







THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019

Our Mission

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

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

As of September 30, 2019

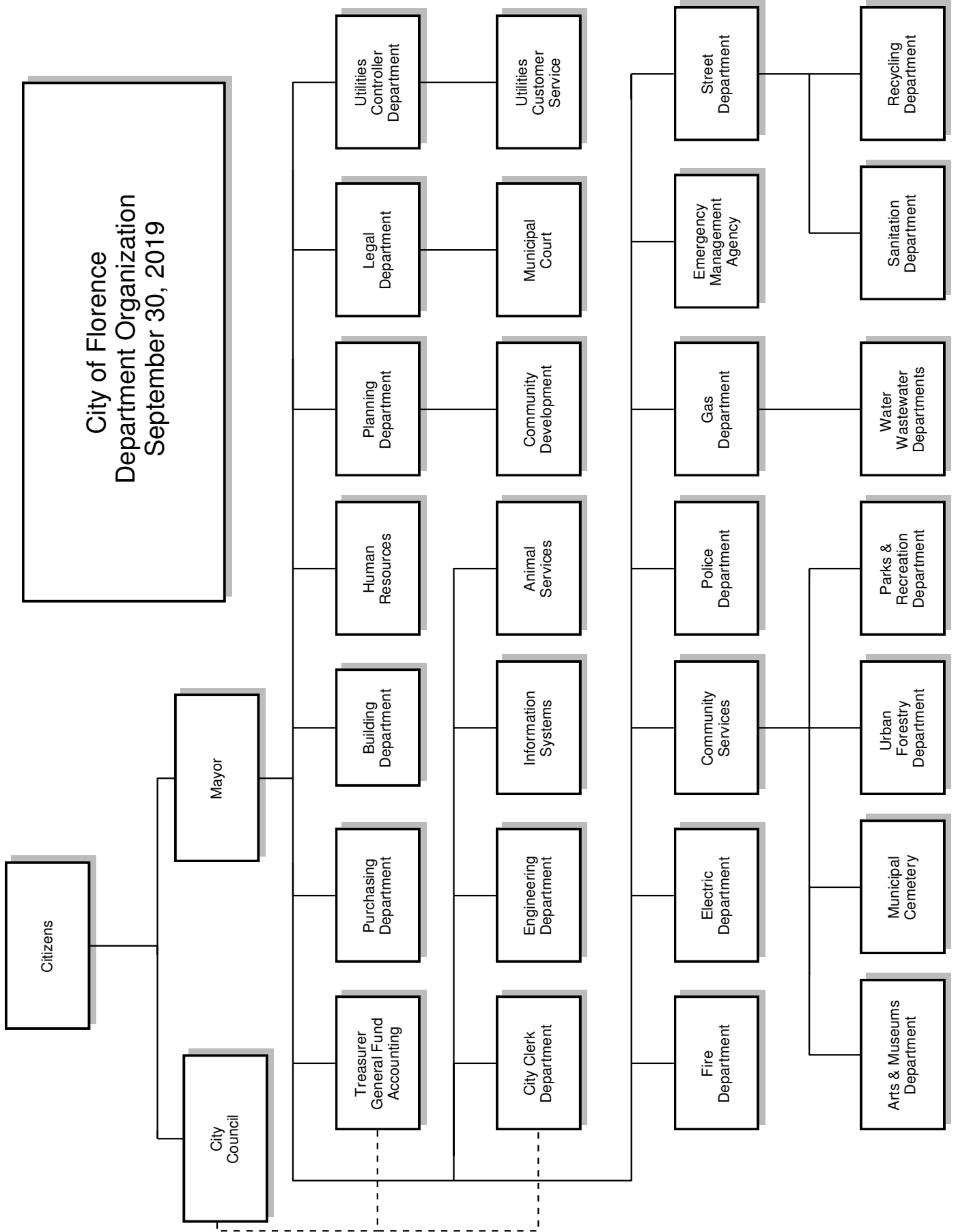
Elected Officials

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

Department Heads

Treasurer/CFO	Shannon Olive
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Building	Gary W. Williamson
Community Services	Michael T. Nix
Engineering	William B. Batson, III
Fire	Jeff Perkins
Information Systems	Steve Price
Parks and Recreation	Tina Kitchens
Human Resources Director	Keith Owsley
Planning	Melissa Bailey
Police	Ron Tyler
Purchasing	Ben Maharrey
Street, Solid Waste, and Recycling	David Koonce
Controller of Utilities	Mark Lovejoy
Electricity	Richard Morrissey
Gas and Water/Wastewater	Michael G. Doyle

City of Florence Department Organization September 30, 2019



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, 2019, 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, 2019, 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 84 through 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020, 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 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 31, 2020



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**City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2019**

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, 2019. 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.

The year-end information helps 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 long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information section of this report.

Proprietary funds - Proprietary funds are used to report the business-type activities in the government-wide financial statements. The City uses Proprietary funds to account for its Electricity, Gas, Water and Wastewater, and Solid Waste departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

Internal Service funds - Internal Service funds are used by the City for the administration of its self-insured Employee Group Health Insurance, General Liability Insurance, Workers' Compensation Insurance, and the Employee Health and Wellness Center.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$306,368,699 (net position). Of this amount, \$22,442,909 is unrestricted net position. The City's net position includes \$102,834,176 from Governmental Activities and \$203,534,523 from Business-Type Activities, as reported on the Statement of Net Position.

By far the largest portion of the City's net position (89.72%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, City infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.95%) 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 2019		Fiscal Year 2018		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 40,824,385	61.02%	\$ 35,007,025	56.97%	16.62%
Property Taxes and Equivalent	12,581,115	18.81%	12,405,715	20.19%	1.41%
Motor Fuel	1,173,380	1.75%	1,076,588	1.75%	8.99%
Alcoholic Beverages	1,125,849	1.68%	1,099,843	1.79%	2.36%
Other	652,155	0.97%	612,345	1.00%	6.50%
Licenses and Permits	\$ 3,699,075	5.53%	3,857,130	6.28%	-4.10%
Court Fines and Forfeitures	1,367,222	2.04%	1,276,061	2.08%	7.14%
Charges for Services	1,628,383	2.43%	1,369,268	2.23%	18.92%
Intergovernmental	2,963,695	4.43%	3,661,084	5.96%	-19.05%
Interest Revenues	284,327	0.42%	262,772	0.43%	8.20%
Other	602,161	0.90%	817,868	1.33%	-26.37%
Total	<u>\$ 66,901,747</u>	<u>100.00%</u>	<u>\$ 61,445,699</u>	<u>100.00%</u>	<u>8.88%</u>

Sales and Use taxes are the largest revenue source for the City comprising 61.02% of total governmental revenues. Sales, Use, and Lodging Tax revenues increased from fiscal year September 30, 2018 to September 30, 2019 by \$5,817,361 or 16.62%. A one-cent sales tax increase during the fiscal year accounted for a large portion of the increase. Property taxes are the second largest revenue source for the City comprising 18.81% of governmental revenues. For the year ended September 30, 2019, taxes of real property inside the City limits produced revenues of \$5,415,050 while personal property taxes for the period were \$614,189. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,551,876.

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 2019		Fiscal Year 2018		Change
Current Operating					
General Administration	\$ 6,262,381	9.44%	\$ 6,121,605	9.61%	2.30%
Public Safety	20,796,603	31.36%	19,187,645	30.13%	8.39%
Public Works	5,594,192	8.44%	5,359,997	8.42%	4.37%
Culture and Recreation	7,705,180	11.62%	7,539,828	11.84%	2.19%
Other	1,961,980	2.96%	2,351,373	3.69%	-16.56%
Education	12,795,334	19.29%	12,343,715	19.38%	3.66%
Capital Outlay and Improvements	6,546,933	9.87%	5,529,735	8.68%	18.40%
Debt Service					
Principal Payments	3,391,970	5.11%	3,802,195	5.97%	-10.79%
Interest and Fiscal Charges	1,263,268	1.90%	1,441,692	2.26%	-12.38%
Total	<u>\$ 66,317,841</u>	<u>100.00%</u>	<u>\$ 63,677,785</u>	<u>100.00%</u>	<u>4.15%</u>

Analysis of the Governmental Funds

As of the end of the 2019 fiscal year, the City's governmental funds reported a combined ending fund balance of \$21,073,593. In the City's General Fund, the ending fund balance is \$14,718,501.

The General Fund's fund balance is 22.82% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. In fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15.00% of the total General Fund's budgeted revenue. The current fund balance exceeds this required minimum by \$5,043,160 or 52.12%.

For fiscal year 2019, the fund balance for the General Fund increased by \$1,550,272 for the current fiscal year. The fund balances for the Other Governmental Funds decreased by \$966,366 for an overall increase of \$583,906.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Fund Balance-Beginning	\$ 13,168,229	\$ 7,321,458	\$ 20,489,687
Fund Balance-Ending	14,718,501	6,355,092	21,073,593
Net Change in Fund Balance	\$ 1,550,272	\$ (966,366)	\$ 583,906

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2019	FY 2018	Variance	
			Dollars	Percent
Current Assets	\$ 37,437,037	\$ 36,258,530	\$ 1,178,507	3.25%
Restricted Assets	150,100	150,100	-	0.00%
Capital Assets, Net	118,027,815	115,725,878	2,301,937	1.99%
Total Assets	\$ 155,614,952	\$ 152,134,508	\$ 3,480,444	2.29%
Deferred Outflows of Resources	\$ 4,733,668	\$ 4,968,614	\$ (234,946)	-4.73%
Current Liabilities	\$ 12,581,936	\$ 10,171,273	\$ 2,410,663	23.70%
Long-term Liabilities	43,092,641	47,428,569	(4,335,928)	-9.14%
Total Liabilities	\$ 55,674,577	\$ 57,599,842	\$ (1,925,265)	-3.34%
Deferred Inflows of Resources	\$ 1,839,867	\$ 2,495,708	\$ (655,841)	-26.28%
Net Investment in				
Capital Assets	\$ 90,972,896	\$ 86,686,046	\$ 4,286,850	4.95%
Restricted	2,780,016	2,927,281	(147,265)	-5.03%
Unrestricted	9,081,264	7,394,245	1,687,019	22.82%
Total Net Position	\$ 102,834,176	\$ 97,007,572	\$ 5,826,604	6.01%

Changes in Net Position – Governmental Activities

	Governmental Activities Changes in Net Position			
	FY 2019	FY 2018	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 40,824,385	\$ 35,007,025	\$ 5,817,360	16.62%
Property	12,581,115	12,405,715	175,400	1.41%
Motor Fuel	1,173,380	1,076,588	96,792	8.99%
Alcoholic Beverages	1,125,849	1,099,843	26,006	2.36%
Other	652,155	612,345	39,810	6.50%
Interest Revenues	347,631	329,902	17,729	5.37%
Gain on Disposal of Assets	80,973	98,125	(17,152)	-17.48%
Total General Revenues	<u>\$ 56,785,488</u>	<u>\$ 50,629,543</u>	<u>\$ 6,155,945</u>	<u>12.16%</u>
Program Revenues				
Charges for Services	\$ 8,573,920	\$ 8,244,497	\$ 329,423	4.00%
Operating Grants and Contributions	775,532	1,463,230	(687,698)	-47.00%
Capital Grants and Contributions	774,128	1,175,558	(401,430)	-34.15%
Total Program Revenues	<u>\$ 10,123,580</u>	<u>\$ 10,883,285</u>	<u>\$ (759,705)</u>	<u>-6.98%</u>
Total Revenues	<u>\$ 66,909,068</u>	<u>\$ 61,512,828</u>	<u>\$ 5,396,240</u>	<u>8.77%</u>
Governmental Expenses				
General Administration	\$ 6,743,369	\$ 6,702,334	\$ 41,035	0.61%
Public Safety	21,263,417	20,052,710	1,210,707	6.04%
Public Works	5,944,498	5,575,628	368,870	6.62%
Public Ways and Facilities	1,702,827	1,696,707	6,120	0.36%
Culture and Recreation	9,522,324	9,532,454	(10,130)	-0.11%
Other	1,961,980	2,351,373	(389,393)	-16.56%
Education–Funding for School District	12,795,334	12,343,715	451,619	3.66%
Interest and Fiscal Charges	1,148,715	1,338,248	(189,533)	-14.16%
Total Expenses	<u>\$ 61,082,464</u>	<u>\$ 59,593,169</u>	<u>\$ 1,489,295</u>	<u>2.50%</u>
Change in Net Position	\$ 5,826,604	\$ 1,919,659	\$ 3,906,945	203.52%
Total Net Position - Beginning	<u>97,007,572</u>	<u>95,087,913</u>	<u>1,919,659</u>	<u>2.02%</u>
Total Net Position - Ending	<u>\$ 102,834,176</u>	<u>\$ 97,007,572</u>	<u>\$ 5,826,604</u>	<u>6.01%</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 \$3.8 million or 5.1%; Gas increased \$1.4 million or 3.7%; Water and Wastewater increased \$3.7 million or 4.5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$0.5 million or .5%; Gas decreased \$.3 million or .9%; Water and Wastewater decreased \$2.6 million or 2.3%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$3.9 million or 3.2%; Gas decreased \$1.7 million or 10.0%; Water and Wastewater increased \$49,000 or .24%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$0.9 million or 0.7%; Gas decreased \$0.2 million or 1.1%; Water and Wastewater increased \$0.5 million or 3.3%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$108,300 or 42.3%; Gas increased about \$150,300 or 156.1%; Water and Wastewater increased about \$176,300 or 197.4%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$30,700 or 11.1%; Gas decreased \$1,100 or 100.0%; Water and Wastewater decreased \$440,000 or 23.7%.

Electricity Department

The Electricity Department's net position increased from last year by \$3,837,866 or about 5.1%. 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 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 35,249,860	\$ 33,906,277	\$ 1,343,583	3.96%
Capital Assets, Net	87,769,917	87,294,532	475,385	0.54%
Other Noncurrent Assets	2,795,882	3,659,259	(863,377)	-23.59%
Total Assets	\$ 125,815,659	\$ 124,860,068	\$ 955,591	0.77%
Deferred Outflows of Resources	\$ 2,378,870	\$ 3,373,441	\$ (994,571)	-29.48%
Current Liabilities	\$ 27,162,785	\$ 28,770,902	\$ (1,608,117)	-5.59%
Noncurrent Liabilities	20,239,470	22,153,006	(1,913,536)	-8.64%
Total Liabilities	\$ 47,402,255	\$ 50,923,908	\$ (3,521,653)	-6.92%
Deferred Inflows of Resources	\$ 1,096,886	\$ 1,452,079	\$ (355,193)	-24.46%
Net Investment in Capital Assets	\$ 81,415,804	\$ 80,096,174	\$ 1,319,630	1.65%
Restricted for Debt Service	953,065	1,001,842	(48,777)	-4.87%
Unrestricted	(2,673,481)	(5,240,494)	2,567,013	-48.98%
Total Net Position	\$ 79,695,388	\$ 75,857,522	\$ 3,837,866	5.06%

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

As the table below indicates, operating revenues increased approximately \$3.9 million or about 3.2% from FY 2018. During FY 2019, 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. In October 2018, the Electricity Department had a rate increase to offset rising costs. This was the first such rate increase since November 2008. The Electricity Department experienced an approximate 1.1% decrease in kilowatt-hours sold in FY 2019 compared to FY 2018. The Electricity Department experienced an increase in nonoperating revenues of \$108,335 or 42.3% due to higher interest rates. The Electricity Department experienced a decrease in nonoperating expenses by \$30,713 or about 11.1%.

