employee contribution.

**Investment Policy**—The investment policy is structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the plan’s assets. The investment objective is to produce a result over the long term consistent with the primary objective of preserving and enhancing the purchasing power of assets. Based on an analysis of the plan’s assets and expected investment returns and risks associated with alternative asset mix strategies, the City Council has established target asset allocations for all assets of the CFAERP. There are no individual investments in the CFAERP that exceed 5% of plan assets at September 30, 2016.

**Rate of Return**—For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.12 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**—The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**—The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Mortality Table with generational projection using MP-2015.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Core Fixed Income	30.00%	4.66%
Intermediate-Term Bonds	10.00%	4.30%
Large Cap US Equity	22.00%	7.66%
Small Cap US Equity	3.00%	8.84%
Mid Cap US Equity	5.00%	8.25%
Non-US Equity	5.00%	9.11%
Developed Foreign Equity	7.00%	8.65%
Real Estate (REITs)	6.00%	7.74%
Emerging Markets Equity	3.00%	10.81%
US Large Growth	3.00%	8.40%
US Large Value	4.00%	7.53%
US Small Growth	2.00%	9.78%

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

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

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2015	\$ 105,833,066	\$ 83,815,512	\$ 22,017,554
Changes for the year:			
Service cost	2,825,270		2,825,270
Interest on total pension liability	7,721,152		7,721,152
Effect of plan changes			-
Effect of economic/demographic gains/losses	558,626		558,626
Effect of assumption changes/inputs	1,286,191		1,286,191
Benefit payments	(11,629,512)	(11,629,512)	-
Employer contributions		4,052,968	(4,052,968)
Member contributions		1,473,806	(1,473,806)
Net investment income		(1,028,142)	1,028,142
Administrative expenses		(353,852)	353,852
Balance as of September 30, 2016 *	<u>\$ 106,594,793</u>	<u>\$ 76,330,780</u>	<u>\$ 30,264,013</u>

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

Plan fiduciary net position as a percentage of total pension liability 71.61%

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

	<i>1% Decrease (6.50%)</i>	<i>Current Discount Rate (7.50%)</i>	<i>1% Increase (8.50%)</i>
Total Pension Liability	\$ 115,056,551	\$ 106,594,793	\$ 98,857,475
Fiduciary Net Position	76,330,780	76,330,780	76,330,780
Net Pension Liability	<u>\$ 38,725,771</u>	<u>\$ 30,264,013</u>	<u>\$ 22,526,695</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—For the year ended September 30, 2015, the City recognized pension expense of \$4,682,886. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date	\$ 4,321,912	\$ -
Differences between expected and actual experience	1,768,545	
Changes of assumptions	1,168,409	
Net difference between projected and actual earnings	5,661,248	1,252,201

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

<i>Year Ended September 30</i>	<i>Amount</i>
2017	\$ 1,304,836
2018	1,304,836
2019	1,304,838
2020	1,722,237
2021	306,925
Thereafter *	1,402,329

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

Deferred outflows of resources resulting from employer contributions made subsequent to the measurement date in the amount of \$4,321,912 will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Deferred Compensation Plan**

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

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

**Discretely Presented Component Unit—Library**

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

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

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

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

**CITY OF FLORENCE, ALABAMA**  
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(Continued)

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

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	22,211
Terminated employees entitled to, but not yet receiving, benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,378
Total	84,393

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2016, the Library's average active employee contribution rate was 7.37% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 7.48% of covered employee payroll.

The Library's contractually required contribution rate for the year ended September 30, 2016 was 7.88% of pensionable pay for Tier 1 employees and 7.38% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Library were \$37,698 for the year ended September 30, 2016.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Net Pension Liability**—The Library’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 that was rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2014 (a)	\$ 1,079,534
Entry age normal cost for October 1, 2014—September 30, 2015 (b)	36,478
Actual benefit payments and refunds for October 1, 2014— September 30, 2015 (c)	(25,520)
Total pension liability as of September 30, 2015 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 1,175,834

**Actuarial Assumptions**—The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	3.75% - 7.25%	
Investment rate of return	8.00%, net of pension plan investment expense	

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 actuarial valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%

\* Includes assumed rate of inflation of 2.50%

**Discount Rate**—The discount rate used to measure the total pension liability was the long-term rate of return, 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2014	\$ 1,138,245	\$ 932,686	\$ 205,559
Changes for the year:			
Service cost	36,478		36,478
Interest	90,039		90,039
Difference between expected and actual experience	(63,408)		(63,408)
Contributions - employer		39,051	(39,051)
Contributions - employee		34,100	(34,100)
Net investment income		11,453	(11,453)
Benefit payments, including refunds of employee contributions	(25,520)	(25,520)	-
Transfers among employers		17,639	(17,639)
Net changes	\$ 37,589	\$ 76,723	\$ (39,134)
Balances at September 30, 2015	\$ 1,175,834	\$ 1,009,409	\$ 166,425

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**—The following table presents the Library’s net pension liability calculated using the discount rate of 8.00%, as well as what the Library’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Library's net pension liability	\$ 323,057	\$ 166,425	\$ 36,384

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**—For the year ended September 30, 2016, the Library recognized pension expense of \$(3,772). At September 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 32,860	\$ —
Differences between expected and actual experience		55,173
Employer contributions subsequent to the measurement date	35,978	
Totals	\$ 68,838	\$ 55,173

The Library reported \$35,978 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended September 30	Amount
2017	\$ (1,666)
2018	(1,666)
2019	(1,666)
2020	4,918
2021	(8,235)
Thereafter	(13,998)



**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 15—POSTRETIREMENT BENEFITS PLAN**

**Governmental Activities and Business-type Activities**

**Plan Description**—The City administers a single-employer defined benefit postretirement benefits plan. The plan provides medical, dental, and life insurance benefits to eligible retired City employees. Benefit provisions are established and may be amended by the City Council. The plan does not issue a publicly available financial report.

**Funding Policy**—The contribution requirements for plan members and the City are established and may be amended by the City Council. The City pays the entire cost of these benefits. A portion of the annual required contribution is financed on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**—The City’s annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$	924,068
Interest on prior year net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost	\$	924,068
Contributions made		793,133
Increase (decrease) in net OPEB obligation	\$	130,935
Net OPEB obligation—beginning of year		—
Net OPEB obligation—end of year	\$	130,935

**Three-Year Trend Information**

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

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

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

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

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

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

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

In the October 1, 2015 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.0%, which is based on the historical and expected returns that the City earns on its investments, projected salary increases of 3.5% per year, and an annual healthcare cost trend of 5.0% initially that is reduced by decrements to an ultimate rate of 4.6% after fifty-five (55) years. These rates included a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at October 1, 2015 was twenty-two (22) years.

**NOTE 16—LEASE COMMITMENTS**

**Business-type Activities**

Electricity Department

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

Fiscal Year Ending	Amount
June 30	
2017	\$ 201,372
2018	201,372
2019	201,372
2020	201,372
2021	201,372
<b>Total</b>	<b>\$ 1,006,860</b>

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 17—JOINT OPERATION**

In December 2006, the City and Lauderdale County entered into an informal arrangement to jointly acquire a commercial office building whereby each entity would own a 50% undivided interest in the building. Under the arrangement, the City manages the daily operations of the building. The City created a special revenue fund to account for the rents collected and related expenditures of the building. As of September 30, 2016, the fund balance was \$17,142, which will be used in the continuing operations and maintenance of the building. At such time that expenditures exceed revenues, the City will invoice the County for 50% of the shortfall. The City and County are utilizing portions of the building for administration and government services.

**NOTE 18—RISK MANAGEMENT**

**Governmental Activities and Business-type Activities**

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

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

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers' compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2016, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,446,693, which has been computed on a present-value basis using a discount rate of 2.6%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$815,403, which has not been discounted due to the lack of reinsurance.

With the implementation of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the workers' compensation insurance fund and the general liability insurance fund established a liability for both reported and unreported events, which includes estimates of both future payments of loss and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the City for the current fiscal year:

	<b>Workers' Compensation Insurance</b>	<b>General Liability Insurance</b>
Claims liability, October 1, 2015	\$ 2,586,525	\$ 948,655
Provision for (adjustment to) claims	461,965	121,798
Payment of claims	(601,797)	(255,050)
Claims liability, September 30, 2016	\$ 2,446,693	\$ 815,403

At September 30, 2016, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$298,183, \$5,080,843, and \$1,764,135, respectively.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(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. 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, 2016, does not have any investments that require disclosure.