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

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 127,077,219</u>	<u>\$ 123,153,904</u>	<u>\$ 3,923,315</u>	<u>3.19%</u>
Operating Expenses				
Cost of Sales	\$ 98,457,381	\$ 98,243,755	\$ 213,626	0.22%
Operations	9,574,528	9,646,038	(71,510)	-0.74%
Maintenance	6,042,774	7,128,374	(1,085,600)	-15.23%
Depreciation	5,407,027	5,503,890	(96,863)	-1.76%
Taxes and Tax Equivalentts	3,876,921	3,751,245	125,676	3.35%
Total Operating Expenses	<u>\$ 123,358,631</u>	<u>\$ 124,273,302</u>	<u>\$ (914,671)</u>	<u>-0.74%</u>
Operating Income (Loss)	<u>\$ 3,718,588</u>	<u>\$ (1,119,398)</u>	<u>\$ 4,837,986</u>	<u>-432.20%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 364,451	\$ 256,116	\$ 108,335	42.30%
Nonoperating Expenses	(245,173)	(275,886)	30,713	-11.13%
Total Nonoperating Revenues (Exp)	<u>\$ 119,278</u>	<u>\$ (19,770)</u>	<u>\$ 139,048</u>	<u>-703.33%</u>
Change in Net Position	\$ 3,837,866	\$ (1,139,168)	\$ 4,977,034	-436.90%
Total Net Position - Beginning	<u>75,857,522</u>	<u>76,996,690</u>	<u>(1,139,168)</u>	<u>-1.48%</u>
Total Net Position - Ending	<u>\$ 79,695,388</u>	<u>\$ 75,857,522</u>	<u>\$ 3,837,866</u>	<u>5.06%</u>

Gas Department

The Gas Department's net position increased from last year by \$1,400,257 or about 3.7%. 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 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 19,838,999	\$ 18,108,859	\$ 1,730,140	9.55%
Capital Assets, Net	31,045,614	31,341,211	(295,597)	-0.94%
Total Assets	<u>\$ 50,884,613</u>	<u>\$ 49,450,070</u>	<u>\$ 1,434,543</u>	<u>2.90%</u>
Deferred Outflows of Resources	\$ 1,394,083	\$ 1,447,833	\$ (53,750)	-3.71%
Current Liabilities	\$ 903,202	\$ 1,223,099	\$ (319,897)	-26.15%
Noncurrent Liabilities	11,402,451	11,149,665	252,786	2.27%
Total Liabilities	<u>\$ 12,305,653</u>	<u>\$ 12,372,764</u>	<u>\$ (67,111)</u>	<u>-0.54%</u>
Deferred Inflows of Resources	\$ 722,398	\$ 674,751	\$ 47,647	7.06%
Net Investment in Capital Assets	\$ 31,045,614	\$ 31,341,211	\$ (295,597)	-0.94%
Unrestricted	8,205,031	6,509,177	1,695,854	26.05%
Total Net Position	<u>\$ 39,250,645</u>	<u>\$ 37,850,388</u>	<u>\$ 1,400,257</u>	<u>3.70%</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 \$1.7 million or about 10.0% from FY 2018. The Department had two rate changes in FY 2019. The Gas Department experienced an approximate 14.0% decrease in overall sales volume in FY 2019 compared to FY 2018. Cost of sales decreased by \$.8 million or about 11.1% due to decreased sales caused by a milder winter. The Gas Department experienced an increase in nonoperating revenues of \$150,335 or about 156.1% due to higher interest rates and the sale of obsolete assets. The Gas Department experienced a decrease in nonoperating expenses by \$1,104 or 100.0%.

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

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 15,678,598	\$ 17,426,154	\$ (1,747,556)	-10.03%
Operating Expenses				
Cost of Sales	\$ 6,218,686	\$ 6,994,911	\$ (776,225)	-11.10%
Operations	3,261,325	2,960,022	301,303	10.18%
Maintenance	1,968,695	1,671,394	297,301	17.79%
Depreciation and Amortization	1,571,022	1,543,792	27,230	1.76%
Taxes and Tax Equivalents	1,505,265	1,512,420	(7,155)	-0.47%
Total Operating Expenses	\$ 14,524,993	\$ 14,682,539	\$ (157,546)	-1.07%
Operating Income	\$ 1,153,605	\$ 2,743,615	\$ (1,590,010)	57.95%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 246,652	\$ 96,317	\$ 150,335	156.08%
Nonoperating Expenses	-	(1,104)	1,104	-100.00%
Total Nonoperating Revenues (Exp)	\$ 246,652	\$ 95,213	\$ 151,439	159.05%
Change in Net Position	\$ 1,400,257	\$ 2,838,828	\$ (1,438,571)	50.67%
Total Net Position - Beginning	37,850,388	35,011,560	2,838,828	8.11%
Total Net Position - Ending	\$ 39,250,645	\$ 37,850,388	\$ 1,400,257	3.70%

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$3,658,041 or about 4.5%. 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 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 15,797,955	\$ 14,992,774	\$ 805,181	5.37%
Capital Assets, Net	110,691,945	113,297,989	(2,606,044)	-2.30%
Other Noncurrent Assets	5,940,947	5,822,511	118,436	2.03%
Total Assets	<u>\$ 132,430,847</u>	<u>\$ 134,113,274</u>	<u>\$ (1,682,427)</u>	<u>-1.25%</u>
Deferred Outflows of Resources	\$ 3,203,633	\$ 3,720,741	\$ (517,108)	-13.90%
Current Liabilities	\$ 6,585,150	\$ 6,938,975	\$ (353,825)	-5.10%
Noncurrent Liabilities	43,600,259	48,948,616	(5,348,357)	-10.93%
Total Liabilities	<u>\$ 50,185,409</u>	<u>\$ 55,887,591</u>	<u>\$ (5,702,182)</u>	<u>-10.20%</u>
Deferred Inflows of Resources	\$ 357,471	\$ 512,865	\$ (155,394)	-30.30%
Net Investment in Capital Assets	\$ 68,740,057	\$ 66,444,167	\$ 2,295,890	3.46%
Restricted for Debt Service	5,310,468	5,098,461	212,007	4.16%
Unrestricted	11,041,075	9,890,931	1,150,144	11.63%
Total Net Position	<u>\$ 85,091,600</u>	<u>\$ 81,433,559</u>	<u>\$ 3,658,041</u>	<u>4.49%</u>

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

As the following table indicates, operating revenues increased \$48,956 or about .24% from FY 2018 revenues. Operating expenses increased \$508,403 or about 3.3%. The Water and Wastewater Department experienced an increase in nonoperating revenues of \$176,274 or 197.4% due to higher interest rates and the sale of obsolete assets. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$439,994 or about 23.7% due to a decrease in bond related costs.

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

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 20,250,067	\$ 20,201,111	\$ 48,956	0.24%
Operating Expenses				
Water Treatment and Pumping	\$ 3,245,027	\$ 2,826,584	\$ 418,443	14.80%
Sewage Disposal	2,086,737	1,984,615	102,122	5.15%
Transmission and Distribution	1,486,521	1,417,151	69,370	4.90%
Accounting and Collections	1,096,873	1,054,937	41,936	3.98%
Administrative and General	2,310,861	2,483,019	(172,158)	-6.93%
Depreciation	4,020,570	3,958,103	62,467	1.58%
Taxes and Tax Equivalents	1,699,718	1,713,495	(13,777)	-0.80%
Total Operating Expenses	<u>\$ 15,946,307</u>	<u>\$ 15,437,904</u>	<u>\$ 508,403</u>	<u>3.29%</u>
Operating Income	<u>\$ 4,303,760</u>	<u>\$ 4,763,207</u>	<u>\$ (459,447)</u>	<u>-9.65%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 265,585	\$ 89,311	\$ 176,274	197.37%
Nonoperating Expenses	(1,419,804)	(1,859,798)	439,994	-23.66%
Total Nonoperating Revenues (Exp)	<u>\$ (1,154,219)</u>	<u>\$ (1,770,487)</u>	<u>\$ 616,268</u>	<u>-34.81%</u>
Income Before Contributions	\$ 3,149,541	\$ 2,992,720	\$ 156,821	5.24%
Capital Contributions	<u>508,500</u>	<u>593,513</u>	<u>(85,013)</u>	<u>-14.32%</u>
Change in Net Position	\$ 3,658,041	\$ 3,586,233	\$ 71,808	2.00%
Total Net Position-Beginning	<u>81,433,559</u>	<u>77,847,326</u>	<u>3,586,233</u>	<u>4.61%</u>
Total Net Position - Ending	<u>\$ 85,091,600</u>	<u>\$ 81,433,559</u>	<u>\$ 3,658,041</u>	<u>4.49%</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. Revenues for the Solid Waste Fund are derived from fees for service from residential and commercial customers. In addition, recycling operations generate revenues from the sale of recyclables.

- The Solid Waste Fund reported an operating loss of \$(480,746) and nonoperating income of \$179,244 for the fiscal year ended September 30, 2019.
- For fiscal year 2019, the Solid Waste Fund's Net Position decreased by \$(301,502) from the Net Position for the current fiscal year.
- Of the Fund's \$4,109,248 in total liabilities, \$3,723,180 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$1,968,489, accrued compensated absences of \$153,314, accrued pension liability of \$555,214, and OPEB liability of \$1,046,163.
- The Solid Waste Fund's operating revenues decreased \$156,736 or 2.76% from the prior year and operating expenses increased \$171,650 or 2.95%.
- Nonoperating revenues and capital contributions decreased by \$(97,110) or 35.14%. Grant revenue accounted for the change by decreasing \$(127,586) or 53.39% from the prior year.
- Total assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,692,230.
- The current fees for waste collection and disposal was enacted by the City Council on March 5, 2013. Fully implemented in May 2013, the increase was applicable to both residential and commercial fees. There were no adjustments to this fee schedule during the current fiscal year.

The Solid Waste Fund's net position decreased from last year by \$301,502 or 10.07%. The table below focuses on the changes in net position for the fiscal year:

		Solid Waste Fund Net Position		Variance	
				Dollars	Percent
	FY 2019	FY 2018			
Current Assets	\$ 4,166,319	\$ 4,394,964	\$ (228,645)		-5.20%
Capital Assets, Net	2,707,870	2,627,395	80,475		3.06%
Total Assets	\$ 6,874,189	\$ 7,022,359	\$ (148,170)		-2.11%
Deferred Outflows of Resources	\$ 174,071	\$ 324,798	\$ (150,727)		-46.41%
Current Liabilities	\$ 386,068	\$ 368,425	\$ 17,643		4.79%
Noncurrent Liabilities	3,723,180	3,708,881	14,299		0.39%
Total Liabilities	\$ 4,109,248	\$ 4,077,306	\$ 31,942		0.78%
Deferred Inflows of Resources	\$ 246,782	\$ 276,119	\$ (29,337)		-10.62%
Net Position					
Net Investment in Capital Assets	\$ 2,707,870	\$ 2,627,395	\$ 80,475		3.06%
Unrestricted	(15,640)	366,337	(381,977)		-104.27%
Total Net Position	\$ 2,692,230	\$ 2,993,732	\$ (301,502)		-10.07%

As the following table indicates, the Solid Waste Fund's operating revenues decreased \$156,736 or 2.76% from the prior year and operating expenses increased \$171,650 or 2.95%:

		Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
				Dollars	Percent
	FY 2019	FY 2018			
Operating Revenues					
Garbage Service Fees	\$ 4,670,272	\$ 4,678,573	\$ (8,301)		-0.18%
Landfill Fees	236,790	274,996	(38,206)		-13.89%
Recycling Revenue and Fees	607,208	715,792	(108,584)		-15.17%
Other Operating Revenues	3,907	5,552	(1,645)		-29.63%
Total Operating Revenues	\$ 5,518,177	\$ 5,674,913	\$ (156,736)		-2.76%
Operating Expenses					
Sanitation	\$ 4,768,018	\$ 4,666,266	\$ 101,752		2.18%
Recycling	1,230,905	1,161,007	69,898		6.02%
Total Operating Expenses	\$ 5,998,923	\$ 5,827,273	\$ 171,650		2.95%
Operating Income (Loss)	\$ (480,746)	\$ (152,360)	\$ (328,386)		-215.53%
Nonoperating Revenues	67,870	37,394	30,476		-81.50%
Income Before Contributions	\$ (412,876)	\$ (114,966)	\$ (297,910)		-259.13%
Capital Contributions	111,374	238,960	(127,586)		-53.39%
Change in Net Position	\$ (301,502)	\$ 123,994	\$ (425,496)		-343.16%
Total Net Position-Beginning	2,993,732	2,869,738	123,994		4.32%
Total Net Position-Ending	\$ 2,692,230	\$ 2,993,732	\$ (301,502)		-10.07%

BUDGETARY HIGHLIGHTS

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

Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its General Fund. The City Council adopted the General Fund's fiscal year 2018 – 2019 budget on October 2, 2018. This original budget was revised four times during the fiscal year due to a sales tax increase. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$64,387,180 compared to the final budget of \$64,502,272. Total expenditures and appropriations for the period were \$62,836,908 compared to the final budget of \$64,456,815.

General Fund Budgetary Comparison Schedule					
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Net Position-Beginning Resources (Inflows)	\$ 13,168,229	\$ 13,168,229	\$ 13,168,229	\$ -	-
Taxes	49,687,640	55,839,976	55,669,292	(170,684)	-0.31%
Licenses and Permits	3,753,000	3,753,000	3,699,075	(53,925)	-1.44%
Fines and Forfeitures	1,400,500	1,400,500	1,367,222	(33,278)	-2.38%
Charges for Services	1,789,350	1,789,350	1,628,383	(160,967)	-9.00%
Intergovernmental	1,514,446	1,514,446	1,690,327	175,881	11.61%
Other	205,000	205,000	332,881	127,881	62.38%
Amounts Available for Appropriation	<u>\$ 71,518,165</u>	<u>\$ 77,670,501</u>	<u>\$ 77,555,409</u>	<u>\$ (115,092)</u>	<u>-0.15%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 5,820,402	\$ 5,905,697	\$ 5,617,282	\$ (288,415)	-4.88%
Public Safety	19,977,153	20,637,518	20,617,305	(20,213)	-0.10%
Public Works	5,187,641	5,187,641	5,334,752	147,111	2.84%
Cultural and Recreation	7,560,285	7,651,144	7,614,111	(37,033)	-0.48%
Non-Departmental	19,718,438	25,074,815	23,653,458	(1,421,357)	-5.67%
Total Charges to Appropriations	<u>\$ 58,263,919</u>	<u>\$ 64,456,815</u>	<u>\$ 62,836,908</u>	<u>\$ (1,619,907)</u>	<u>-2.51%</u>
Budgetary Fund Balance-Ending	<u>\$ 13,254,246</u>	<u>\$ 13,213,686</u>	<u>\$ 14,718,501</u>	<u>\$ 1,504,815</u>	<u>11.39%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2019 original budgets for the Gas and Water and Wastewater Departments were adopted on June 19, 2018. The original budget for the Electricity Department was adopted on August 21, 2018. The FY 2019 amended budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were adopted on October 16, 2018. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Required Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2019

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 123,759,000	\$ 127,077,219	\$ 3,318,219	2.68%
Operating Expenses	122,115,200	123,358,631	(1,243,431)	-1.02%
Operating Income	\$ 1,643,800	\$ 3,718,588	\$ 2,074,788	126.22%
Nonoperating Revenues (Expenses)	117,900	119,278	1,378	-1.17%
Change in Net Position	\$ 1,761,700	\$ 3,837,866	\$ 2,076,166	117.85%
Total Net Position - Beginning	75,857,522	75,857,522		
Total Net Position - Ending	\$ 77,619,222	\$ 79,695,388	\$ 2,076,166	2.67%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$2,076,166 or approximately 117.9%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances were sales revenues, cost of sales, and overhead line maintenance.