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

**Discretely Presented Component Unit—Foundation**

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits with a commercial bank. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$1,476,038.

**CITY OF FLORENCE, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**  
(Continued)

**NOTE 20—CONTINGENCIES AND COMMITMENTS**

**Governmental Activities**

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

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

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2016, open contracts for construction totaled \$8,297,377 of which \$7,005,693 had been recorded as construction in progress.

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

**Business-type Activities**

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

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

**Electricity Department**

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2016, open contracts for construction totaled \$2,885,653 of which \$2,487,999 had been recorded as cumulative construction in progress. As of June 30, 2016, open contracts for system maintenance totaled \$5,847,357 of which \$2,215,007 had been recorded as current maintenance expense.

**Gas Department**

The Department entered into an agreement with two energy suppliers to purchase natural gas in the futures market. These agreements allow the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the agreements allow the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitments would materially affect the Department's operations or financial position. As of June 30, 2016, the Department had made purchase commitments amounting to \$10,253,694 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, 2016, open contracts for construction totaled \$6,274,030 of which \$5,053,855 had been recorded as cumulative construction in progress. As of June 30, 2016, open contracts for system maintenance totaled \$268,823 of which \$127,764 had been recorded as current maintenance expense.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final	(See Note A)	
<b>Budgetary fund balance—beginning</b>	\$ 12,783,749	\$ 12,783,749	\$ 12,783,749	\$ —
<b>Resources (inflows):</b>				
Taxes:				
Sales, use, and lodging	\$ 32,061,395	\$ 32,061,395	\$ 33,170,945	\$ 1,109,550
Property	12,299,500	12,299,500	12,307,587	8,087
Motor fuel	430,000	430,000	437,491	7,491
Tobacco	275,000	275,000	233,511	(41,489)
Alcoholic beverages	1,072,000	1,072,000	1,033,531	(38,469)
Other	150,000	150,000	161,393	11,393
Total taxes	<u>\$ 46,287,895</u>	<u>\$ 46,287,895</u>	<u>\$ 47,344,458</u>	<u>\$ 1,056,563</u>
Licenses and permits:				
Business	\$ 3,391,900	\$ 3,391,900	\$ 3,559,906	\$ 168,006
Non-business	122,500	122,500	121,830	(670)
Total licenses and permits	<u>\$ 3,514,400</u>	<u>\$ 3,514,400</u>	<u>\$ 3,681,736</u>	<u>\$ 167,336</u>
Fines and forfeitures	<u>\$ 1,364,000</u>	<u>\$ 1,364,000</u>	<u>\$ 1,369,622</u>	<u>\$ 5,622</u>
Charges for services:				
Cultural and recreational	\$ 1,679,974	\$ 1,679,974	\$ 1,846,229	\$ 166,255
Highways and streets	71,500	71,500	81,650	10,150
Other	83,200	83,200	67,911	(15,289)
Total charges for services	<u>\$ 1,834,674</u>	<u>\$ 1,834,674</u>	<u>\$ 1,995,790</u>	<u>\$ 161,116</u>
Intergovernmental	<u>\$ 1,283,947</u>	<u>\$ 1,283,947</u>	<u>\$ 1,601,673</u>	<u>\$ 317,726</u>
Other:				
Interest	\$ 28,000	\$ 28,000	\$ 56,015	\$ 28,015
Other	56,000	56,000	23,873	(32,127)
Total other	<u>\$ 84,000</u>	<u>\$ 84,000</u>	<u>\$ 79,888</u>	<u>\$ (4,112)</u>
Transfers from other funds	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,953</u>	<u>\$ 953</u>
<b>Amounts available for appropriation</b>	<u>\$ 67,352,665</u>	<u>\$ 67,352,665</u>	<u>\$ 69,057,869</u>	<u>\$ 1,705,204</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration:				
Mayor's office	\$ 295,900	\$ 295,900	\$ 313,491	\$ (17,591)
City council	348,651	348,651	356,147	(7,496)
Urban forestry	185,980	185,980	168,972	17,008
Purchasing and grants administration	233,784	233,784	252,818	(19,034)
Legal	262,194	262,194	263,427	(1,233)
Accounting	554,351	554,351	564,333	(9,982)
City clerk	566,228	566,228	624,257	(58,029)
Planning	347,829	347,829	367,190	(19,361)
Human resources	336,045	336,045	350,820	(14,775)
Administrative buildings	593,850	593,850	539,050	54,800
Building	699,768	699,768	711,437	(11,669)
Engineering	759,194	759,194	787,679	(28,485)
Elections	45,000	45,000	67,558	(22,558)
Total general administration	<u>\$ 5,228,774</u>	<u>\$ 5,228,774</u>	<u>\$ 5,367,179</u>	<u>\$ (138,405)</u>

**CITY OF FLORENCE, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Continued)

	<u>Budgeted Amounts</u>		<u>Amounts</u>	<u>Final Budget—</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u>
			<u>(See Note A)</u>	<u>(Negative)</u>
Public safety:				
Police	\$ 9,599,836	\$ 9,599,836	\$ 9,903,768	\$ (303,932)
Jail	449,500	449,500	553,952	(104,452)
Municipal court	528,579	528,579	690,388	(161,809)
Animal control	604,768	604,768	685,676	(80,908)
Fire	6,943,616	6,943,616	6,674,132	269,484
Total public safety	<u>\$ 18,126,299</u>	<u>\$ 18,126,299</u>	<u>\$ 18,507,916</u>	<u>\$ (381,617)</u>
Public works:				
Streets	\$ 3,640,510	\$ 3,640,510	\$ 3,700,371	\$ (59,861)
Municipal lighting and utilities	1,022,500	1,022,500	990,173	32,327
Cemetery	277,284	277,284	266,521	10,763
Parking deck facility	95,647	95,647	66,070	29,577
Total public works	<u>\$ 5,035,941</u>	<u>\$ 5,035,941</u>	<u>\$ 5,023,135</u>	<u>\$ 12,806</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,085,168	\$ 2,085,168	\$ 2,256,499	\$ (171,331)
Parks	3,170,735	3,170,735	3,189,936	(19,201)
Golf course	1,241,637	1,241,637	1,204,583	37,054
Braly municipal stadium	234,074	234,074	228,615	5,459
Arts and museums	399,678	399,678	385,742	13,936
Total culture and recreation	<u>\$ 7,131,292</u>	<u>\$ 7,131,292</u>	<u>\$ 7,265,375</u>	<u>\$ (134,083)</u>
Nondepartmental:				
Other	\$ 1,380,700	\$ 1,380,700	\$ 1,348,841	\$ 31,859
Education—funding for school district	8,218,643	8,218,643	8,475,332	(256,689)
Transfers to other funds	9,330,767	9,330,767	9,629,286	(298,519)
Total nondepartmental	<u>\$ 18,930,110</u>	<u>\$ 18,930,110</u>	<u>\$ 19,453,459</u>	<u>\$ (523,349)</u>
<b>Total charges to appropriations</b>	<u>\$ 54,452,416</u>	<u>\$ 54,452,416</u>	<u>\$ 55,617,064</u>	<u>\$ (1,164,648)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 12,900,249</u>	<u>\$ 12,900,249</u>	<u>\$ 13,440,805</u>	<u>\$ 540,556</u>