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, 2019

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 17,474,400	\$ 15,678,598	\$ (1,795,802)	-10.28%
Operating Expenses	16,946,000	14,524,993	2,421,007	14.29%
Operating Income	\$ 528,400	\$ 1,153,605	\$ 625,205	118.32%
Nonoperating Revenues (Expenses)	55,500	246,652	191,152	344.42%
Change in Net Position	\$ 583,900	\$ 1,400,257	\$ 816,357	139.81%
Total Net Position - Beginning	37,850,388	37,850,388		
Total Net Position - Ending	\$ 38,434,288	\$ 39,250,645	\$ 816,357	2.12%

The Gas Department exceeded the budgeted Change in Net Position by \$816,357, or approximately 139.8%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The most significant variances were decreases in sales revenues and 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, 2019

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 20,516,500	\$ 20,250,067	\$ (266,433)	-1.30%
Operating Expenses	16,679,700	15,946,307	733,393	4.40%
Operating Income	\$ 3,836,800	\$ 4,303,760	\$ 466,960	12.17%
Nonoperating Revenues (Expenses)	(1,402,900)	(1,154,219)	248,681	17.73%
Capital Contributions	-	508,500	508,500	N/A
Change in Net Position	\$ 2,433,900	\$ 3,658,041	\$ 1,224,141	50.30%
Total Net Position - Beginning	81,433,559	81,433,559		
Total Net Position - Ending	\$ 83,867,459	\$ 85,091,600	\$ 1,224,141	1.46%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$1,224,141, or approximately 50.3%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances were administrative and general expenses and capital contributions.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 02, 2018. 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.

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, 2019

	Original Budget	Final Budget	Actual	Variance	
				Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,670,272	\$ (45,213)	-0.96%
Landfill Fees	250,000	250,000	236,790	(13,210)	-5.28%
Recycling Revenue and Fees	796,000	796,000	607,208	(188,792)	-23.72%
Other Operating Revenues	5,000	5,000	3,907	(1,093)	-21.86%
Total Operating Revenues	\$ 5,766,485	\$ 5,766,485	\$ 5,518,177	\$ (248,308)	-4.31%
Operating Expenses					
Sanitation	\$ 4,783,438	\$ 4,783,438	\$ 4,768,018	\$ 15,420	0.32%
Recycling	1,147,828	1,147,828	1,230,905	(83,077)	-7.24%
Total Operating Expenses	\$ 5,931,266	\$ 5,931,266	\$ 5,998,923	\$ (67,657)	-1.14%
Operating Income (Loss)	\$ (164,781)	\$ (164,781)	\$ (480,746)	\$ (315,965)	-191.75%
Nonoperating Revenues	50,000	50,000	67,870	17,870	-35.74%
Capital Contributions			111,374	111,374	100.00%
Change in Net Position	\$ (114,781)	\$ (114,781)	\$ (301,502)	\$ (186,721)	-162.68%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2019, 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, 2019 amounted to \$350,243,161.

Governmental Activities

	Governmental Activities Capital Assets, Net			
	2019	2018	Variance	
			Dollars	Percent
Land	\$ 8,227,318	\$ 8,228,318	\$ (1,000)	-0.01%
Construction in Progress	9,012,455	6,379,887	2,632,568	41.26%
Land Improvements	26,489,417	26,188,237	301,180	1.15%
Accumulated Depreciation	(15,445,406)	(14,431,404)	(1,014,002)	-7.03%
Buildings	41,278,745	41,339,229	(60,484)	-0.15%
Accumulated Depreciation	(20,569,304)	(19,870,332)	(698,972)	-3.52%
Equipment and Vehicles	26,460,877	24,709,377	1,751,500	7.09%
Accumulated Depreciation	(21,647,078)	(21,610,626)	(36,452)	-0.17%
Infrastructure	171,638,004	169,874,657	1,763,347	1.04%
Accumulated Depreciation	(107,417,213)	(105,081,465)	(2,335,748)	-2.22%
Net Capital Assets	<u>\$ 118,027,815</u>	<u>\$ 115,725,878</u>	<u>\$ 2,301,937</u>	<u>1.99%</u>

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$2,902,576 and infrastructure of \$1,763,347. In addition to those capital assets added during the fiscal year, at September 30, 2019, \$9,012,455 of capital projects are incomplete and recorded as construction in progress.

Business-Type Activities

Electricity Department

Electricity Department Capital Assets, Net FY 2019

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 181,104,143	\$ 176,680,689	\$ 4,423,454	2.50%
Construction in Progress	624,903	814,498	(189,595)	-23.28%
Less: Accumulated Depreciation	(93,959,129)	(90,200,655)	(3,758,474)	4.17%
Net Utility Plant	<u>\$ 87,769,917</u>	<u>\$ 87,294,532</u>	<u>\$ 475,385</u>	<u>0.54%</u>

As the above table shows, the Electricity Department experienced a .54% increase in net utility plant. The Department plans to finance capital expenditures in FY 2020 through cash generated from current operations and cash reserves.

Gas Department

Gas Department Capital Assets, Net FY 2019

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 58,871,060	\$ 58,594,836	\$ 276,224	0.47%
Acquisition Adjustment (net of amortization)	126,158	136,819	(10,661)	-7.79%
Construction in Progress	27,192	129,952	(102,760)	-79.08%
Less: Accumulated Depreciation	(27,978,796)	(27,520,396)	(458,400)	1.67%
Net Utility Plant	<u>\$ 31,045,614</u>	<u>\$ 31,341,211</u>	<u>\$ (295,597)</u>	<u>-0.94%</u>

As the above table shows, the Gas Department decreased net utility plant by .94%. The Department plans to finance capital expenditures in FY 2020 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2019

	FY 2019	FY 2018	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 180,485,879	\$ 177,963,740	\$ 2,522,139	1.42%
Construction in Progress	299,872	1,480,071	(1,180,199)	-79.74%
Less: Accumulated Depreciation	(70,093,806)	(66,145,822)	(3,947,984)	5.97%
Net Utility Plant	<u>\$ 110,691,945</u>	<u>\$ 113,297,989</u>	<u>\$ (2,606,044)</u>	<u>-2.30%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by 2.30%. The Department plans to finance capital expenditures in FY 2020 with cash reserves and cash generated from current operations.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2019, net capital assets comprised 39.39% 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, 2019	
	FY 2019	FY 2018	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Landfill Improvements	3,701,171	3,701,171	-	0.00%
Accumulated Depreciation	(3,583,357)	(3,577,927)	(5,430)	0.15%
Construction In Progress		387,543	(387,543)	-100.00%
Buildings	1,115,802	1,115,802	-	0.00%
Accumulated Depreciation	(608,519)	(587,536)	(20,983)	3.57%
Equipment	6,258,500	5,650,235	608,265	10.77%
Accumulated Depreciation	(5,271,769)	(4,928,202)	(343,567)	6.97%
Vehicles	4,616,900	4,319,351	297,549	6.89%
Accumulated Depreciation	(3,725,211)	(3,657,395)	(67,816)	1.85%
Net Capital Assets	<u>\$ 2,707,870</u>	<u>\$ 2,627,395</u>	<u>\$ 80,475</u>	<u>3.06%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2019 fiscal year, the Governmental Activities of the City had total long-term debt of \$31,506,571. This debt is serviced by revenues from governmental activities.

The City did not issue new debt in fiscal year 2019. Moody's Investors Service 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 \$3,375,681 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,103,878 has been accrued as an actuarially-determined claims reserve in the Internal Service Funds.

Business-Type Activities

During FY 2019, the Electricity and Water & Wastewater Departments had outstanding warrants. The amount and discussion of these issues are discussed more fully in the notes to financial statements. The Gas Department did not have any outstanding warrants during FY 2019.

Electricity Department

The Electricity Department has one warrant issue, as described in the notes to financial statements, outstanding at year-end. 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. This issue requires that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2019, the Electricity Department exceeded that requirement at about 11.70 times. The Electric Revenue Refunding Warrants, Series 2009 were fully satisfied on June 1, 2019 and were not outstanding at year-end. The Department does not anticipate issuing new debt in FY 2020.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2019. The Department does not have any plans to issue any new debt in FY 2020.

Water and Wastewater Department

The Water and Wastewater Department had seven warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2010-A, interest rate 2.61%, (2) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate 2.57%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, (6) Water and Sewer Revenue Warrants, SRF Series 2013, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter, and (7) Water and Sewer Revenue Warrants, Series 2017, interest rates ranging from 2.00% to 4.00%. The SRF warrants were issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue. The Series 2017 is insured by Build America Mutual Assurance Company. The Series 2017 was issued to refinance the SRF Series 2006, SRF Series 2007 and \$20,110,000 of the Series 2011 warrants taking advantage of more favorable interest rates. The Water and Sewer Revenue Warrants, Series 2017 were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by S&P. The 2011 and 2017 issues require 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 2019, the Water and Wastewater Department exceeded that requirement at about 1.54 times. The Department does not anticipate issuing new debt in FY 2020.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2019, the Solid Waste Fund had no debt other than routine operating liabilities (\$261,455), customer deposits (\$22,404), accrued liability for employee annual and sick leave (\$255,523), non-current liabilities including net pension liability (\$555,214), total OPEB liability (\$1,046,163), and an accrual for landfill closure and post-closure care costs (\$1,968,489).

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 2019–2020 budget on October 1, 2019.

The fiscal year 2019–2020 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$69,414,132. This is an increase of \$4,911,860 or 7.62% compared to the previous fiscal year's final budget and an increase of \$5,026,952 (7.78%) over the prior year's actual revenue. Expenditures including appropriations are budgeted at \$69,343,282. This is an increase of \$4,886,467 or 7.58% compared to the prior year's final budget and an increase of \$6,506,374 or 10.35% compared to the prior year's actual performance. The 2019–2020 General Fund budgeted revenue and expenditure growth percentages are higher than normal due to a full year of a new one-cent sales tax.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The Florence MSA's unemployment rate was 3.2% for August 2019 and 4.6% for August 2018. The State of Alabama's unemployment rate was 3.1% for August 2019 and 3.9% for August 2018. 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 2020 through August 2019 for electricity have decreased from the same period last year by 5.6%. Sales in dekatherms to natural gas customers for the period from July 2019 through August 2019, as compared to sales for the same period in the previous fiscal year, have decreased approximately 14.3%. FY 2020 sales revenues from water and wastewater operations through August 2019 have decreased about 1.5% from the same period in FY 2019.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2020 budgets on June 18, 2019. The City Council adopted the Electricity Department's FY 2020 budget on August 6, 2019. These budgets were amended on October 1, 2019 to reflect a general wage increase for employees to match the same wage increase given to the City's General Fund employees, also approved at the October 1, 2019 meeting.

The City's power contract with TVA provides for a Total Monthly Fuel Cost Adjustment (TMFCA) on sales to its distributors. The Electricity Department passes any rate increases or decreases caused by TVA action on to its customers. The Department implemented a general rate increase in October 2018.

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate change in February 2019. 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 in July 2017. The ordinance is available for review on the City's website at www.florenceal.org along with some prior rate ordinances.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Solid Waste Fund's fiscal year 2020 budget on October 1, 2019. The fiscal year 2020 budget has expected combined revenues of \$5,816,485 and expenses of \$6,235,771. As adopted, the budget would yield a decrease in net position of \$419,286. The City has ceased municipal solid waste operations at the landfill. The City's remaining landfill space is used for the disposal of construction waste and debris. The life of the landfill for construction waste and debris has been calculated to not reach capacity until 2051. Collection fees were addressed by the City Council in fiscal year 2013. Fiscal year 2020 will be the seventh year under the new rate structure and there are no plans to adjust these rates in fiscal year 2020.

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

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

Component Units

The Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are included in this report as Discretely Presented Component Units of the City. The City appropriated \$676,100 to the Library in this fiscal year. The City of Florence increased the appropriation to the library to cover the additional security for the full year. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

**CITY OF FLORENCE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 28,323,925	\$ 45,782,601	\$ 74,106,526	\$ 2,061,855
Investments			—	3,874,354
Amounts held by the Foundation			—	4,125,245
Receivables (net)	5,449,122	15,103,601	20,552,723	
Accrued interest receivable	24,178	111,396	135,574	
Loan receivables (net)	329,742		329,742	
Internal balances	3,195,340	(3,195,340)	—	
Inventories	114,730		3,406,921	
Prepaid expenses		10,763,344	10,763,344	
Restricted assets:				
Cash and investments	150,100	6,745,536	6,895,636	
Conservation loans receivables		1,827,388	1,827,388	
Capital assets (net)	118,027,815	232,215,346	350,243,161	530,422
Prepaid debt related costs (net)		163,905	163,905	
Total assets	\$ 155,614,952	\$ 312,809,968	\$ 468,424,920	\$ 10,591,876
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 497,796	\$ 1,980,483	\$ 2,478,279	\$
Pensions	4,118,081	4,589,281	8,707,362	220,556
OPEB obligations	117,791	580,893	698,684	
Total deferred outflows of resources	\$ 4,733,668	\$ 7,150,657	\$ 11,884,325	\$ 220,556
LIABILITIES				
Accounts payable and accrued expenses	\$ 6,279,495	\$ 18,846,462	\$ 25,125,957	\$ 78,864
Amounts held on behalf of the Library			—	3,998,623
Customer deposits		8,813,071	8,813,071	
Liabilities payable from restricted assets:				
Accrued interest		482,003	482,003	
Advances for conservation loans		1,899,589	1,899,589	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	4,952,169	5,608,781	10,560,950	
Compensated absences	1,350,272	1,286,888	2,637,160	10,541
Portion due or payable after one year:				
Warrants and notes payable	23,178,720	44,677,703	67,856,423	
Compensated absences	2,025,409	1,930,332	3,955,741	
Net pension liability	11,928,826	14,405,663	26,334,489	305,598
Total OPEB liability	2,855,808	14,083,584	16,939,392	
Claims reserve	3,103,878		3,103,878	
Accrued landfill closure and postclosure care costs		1,968,489	1,968,489	
Total liabilities	\$ 55,674,577	\$ 114,002,565	\$ 169,677,142	\$ 4,393,626
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ 1,650,908	\$ 1,663,547	\$ 3,314,455	\$ 105,074
OPEB obligations	188,959	759,990	948,949	
Total deferred inflows of resources	\$ 1,839,867	\$ 2,423,537	\$ 4,263,404	\$ 105,074
NET POSITION				
Net investment in capital assets	\$ 90,972,896	\$ 183,909,345	\$ 274,882,241	\$ 530,422
Restricted for:				
Debt service		6,263,533	6,263,533	
Street resurfacing and improvements	457,645		457,645	
Public safety	512,354		512,354	
Capital projects	1,636,330		1,636,330	
Other purposes—expendable	173,687		173,687	582
Other purposes—nonexpendable			—	2,000,000
Unrestricted	9,081,264	13,361,645	22,442,909	3,782,728
Total net position	\$ 102,834,176	\$ 203,534,523	\$ 306,368,699	\$ 6,313,732