**CITY OF FLORENCE, ALABAMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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	\$ 69,057,869
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(12,783,749)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(200,953)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 56,073,167</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 55,617,064
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(9,629,286)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 45,987,778</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	7,721,152	7,603,781								
Effect of plan changes										
Effect of economic/demographic gains or losses	558,626	1,537,047								
Effect of assumption changes or inputs	1,286,192									
Benefit payments	<u>(11,629,512)</u>	<u>(9,216,405)</u>								
Net change in total pension liability	\$ 761,728	\$ 2,779,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total pension liability, beginning	<u>105,833,066</u>	<u>103,053,884</u>								
Total pension liability, ending (a)	<u>\$ 106,594,794</u>	<u>\$ 105,833,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FIDUCIARY NET POSITION</b>										
Contributions—employer	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions—employee	1,473,806	1,349,233								
Investment income, net of investment expenses	(1,028,142)	7,950,048								
Benefit payments	(11,629,512)	(9,216,405)								
Administrative expenses	<u>(353,852)</u>	<u>(378,171)</u>								
Net change in plan fiduciary net position	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position, beginning	<u>83,815,512</u>	<u>80,400,416</u>								
Fiduciary net position, ending (b)	<u>\$ 76,330,780</u>	<u>\$ 83,815,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability, ending (a - b)	<u>\$ 30,264,014</u>	<u>\$ 22,017,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a percentage of total pension liability	71.61%	79.20%								
Covered-employee payroll	\$ 29,475,065	\$ 29,557,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered-employee payroll	102.68%	74.49%								

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

**Employees' Retirement Plan**

<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>
2007	\$ 3,257,216	\$ 3,330,693	\$ (73,477)	\$ 24,300,964	13.71%
2008	2,435,104	3,726,546	(1,291,442)	25,653,135	14.53%
2009	2,315,374	4,029,198	(1,713,824)	26,289,687	15.33%
2010	2,260,178	3,563,874	(1,303,696)	26,775,834	13.31%
2011	2,920,660	3,888,126	(967,466)	28,074,105	13.85%
2012	3,377,314	3,765,076	(387,762)	28,743,659	13.10%
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%
2016	4,276,605	4,321,912	(45,307)	29,475,065	14.66%

**Notes to Schedule**

Valuation date:

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

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, closed

Remaining amortization period: 25 years

Asset valuation method: 4-year smoothed market

Corridor: 90.00% to 110.00% of market

Inflation: 2.50%

Salary increases: 3.00%

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

Cost of living adjustments: None

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

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

Mortality: RP-2014 Mortality Table with generational projection using MP-2015

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

<b>Employees' Retirement Plan</b>										
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Annual money-weighted rate of return, net of investment expense	-1.12%	9.61%	-	-	-	-	-	-	-	-

**FLORENCE-LAUDERDALE PUBLIC LIBRARY**

**Schedule of Changes in the Net Pension Liability and Related Ratios**

**Last 10 Fiscal Years Ending September 30**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Total pension liability</b>										
Service cost	\$ 36,478	\$ 34,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	90,039	83,120								
Changes of benefit terms	-	-								
Differences between expected and actual experience	(63,408)	-								
Changes of assumptions	-	-								
Benefit payments, including refunds of employee contributions	(25,520)	(35,800)								
<b>Net change in total pension liability</b>	<b>\$ 37,589</b>	<b>\$ 81,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total pension liability—beginning</b>	<b>1,138,245</b>	<b>1,056,894</b>								
<b>Total pension liability—ending (a)</b>	<b>\$ 1,175,834</b>	<b>\$ 1,138,245</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 39,051	\$ 42,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	34,100	30,467								
Net investment income	11,453	98,897								
Benefit payments, including refunds of employee contributions	(25,520)	(35,800)								
Transfers among employers	17,639	(18,727)								
<b>Net change in plan fiduciary net position</b>	<b>\$ 76,723</b>	<b>\$ 117,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position—beginning</b>	<b>932,686</b>	<b>815,398</b>								
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 1,009,409</b>	<b>\$ 932,686</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net pension liability—ending (a - b)</b>	<b>\$ 166,425</b>	<b>\$ 205,559</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>85.85%</b>	<b>81.94%</b>								
<b>Covered-employee payroll</b>	<b>\$ 454,667</b>	<b>\$ 426,337</b>								
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>36.60%</b>	<b>48.22%</b>								

**FLORENCE-LAUDERDALE PUBLIC LIBRARY**

**Schedule of Employer Contributions**

**Last 10 Fiscal Years**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Actuarially determined contribution	\$ 35,978	\$ 37,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	35,978	37,673								
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 481,183	\$ 454,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	7.48%	8.29%								

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry Age Normal  
 Amortization method: Level percentage of payroll, closed  
 Remaining amortization period: 10 years  
 Asset valuation method: 5-year smoothed market  
 Inflation: 3.00%  
 Salary increases: 3.75% – 7.25%, including inflation  
 Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

**CITY OF FLORENCE, ALABAMA**  
**Schedules of Funding Progress**

<b>Postretirement Benefits Plan</b>						
<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL)— Unit Credit (b)</i>	<i>Unfunded AAL (UAAL) (b - a)</i>	<i>Funded Ratio (a / b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b - a) / c)</i>
October 1, 2015	\$ 1,147,813	\$ 12,244,809	\$ 11,096,996	9.4%	\$ 29,881,788	37.1%
October 1, 2013	1,142,548	11,719,967	10,577,419	9.7%	29,562,601	35.8%
October 1, 2011	683,821	8,666,316	7,982,495	7.9%	28,103,737	28.4%

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



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## **SUPPLEMENTARY INFORMATION**



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**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	Special Revenue Funds										
	State Gas Tax (\$ .07)	State Gas Tax (\$ .04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund	Animal Spay/Neuter Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ 39,366	\$ 28,314	\$ 75,859	\$ 41,505	\$	\$ 125,950	\$ 4,570,702	\$ 18,149	\$ 294,351	\$	\$
Receivables (net)	14,230	14,720	26,683				116,732		3,283		
Accrued interest receivable	19	15	36	27			1,461	6	106		
Loan receivables (net)						282,926	45,747				
Interfund receivables					27,400		684,495		5,340	38,846	2,675
<b>Total assets</b>	<u>\$ 53,615</u>	<u>\$ 43,049</u>	<u>\$ 102,578</u>	<u>\$ 41,532</u>	<u>\$ 27,400</u>	<u>\$ 408,876</u>	<u>\$ 5,419,137</u>	<u>\$ 18,155</u>	<u>\$ 303,080</u>	<u>\$ 38,846</u>	<u>\$ 2,675</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable and accrued expenses	\$	\$	\$	\$	\$	\$ 317	\$ 2,463,496	\$ 17,683	\$ 72,010	\$ 38,846	\$
Interfund payables		27,666		40,397		136,579	204,645				
<b>Total liabilities</b>	<u>\$ —</u>	<u>\$ 27,666</u>	<u>\$ —</u>	<u>\$ 40,397</u>	<u>\$ —</u>	<u>\$ 136,896</u>	<u>\$ 2,668,141</u>	<u>\$ 17,683</u>	<u>\$ 72,010</u>	<u>\$ 38,846</u>	<u>\$ —</u>
<b>Fund balances</b>											
Nonspendable:											
Permanent fund principal	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted for:											
Street resurfacing and improvements	53,615	15,383	102,578								
Culture and recreation					27,400						
Public safety								472	231,070		2,675
Community development and rehabilitation						271,980					
Capital projects											
Assigned to:											
Capital projects							2,750,996				
Municipal building maintenance											
Economic development											
Unassigned				1,135							
<b>Total fund balances</b>	<u>\$ 53,615</u>	<u>\$ 15,383</u>	<u>\$ 102,578</u>	<u>\$ 1,135</u>	<u>\$ 27,400</u>	<u>\$ 271,980</u>	<u>\$ 2,750,996</u>	<u>\$ 472</u>	<u>\$ 231,070</u>	<u>\$ —</u>	<u>\$ 2,675</u>
<b>Total liabilities and fund balance</b>	<u>\$ 53,615</u>	<u>\$ 43,049</u>	<u>\$ 102,578</u>	<u>\$ 41,532</u>	<u>\$ 27,400</u>	<u>\$ 408,876</u>	<u>\$ 5,419,137</u>	<u>\$ 18,155</u>	<u>\$ 303,080</u>	<u>\$ 38,846</u>	<u>\$ 2,675</u>