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General administration	\$ 6,743,369	\$ 5,481,223	\$	\$	\$ (1,262,146)		\$ (1,262,146)	
Public safety	21,263,417	1,515,461	238,785	58,496	(19,450,675)		(19,450,675)	
Public works	5,944,498	86,611	247,998		(5,609,889)		(5,609,889)	
Public ways and facilities	1,702,827			715,632	(987,195)		(987,195)	
Culture and recreation	9,522,324	1,490,625	29,232		(8,002,467)		(8,002,467)	
Other	1,961,980		259,517		(1,702,463)		(1,702,463)	
Education—funding for school district	12,795,334				(12,795,334)		(12,795,334)	
Interest and fiscal charges	1,148,715				(1,148,715)		(1,148,715)	
Total governmental activities	<u>\$ 61,082,464</u>	<u>\$ 8,573,920</u>	<u>\$ 775,532</u>	<u>\$ 774,128</u>	<u>\$ (50,958,884)</u>		<u>\$ (50,958,884)</u>	
Business-type activities:								
Electricity	\$ 123,835,031	\$ 127,217,475	\$	\$	\$	\$ 3,382,444	\$ 3,382,444	
Gas	14,705,275	15,691,400				986,125	986,125	
Water and wastewater	17,413,464	20,250,067		508,500		3,345,103	3,345,103	
Solid waste	6,089,562	5,518,177		111,374		(460,011)	(460,011)	
Total business-type activities	<u>\$ 162,043,332</u>	<u>\$ 168,677,119</u>	<u>\$ —</u>	<u>\$ 619,874</u>	<u>\$ —</u>	<u>\$ 7,253,661</u>	<u>\$ 7,253,661</u>	
Total primary government	<u>\$ 223,125,796</u>	<u>\$ 177,251,039</u>	<u>\$ 775,532</u>	<u>\$ 1,394,002</u>	<u>\$ (50,958,884)</u>	<u>\$ 7,253,661</u>	<u>\$ (43,705,223)</u>	
Component units:								
All	<u>\$ 1,362,025</u>	<u>\$ 31,967</u>	<u>\$ 3,116,298</u>	<u>\$ —</u>				<u>\$ 1,786,240</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 40,824,385	\$	\$ 40,824,385	\$
Property					12,581,115		12,581,115	
Motor fuel					1,173,380		1,173,380	
Alcoholic beverages					1,125,849		1,125,849	
Other					652,155		652,155	
Interest revenues					347,631	575,298	922,929	188,128
Gain on disposal of capital assets					80,973	216,202	297,175	
Total general revenues					<u>\$ 56,785,488</u>	<u>\$ 791,500</u>	<u>\$ 57,576,988</u>	<u>\$ 188,128</u>
Change in net position					\$ 5,826,604	\$ 8,045,161	\$ 13,871,765	\$ 1,974,368
Net position—beginning					97,007,572	195,489,362	292,496,934	4,339,364
Net position—ending					<u>\$ 102,834,176</u>	<u>\$ 203,534,523</u>	<u>\$ 306,368,699</u>	<u>\$ 6,313,732</u>

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 16,373,572	\$ 6,416,861	\$ 22,790,433
Receivables (net)	4,883,645	200,774	5,084,419
Accrued interest receivable	18,498	2,733	21,231
Loan receivables (net)	117,564	212,178	329,742
Interfund receivables	538,798	601,065	1,139,863
Inventories	114,730		114,730
Total assets	<u>\$ 22,046,807</u>	<u>\$ 7,433,611</u>	<u>\$ 29,480,418</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 5,378,419	\$ 816,249	\$ 6,194,668
Compensated absences	1,350,272		1,350,272
Interfund payables	599,615	262,270	861,885
Total liabilities	<u>\$ 7,328,306</u>	<u>\$ 1,078,519</u>	<u>\$ 8,406,825</u>
Fund balances			
Nonspendable:			
Inventories	\$ 114,730	\$	\$ 114,730
Loan receivables	117,564	212,178	329,742
Restricted for:			
Street resurfacing and improvements		457,645	457,645
Culture and recreation		23,587	23,587
Public safety		512,354	512,354
Capital projects		2,214,504	2,214,504
Assigned to:			
Capital projects		2,944,356	2,944,356
Unassigned	14,486,207	(9,028)	14,477,179
Total fund balances	<u>\$ 14,718,501</u>	<u>\$ 6,355,092</u>	<u>\$ 21,073,593</u>
Total liabilities and fund balances	<u>\$ 22,046,807</u>	<u>\$ 7,433,611</u>	<u>\$ 29,480,418</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, 2019

Total fund balances—governmental funds	\$	21,073,593
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	\$ 283,106,816	
Accumulated depreciation	<u>(165,079,001)</u>	118,027,815
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	\$ (26,833,301)	
Unamortized debt discount and premium	(1,297,588)	
Compensated absences	(2,025,409)	
Pensions	(11,928,826)	
OPEB obligations	<u>(2,855,808)</u>	(44,940,932)
Deferred outflows of resources related to pensions, OPEB obligations, and bond refunding are not reported in governmental funds.		
Pensions	\$ 4,118,081	
OPEB obligations	117,791	
Refunding debt	<u>497,796</u>	4,733,668
Deferred inflows of resources related to pensions and OPEB obligations are not reported in governmental funds.		
Pensions	\$ (1,650,908)	
OPEB obligations	<u>(188,959)</u>	(1,839,867)
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>5,779,899</u>
Net position of governmental activities	\$	<u><u>102,834,176</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 55,669,292	\$ 687,592	\$ 56,356,884
Licenses and permits	3,699,075		3,699,075
Fines and forfeitures	1,367,222		1,367,222
Charges for services	1,628,383		1,628,383
Intergovernmental	1,690,327	1,273,368	2,963,695
Interest revenues	187,526	96,801	284,327
Other	145,355	456,806	602,161
Total revenues	<u>\$ 64,387,180</u>	<u>\$ 2,514,567</u>	<u>\$ 66,901,747</u>
EXPENDITURES			
Current operating:			
General administration	\$ 5,617,282	\$ 645,099	\$ 6,262,381
Public safety	20,617,305	179,298	20,796,603
Public works	5,334,752	259,440	5,594,192
Culture and recreation	7,614,111	91,069	7,705,180
Other	1,585,284	376,696	1,961,980
Education—funding for school district	9,320,258	3,475,076	12,795,334
Capital outlay and improvements	3,240,617	3,306,316	6,546,933
Debt service:			
Principal payments		3,391,970	3,391,970
Interest and fiscal charges		1,263,268	1,263,268
Total expenditures	<u>\$ 53,329,609</u>	<u>\$ 12,988,232</u>	<u>\$ 66,317,841</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 11,057,571</u>	<u>\$ (10,473,665)</u>	<u>\$ 583,906</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ —	\$ 13,987,651	\$ 13,987,651
Transfers out	(9,507,299)	(4,480,352)	(13,987,651)
Total other financing sources (uses)	<u>\$ (9,507,299)</u>	<u>\$ 9,507,299</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 1,550,272</u>	<u>\$ (966,366)</u>	<u>\$ 583,906</u>
Fund balances—beginning	13,168,229	7,321,458	20,489,687
Fund balances—ending	<u>\$ 14,718,501</u>	<u>\$ 6,355,092</u>	<u>\$ 21,073,593</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, 2019**

Total net change in fund balances—governmental funds	\$	583,906
<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	\$ 7,790,551	
Current year depreciation expense	<u>(5,432,631)</u>	2,357,920
<p>In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
		(55,983)
<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	\$ 3,391,970	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>114,554</u>	3,506,524
<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	\$ (154,060)	
Pensions	(116,938)	
OPEB obligations	<u>174,295</u>	(96,703)
<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>(469,060)</u>
Change in net position of governmental activities	\$	<u><u>5,826,604</u></u>

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

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2019	June 30, 2019	June 30, 2019	September 30, 2019		September 30, 2019
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,471,536	\$ 16,994,042	\$ 12,789,755	\$ 3,527,268	\$ 45,782,601	\$ 5,533,492
Receivables (net)	12,090,312	612,727	1,799,099	601,463	15,103,601	364,703
Accrued interest receivable	5,644	58,913	44,903	1,936	111,396	2,947
Inventories	1,544,146	947,160	765,233	35,652	3,292,191	
Prepaid expenses	9,138,222	1,226,157	398,965		10,763,344	
Total current assets	\$ 35,249,860	\$ 19,838,999	\$ 15,797,955	\$ 4,166,319	\$ 75,053,133	\$ 5,901,142
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 968,494		\$ 5,777,042		\$ 6,745,536	\$ 150,100
Receivables from customers for conservation loans	1,827,388				1,827,388	
Capital assets:						
Utility plant in service (at cost)	181,104,143	58,871,060	180,485,879	15,896,726	436,357,808	
Acquisition adjustment (net of amortization)		126,158			126,158	
Construction in progress	624,903	27,192	299,872		951,967	
Less: accumulated depreciation	93,959,129	27,978,796	70,093,806	13,188,856	205,220,587	
Prepaid debt related costs (net)			163,905		163,905	
Total noncurrent assets	\$ 90,565,799	\$ 31,045,614	\$ 116,632,892	\$ 2,707,870	\$ 240,952,175	\$ 150,100
Total assets	\$ 125,815,659	\$ 50,884,613	\$ 132,430,847	\$ 6,874,189	\$ 316,005,308	\$ 6,051,242
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$		\$ 1,980,483		\$ 1,980,483	\$
Pensions	2,199,195	1,097,127	1,162,038	130,921	4,589,281	
OPEB obligations	179,675	296,956	61,112	43,150	580,893	
Total deferred outflows of resources	\$ 2,378,870	\$ 1,394,083	\$ 3,203,633	\$ 174,071	\$ 7,150,657	\$ —

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2019	June 30, 2019	June 30, 2019	September 30, 2019		September 30, 2019
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 17,334,396	\$ 674,761	\$ 575,850	\$ 261,455	\$ 18,846,462	\$ 84,827
Interfund payables					—	277,978
Compensated absences—payable within one year	640,058	228,441	316,180	102,209	1,286,888	
Customer deposits	8,787,601		3,066	22,404	8,813,071	
Total current liabilities	\$ 26,762,055	\$ 903,202	\$ 895,096	\$ 386,068	\$ 28,946,421	\$ 362,805
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 385,000		\$ 5,185,000		\$ 5,570,000	\$
Unamortized debt premium (discount), net	301		38,480		38,781	
Accrued interest	15,429		466,574		482,003	
Total liabilities payable from restricted assets	\$ 400,730	\$ —	\$ 5,690,054	\$ —	\$ 6,090,784	\$ —
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 5,965,000		\$ 38,090,000		\$ 44,055,000	\$
Unamortized debt premium (discount), net	3,812		618,891		622,703	
Advances from TVA for conservation loans	1,899,589				1,899,589	
Compensated absences—payable after one year	960,087	342,661	474,270	153,314	1,930,332	
Net pension liability	7,054,806	3,860,177	2,935,466	555,214	14,405,663	
Total OPEB liability	4,356,176	7,199,613	1,481,632	1,046,163	14,083,584	
Accrued landfill closure and postclosure care costs				1,968,489	1,968,489	
Claims reserve					—	3,103,878
Total noncurrent liabilities	\$ 20,239,470	\$ 11,402,451	\$ 43,600,259	\$ 3,723,180	\$ 78,965,360	\$ 3,103,878
Total liabilities	\$ 47,402,255	\$ 12,305,653	\$ 50,185,409	\$ 4,109,248	\$ 114,002,565	\$ 3,466,683
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 888,752	\$ 272,645	\$ 342,165	\$ 159,985	\$ 1,663,547	\$
OPEB obligations	208,134	449,753	15,306	86,797	759,990	
Total deferred inflows of resources	\$ 1,096,886	\$ 722,398	\$ 357,471	\$ 246,782	\$ 2,423,537	\$ —
NET POSITION						
Net investment in capital assets	\$ 81,415,804	\$ 31,045,614	\$ 68,740,057	\$ 2,707,870	\$ 183,909,345	\$
Restricted for debt service	953,065		5,310,468		6,263,533	
Restricted for other purposes—expendable					—	150,100
Unrestricted	(2,673,481)	8,205,031	11,041,075	(15,640)	16,556,985	2,434,459
Total net position	\$ 79,695,388	\$ 39,250,645	\$ 85,091,600	\$ 2,692,230	\$ 206,729,863	\$ 2,584,559
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(3,195,340)	
Net position of business-type activities					\$ 203,534,523	

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



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

	Business-type Activities—Enterprise Funds				Governmental	Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2019	June 30, 2019	June 30, 2019	September 30, 2019		September 30, 2019
Operating revenues						
User charges	\$ 126,485,944	\$ 15,667,359	\$ 20,090,020	\$ 5,514,270	\$ 167,757,593	\$ 1,526,398
Other	591,275	11,239	160,047	3,907	766,468	
Total operating revenues	<u>\$ 127,077,219</u>	<u>\$ 15,678,598</u>	<u>\$ 20,250,067</u>	<u>\$ 5,518,177</u>	<u>\$ 168,524,061</u>	<u>\$ 1,526,398</u>
Operating expenses						
Cost of sales	\$ 98,457,381	\$ 6,218,686	\$	\$	\$ 104,676,067	\$
Operations, maintenance, and administration	15,617,302	5,230,020	10,226,019	5,662,868	36,736,209	604,567
Depreciation	5,407,027	1,560,361	4,020,570	298,598	11,286,556	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,876,921	1,505,265	1,699,718	37,457	7,119,361	
Insurance premiums and claims (net of refunds)					—	2,003,695
Total operating expenses	<u>\$ 123,358,631</u>	<u>\$ 14,524,993</u>	<u>\$ 15,946,307</u>	<u>\$ 5,998,923</u>	<u>\$ 159,828,854</u>	<u>\$ 2,608,262</u>
Operating income (loss)	<u>\$ 3,718,588</u>	<u>\$ 1,153,605</u>	<u>\$ 4,303,760</u>	<u>\$ (480,746)</u>	<u>\$ 8,695,207</u>	<u>\$ (1,081,864)</u>
Nonoperating revenues (expenses)						
Interest revenues	\$ 213,258	\$ 122,928	\$ 198,275	\$ 40,837	\$ 575,298	\$ 63,303
Gain (loss) on disposition of capital assets	10,937	110,922	67,310	27,033	216,202	
Miscellaneous nonoperating income	140,256	12,802			153,058	
Interest expense	(214,418)		(1,259,714)		(1,474,132)	
Amortization of debt related costs	(30,755)		(160,090)		(190,845)	
Total nonoperating revenues (expenses)	<u>\$ 119,278</u>	<u>\$ 246,652</u>	<u>\$ (1,154,219)</u>	<u>\$ 67,870</u>	<u>\$ (720,419)</u>	<u>\$ 63,303</u>
Income before contributions	<u>\$ 3,837,866</u>	<u>\$ 1,400,257</u>	<u>\$ 3,149,541</u>	<u>\$ (412,876)</u>	<u>\$ 7,974,788</u>	<u>\$ (1,018,561)</u>
Capital contributions			508,500		111,374	
Change in net position	<u>\$ 3,837,866</u>	<u>\$ 1,400,257</u>	<u>\$ 3,658,041</u>	<u>\$ (301,502)</u>	<u>\$ 8,594,662</u>	<u>\$ (1,018,561)</u>
Net position—beginning	75,857,522	37,850,388	81,433,559	2,993,732		3,603,120
Net position—ending	<u>\$ 79,695,388</u>	<u>\$ 39,250,645</u>	<u>\$ 85,091,600</u>	<u>\$ 2,692,230</u>		<u>\$ 2,584,559</u>
					(549,501)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(549,501)	
Change in net position of business-type activities					<u>\$ 8,045,161</u>	

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

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2019	June 30, 2019	June 30, 2019	September 30, 2019		September 30, 2019
Cash flows from operating activities:						
Receipts from customers and users	\$ 128,214,363	\$ 15,849,058	\$ 20,155,981	\$ 5,688,354	\$ 169,907,756	\$ 1,573,506
Receipts from interfund services provided	3,442,316	173,301	398,144		4,013,761	
Payments to suppliers	(106,804,348)	(7,251,656)	(4,473,678)	(1,810,902)	(120,340,584)	(2,621,303)
Payments to employees for services and benefits—exclusive of capitalized costs	(11,625,374)	(3,129,865)	(4,794,061)	(2,913,484)	(22,462,784)	
Payments for interfund services used	(3,650,200)	(2,720,190)	(3,183,882)	(344,538)	(9,898,810)	
Net cash from operating activities	\$ 9,576,757	\$ 2,920,648	\$ 8,102,504	\$ 619,430	\$ 21,219,339	\$ (1,047,797)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 811,939				\$ 811,939	
Change in advances from TVA for conservation loans	(844,964)				(844,964)	
Net cash from noncapital financing activities	\$ (33,025)	\$ —	\$ —	\$ —	\$ (33,025)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (5,478,469)	\$ (1,164,430)	\$ (1,515,295)	\$ (870,455)	\$ (9,028,649)	
Removal costs of retirements of capital assets	(888,606)	(112,624)			(1,001,230)	
Disposition of capital assets				9,650	9,650	
Proceeds from disposition of capital assets	40,331	112,551	70,525	27,033	250,440	
Proceeds from capital contributions			508,500	111,374	619,874	
Principal paid on capital debt	(875,000)		(5,015,000)		(5,890,000)	
Interest paid on capital debt	(217,080)		(1,306,260)		(1,523,340)	
Net cash from capital and related financing activities	\$ (7,418,824)	\$ (1,164,503)	\$ (7,257,530)	\$ (722,398)	\$ (16,563,255)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 212,264	\$ 84,853	\$ 177,894	\$ 40,864	\$ 515,875	\$ 67,002
Interfund receivables (payables)					—	135,422
Net cash from investing activities	\$ 212,264	\$ 84,853	\$ 177,894	\$ 40,864	\$ 515,875	\$ 202,424
Net increase (decrease) in cash and cash equivalents	\$ 2,337,172	\$ 1,840,998	\$ 1,022,868	\$ (62,104)	\$ 5,138,934	\$ (845,373)
Cash and cash equivalents—beginning of the year	11,102,858	15,153,044	17,543,929	3,589,372	47,389,203	6,528,965
Cash and cash equivalents—end of the year	\$ 13,440,030	\$ 16,994,042	\$ 18,566,797	\$ 3,527,268	\$ 52,528,137	\$ 5,683,592

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2019	June 30, 2019	June 30, 2019	September 30, 2019		September 30, 2019
<u>Classified as:</u>						
Current assets	\$ 12,471,536	\$ 16,994,042	\$ 12,789,755	\$ 3,527,268	\$ 45,782,601	\$ 5,533,492
Restricted assets	968,494		5,777,042		6,745,536	150,100
Totals	\$ 13,440,030	\$ 16,994,042	\$ 18,566,797	\$ 3,527,268	\$ 52,528,137	\$ 5,683,592
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 3,718,588	\$ 1,153,605	\$ 4,303,760	\$ (480,746)	\$ 8,695,207	\$ (1,081,864)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	\$ 5,862,297	\$ 1,560,361	\$ 4,118,124	\$ 780,330	\$ 12,321,112	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				103,119	103,119	
Miscellaneous nonoperating income	140,256	12,802			153,058	
Changes in assets and liabilities:						
Receivables (net)	996,887	157,658	225,183	170,177	1,549,905	47,108
Inventories	139,203	(96,281)	(39,488)	(3,663)	(229)	
Prepaid expenses	(90,069)	87,556	(113,088)		(115,601)	
Deferred outflows of resources	968,174	53,750	365,562	150,727	1,538,213	
Accounts and other payables	(1,357,152)	(300,155)	(436,143)	30,796	(2,062,654)	(13,041)
Customer deposits	251,294		816	984	253,094	
Net pension liability	(674,405)	297,771	(167,902)	(99,783)	(644,319)	
Total OPEB liability	(23,123)	(64,727)	1,074	(3,174)	(89,950)	
Deferred inflows of resources	(355,193)	47,647	(155,394)	(29,337)	(492,277)	
Total adjustments	\$ 5,858,169	\$ 1,767,043	\$ 3,798,744	\$ 1,100,176	\$ 12,524,132	\$ 34,067
Net cash from operating activities	\$ 9,576,757	\$ 2,920,648	\$ 8,102,504	\$ 619,430	\$ 21,219,339	\$ (1,047,797)

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

	<u>Employees' Retirement Plan</u>
ASSETS	
Cash	\$ 72,110
Amounts due from broker	19,158
Accrued investment income	220,268
Investments, at fair value	<u>87,293,356</u>
Total assets	<u>\$ 87,604,892</u>
LIABILITIES	
Amounts due to broker	<u>\$ 185,067</u>
Total liabilities	<u>\$ 185,067</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 87,419,825</u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Employees'</u> <u>Retirement Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 4,151,283
Employee	1,509,557
Total contributions	<u>\$ 5,660,840</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ 446,386
Interest and dividends	2,161,775
Net investment income	<u>\$ 2,608,161</u>
Total additions	<u>\$ 8,269,001</u>
DEDUCTIONS	
Benefit payments, including refunds of member contributions	\$ 8,955,772
Administrative expenses	430,209
Total deductions	<u>\$ 9,385,981</u>
NET DECREASE IN NET POSITION	\$ (1,116,980)
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>88,536,805</u>
End of year	<u><u>\$ 87,419,825</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Postretirement Benefits Plan</u>
NET POSITION HELD FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	\$ 1,154,621
End of year	<u>\$ 1,154,621</u>

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

	<u>Florence- Lauderdale Public Library September 30, 2019</u>	<u>Florence Library Foundation, Inc. June 30, 2019</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 67,296	\$ 2,176,777	\$ 2,244,073
Investments		3,833,240	3,833,240
Amounts held by the Foundation	4,099,208		4,099,208
Capital assets (net)	508,943		508,943
Total assets	<u>\$ 4,675,447</u>	<u>\$ 6,010,017</u>	<u>\$ 10,685,464</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	<u>\$ 192,078</u>	<u>\$</u>	<u>\$ 192,078</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 43,268	\$	\$ 43,268
Amounts held on behalf of the Library		4,107,034	4,107,034
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	12,604		12,604
Portion due or payable after one year:			
Net pension liability	227,043		227,043
Total liabilities	<u>\$ 282,915</u>	<u>\$ 4,107,034</u>	<u>\$ 4,389,949</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	<u>\$ 164,823</u>	<u>\$</u>	<u>\$ 164,823</u>
NET POSITION			
Net investment in capital assets	\$ 508,943	\$	\$ 508,943
Restricted for:			
Other purposes-expendable		869	869
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	3,910,844	(97,886)	3,812,958
Total net position	<u>\$ 4,419,787</u>	<u>\$ 1,902,983</u>	<u>\$ 6,322,770</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Florence- Lauderdale Public Library</u>	<u>Florence Library Foundation, Inc.</u>	<u>Total</u>
Component units:							
<u>September 30, 2019</u>							
Florence-Lauderdale Public Library	\$ 1,333,928	\$ 28,183	\$ 1,020,905	\$	\$ (284,840)	\$ —	\$ (284,840)
<u>June 30, 2019</u>							
Florence Library Foundation, Inc.	<u>6,385</u>					<u>(6,385)</u>	<u>(6,385)</u>
Total component units	<u>\$ 1,340,313</u>	<u>\$ 28,183</u>	<u>\$ 1,020,905</u>	<u>\$ —</u>	<u>\$ (284,840)</u>	<u>\$ (6,385)</u>	<u>\$ (291,225)</u>
General revenues:							
Investment return					<u>289,326</u>	<u>10,937</u>	<u>300,263</u>
Change in net position					\$ 4,486	\$ 4,552	\$ 9,038
Net position—beginning					<u>4,415,301</u>	<u>1,898,431</u>	<u>6,313,732</u>
Net position—ending					<u>\$ 4,419,787</u>	<u>\$ 1,902,983</u>	<u>\$ 6,322,770</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, 2019**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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, 2019
(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, 2019
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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, 2019
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit—Foundation

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

The Foundation's financial statements are reported according to the existence or absence of donor-imposed restrictions. Accordingly, balances and transactions are reported in the following classes of net assets:

- Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation, and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions.

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

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

Deposits and Investments

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

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

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

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

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

Receivables and Payables

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

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

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

Contributions and Restrictions—Discretely Presented Component Unit—Foundation

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received, if any, that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions, which increases that net asset class. When net assets with donor restrictions expire net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Inventories

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

Prepaid Expenses

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

Restricted Assets

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

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

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

Capital Assets

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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, 2019
(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, 2019
(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

The financial statements of the City of Florence, Alabama Employees' Retirement Plan (CFAERP) are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Pensions—Discretely Presented Component Unit—Library

The Employees' Retirement System of Alabama (ERS) financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plan. 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. Under these 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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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 \$1,500. The Foundation's federal income tax returns for 2016, 2017, and 2018 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, 2019, the following funds had deficits in net position, which are expected to be funded by future revenues or transfers from the General Fund.

Other governmental:

Florence-Lauderdale Government Building Fund	\$ 504
Economic Development Fund	22,107

Internal service:

Workers' Compensation Insurance Fund	2,175,044
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C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

For the year ended September 30, 2019, the 1995 Capital Sales Tax Fund incurred expenditures in excess of appropriations in the amount of \$702,143.

NOTE 3—CASH, INVESTMENTS, AND SECURITIES

Governmental Activities and Business-type Activities

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

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

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

Distribution by Asset Type

	Equities	Other	Cash and Equivalents	Total	Percentage
Domestic equities:					
Large capitalization	\$ 27,521,943	\$ —	\$ —	\$ 27,521,943	32%
Mid capitalization	5,705,072			5,705,072	7%
Small capitalization	5,611,590			5,611,590	6%
International and emerging markets equities	12,509,832			12,509,832	14%
Fixed income	23,218,592			23,218,592	27%
Money market funds			3,862,439	3,862,439	4%
Other:					
Real estate		8,863,888		8,863,888	10%
Total investments	\$ 74,567,029	\$ 8,863,888	\$ 3,862,439	\$ 87,293,356	100%

Fair Value Measurements—The CFAERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table sets forth by level, within the fair value hierarchy, the CFAERP’s assets at fair value as of September 30, 2019:

Fair Value of Assets by Measurement Type

Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Corporate Stock-Common	\$ 30,792,103	\$ 30,792,103	\$ —	\$ —
Corporate Stock-Preferred	99,440	99,440		
Mutual Funds-Equity	193,636	193,636		
Mutual Funds-Fixed Income	3,061,123		3,061,123	
Exchange Traded Funds	28,321,600	28,321,600		
Bank Deposit Funds	2,060,424	2,060,424		
Money Market Funds	1,802,015		1,802,015	
U.S. Government Securities	9,012,973		9,012,973	
Corporate Debt Instruments	7,424,936		7,424,936	
Private Real Estate Funds	4,516,796			4,516,796
Pooled Separate Accounts	8,310		8,310	
Total investments	\$ 87,293,356	\$ 61,467,203	\$ 21,309,357	\$ 4,516,796

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

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

The City has the following recurring fair value measurements as of September 30, 2019:

- For Corporate Stock-Common, Corporate Stock-Preferred, Mutual Funds-Equity, Exchange Traded Funds, and Bank Deposit Funds, fair value is determined using prices quoted in active markets.
- For Mutual Funds-Fixed Income, Money Market Funds, U.S. Government Securities, and Corporate Debt Instruments, fair value is determined using methods that could include quoted prices for similar assets in active markets, prices for identical or similar assets in inactive markets, or models that have observable inputs, such as interest rates, default rates, and yield curves.
- For Pooled Separate Accounts, fair value is determined by prices published daily by the account manager, which are determined by the fair value of the underlying securities in the accounts.
- For Private Real Estate Funds, fair value is determined by independent appraisals or estimates of fair value as provided by third party fund managers.

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

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

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2019, does not have any investments that require disclosure.

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

Discretely Presented Component Unit—Foundation

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits held by financial institutions. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$1,447,593.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES

A. RECEIVABLES

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables
Governmental Activities					
General Fund	\$ 33,897	\$ 4,152,253	\$ 692,626	\$ 4,869	\$ 4,883,645
Other governmental funds	9,076	57,976	130,655	3,067	200,774
Internal service funds			364,703		364,703
Total—governmental activities	\$ 42,973	\$ 4,210,229	\$ 1,187,984	\$ 7,936	\$ 5,449,122
Business-type Activities					
Electricity	\$ 10,362,299	\$ —	\$ 274,202	\$ 1,733,130	\$ 12,369,631
Gas	563,805		51,585	12,516	627,906
Water and wastewater	1,801,879		33,270		1,835,149
Solid waste	446,524		158,942	8,384	613,850
Less: allowance for bad debts	342,935				342,935
Total—business-type activities	\$ 12,831,572	\$ —	\$ 517,999	\$ 1,754,030	\$ 15,103,601

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 \$1,484,207 at year-end, net of an allowance for bad debts of \$1,154,465.

B. PAYABLES

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
Governmental Activities					
General Fund	\$ 2,573,456	\$ 785,187	\$ 2,017,337	\$ —	\$ 5,375,980
Other governmental funds	350,719		319,171	146,359	816,249
Internal service funds	87,266				87,266
Total—governmental activities	\$ 3,011,441	\$ 785,187	\$ 2,336,508	\$ 146,359	\$ 6,279,495
Business-type Activities					
Electricity	\$ 17,012,696	\$ 306,403	\$ 15,297	\$ —	\$ 17,334,396
Gas	384,163	81,256	209,342		674,761
Water and wastewater	153,201	114,406	308,243		575,850
Solid waste	166,497	69,620	25,338		261,455
Total—business-type activities	\$ 17,716,557	\$ 571,685	\$ 558,220	\$ —	\$ 18,846,462
Component Unit					
Public Library	\$ 28,569	\$ 14,699	\$ —	\$ —	\$ 43,268

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 5—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2019 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 260,820	\$ 277,978	\$ 538,798
	Other governmental	599,615	1,450		601,065
	Total	\$ 599,615	\$ 262,270	\$ 277,978	\$ 1,139,863

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

NOTE 6—INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2019 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	Other governmental	\$ 9,507,299	\$ 4,480,352	\$ 13,987,651
	Total	\$ 9,507,299	\$ 4,480,352	\$ 13,987,651

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 7—RESTRICTED ASSETS

Governmental Activities

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

Business-type Activities

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

Electricity Department

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

Series 2009 Warrant Funds	\$ 17,818
Series 2013 Debt Service Reserve Fund	934,046
Series 2013 Warrant Funds	<u>16,630</u>
Total restricted cash and cash equivalents	<u><u>\$ 968,494</u></u>

Water and Wastewater Department

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

Warrant Funds—All SRF Series	\$ 4,435,263
Series 2011 Warrant Funds	60,503
Series 2017 Warrant Funds	<u>1,281,276</u>
Total restricted cash and cash equivalents	<u><u>\$ 5,777,042</u></u>

NOTE 8—STORAGE GAS

Business-type Activities

Gas Department

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2019, the Department had \$601,295 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 9—CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Primary Government			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Governmental Activities				
Nondepreciable assets:				
Land	\$ 8,228,318		\$ 1,000	\$ 8,227,318
Construction in progress	6,379,887	4,141,004	1,508,436	9,012,455
Depreciable assets:				
Land improvements	26,188,237	301,180		26,489,417
Buildings	41,339,229	190,880	251,364	41,278,745
Equipment and vehicles	24,709,377	2,902,576	1,151,076	26,460,877
Infrastructure	169,874,657	1,763,347		171,638,004
Total capital assets	\$276,719,705	\$ 9,298,987	\$ 2,911,876	\$283,106,816
Less accumulated depreciation:				
Land improvements	\$ 14,431,404	\$ 1,014,002		\$ 15,445,406
Buildings	19,870,332	895,353	196,381	20,569,304
Equipment and vehicles	21,610,626	1,187,528	1,151,076	21,647,078
Infrastructure	105,081,465	2,335,748		107,417,213
Total accumulated depreciation	\$160,993,827	\$ 5,432,631	\$ 1,347,457	\$165,079,001
Net capital assets—governmental activities	\$115,725,878	\$ 3,866,356	\$ 1,564,419	\$118,027,815
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 814,498		\$ 189,595	\$ 624,903
Gas	129,952		102,760	27,192
Water and wastewater	1,480,071		1,180,199	299,872
Solid waste	387,543		387,543	—
Depreciable assets:				
Utility plant in service:				
Electricity	176,680,689	5,668,064	1,244,610	181,104,143
Gas	58,594,836	1,267,362	991,138	58,871,060
Water and wastewater	177,963,740	2,695,666	173,527	180,485,879
Solid waste	14,990,912	1,248,348	342,534	15,896,726
Acquisition adjustment (net):				
Gas	136,819		10,661	126,158
Total capital assets	\$431,179,060	\$ 10,879,440	\$ 4,622,567	\$437,435,933
Less accumulated depreciation:				
Electricity	\$ 90,200,655	\$ 5,862,297	\$ 2,103,823	\$ 93,959,129
Gas	27,520,396	1,560,361	1,101,961	27,978,796
Water and wastewater	66,145,822	4,118,124	170,140	70,093,806
Solid waste	12,751,060	780,330	342,534	13,188,856
Total accumulated depreciation	\$196,617,933	\$ 12,321,112	\$ 3,718,458	\$205,220,587
Net capital assets—business-type activities	\$234,561,127	\$ (1,441,672)	\$ 904,109	\$232,215,346