**CITY OF FLORENCE, ALABAMA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Permanent Fund	Total
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	Cemetery Perpetual Care	Other Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 92,621	\$ 7,511	\$ 5,294,328	\$ —	\$ 848,648	\$ 99,256	\$ 6,780,385	\$ 7,728,289	\$ 241,736	\$ 13,264,353
Receivables (net)	7,757	98,827	282,232	—	—	—	—	—	—	282,232
Accrued interest receivable	47	10	1,727	—	307	34	153	494	87	2,308
Loan receivables (net)	—	—	328,673	—	—	—	—	—	—	328,673
Interfund receivables	39,592	—	798,348	—	—	—	204,645	204,645	—	1,002,993
<b>Total assets</b>	<b>\$ 140,017</b>	<b>\$ 106,348</b>	<b>\$ 6,705,308</b>	<b>\$ —</b>	<b>\$ 848,955</b>	<b>\$ 99,290</b>	<b>\$ 6,985,183</b>	<b>\$ 7,933,428</b>	<b>\$ 241,823</b>	<b>\$ 14,880,559</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$ 140,017	\$ 37,359	\$ 2,769,728	\$ —	\$ 39,299	\$ —	\$ 611,473	\$ 650,772	\$ —	\$ 3,420,500
Interfund payables	—	51,847	461,134	—	—	—	—	—	953	462,087
<b>Total liabilities</b>	<b>\$ 140,017</b>	<b>\$ 89,206</b>	<b>\$ 3,230,862</b>	<b>\$ —</b>	<b>\$ 39,299</b>	<b>\$ —</b>	<b>\$ 611,473</b>	<b>\$ 650,772</b>	<b>\$ 953</b>	<b>\$ 3,882,587</b>
<b>Fund balances</b>										
Nonspendable:										
Permanent fund principal	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 240,870	\$ 240,870
Restricted for:										
Street resurfacing and improvements	—	—	171,576	—	—	—	—	—	—	171,576
Culture and recreation	—	—	27,400	—	—	—	—	—	—	27,400
Public safety	—	—	234,217	—	—	—	—	—	—	234,217
Community development and rehabilitation	—	—	271,980	—	—	—	—	—	—	271,980
Capital projects	—	—	—	—	809,656	—	6,373,710	7,183,366	—	7,183,366
Assigned to:										
Capital projects	—	—	2,750,996	—	—	—	—	—	—	2,750,996
Municipal building maintenance	—	17,142	17,142	—	—	—	—	—	—	17,142
Economic development	—	—	—	—	—	99,290	—	99,290	—	99,290
Unassigned	—	—	1,135	—	—	—	—	—	—	1,135
<b>Total fund balances</b>	<b>\$ —</b>	<b>\$ 17,142</b>	<b>\$ 3,474,446</b>	<b>\$ —</b>	<b>\$ 809,656</b>	<b>\$ 99,290</b>	<b>\$ 6,373,710</b>	<b>\$ 7,282,656</b>	<b>\$ 240,870</b>	<b>\$ 10,997,972</b>
<b>Total liabilities and fund balance</b>	<b>\$ 140,017</b>	<b>\$ 106,348</b>	<b>\$ 6,705,308</b>	<b>\$ —</b>	<b>\$ 848,955</b>	<b>\$ 99,290</b>	<b>\$ 6,985,183</b>	<b>\$ 7,933,428</b>	<b>\$ 241,823</b>	<b>\$ 14,880,559</b>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds										
	State Gas Tax (\$ .07)	State Gas Tax (\$ .04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund	Animal Spay/Neuter Fund
<b>REVENUES</b>											
Taxes	\$ 156,695	\$ 167,345	\$ 328,437	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				11,308		242,266	781,722				
Interest revenues	286	283	551	49			65,360	72	1,015		
Program revenues						7,136			85,759		
Miscellaneous										50,617	
<b>Total revenues</b>	<u>\$ 156,981</u>	<u>\$ 167,628</u>	<u>\$ 328,988</u>	<u>\$ 11,357</u>	<u>\$ —</u>	<u>\$ 249,402</u>	<u>\$ 847,082</u>	<u>\$ 72</u>	<u>\$ 86,774</u>	<u>\$ 50,617</u>	<u>\$ —</u>
<b>EXPENDITURES</b>											
Current operating:											
General administration	\$	\$	\$	\$	\$	55,134	153,985	\$	\$	260	\$
Public safety				11,308			2,072		34,463	54,805	6,495
Public works		60,018				133,327	31,723			7,279	
Culture and recreation					8,557		11,784			19,190	
Other						61,762	100,000				
Education—funding for school district							3,272,188				
Capital outlay and improvements			31,425				1,698,412		8,000		
Debt service:											
Principal payments											
Interest and fiscal charges											
<b>Total expenditures</b>	<u>\$ —</u>	<u>\$ 60,018</u>	<u>\$ 31,425</u>	<u>\$ 11,308</u>	<u>\$ 8,557</u>	<u>\$ 250,223</u>	<u>\$ 5,270,164</u>	<u>\$ —</u>	<u>\$ 42,463</u>	<u>\$ 81,534</u>	<u>\$ 6,495</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 156,981</u>	<u>\$ 107,610</u>	<u>\$ 297,563</u>	<u>\$ 49</u>	<u>\$ (8,557)</u>	<u>\$ (821)</u>	<u>\$ (4,423,082)</u>	<u>\$ 72</u>	<u>\$ 44,311</u>	<u>\$ (30,917)</u>	<u>\$ (6,495)</u>
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	\$	\$	\$	\$	\$	\$	8,867,881	\$	\$	\$	9,170
Transfers out	(110,000)	(110,000)	(220,000)				(4,717,638)				
<b>Total other financing sources (uses)</b>	<u>\$ (110,000)</u>	<u>\$ (110,000)</u>	<u>\$ (220,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,150,243</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,170</u>
<b>Net change in fund balances</b>	<u>\$ 46,981</u>	<u>\$ (2,390)</u>	<u>\$ 77,563</u>	<u>\$ 49</u>	<u>\$ (8,557)</u>	<u>\$ (821)</u>	<u>\$ (272,839)</u>	<u>\$ 72</u>	<u>\$ 44,311</u>	<u>\$ (30,917)</u>	<u>\$ 2,675</u>
<b>Fund balances—beginning</b>	6,634	17,773	25,015	1,086	35,957	272,801	3,023,835	400	186,759	30,917	
<b>Fund balances—ending</b>	<u>\$ 53,615</u>	<u>\$ 15,383</u>	<u>\$ 102,578</u>	<u>\$ 1,135</u>	<u>\$ 27,400</u>	<u>\$ 271,980</u>	<u>\$ 2,750,996</u>	<u>\$ 472</u>	<u>\$ 231,070</u>	<u>\$ —</u>	<u>\$ 2,675</u>

**CITY OF FLORENCE, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Permanent Fund	Total
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	Cemetery Perpetual Care	Other Governmental Funds
<b>REVENUES</b>										
Taxes	\$	\$	\$ 652,477	\$	\$	\$	\$	\$ —	\$	\$ 652,477
Intergovernmental			1,035,296		344,427	17,500		361,927		1,397,223
Interest revenues		144	67,760		3,201	970	2,404	6,575		74,335
Program revenues		227,911	320,806						953	321,759
Miscellaneous			50,617							50,617
<b>Total revenues</b>	\$ —	\$ 228,055	\$ 2,126,956	\$ —	\$ 347,628	\$ 18,470	\$ 2,404	\$ 368,502	\$ 953	\$ 2,496,411
<b>EXPENDITURES</b>										
Current operating:										
General administration	\$	\$ 342,976	\$ 552,355	\$	\$ 1,793	\$	\$	\$ 1,793	\$	\$ 554,148
Public safety			109,143		56,142			56,142		165,285
Public works			232,347			308,082		308,082		540,429
Culture and recreation			39,531		101,965		6,013	107,978		147,509
Other			161,762			80,000		80,000		241,762
Education—funding for school district			3,272,188							3,272,188
Capital outlay and improvements		16,877	1,754,714		78,260	31,000	3,627,893	3,737,153		5,491,867
Debt service:										
Principal payments			—		3,873,249			—		3,873,249
Interest and fiscal charges			—		1,704,826			—		1,704,826
<b>Total expenditures</b>	\$ —	\$ 359,853	\$ 6,122,040	\$ 5,578,075	\$ 238,160	\$ 419,082	\$ 3,633,906	\$ 4,291,148	\$ —	\$ 15,991,263
<b>Excess (deficiency) of revenues over expenditures</b>	\$ —	\$ (131,798)	\$ (3,995,084)	\$ (5,578,075)	\$ 109,468	\$ (400,612)	\$ (3,631,502)	\$ (3,922,646)	\$ 953	\$ (13,494,852)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	\$	\$ 131,798	\$ 9,008,849	\$ 5,578,075	\$	\$	\$	\$ —	\$	\$ 14,586,924
Transfers out			(5,157,638)						(953)	(5,158,591)
<b>Total other financing sources (uses)</b>	\$ —	\$ 131,798	\$ 3,851,211	\$ 5,578,075	\$ —	\$ —	\$ —	\$ —	\$ (953)	\$ 9,428,333
<b>Net change in fund balances</b>	\$ —	\$ —	\$ (143,873)	\$ —	\$ 109,468	\$ (400,612)	\$ (3,631,502)	\$ (3,922,646)	\$ —	\$ (4,066,519)
<b>Fund balances—beginning</b>		17,142	3,618,319		700,188	499,902	10,005,212	11,205,302	240,870	15,064,491
<b>Fund balances—ending</b>	\$ —	\$ 17,142	\$ 3,474,446	\$ —	\$ 809,656	\$ 99,290	\$ 6,373,710	\$ 7,282,656	\$ 240,870	\$ 10,997,972

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2016**

	<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>Employee Health and Wellness Center</b>	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 184,586	\$ 5,079,008	\$ 1,747,152	\$ 123,597	\$ 7,134,343
Receivables (net)	113,563		16,377	41,644	171,584
Accrued interest receivable	34	1,835	606		2,475
<b>Total current assets</b>	<b>\$ 298,183</b>	<b>\$ 5,080,843</b>	<b>\$ 1,764,135</b>	<b>\$ 165,241</b>	<b>\$ 7,308,402</b>
Noncurrent assets					
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 200,100	\$ —	\$ 250,100
<b>Total noncurrent assets</b>	<b>\$ —</b>	<b>\$ 50,000</b>	<b>\$ 200,100</b>	<b>\$ —</b>	<b>\$ 250,100</b>
<b>Total assets</b>	<b>\$ 298,183</b>	<b>\$ 5,130,843</b>	<b>\$ 1,964,235</b>	<b>\$ 165,241</b>	<b>\$ 7,558,502</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued expenses	\$ 19,085	\$ 5,945	\$ 13,097	\$ 27,384	\$ 65,511
Interfund payables	542			137,857	138,399
Noncurrent liabilities					
Claims reserve		815,403	2,446,693		3,262,096
<b>Total liabilities</b>	<b>\$ 19,627</b>	<b>\$ 821,348</b>	<b>\$ 2,459,790</b>	<b>\$ 165,241</b>	<b>\$ 3,466,006</b>
<b>NET POSITION</b>					
Restricted for:					
Other purposes	\$ 278,556	\$ 50,000	\$ 200,100	\$ —	\$ 250,100
Unrestricted	278,556	4,259,495	(695,655)		3,842,396
<b>Total net position</b>	<b>\$ 278,556</b>	<b>\$ 4,309,495</b>	<b>\$ (495,555)</b>	<b>\$ —</b>	<b>\$ 4,092,496</b>

**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
<b>Operating revenues</b>					
User charges	\$ —	\$ 325,178	\$ 520,866	\$ 105,535	\$ 951,579
<b>Total operating revenues</b>	<u>\$ —</u>	<u>\$ 325,178</u>	<u>\$ 520,866</u>	<u>\$ 105,535</u>	<u>\$ 951,579</u>
<b>Operating expenses</b>					
Insurance premiums and claims (net of refunds)	\$ (521,598)	\$ 121,798	\$ 461,965	\$ —	\$ 62,165
Operations and administration	243,836	146,013	98,771	105,535	594,155
<b>Total operating expenses</b>	<u>\$ (277,762)</u>	<u>\$ 267,811</u>	<u>\$ 560,736</u>	<u>\$ 105,535</u>	<u>\$ 656,320</u>
<b>Operating income (loss)</b>	<u>\$ 277,762</u>	<u>\$ 57,367</u>	<u>\$ (39,870)</u>	<u>\$ —</u>	<u>\$ 295,259</u>
<b>Non-operating revenues (expenses)</b>					
Interest revenues	794	20,122	7,472	—	28,388
<b>Change in net position</b>	<u>\$ 278,556</u>	<u>\$ 77,489</u>	<u>\$ (32,398)</u>	<u>\$ —</u>	<u>\$ 323,647</u>
<b>Net position—beginning</b>	—	4,232,006	(463,157)	—	3,768,849
<b>Net position—ending</b>	<u><u>\$ 278,556</u></u>	<u><u>\$ 4,309,495</u></u>	<u><u>\$ (495,555)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 4,092,496</u></u>



**CITY OF FLORENCE, ALABAMA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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>Employee Health and Wellness Center</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ —	\$ 325,178	\$ 504,489	\$ 63,891	\$ 893,558
Payments to suppliers	381,979	(401,904)	(820,784)	(78,151)	(918,860)
<b>Net cash from operating activities</b>	<b>\$ 381,979</b>	<b>\$ (76,726)</b>	<b>\$ (316,295)</b>	<b>\$ (14,260)</b>	<b>\$ (25,302)</b>
<b>Cash flows from investing activities</b>					
Interest on investments	\$ 760	\$ 18,287	\$ 6,866	\$ —	\$ 25,913
Interfund receivables (payables)	(238,125)			137,857	(100,268)
<b>Net cash from investing activities</b>	<b>\$ (237,365)</b>	<b>\$ 18,287</b>	<b>\$ 6,866</b>	<b>\$ 137,857</b>	<b>\$ (74,355)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 144,614</b>	<b>\$ (58,439)</b>	<b>\$ (309,429)</b>	<b>\$ 123,597</b>	<b>\$ (99,657)</b>
<b>Cash and cash equivalents—beginning</b>	<b>39,972</b>	<b>5,187,447</b>	<b>2,256,681</b>		<b>7,484,100</b>
<b>Cash and cash equivalents—ending</b>	<b>\$ 184,586</b>	<b>\$ 5,129,008</b>	<b>\$ 1,947,252</b>	<b>\$ 123,597</b>	<b>\$ 7,384,443</b>
<b><i>Classified as:</i></b>					
Current assets	\$ 184,586	\$ 5,079,008	\$ 1,747,152	\$ 123,597	\$ 7,134,343
Restricted assets		50,000	200,100		250,100
<b>Totals</b>	<b>\$ 184,586</b>	<b>\$ 5,129,008</b>	<b>\$ 1,947,252</b>	<b>\$ 123,597</b>	<b>\$ 7,384,443</b>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i></b>					
Operating income (loss)	\$ 277,762	\$ 57,367	\$ (39,870)	\$ —	\$ 295,259
<b>Changes in assets and liabilities</b>					
Receivables (net)	\$ 107,813	\$ —	\$ (16,377)	\$ (41,644)	\$ 49,792
Accounts and other payables	(3,596)	(134,093)	(260,048)	27,384	(370,353)
<b>Total adjustments</b>	<b>\$ 104,217</b>	<b>\$ (134,093)</b>	<b>\$ (276,425)</b>	<b>\$ (14,260)</b>	<b>\$ (320,561)</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 381,979</b>	<b>\$ (76,726)</b>	<b>\$ (316,295)</b>	<b>\$ (14,260)</b>	<b>\$ (25,302)</b>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .07) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 6,634	\$ 6,634	\$ 6,634	\$ —
<b>Resources (inflows):</b>				
Taxes	150,000	150,000	156,695	6,695
Interest revenues	250	250	286	36
<b>Amounts available for appropriation</b>	<u>\$ 156,884</u>	<u>\$ 156,884</u>	<u>\$ 163,615</u>	<u>\$ 6,731</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 40,250	\$ 40,250	\$	\$ 40,250
Transfers to other funds	110,000	110,000	110,000	—
<b>Total charges to appropriations</b>	<u>\$ 150,250</u>	<u>\$ 150,250</u>	<u>\$ 110,000</u>	<u>\$ 40,250</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 6,634</u>	<u>\$ 6,634</u>	<u>\$ 53,615</u>	<u>\$ 46,981</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	\$ 163,615
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(6,634)
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>\$ 156,981</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 110,000
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(110,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX (\$ .04) FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 17,773	\$ 17,773	\$ 17,773	\$ —
<b>Resources (inflows):</b>				
Taxes	160,000	160,000	167,345	7,345
Interest revenues	300	300	283	(17)
<b>Amounts available for appropriation</b>	<u>\$ 178,073</u>	<u>\$ 178,073</u>	<u>\$ 185,401</u>	<u>\$ 7,328</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public works	\$ 25,000	\$ 25,000	\$ 60,018	\$ (35,018)
Capital outlay and improvements	25,300	25,300		25,300
Transfers to other funds	110,000	110,000	110,000	—
<b>Total charges to appropriations</b>	<u>\$ 160,300</u>	<u>\$ 160,300</u>	<u>\$ 170,018</u>	<u>\$ (9,718)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 17,773</u>	<u>\$ 17,773</u>	<u>\$ 15,383</u>	<u>\$ (2,390)</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 185,401
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(17,773)
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>\$ 167,628</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 170,018
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(110,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 60,018</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COUNTY GAS TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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>	\$ 25,015	\$ 25,015	\$ 25,015	\$ —
<b>Resources (inflows):</b>				
Taxes	375,000	375,000	328,437	(46,563)
Interest revenues	300	300	551	251
<b>Amounts available for appropriation</b>	<u>\$ 400,315</u>	<u>\$ 400,315</u>	<u>\$ 354,003</u>	<u>\$ (46,312)</u>
<b>Charges to appropriations (outflows):</b>				
Capital outlay and improvements	\$ 155,300	\$ 155,300	\$ 31,425	\$ 123,875
Transfers to other funds	220,000	220,000	220,000	—
<b>Total charges to appropriations</b>	<u>\$ 375,300</u>	<u>\$ 375,300</u>	<u>\$ 251,425</u>	<u>\$ 123,875</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 25,015</u>	<u>\$ 25,015</u>	<u>\$ 102,578</u>	<u>\$ 77,563</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	\$ 354,003
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(25,015)
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>\$ 328,988</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 251,425
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(220,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 31,425</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS GRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 1,086	\$ 1,086	\$ 1,086	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	90,000	90,000	11,308	(78,692)
Interest revenues	50	50	49	(1)
Program revenues	25,000	25,000		(25,000)
<b>Amounts available for appropriation</b>	<u>\$ 116,136</u>	<u>\$ 116,136</u>	<u>\$ 12,443</u>	<u>\$ (103,693)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 75,000	\$ 75,000	\$	\$ 75,000
Public safety	40,050	40,050	11,308	28,742
<b>Total charges to appropriations</b>	<u>\$ 115,050</u>	<u>\$ 115,050</u>	<u>\$ 11,308</u>	<u>\$ 103,742</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 1,086</u>	<u>\$ 1,086</u>	<u>\$ 1,135</u>	<u>\$ 49</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,443
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	(1,086)
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>\$ 11,357</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 11,308
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>\$ 11,308</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
STATE ARTS COUNCIL GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 35,957	\$ 35,957	\$ 35,957	\$ —
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$ 15,000	\$ 15,000	\$ 8,557	\$ 6,443
<b>Total charges to appropriations</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 8,557</b>	<b>\$ 6,443</b>
<b>Budgetary fund balance—ending</b>	<b>\$ 20,957</b>	<b>\$ 20,957</b>	<b>\$ 27,400</b>	<b>\$ 6,443</b>