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 443,274
Public safety	693,795
Public works	483,047
Public ways and facilities	1,702,827
Culture and recreation	2,109,688
Total	\$ 5,432,631

Discretely Presented Component Unit—Library

	Beginning		Retirements	Ending
	Balance	Additions		Balance
Governmental Activities				
Depreciable assets:				
Furniture and fixtures	\$ 155,802	\$ 5,338	\$ —	\$ 161,140
Equipment	596,623	7,429		604,052
Building improvements	56,525			56,525
Library collection	1,552,821	79,895	42,190	1,590,526
Total capital assets	\$ 2,361,771	\$ 92,662	\$ 42,190	\$ 2,412,243
Less accumulated depreciation:				
Furniture and fixtures	\$ 137,502	\$ 5,623	\$ —	\$ 143,125
Equipment	517,553	25,037		542,590
Building improvements	4,760	1,413		6,173
Library collection	1,171,534	82,068	42,190	1,211,412
Total accumulated depreciation	\$ 1,831,349	\$ 114,141	\$ 42,190	\$ 1,903,300
Net capital assets—governmental activities	\$ 530,422	\$ (21,479)	\$ —	\$ 508,943

Depreciation expense was charged to the government function as follows:

Library services	\$ 114,141
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Business-type Activities

Electricity Department

As of June 30, 2019, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way, and construction in progress in the amount of \$1,233,380.

Depreciation for the fiscal year totaled \$5,862,297 of which \$5,407,027 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$455,270 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, 2019, accumulated depreciation amounted to \$317,243.

Gas Department

As of June 30, 2019, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way, and construction in progress in the amount of \$493,723.

Depreciation expense charged against income amounted to \$1,560,361 for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current year amortization amounted to \$10,661. As of June 30, 2019, accumulated amortization amounted to \$229,215.

Water and Wastewater Department

As of June 30, 2019, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way, and construction in progress in the amount of \$1,140,795.

Depreciation for the fiscal year totaled \$4,118,124 of which \$4,020,570 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$97,554 for the fiscal year.

Solid Waste Fund

As of September 30, 2019, nondepreciable capital assets included in utility plant in service consisted of land, land rights, rights-of-way, and construction in progress in the amount of \$204,353.

Depreciation expense charged against income amounted to \$780,330 for the fiscal year.

NOTE 10—TVA POWER AND CONSERVATION PROGRAMS

Business-type Activities

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to jointly establish a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. During the 2016 fiscal year, TVA discontinued this Energy Right program. Subsequently, TVA established the eScore program, which gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option; thus the Department will act as a fiscal intermediary only for existing conservation loans until all are paid in full. The Department had at June 30, 2019 a total of \$1,827,388 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 \$1,899,589 as of June 30, 2019.

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 \$8,901,704 as of June 30, 2019 is reflected as prepaid expenses.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS

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

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Warrants,					
Series 2009-B	\$ 1,335,000		\$ 1,335,000	\$ —	\$ —
Debt discount	(7,945)		(7,945)	—	—
Series 2012	12,455,000		1,200,000	11,255,000	2,615,000
Debt premium	1,166,408		237,236	929,172	237,236
Series 2013	1,435,272		126,970	1,308,302	1,308,302
Series 2013-B	15,000,000		730,000	14,270,000	765,000
Debt premium	395,048		26,632	368,416	26,632
Compensated absences	3,118,915	1,504,332	1,247,566	3,375,681	1,350,272
Total—governmental activities	\$ 34,897,698	\$ 1,504,332	\$ 4,895,459	\$ 31,506,571	\$ 6,302,442
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2009	\$ 875,000		\$ 875,000	\$ —	\$ —
Debt discount	(4,659)		(4,659)	—	—
Series 2013	6,350,000			6,350,000	385,000
Debt premium	4,414		301	4,113	301
Compensated absences	1,576,382	654,316	630,553	1,600,145	640,058
<u>Gas</u>					
Compensated absences	538,199	248,183	215,280	571,102	228,441
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2010-A	2,610,000		835,000	1,775,000	870,000
SRF Series 2010-B	4,395,000		1,410,000	2,985,000	1,465,000
SRF Series 2010-C	4,205,000		1,355,000	2,850,000	1,400,000
SRF Series 2010-D	1,055,000		335,000	720,000	355,000
Series 2011	490,000			490,000	—
SRF Series 2013	5,595,000		235,000	5,360,000	240,000
SRF Series 2017	29,940,000		845,000	29,095,000	855,000
Debt premium	695,851		38,480	657,371	38,480
Compensated absences	720,532	358,131	288,213	790,450	316,180
<u>Solid waste</u>					
Compensated absences	231,961	116,346	92,784	255,523	102,209
Total—business-type activities	\$ 59,277,680	\$ 1,376,976	\$ 7,150,952	\$ 53,503,704	\$ 6,895,669

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 10,541	\$ 2,063	\$ —	\$ 12,604	\$ 12,604
Total—governmental activities	\$ 10,541	\$ 2,063	\$ —	\$ 12,604	\$ 12,604

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%. These warrants were fully satisfied on December 1, 2018.

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. Subsequent to year-end, the Board repaid the remaining balance of these warrants.

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

All interest costs were expensed for the fiscal year.

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

Totals—Governmental Activities			
Year Ending September 30	Principal	Interest	Total Debt Service
2020	\$ 4,688,302	\$ 1,133,769	\$ 5,822,071
2021	3,545,000	964,769	4,509,769
2022	3,720,000	787,519	4,507,519
2023	3,890,000	618,419	4,508,419
2024	895,000	490,669	1,385,669
2025—2029	5,125,000	1,813,470	6,938,470
2030—2033	4,970,000	578,124	5,548,124
Totals	\$ 26,833,302	\$ 6,386,739	\$ 33,220,041

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

Compensated Absences Liability

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

Business-type Activities

Electricity Department

The City issued Electric 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. These warrants were fully satisfied on June 1, 2019.

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

The City issued Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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. On October 12, 2017, a \$20,110,000 principal portion of these warrants were advanced refunded and redeemed with the issuance of the Water and Sewer Revenue Warrants, Series 2017.

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.

The Department issued Water and Sewer Revenue Warrants, Series 2017, dated October 12, 2017, in the amount of \$29,940,000 with interest rates ranging from 2.00% to 4.00%. The warrants were issued for the purposes of providing funds for (1) the advance refunding and redemption of a \$20,110,000 principal portion of the outstanding Water and Sewer Revenue Warrants, Series 2011, on February 15, 2021, (2) the current refunding and redemption of the Series 2006 SRF Warrants, (3) the current refunding and redemption of the Series 2007 SRF Warrants, (4) the purchase of municipal bond and debt service reserve insurance policies, and (5) the payment of issuance expenses. The new 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. As a result of the advance refunding, \$20,110,000 of the 2011 Series Warrants are considered to be defeased and the liability for those warrants has been removed from the Department's Statement of Net Position. Although the advance refunding resulted in the recognition of an accounting loss of \$2,136,613 for the year ended June 30, 2018, the Department in effect reduced its aggregate debt service payments by \$2,597,372 over the next 20 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$2,028,153.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

Business-type Activities			
Electricity Department			
Year Ending	Principal		Total
June 30	Principal	Interest	Debt Service
2020	385,000	185,143	570,143
2021	390,000	178,405	568,405
2022	400,000	170,605	570,605
2023	410,000	162,205	572,205
2024	420,000	152,980	572,980
2025—2029	2,265,000	592,230	2,857,230
2030—2033	2,080,000	206,850	2,286,850
Totals	\$ 6,350,000	\$ 1,648,418	\$ 7,998,418
Water and Wastewater Department			
Year Ending	Principal		Total
June 30	Principal	Interest	Debt Service
2020	5,185,000	1,179,978	6,364,978
2021	5,360,000	1,049,342	6,409,342
2022	1,635,000	962,951	2,597,951
2023	1,680,000	925,591	2,605,591
2024	1,710,000	890,509	2,600,509
2025—2029	9,350,000	3,640,834	12,990,834
2030—2034	10,915,000	2,081,714	12,996,714
2035—2037	7,440,000	357,529	7,797,529
Totals	\$ 43,275,000	\$ 11,088,448	\$ 54,363,448
Totals—Business-type Activities			
Year Ending	Principal		Total
June 30	Principal	Interest	Debt Service
2020	5,570,000	1,365,121	6,935,121
2021	5,750,000	1,227,747	6,977,747
2022	2,035,000	1,133,556	3,168,556
2023	2,090,000	1,087,796	3,177,796
2024	2,130,000	1,043,489	3,173,489
2024—2028	11,615,000	4,233,064	15,848,064
2029—2033	12,995,000	2,288,564	15,283,564
2034—2037	7,440,000	357,529	7,797,529
Totals	\$ 49,625,000	\$ 12,736,866	\$ 62,361,866

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 12—CONDUIT DEBT OBLIGATION

Governmental Activities

The City issued General Obligation School Warrants, Series 1998-A in the amount of \$8,700,000 and entered into a cooperation agreement with the Florence City Board of Education whereby the Board received the proceeds for the sale of the warrants and the Board will make the subsequent repayment of the warrants. On June 10, 2009, the City issued General Obligation School Warrants, Series 2009-A in the amount of \$5,550,000 to currently refund the General Obligation School Warrants, Series 1998-A. These warrants were fully satisfied on December 1, 2018.

NOTE 13—PROPERTY TAXES

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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	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: <ul style="list-style-type: none"> • Before July 1, 1957, 1/24th of 1% of first \$350 of monthly earnings on October 1, 1966, plus 3/24ths of 1% of the excess; • From July 1, 1957 to October 1, 1966, 1/12th of .58% of first \$350 of monthly earnings on October 1, 1966, plus 1/12th of 1.66% of the excess; • From October 1, 1966 to October 1, 1979, 1/12th of 1.58% of first \$350 of monthly earnings, plus 1/12th of 3.16% of the excess; • From October 1, 1979 to October 1, 1988, 1/12th of 2.10% of first \$350 of monthly earnings, plus 1/12th of 3.26% of the excess; • After October 1, 1988, 1/12th of 2.31% of first \$350 of monthly earnings, plus 1/12th of 3.586% of the excess. <p>Effective October 1, 1992, participant accrued benefits were increased by 10%.</p>
Early Retirement	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.
Disability Benefit	Monthly benefit equal to the accrued benefit as of the disability retirement date.
Death Benefit	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.
Termination Benefit	An amount equal to the participant’s accrued benefit. Instead of a deferred benefit, a participant may withdraw contributions with interest.

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, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—At September 30, 2018, the following employees were covered by the benefit terms:

Active employees who have not reached age 65	634
Active participants attaining normal retirement age 65	14
Inactive participants (42 in pay status)	101
Total participants	749

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, 2018, 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, 2019.

Rate of Return—For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.57%. 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, 2018, 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, 2018 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, adjusted to 2006 using MP-2014, with generational projection using MP-2017.

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, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Fixed Income	27.00%	3.90%
US Large Cap Growth Equity	15.50%	8.60%
US Large Cap Value Equity	15.50%	8.90%
Europe Equity	8.90%	8.20%
Real Estate Investment Trusts	5.00%	8.10%
Core Private Real Estate Funds	5.00%	6.80%
Japan Equity	3.40%	8.10%
US Mid Cap Growth Equity	3.00%	9.70%
US Mid Cap Value Equity	3.00%	9.70%
US Small Cap Growth Equity	3.00%	8.50%
US Small Cap Value Equity	3.00%	9.70%
Emerging Markets Equity	3.00%	11.00%
Ultra-Short Fixed Income	2.00%	2.90%
Asia Pacific ex Japan Equity	1.70%	11.00%
High Yield Fixed Income	1.00%	5.80%

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:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance as of September 30, 2018 *	\$ 115,057,261	\$ 88,580,111	\$ 26,477,150
Changes for the year:			
Service cost	2,942,609		2,942,609
Interest on total pension liability	8,422,824		8,422,824
Effect of plan changes			—
Effect of economic/demographic gain/losses	69,847		69,847
Effect of assumption changes/inputs	(74,689)		(74,689)
Benefit payments	(11,600,854)	(11,600,854)	—
Employer contributions		4,111,326	(4,111,326)
Member contributions		1,495,028	(1,495,028)
Net investment income		6,366,786	(6,366,786)
Administrative expenses		(469,888)	469,888
Balance as of September 30, 2019 *	<u>\$ 114,816,998</u>	<u>\$ 88,482,509</u>	<u>\$ 26,334,489</u>

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total pension liability	\$ 123,752,777	\$ 114,816,998	\$ 106,688,402
Fiduciary net position	88,482,509	88,482,509	88,482,509
Net pension liability	<u>\$ 35,270,268</u>	<u>\$ 26,334,489</u>	<u>\$ 18,205,893</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2018, the City recognized pension expense of \$4,249,063. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 3,963,301	\$ —
Differences between expected and actual experience	2,482,737	
Changes in assumptions	815,060	254,847
Net difference between projected and actual earnings	1,446,264	3,059,608

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

Year Ending September 30	Amount
2020	\$ 731,645
2021	(683,668)
2022	(289,845)
2023	467,476
2024	459,738
Thereafter *	744,260

* 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 \$3,963,301 will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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 public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act Number 515 of the Legislature of 1945). The purpose of the ERS is to provide 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). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the plan for the preceding year ended September 30 are paid to the beneficiary.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The ERS serves approximately 909 local participating employers. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	24,818
Terminated employees entitled to, but not yet receiving, benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	<u>141</u>
Total	<u><u>90,999</u></u>

Contributions— 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, 2019, the Library's average active employee contribution rate was 6.78% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 3.81% of pensionable payroll.

The Library's contractually required contribution rate for the year ended September 30, 2019 was 4.51% of pensionable pay for Tier 1 employees and 3.71% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$22,796 for the year ended September 30, 2019.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Net Pension Liability—The Library’s net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 that was rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2017 (a)	\$ 1,543,757
Entry age normal cost for the period	
October 1, 2017—September 30, 2018 (b)	44,397
Actual benefit payments and refunds for the period	
October 1, 2017—September 30, 2018 (c)	(60,222)
Total pension liability as of September 30, 2018	
[(a) x (1.0775)] + (b) - [(c) x 1.03875]	\$ 1,644,483

Actuarial Assumptions—The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return	7.70%, net of pension plan investment expense

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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

* Includes assumed rate of inflation of 2.50%

Discount Rate—The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2017	\$ 1,604,851	\$ 1,299,253	\$ 305,598
Changes for the year:			
Service cost	43,957		43,957
Interest	122,042		122,042
Changes of assumptions	8,589		8,589
Difference between expected and actual experience	(74,734)		(74,734)
Contributions - employer		23,587	(23,587)
Contributions - employee		34,670	(34,670)
Net investment income		120,152	(120,152)
Benefit payments, including refunds of employee contributions	(60,222)	(60,222)	—
Balance as of September 30, 2018	<u>\$ 1,644,483</u>	<u>\$ 1,417,440</u>	<u>\$ 227,043</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Library’s net pension liability calculated using the discount rate of 7.70%, as well as what the Library’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease	Current	1% Increase
	(6.70%)	(7.70%)	(8.70%)
Library's net pension liability	\$ 419,342	\$ 227,043	\$ 65,736

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2019, the Library recognized pension expense of \$32,468. At September 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Net difference between projected and actual earnings on plan investments	\$ —	\$ 46,461
Changes of assumptions	171,354	
Differences between expected and actual experience	999	118,362
Employer contributions subsequent to the measurement date	19,725	

The Library reported \$19,725 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending	
September 30	Amount
2020	\$ 4,852
2021	(8,301)
2022	(3,803)
2023	10,331
2024	20,002
Thereafter	(15,551)

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Governmental Activities and Business-type Activities

Plan Description—The City’s defined benefit other postemployment benefit (OPEB) plan, City of Florence Postretirement Benefits Plan (CFPBP), provides medical, dental, and life insurance benefits to eligible retired City employees and their covered dependents. CFPBP is a single-employer defined benefit OPEB plan. Benefit provisions are established and may be amended by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided—Participation begins on the date that an eligible employee becomes employed by the City. Retirees and their covered dependents who voluntarily allow medical coverage to lapse are not eligible to elect coverage at a later date. Active employees are eligible to enroll in the CFPBP when they retire or become disabled. A requirement of coverage is that the employee meets the eligibility requirements for a service or disability retirement benefit under the City’s pension plan, as follows:

Type of Retirement	Eligibility Requirements
Normal Retirement	Age 65
Early Retirement	Age 55 with 5 or more years of creditable service or Age 52 with 25 or more years of creditable service
Disability Retirement	Permanent and total disability after the completion of 5 years of credited service

The CFPBP provides for continued participation in the City’s group rated and self-insured medical coverage, group rated dental coverage, and group rated life insurance coverage. In addition to the benefits listed above, non-disabled retirees may continue to receive benefits dispensed at a CareHere clinic contracted with the City. Eligibility for Medicare is determined separately for retirees and their beneficiaries. Benefits provided under the OPEB plan are provided until the earlier of age 65, or the date a retired participant allows coverage to lapse.

Annual Retiree Cost Sharing:

Annual premium for the first 36 months of coverage after retirement	Retiree	City	Total
Healthy retiree with single coverage	\$ —	\$ 6,324	\$ 6,324
Disabled retiree with single coverage		6,324	6,324
Healthy retiree with family coverage	9,348	6,324	15,672
Disabled retiree with family coverage	9,348	6,324	15,672
Annual premium after the first 36 months of coverage after retirement	Retiree	City	Total
Healthy retiree with single coverage	\$ 6,324	\$ —	\$ 6,324
Disabled retiree with single coverage		6,324	6,324
Healthy retiree with family coverage	15,672		15,672
Disabled retiree with family coverage	9,348	6,324	15,672

Past plan administration practice has permitted a married and retired couple to enroll in two (2) single coverage policies rather than requiring them to enroll at the family coverage tier. Coverage for access to the CareHere clinic contracted by the City is charged at \$12 per participant per month. The City pays all contract costs associated with the CareHere clinic.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Life Insurance Coverage:

Healthy retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of three (3) years after retirement or age 65. Disabled retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of commencement of City pension benefits or age 65. Life insurance benefits are not contingent upon the participant continuing medical coverage through the City. The full cost of premium for life insurance coverage is paid by the City. The amount of coverage is 100% of final salary, rounded up to the nearest \$5,000; however, coverage will be no less than \$20,000 and no more than \$125,000.

Employees Covered by Benefit Terms—At September 30, 2018, the following employees were covered by the benefit terms:

Retirees and covered spouses	
currently receiving benefits	151
Active employees	683
Total	834

Total OPEB Liability—The City’s total OPEB liability was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00%, including inflation
Discount rate	4.18%
Healthcare cost trend rates:	
Medical costs prior to age 65	6.20% initially, adjusting to an ultimate rate of 4.10% for 2076 and later years
Dental costs	4.53% initially, adjusting to an ultimate rate of 3.87% for 2075 and later years
CareHere costs	3.00%

The discount rate was based on the General Obligation 20-year Municipal Bond Index published by The Bond Buyer. Mortality rates were based on the SOA RP-2014 mortality table adjusted to 2006 and projected with generational improvements using Scale MP-2017. The plan has not had a formal actuarial experience study performed.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability—The following table shows the components of the changes in the total OPEB liability:

	Total OPEB Liability
Balance as of September 30, 2018 *	\$ 17,026,092
Changes for the year:	
Service cost	783,223
Interest on total OPEB liability	630,625
Effect of assumption changes or inputs	(522,925)
Benefit payments	(977,623)
Balance as of September 30, 2019 *	\$ 16,939,392

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64% to 4.18%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total OPEB liability of the City, calculated using the current discount rate of 4.18%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability	\$ 18,034,522	\$ 16,939,392	\$ 15,917,867

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate—The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 15,583,796	\$ 16,939,392	\$ 18,508,110

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended September 30, 2018, the City recognized OPEB expense of \$1,271,745. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 698,684	\$ —
Changes of assumptions or inputs		(948,949)

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

Year Ending September 30	Amount
2020	\$ (142,103)
2021	(142,103)
2022	(142,103)
2023	(142,103)
2024	(142,103)
Thereafter *	(238,434)

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

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of \$698,684 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2020.

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
2020	\$ 201,372
2021	201,372
2022	201,372
2023	201,372
2024	201,372
Total	<u>\$ 1,006,860</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(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. 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, 2019, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,365,075, 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 \$738,803, which has not been discounted due to the lack of reinsurance.

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

	Workers' Compensation Insurance	General Liability Insurance
Claims liability, October 1, 2018	\$ 2,365,075	\$ 738,803
Provision for (adjustment to) claims	1,581,775	297,035
Payment of claims	(1,581,775)	(297,035)
Claims liability, September 30, 2019	\$ 2,365,075	\$ 738,803

At September 30, 2019, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$273,008, \$5,316,127, and \$265,316, respectively.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 19—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Business-type Activities

Solid Waste Fund

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill closes, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. During the 2011-2012 fiscal year, the City ceased its municipal solid waste landfill operations and contracted with a regional landfill for disposal of municipal solid waste. The City will continue to use the remaining landfill capacity for construction and demolition materials. During the 2016-2017 fiscal year, the City reevaluated the estimated total cost for closure and postclosure care costs and was granted permission to expand the disposal area over closed and inactive cells resulting in a significant increase of the total estimated capacity of the landfill for the disposal of construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2019 of \$1,968,489 represents the cumulative amount reported to date based on the estimated capacity of the landfill used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,809,929 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 52 percent of the estimated capacity of the landfill as of September 30, 2019. With this limited use, the City estimates that the landfill will close in 2051.

NOTE 20—CONTINGENCIES AND COMMITMENTS

Governmental Activities

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

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

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2019, open contracts for construction totaled \$7,202,700 of which \$2,890,975 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.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 20—CONTINGENCIES AND COMMITMENTS (Continued)

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, 2019, open contracts for construction totaled \$223,440 of which \$39,455 had been recorded as cumulative construction in progress. As of June 30, 2019, open contracts for system maintenance totaled \$3,291,231 of which \$897,740 had been recorded as current maintenance expense.

Gas Department

The Department entered into an agreement with two (2) energy suppliers to purchase natural gas in the futures market. This agreement allows 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 Agreement allows the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitment would materially affect the Department's operations or financial position. As of June 30, 2019, the Department had made purchase commitments amounting to \$3,086,803 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, 2019, open contracts for construction totaled \$170,657 of which \$4,750 had been recorded as cumulative construction in progress. As of June 30, 2019, open contracts for system maintenance totaled \$218,765 of which \$101,478 had been recorded as current maintenance expense.

During the 2018 fiscal year, the Department advance refunded \$20,110,000 of the Water and Sewer Revenue Warrants, Series 2011 by issuing Water and Sewer Revenue Warrants, Series 2017. Subsequently, the Department defeased these warrants by depositing funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the old warrants when they mature on February 15, 2021. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the Department's financial statements. The outstanding balance of this defeased debt at June 30, 2019 was \$20,110,000.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE 21—SUBSEQUENT EVENT

On March 19, 2020, the City issued General Obligation Taxable Warrants, Series 2020 in the principal amount of \$12,050,000 to (i) advance refund and redeem principal portion in the amount of \$10,095,000 of the General Obligation Warrants, Series 2013-B, (ii) pay issuance costs, and (iii) provide additional cash proceeds to the City in the amount of \$668,255.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 13,168,229	\$ 13,168,229	\$ 13,168,229	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 35,337,140	\$ 41,489,476	\$ 40,824,385	\$ (665,091)
Property	12,368,000	12,368,000	12,581,116	213,116
Motor fuel	430,000	430,000	485,788	55,788
Tobacco	225,000	225,000	216,790	(8,210)
Alcoholic beverages	1,093,500	1,093,500	1,125,848	32,348
Other	234,000	234,000	435,365	201,365
Total taxes	<u>\$ 49,687,640</u>	<u>\$ 55,839,976</u>	<u>\$ 55,669,292</u>	<u>\$ (170,684)</u>
Licenses and permits:				
Business	\$ 3,638,000	\$ 3,638,000	\$ 3,587,564	\$ (50,436)
Non-business	115,000	115,000	111,511	(3,489)
Total licenses and permits	<u>\$ 3,753,000</u>	<u>\$ 3,753,000</u>	<u>\$ 3,699,075</u>	<u>\$ (53,925)</u>
Fines and forfeitures	<u>\$ 1,400,500</u>	<u>\$ 1,400,500</u>	<u>\$ 1,367,222</u>	<u>\$ (33,278)</u>
Charges for services:				
Cultural and recreational	\$ 1,623,450	\$ 1,623,450	\$ 1,503,517	\$ (119,933)
Highways and streets	95,500	95,500	86,611	(8,889)
Other	70,400	70,400	38,255	(32,145)
Total charges for services	<u>\$ 1,789,350</u>	<u>\$ 1,789,350</u>	<u>\$ 1,628,383</u>	<u>\$ (160,967)</u>
Intergovernmental	<u>\$ 1,514,446</u>	<u>\$ 1,514,446</u>	<u>\$ 1,690,327</u>	<u>\$ 175,881</u>
Other:				
Interest	\$ 150,000	\$ 150,000	\$ 187,526	\$ 37,526
Other	55,000	55,000	145,355	90,355
Total other	<u>\$ 205,000</u>	<u>\$ 205,000</u>	<u>\$ 332,881</u>	<u>\$ 127,881</u>
Amounts available for appropriation	<u>\$ 71,518,165</u>	<u>\$ 77,670,501</u>	<u>\$ 77,555,409</u>	<u>\$ (115,092)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 419,182	\$ 419,882	\$ 419,777	\$ 105
City council	341,460	341,460	318,422	23,038
Urban forestry	204,482	229,249	227,685	1,564
Purchasing and grants administration	253,092	253,092	269,996	(16,904)
Legal	292,037	292,037	290,112	1,925
Accounting	651,125	674,694	606,884	67,810
City clerk	645,277	645,277	646,320	(1,043)
Planning	456,841	456,841	360,770	96,071
Human resources	397,970	434,229	364,017	70,212
Administrative buildings	530,240	530,240	520,250	9,990
Building	779,785	779,785	784,616	(4,831)
Engineering	848,911	848,911	808,433	40,478
Total general administration	<u>\$ 5,820,402</u>	<u>\$ 5,905,697</u>	<u>\$ 5,617,282</u>	<u>\$ 288,415</u>

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(Continued)

	Budgeted Amounts		Amounts	Final Budget—
	Original	Final	(Budgetary Basis) (See Note A)	Positive (Negative)
Public safety:				
Police	\$ 10,442,298	\$ 10,835,363	\$ 10,732,047	\$ 103,316
Jail	651,000	651,000	571,935	79,065
Municipal court	607,573	607,573	713,033	(105,460)
Animal control	860,424	860,424	1,059,030	(198,606)
Fire	7,415,858	7,683,158	7,541,260	141,898
Total public safety	<u>\$ 19,977,153</u>	<u>\$ 20,637,518</u>	<u>\$ 20,617,305</u>	<u>\$ 20,213</u>
Public works:				
Streets	\$ 3,745,955	\$ 3,745,955	\$ 3,984,346	\$ (238,391)
Municipal lighting and utilities	1,060,845	1,060,845	991,577	69,268
Cemetery	296,814	296,814	284,490	12,324
Parking facilities	84,027	84,027	74,339	9,688
Total public works	<u>\$ 5,187,641</u>	<u>\$ 5,187,641</u>	<u>\$ 5,334,752</u>	<u>\$ (147,111)</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,257,561	\$ 2,306,969	\$ 2,304,354	\$ 2,615
Parks	3,397,753	3,397,753	3,413,915	(16,162)
Golf course	1,415,296	1,415,296	1,394,933	20,363
Arts and museums	489,675	531,126	500,909	30,217
Total culture and recreation	<u>\$ 7,560,285</u>	<u>\$ 7,651,144</u>	<u>\$ 7,614,111</u>	<u>\$ 37,033</u>
Nondepartmental:				
Other	\$ 1,443,625	\$ 1,493,625	\$ 1,585,284	\$ (91,659)
Education—funding for school district	8,969,660	9,277,277	9,320,258	(42,981)
Capital projects		4,524,819	3,240,617	1,284,202
Transfers to other funds	9,305,153	9,779,094	9,507,299	271,795
Total nondepartmental	<u>\$ 19,718,438</u>	<u>\$ 25,074,815</u>	<u>\$ 23,653,458</u>	<u>\$ 1,421,357</u>
Total charges to appropriations	<u>\$ 58,263,919</u>	<u>\$ 64,456,815</u>	<u>\$ 62,836,908</u>	<u>\$ 1,619,907</u>
Budgetary fund balance—ending	<u>\$ 13,254,246</u>	<u>\$ 13,213,686</u>	<u>\$ 14,718,501</u>	<u>\$ 1,504,815</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**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	\$ 77,555,409
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(13,168,229)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 64,387,180</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 62,836,908
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(9,507,299)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 53,329,609</u></u>

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
TOTAL PENSION LIABILITY										
Service cost	\$ 2,942,609	\$ 2,830,614	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	8,422,824	8,207,619	7,880,999	7,721,152	7,603,781					
Effect of plan changes		840,263								
Effect of economic/demographic gains or losses	69,847	63,177	1,690,662	558,626	1,537,047					
Effect of assumption changes or inputs	(74,689)	(73,548)	(188,107)	1,286,192						
Benefit payments	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)					
Net change in total pension liability	\$ (240,263)	\$ 5,159,074	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -	\$ -	\$ -	\$ -	\$ -
Total pension liability, beginning	115,057,261	109,898,187	106,594,794	105,833,066	103,053,884					
Total pension liability, ending (a)	<u>\$ 114,816,998</u>	<u>\$ 115,057,261</u>	<u>\$ 109,898,187</u>	<u>\$ 106,594,794</u>	<u>\$ 105,833,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,111,326	\$ 4,056,029	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions—employee	1,495,028	1,474,920	1,567,210	1,473,806	1,349,233					
Investment income, net of investment expenses	6,366,786	9,759,245	7,565,914	(1,028,142)	7,950,048					
Benefit payments	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)					
Administrative expenses	(469,888)	(421,537)	(384,687)	(353,852)	(378,171)					
Net change in plan fiduciary net position	\$ (97,602)	\$ 8,159,606	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -	\$ -	\$ -	\$ -
Fiduciary net position, beginning	88,580,111	80,420,505	76,330,780	83,815,512	80,400,416					
Fiduciary net position, ending (b)	<u>\$ 88,482,509</u>	<u>\$ 88,580,111</u>	<u>\$ 80,420,505</u>	<u>\$ 76,330,780</u>	<u>\$ 83,815,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability, ending (a-b)	<u>\$ 26,334,489</u>	<u>\$ 26,477,150</u>	<u>\$ 29,477,682</u>	<u>\$ 30,264,014</u>	<u>\$ 22,017,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a percentage of total pension liability	77.06%	76.99%	73.18%	71.61%	79.20%					
Covered payroll	\$ 30,779,896	\$ 30,855,953	\$ 30,035,187	\$ 29,475,065	29,557,478	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	85.56%	85.81%	98.14%	102.68%	74.49%					