**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	\$ 35,957
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	(35,957)
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>\$ —</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,557
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>\$ 8,557</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 272,801	\$ 272,801	\$ 272,801	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	377,878	377,878	242,266	(135,612)
Program revenues			7,136	7,136
<b>Amounts available for appropriation</b>	<u>\$ 650,679</u>	<u>\$ 650,679</u>	<u>\$ 522,203</u>	<u>\$ (128,476)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 68,423	\$ 68,423	\$ 55,134	\$ 13,289
Public works	96,800	96,800	133,327	(36,527)
Other	212,655	212,655	61,762	150,893
<b>Total charges to appropriations</b>	<u>\$ 377,878</u>	<u>\$ 377,878</u>	<u>\$ 250,223</u>	<u>\$ 127,655</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 272,801</u>	<u>\$ 272,801</u>	<u>\$ 271,980</u>	<u>\$ (821)</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	\$ 522,203
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	(272,801)
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>\$ 249,402</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 250,223
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>\$ 250,223</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
1995 CAPITAL SALES TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 3,023,835	\$ 3,023,835	\$ 3,023,835	\$ —
<b>Resources (inflows):</b>				
Interest revenues	7,500	7,500	65,360	57,860
Intergovernmental			781,722	781,722
Transfers from other funds	8,605,900	8,605,900	8,867,881	261,981
<b>Amounts available for appropriation</b>	<u>\$ 11,637,235</u>	<u>\$ 11,637,235</u>	<u>\$ 12,738,798</u>	<u>\$ 1,101,563</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 101,755	\$ 101,755	\$ 153,985	\$ (52,230)
Public safety			2,072	(2,072)
Public works	20,000	20,000	31,723	(11,723)
Culture and recreation			11,784	(11,784)
Other			100,000	(100,000)
Education—funding for school district	3,184,000	3,184,000	3,272,188	(88,188)
Capital outlay and improvements	589,315	589,315	1,698,412	(1,109,097)
Transfers to other funds	4,718,330	4,718,330	4,717,638	692
<b>Total charges to appropriations</b>	<u>\$ 8,613,400</u>	<u>\$ 8,613,400</u>	<u>\$ 9,987,802</u>	<u>\$ (1,374,402)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 3,023,835</u>	<u>\$ 3,023,835</u>	<u>\$ 2,750,996</u>	<u>\$ (272,839)</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,738,798
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(3,023,835)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(8,867,881)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 847,082</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,987,802
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,717,638)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,270,164</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DRUG TASK FORCE GRANT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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>	\$ 186,759	\$ 186,759	\$ 186,759	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	108,500	108,500		(108,500)
Interest revenues			1,015	1,015
Program revenues	65,500	65,500	85,759	20,259
<b>Amounts available for appropriation</b>	<u>\$ 360,759</u>	<u>\$ 360,759</u>	<u>\$ 273,533</u>	<u>\$ (87,226)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 174,000	\$ 174,000	\$ 34,463	\$ 139,537
Capital outlay and improvements			8,000	(8,000)
<b>Total charges to appropriations</b>	<u>\$ 174,000</u>	<u>\$ 174,000</u>	<u>\$ 42,463</u>	<u>\$ 131,537</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 186,759</u>	<u>\$ 186,759</u>	<u>\$ 231,070</u>	<u>\$ 44,311</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	\$ 273,533
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(186,759)
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>\$ 86,774</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 42,463
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>\$ 42,463</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DONATION FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 30,917	\$ 30,917	\$ 30,917	\$ —
<b>Resources (inflows):</b>				
Miscellaneous	42,500	42,500	50,617	8,117
<b>Amounts available for appropriation</b>	<u>\$ 73,417</u>	<u>\$ 73,417</u>	<u>\$ 81,534</u>	<u>\$ 8,117</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$	\$	\$ 260	\$ (260)
Public safety	37,500	37,500	54,805	(17,305)
Public works			7,279	(7,279)
Culture and recreation	5,000	5,000	19,190	(14,190)
<b>Total charges to appropriations</b>	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 81,534</u>	<u>\$ (39,034)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 30,917</u>	<u>\$ 30,917</u>	<u>\$ —</u>	<u>\$ (30,917)</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	\$ 81,534
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	(30,917)
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>\$ 50,617</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 81,534
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>\$ 81,534</u>

**Excess of Expenditures Over Appropriations**

The fund incurred expenditures in excess of appropriations of \$8,117 for the year ended September 30, 2016. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
ANIMAL SPAY/NEUTER FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ —	\$ —	\$ —	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds	5,000	5,000	9,170	4,170
<b>Amounts available for appropriation</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 9,170</u>	<u>\$ 4,170</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public safety	\$ 5,000	\$ 5,000	\$ 6,495	\$ (1,495)
<b>Total charges to appropriations</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,495</u>	<u>\$ (1,495)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,675</u>	<u>\$ 2,675</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 9,170
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(9,170)</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	\$ 6,495
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>\$ 6,495</u>

**Excess of Expenditures Over Appropriations**

The fund incurred expenditures in excess of appropriations of \$1,495 for the year ended September 30, 2016. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
FLO-LAUD GOVERNMENT BUILDING FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 17,142	\$ 17,142	\$ 17,142	\$ —
<b>Resources (inflows):</b>				
Interest revenues	100	100	144	44
Program revenues	250,000	250,000	227,911	(22,089)
Transfers from other funds	100,000	100,000	131,798	31,798
<b>Amounts available for appropriation</b>	<u>\$ 367,242</u>	<u>\$ 367,242</u>	<u>\$ 376,995</u>	<u>\$ 9,753</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$ 350,100	\$ 350,100	\$ 342,976	\$ 7,124
Capital outlay and improvements			16,877	(16,877)
<b>Total charges to appropriations</b>	<u>\$ 350,100</u>	<u>\$ 350,100</u>	<u>\$ 359,853</u>	<u>\$ (9,753)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 17,142</u>	<u>\$ 17,142</u>	<u>\$ 17,142</u>	<u>\$ —</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 376,995
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(17,142)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(131,798)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 228,055</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 359,853
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>\$ 359,853</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ —	\$ —	\$ —	\$ —
<b>Resources (inflows):</b>				
Transfers from other funds	5,577,225	5,577,225	5,578,075	850
<b>Amounts available for appropriation</b>	<u>\$ 5,577,225</u>	<u>\$ 5,577,225</u>	<u>\$ 5,578,075</u>	<u>\$ 850</u>
<b>Charges to appropriations (outflows):</b>				
Debt service:				
Principal payments	\$ 3,872,590	\$ 3,872,590	\$ 3,873,249	\$ (659)
Interest and fiscal charges	1,704,635	1,704,635	1,704,826	(191)
<b>Total charges to appropriations</b>	<u>\$ 5,577,225</u>	<u>\$ 5,577,225</u>	<u>\$ 5,578,075</u>	<u>\$ (850)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,578,075
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,578,075)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,578,075
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,578,075</u>

**Excess of Expenditures Over Appropriations**

The fund incurred expenditures in excess of appropriations of \$850 for the year ended September 30, 2016. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 700,188	\$ 700,188	\$ 700,188	\$ —
<b>Resources (inflows):</b>				
Intergovernmental	320,000	320,000	344,427	24,427
Interest revenues	2,000	2,000	3,201	1,201
<b>Amounts available for appropriation</b>	<u>\$ 1,022,188</u>	<u>\$ 1,022,188</u>	<u>\$ 1,047,816</u>	<u>\$ 25,628</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
General administration	\$	\$	\$ 1,793	\$ (1,793)
Public safety			56,142	(56,142)
Culture and recreation			101,965	(101,965)
Capital outlay and improvements	322,000	322,000	78,260	243,740
<b>Total charges to appropriations</b>	<u>\$ 322,000</u>	<u>\$ 322,000</u>	<u>\$ 238,160</u>	<u>\$ 83,840</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 700,188</u>	<u>\$ 700,188</u>	<u>\$ 809,656</u>	<u>\$ 109,468</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	\$ 1,047,816
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	(700,188)
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>\$ 347,628</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 238,160
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>\$ 238,160</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 499,902	\$ 499,902	\$ 499,902	\$ —
<b>Resources (inflows):</b>				
Intergovernmental			17,500	17,500
Interest revenues	1,600	1,600	970	(630)
<b>Amounts available for appropriation</b>	<u>\$ 501,502</u>	<u>\$ 501,502</u>	<u>\$ 518,372</u>	<u>\$ 16,870</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Public works	\$	\$	\$ 308,082	\$ (308,082)
Other	250,000	250,000	80,000	170,000
Capital outlay and improvements			31,000	(31,000)
<b>Total charges to appropriations</b>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 419,082</u>	<u>\$ (169,082)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 251,502</u>	<u>\$ 251,502</u>	<u>\$ 99,290</u>	<u>\$ (152,212)</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	\$ 518,372
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	(499,902)
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>\$ 18,470</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 419,082
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>\$ 419,082</u>

**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
SERIES 2013-B G.O. WARRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget— Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary fund balance—beginning</b>	\$ 10,005,212	\$ 10,005,212	\$ 10,005,212	\$ —
<b>Resources (inflows):</b>				
Interest revenues	4,000	4,000	2,404	(1,596)
<b>Amounts available for appropriation</b>	<u>\$ 10,009,212</u>	<u>\$ 10,009,212</u>	<u>\$ 10,007,616</u>	<u>\$ (1,596)</u>
<b>Charges to appropriations (outflows):</b>				
Current operating:				
Culture and recreation	\$	\$	\$ 6,013	\$ (6,013)
Capital outlay and improvements	9,500,000	9,500,000	3,627,893	5,872,107
<b>Total charges to appropriations</b>	<u>\$ 9,500,000</u>	<u>\$ 9,500,000</u>	<u>\$ 3,633,906</u>	<u>\$ 5,866,094</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 509,212</u>	<u>\$ 509,212</u>	<u>\$ 6,373,710</u>	<u>\$ 5,864,498</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	\$ 10,007,616
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	(10,005,212)
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>\$ 2,404</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,633,906
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>\$ 3,633,906</u>



**CITY OF FLORENCE, ALABAMA  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY PERPETUAL CARE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Budgetary fund balance—beginning</b>	\$ 240,870	\$ 240,870	\$ 240,870	\$ —
<b>Resources (inflows):</b>				
Program revenues	500	500	953	453
<b>Amounts available for appropriation</b>	<u>\$ 241,370</u>	<u>\$ 241,370</u>	<u>\$ 241,823</u>	<u>\$ 453</u>
<b>Charges to appropriations (outflows):</b>				
Transfers to other funds	\$ 500	\$ 500	\$ 953	\$ (453)
<b>Total charges to appropriations</b>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 953</u>	<u>\$ (453)</u>
<b>Budgetary fund balance—ending</b>	<u>\$ 240,870</u>	<u>\$ 240,870</u>	<u>\$ 240,870</u>	<u>\$ —</u>

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

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 241,823
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(240,870)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 953</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 953
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(953)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 123,093,000	\$ 123,093,000	\$ 116,407,831	\$ (6,685,169)
Other	625,000	625,000	608,038	(16,962)
<b>Total operating revenues</b>	<u>\$ 123,718,000</u>	<u>\$ 123,718,000</u>	<u>\$ 117,015,869</u>	<u>\$ (6,702,131)</u>
<b>Operating expenses</b>				
Costs of sales	\$ 97,750,000	\$ 97,750,000	\$ 92,637,438	\$ 5,112,562
Operations, maintenance, and administration	15,801,625	15,801,625	15,328,512	473,113
Depreciation	5,100,000	5,100,000	5,063,677	36,323
Taxes and tax equivalents	3,328,000	3,328,000	3,386,033	(58,033)
<b>Total operating expenses</b>	<u>\$ 121,979,625</u>	<u>\$ 121,979,625</u>	<u>\$ 116,415,660</u>	<u>\$ 5,563,965</u>
<b>Operating income (loss)</b>	<u>\$ 1,738,375</u>	<u>\$ 1,738,375</u>	<u>\$ 600,209</u>	<u>\$ (1,138,166)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 13,000	\$ 13,000	\$ 17,005	\$ 4,005
Merchandising revenues (net of costs)	175,000	175,000	129,270	(45,730)
Miscellaneous nonoperating income	3,000	3,000	13,500	10,500
Gain on disposition of assets			27,542	27,542
Interest expense	(300,200)	(300,200)	(300,103)	97
Amortization of debt related costs	(48,600)	(48,600)	(30,756)	17,844
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (157,800)</u>	<u>\$ (157,800)</u>	<u>\$ (143,542)</u>	<u>\$ 14,258</u>
<b>Change in net position</b>	<u>\$ 1,580,575</u>	<u>\$ 1,580,575</u>	<u>\$ 456,667</u>	<u>\$ (1,123,908)</u>

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 19,352,100	\$ 19,352,100	\$ 14,561,471	\$ (4,790,629)
Other	11,600	11,600	13,473	1,873
<b>Total operating revenues</b>	<u>\$ 19,363,700</u>	<u>\$ 19,363,700</u>	<u>\$ 14,574,944</u>	<u>\$ (4,788,756)</u>
<b>Operating expenses</b>				
Costs of sales	\$ 11,220,100	\$ 11,220,100	\$ 6,873,074	\$ 4,347,026
Operations, maintenance, and administration	4,683,900	4,683,900	4,318,790	365,110
Depreciation	1,540,000	1,540,000	1,460,872	79,128
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,515,700	1,515,700	1,536,490	(20,790)
<b>Total operating expenses</b>	<u>\$ 18,970,400</u>	<u>\$ 18,970,400</u>	<u>\$ 14,199,887</u>	<u>\$ 4,770,513</u>
<b>Operating income (loss)</b>	<u>\$ 393,300</u>	<u>\$ 393,300</u>	<u>\$ 375,057</u>	<u>\$ (18,243)</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 4,500	\$ 4,500	\$ 7,386	\$ 2,886
Gain (loss) on disposition of assets	10,000	10,000	450	(9,550)
Miscellaneous nonoperating income	9,500	9,500	142,614	133,114
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 150,450</u>	<u>\$ 126,450</u>
<b>Change in net position</b>	<u>\$ 417,300</u>	<u>\$ 417,300</u>	<u>\$ 525,507</u>	<u>\$ 108,207</u>

**CITY OF FLORENCE, ALABAMA**  
**WATER AND WASTEWATER DEPARTMENT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—**  
**BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 19,576,000	\$ 19,576,000	\$ 19,651,335	\$ 75,335
Other	125,500	125,500	131,823	6,323
<b>Total operating revenues</b>	<u>\$ 19,701,500</u>	<u>\$ 19,701,500</u>	<u>\$ 19,783,158</u>	<u>\$ 81,658</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 10,244,800	\$ 10,244,800	\$ 9,877,346	\$ 367,454
Depreciation	3,825,000	3,825,000	3,650,614	174,386
Taxes and tax equivalents	1,614,400	1,614,400	1,683,373	(68,973)
<b>Total operating expenses</b>	<u>\$ 15,684,200</u>	<u>\$ 15,684,200</u>	<u>\$ 15,211,333</u>	<u>\$ 472,867</u>
<b>Operating income (loss)</b>	<u>\$ 4,017,300</u>	<u>\$ 4,017,300</u>	<u>\$ 4,571,825</u>	<u>\$ 554,525</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 4,000	\$ 4,000	\$ 8,514	\$ 4,514
Gain (loss) on disposition of assets			(39,280)	(39,280)
Interest expense	(1,845,500)	(1,845,500)	(1,803,856)	41,644
Amortization of debt related costs	(58,600)	(58,600)	(44,930)	13,670
<b>Total nonoperating revenues (expenses)</b>	<u>\$ (1,900,100)</u>	<u>\$ (1,900,100)</u>	<u>\$ (1,879,552)</u>	<u>\$ 20,548</u>
<b>Change in net position</b>	<u>\$ 2,117,200</u>	<u>\$ 2,117,200</u>	<u>\$ 2,692,273</u>	<u>\$ 575,073</u>

**CITY OF FLORENCE, ALABAMA  
SOLID WASTE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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	\$ 5,654,485	\$ 5,654,485	\$ 5,563,620	\$ (90,865)
Other	4,000	4,000	5,976	1,976
<b>Total operating revenues</b>	<u>\$ 5,658,485</u>	<u>\$ 5,658,485</u>	<u>\$ 5,569,596</u>	<u>\$ (88,889)</u>
<b>Operating expenses</b>				
Operations, maintenance, and administration	\$ 4,966,810	\$ 4,966,810	\$ 4,821,536	\$ 145,274
Depreciation	722,455	722,455	715,809	6,646
Taxes and tax equivalents	152,470	152,470	146,216	6,254
<b>Total operating expenses</b>	<u>\$ 5,841,735</u>	<u>\$ 5,841,735</u>	<u>\$ 5,683,561</u>	<u>\$ 158,174</u>
<b>Operating income (loss)</b>	<u>\$ (183,250)</u>	<u>\$ (183,250)</u>	<u>\$ (113,965)</u>	<u>\$ 69,285</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenues	\$ 8,000	\$ 8,000	\$ 15,308	\$ 7,308
Gain (loss) on disposition of assets	25,000	25,000	6,477	(18,523)
Grants	90,000	90,000	243,332	153,332
<b>Total nonoperating revenues (expenses)</b>	<u>\$ 123,000</u>	<u>\$ 123,000</u>	<u>\$ 265,117</u>	<u>\$ 142,117</u>
<b>Change in net position</b>	<u>\$ (60,250)</u>	<u>\$ (60,250)</u>	<u>\$ 151,152</u>	<u>\$ 211,402</u>

**CITY OF FLORENCE, ALABAMA  
EMPLOYEE GROUP HEALTH INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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	\$ 350,000	\$ 350,000	\$ —	\$ (350,000)
<b>Total operating revenues</b>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ —</u>	<u>\$ (350,000)</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 331,000	\$ 331,000	\$ (521,598)	\$ 852,598
Operations and administration	19,200	19,200	243,836	(224,636)
<b>Total operating expenses</b>	<u>\$ 350,200</u>	<u>\$ 350,200</u>	<u>\$ (277,762)</u>	<u>\$ 627,962</u>
<b>Operating income (loss)</b>	<u>\$ (200)</u>	<u>\$ (200)</u>	<u>\$ 277,762</u>	<u>\$ 277,962</u>
<b>Nonoperating revenues</b>				
Interest revenues	200	200	794	594
<b>Change in net position</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 278,556</u>	<u>\$ 278,556</u>

**CITY OF FLORENCE, ALABAMA  
GENERAL LIABILITY INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating revenues</b>				
User charges	\$ 325,560	\$ 325,560	\$ 325,178	\$ (382)
<b>Total operating revenues</b>	<u>\$ 325,560</u>	<u>\$ 325,560</u>	<u>\$ 325,178</u>	<u>\$ (382)</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 189,000	\$ 189,000	\$ 121,798	\$ 67,202
Operations and administration	142,560	142,560	146,013	(3,453)
<b>Total operating expenses</b>	<u>\$ 331,560</u>	<u>\$ 331,560</u>	<u>\$ 267,811</u>	<u>\$ 63,749</u>
<b>Operating income (loss)</b>	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ 57,367</u>	<u>\$ 63,367</u>
<b>Nonoperating revenues</b>				
Interest revenues	6,000	6,000	20,122	14,122
<b>Change in net position</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 77,489</u>	<u>\$ 77,489</u>

**CITY OF FLORENCE, ALABAMA  
WORKERS' COMPENSATION INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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	\$ 598,900	\$ 598,900	\$ 520,866	\$ (78,034)
<b>Total operating revenues</b>	<u>\$ 598,900</u>	<u>\$ 598,900</u>	<u>\$ 520,866</u>	<u>\$ (78,034)</u>
<b>Operating expenses</b>				
Insurance premiums and claims (net of refunds)	\$ 531,000	\$ 531,000	\$ 461,965	\$ 69,035
Operations and administration	73,100	73,100	98,771	(25,671)
<b>Total operating expenses</b>	<u>\$ 604,100</u>	<u>\$ 604,100</u>	<u>\$ 560,736</u>	<u>\$ 43,364</u>
<b>Operating income (loss)</b>	<u>\$ (5,200)</u>	<u>\$ (5,200)</u>	<u>\$ (39,870)</u>	<u>\$ (34,670)</u>
<b>Nonoperating revenues</b>				
Interest revenues	5,200	5,200	7,472	2,272
<b>Change in net position</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (32,398)</u>	<u>\$ (32,398)</u>





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**OTHER REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements, and have issued our report thereon dated March 30, 2017. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Florence, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness – 2016-001.



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### **Compliance and Other Matters**

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

### **City of Florence, Alabama's Response to Findings**

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

### **Purpose of this Report**

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

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

The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
March 30, 2017

**CITY OF FLORENCE, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

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*Financial Statements*

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	<u> X </u> Yes <u>   </u> No
• Significant deficiency(ies) identified?	<u>   </u> Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	<u>   </u> Yes <u> X </u> No

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**Section II—Financial Statement Findings**

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**Finding Number:** 2016-001

**Type:** Internal Control

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

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

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

**Auditee Response:** The City agrees with the finding.

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