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Employees' Retirement Plan						
<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>	
2010	\$ 2,260,178	\$ 3,563,874	\$ (1,303,696)	\$ 26,775,834	13.31%	
2011	2,920,660	3,888,126	(967,466)	28,074,105	13.85%	
2012	3,377,314	3,765,076	(387,762)	28,743,659	13.10%	
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%	
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%	
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%	
2016	4,276,605	4,309,829	(33,224)	29,475,065	14.62%	
2017	4,453,606	4,056,029	397,577	30,035,187	13.50%	
2018	4,720,081	3,563,953	1,156,128	30,855,953	11.55%	
2019	4,770,478	3,963,301	807,177	30,779,896	12.88%	

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: 22 years

Asset valuation method: 3-year smoothed market

Corridor: 90.00% to 110.00% of market value of assets

Inflation: 2.50%

Salary increases: 3.00%, based on plan sponsor expectations

Lump sum interest rate: 3.50%, based on plan provisions

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, adjusted to 2006 using MP-2014, with generational projection using MP-2018

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

Employees' Retirement Plan										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	7.57%	12.20%	10.43%	-1.12%	9.61%	-	-	-	-	-

**CITY OF FLORENCE, ALABAMA
POSTRETIREMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
TOTAL OPEB LIABILITY										
Service cost	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	630,625	539,050								
Effect of plan changes										
Effect of economic/demographic gains or losses										
Effect of assumption changes or inputs	(522,925)	(646,697)								
Benefit payments	(977,623)	(980,229)								
Net change in total OPEB liability	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability, beginning	17,026,092	17,273,198								
Total OPEB liability, ending	<u>\$ 16,939,392</u>	<u>\$ 17,026,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 38,846,611	\$ 30,855,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	43.61%	55.18%								

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4 to pay related benefits.

Changes of assumptions—

Changes of assumptions or inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-
2013	-
2012	-
2011	-
2010	-
2009	-

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ending September 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability										
Service cost	\$ 43,957	\$ 44,398	\$ 38,227	\$ 36,478	\$ 34,031	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	122,042	117,438	92,847	90,039	83,120					
Changes of benefit terms	-	-	-	-	-					
Differences between expected and actual experience	(74,734)	(29,274)	1,575	(63,408)	-					
Changes of assumptions	8,589	-	258,382	-	-					
Benefit payments, including refunds of employee contributions	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)					
Transfers among employers	-	(22,014)	-	-	-					
Net change in total pension liability	\$ 39,632	\$ 68,490	\$ 360,527	\$ 37,589	\$ 81,351	\$ -	\$ -	\$ -	\$ -	\$ -
Total pension liability—beginning	1,604,851	1,536,361	1,175,834	1,138,245	1,056,894					
Total pension liability—ending (a)	\$ 1,644,483	\$ 1,604,851	\$ 1,536,361	\$ 1,175,834	\$ 1,138,245	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 23,587	\$ 26,101	\$ 36,520	\$ 39,051	\$ 42,451	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	34,670	33,696	35,474	34,100	30,467					
Net investment income	120,152	147,717	104,912	11,453	98,897					
Benefit payments, including refunds of employee contributions	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)					
Transfers among employers	-	(22,014)	-	17,639	(18,727)					
Net change in plan fiduciary net position	\$ 118,187	\$ 143,442	\$ 146,402	\$ 76,723	\$ 117,288	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position—beginning	1,299,253	1,155,811	1,009,409	932,686	815,398					
Plan fiduciary net position—ending (b)	\$ 1,417,440	\$ 1,299,253	\$ 1,155,811	\$ 1,009,409	\$ 932,686	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability—ending (a - b)	\$ 227,043	\$ 305,598	\$ 380,550	\$ 166,425	\$ 205,559	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	86.19%	80.96%	75.23%	85.85%	81.94%					
Covered payroll	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ 426,337					
Net pension liability as a percentage of covered payroll	46.24%	67.04%	79.09%	36.60%	48.22%					

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Employer Contributions

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 19,725	\$ 24,003	\$ 25,730	\$ 35,978	\$ 37,673	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	19,725	24,003	25,730	35,978	37,673					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 517,683	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	3.81%	4.89%	5.64%	7.48%	8.29%					

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 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: 6.2 years
 Asset valuation method: 5-year smoothed market
 Inflation: 2.875%
 Salary increases: 3.375% – 5.125%, including inflation
 Investment rate of return: 7.875%, net of pension plan investment expense, including inflation



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund	Animal Spay/Neuter Fund
ASSETS											
Cash and cash equivalents	\$ 108,596	\$ 55,918	\$ 214,579	\$ 8,088	\$	\$ 55,779	\$ 2,685,475	\$ 23,614	\$ 664,691	\$	\$
Receivables (net)	14,757	15,616	51,811			2,010	13,626		3,067		
Accrued interest receivable	53	26	97	4			1,139	11	335		
Loan receivables (net)						206,543	5,635				
Interfund receivables					21,885	1,450	457,721		30,036	89,673	
Total assets	<u>\$ 123,406</u>	<u>\$ 71,560</u>	<u>\$ 266,487</u>	<u>\$ 8,092</u>	<u>\$ 21,885</u>	<u>\$ 265,782</u>	<u>\$ 3,163,596</u>	<u>\$ 23,625</u>	<u>\$ 698,129</u>	<u>\$ 89,673</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable and accrued expenses	\$	\$	\$	\$	\$	\$ 1,500	\$ 148,839	\$ 23,442	\$ 188,563	\$ 85,001	\$
Interfund payables		3,808		1,254		51,498	64,766		326	39	
Total liabilities	<u>\$ —</u>	<u>\$ 3,808</u>	<u>\$ —</u>	<u>\$ 1,254</u>	<u>\$ —</u>	<u>\$ 52,998</u>	<u>\$ 213,605</u>	<u>\$ 23,442</u>	<u>\$ 188,889</u>	<u>\$ 85,040</u>	<u>\$ —</u>
Fund balances											
Nonspendable:											
Loan receivables	\$	\$	\$	\$	\$	\$ 206,543	\$ 5,635	\$	\$	\$	\$
Restricted for:											
Street resurfacing and improvements	123,406	67,752	266,487								
Culture and recreation					21,885					1,702	
Public safety								183	509,240	2,931	
Capital projects											
Assigned to:											
Capital projects							2,944,356				
Unassigned											
Total fund balances	<u>\$ 123,406</u>	<u>\$ 67,752</u>	<u>\$ 266,487</u>	<u>\$ 6,838</u>	<u>\$ 21,885</u>	<u>\$ 212,784</u>	<u>\$ 2,949,991</u>	<u>\$ 183</u>	<u>\$ 509,240</u>	<u>\$ 4,633</u>	<u>\$ —</u>
Total liabilities and fund balance	<u>\$ 123,406</u>	<u>\$ 71,560</u>	<u>\$ 266,487</u>	<u>\$ 8,092</u>	<u>\$ 21,885</u>	<u>\$ 265,782</u>	<u>\$ 3,163,596</u>	<u>\$ 23,625</u>	<u>\$ 698,129</u>	<u>\$ 89,673</u>	<u>\$ —</u>

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total Other Governmental Funds	
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund		Total
ASSETS									
Cash and cash equivalents	\$ 153,602	\$ 31,381	\$ 4,001,723	\$	\$ 1,699,212	\$ 11,668	\$ 704,258	\$ 2,415,138	\$ 6,416,861
Receivables (net)	6,454	85,433	192,774			8,000		8,000	200,774
Accrued interest receivable	112	29	1,806		861	6	60	927	2,733
Loan receivables (net)			212,178					—	212,178
Interfund receivables			600,765		300			300	601,065
Total assets	\$ 160,168	\$ 116,843	\$ 5,009,246	\$ —	\$ 1,700,373	\$ 19,674	\$ 704,318	\$ 2,424,365	\$ 7,433,611
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued expenses	\$ 122,274	\$ 21,761	\$ 591,380	\$	\$ 57,043	\$ 41,682	\$ 126,144	\$ 224,869	\$ 816,249
Interfund payables	37,894	95,586	255,171		7,000	99		7,099	262,270
Total liabilities	\$ 160,168	\$ 117,347	\$ 846,551	\$ —	\$ 64,043	\$ 41,781	\$ 126,144	\$ 231,968	\$ 1,078,519
Fund balances									
Nonspendable:									
Loan receivables	\$	\$	\$ 212,178	\$	\$	\$	\$	\$ —	\$ 212,178
Restricted for:									
Street resurfacing and improvements			457,645					—	457,645
Culture and recreation			23,587					—	23,587
Public safety			512,354					—	512,354
Capital projects			—		1,636,330		578,174	2,214,504	2,214,504
Assigned to:									
Capital projects			2,944,356					—	2,944,356
Unassigned			13,079			(22,107)		(22,107)	(9,028)
Total fund balances	\$ —	\$ (504)	\$ 4,162,695	\$ —	\$ 1,636,330	\$ (22,107)	\$ 578,174	\$ 2,192,397	\$ 6,355,092
Total liabilities and fund balance	\$ 160,168	\$ 116,843	\$ 5,009,246	\$ —	\$ 1,700,373	\$ 19,674	\$ 704,318	\$ 2,424,365	\$ 7,433,611

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund	Animal Spay/Neuter Fund
REVENUES											
Taxes	\$ 160,748	\$ 172,073	\$ 354,771	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental				61,488		496,248	361,168				
Interest revenues	1,571	1,040	3,023				71,524	183	3,935		
Program revenues						4,955			97,975		
Miscellaneous				19,772						79,517	
Total revenues	<u>\$ 162,319</u>	<u>\$ 173,113</u>	<u>\$ 357,794</u>	<u>\$ 81,260</u>	<u>\$ —</u>	<u>\$ 501,203</u>	<u>\$ 432,692</u>	<u>\$ 183</u>	<u>\$ 101,910</u>	<u>\$ 79,517</u>	<u>\$ —</u>
EXPENDITURES											
Current operating:											
General administration	\$	\$	\$	\$	\$	\$ 59,821	\$ 208,088	\$	\$	\$	\$
Public safety									56,758	55,712	
Public works		74,157				162,636	20,958			1,689	
Culture and recreation				61,992	739		10,855			17,483	
Other						293,431	61,158				
Education—funding for school district							3,475,076				
Capital outlay and improvements	300,000	200,000	600,000	26,267			620,501				
Debt service:											
Principal payments											
Interest and fiscal charges											
Total expenditures	<u>\$ 300,000</u>	<u>\$ 274,157</u>	<u>\$ 600,000</u>	<u>\$ 88,259</u>	<u>\$ 739</u>	<u>\$ 515,888</u>	<u>\$ 4,396,636</u>	<u>\$ —</u>	<u>\$ 56,758</u>	<u>\$ 74,884</u>	<u>\$ —</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (137,681)</u>	<u>\$ (101,044)</u>	<u>\$ (242,206)</u>	<u>\$ (6,999)</u>	<u>\$ (739)</u>	<u>\$ (14,685)</u>	<u>\$ (3,963,944)</u>	<u>\$ 183</u>	<u>\$ 45,152</u>	<u>\$ 4,633</u>	<u>\$ —</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	\$	\$	\$	\$	\$	\$	\$ 9,191,101	\$	\$	\$	\$
Transfers out							(4,480,352)				
Total other financing sources (uses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,710,749</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ (137,681)</u>	<u>\$ (101,044)</u>	<u>\$ (242,206)</u>	<u>\$ (6,999)</u>	<u>\$ (739)</u>	<u>\$ (14,685)</u>	<u>\$ 746,805</u>	<u>\$ 183</u>	<u>\$ 45,152</u>	<u>\$ 4,633</u>	<u>\$ —</u>
Fund balances—beginning	261,087	168,796	508,693	13,837	22,624	227,469	2,203,186		464,088		
Fund balances—ending	<u>\$ 123,406</u>	<u>\$ 67,752</u>	<u>\$ 266,487</u>	<u>\$ 6,838</u>	<u>\$ 21,885</u>	<u>\$ 212,784</u>	<u>\$ 2,949,991</u>	<u>\$ 183</u>	<u>\$ 509,240</u>	<u>\$ 4,633</u>	<u>\$ —</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	
REVENUES								
Taxes	\$	\$	\$ 687,592	\$	\$	\$	\$	\$ 687,592
Intergovernmental			918,904		354,464		354,464	1,273,368
Interest revenues			81,276		9,369	6,156	15,525	96,801
Program revenues		246,487	349,417					349,417
Miscellaneous			99,289			8,100	8,100	107,389
Total revenues	\$ —	\$ 246,487	\$ 2,136,478	\$ —	\$ 363,833	\$ —	\$ 14,256	\$ 2,514,567
EXPENDITURES								
Current operating:								
General administration	\$	\$ 377,190	\$ 645,099	\$	\$	\$	\$	\$ 645,099
Public safety			112,470			66,828	66,828	179,298
Public works			259,440					259,440
Culture and recreation			91,069					91,069
Other			354,589			22,107	22,107	376,696
Education—funding for school district			3,475,076					3,475,076
Capital outlay and improvements		11,113	1,757,881		79,396	1,469,039	1,548,435	3,306,316
Debt service:								
Principal payments			—	3,391,970				3,391,970
Interest and fiscal charges			—	1,263,268				1,263,268
Total expenditures	\$ —	\$ 388,303	\$ 6,695,624	\$ 4,655,238	\$ 79,396	\$ 22,107	\$ 1,535,867	\$ 12,988,232
Excess (deficiency) of revenues over expenditures	\$ —	\$ (141,816)	\$ (4,559,146)	\$ (4,655,238)	\$ 284,437	\$ (22,107)	\$ (1,521,611)	\$ (10,473,665)
OTHER FINANCING SOURCES (USES)								
Transfers in	\$	\$ 141,312	\$ 9,332,413	\$ 4,655,238	\$	\$	\$	\$ 13,987,651
Transfers out			(4,480,352)					(4,480,352)
Total other financing sources (uses)	\$ —	\$ 141,312	\$ 4,852,061	\$ 4,655,238	\$ —	\$ —	\$ —	\$ 9,507,299
Net change in fund balances	\$ —	\$ (504)	\$ 292,915	\$ —	\$ 284,437	\$ (22,107)	\$ (1,521,611)	\$ (966,366)
Fund balances—beginning			3,869,780		1,351,893		2,099,785	7,321,458
Fund balances—ending	\$ —	\$ (504)	\$ 4,162,695	\$ —	\$ 1,636,330	\$ (22,107)	\$ 578,174	\$ 6,355,092

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 183,120	\$ 5,260,467	\$ 70,196	\$ 19,709	\$ 5,533,492
Receivables (net)	89,674	3,122	94,825	177,082	364,703
Accrued interest receivable	214	2,538	195		2,947
Total current assets	\$ 273,008	\$ 5,266,127	\$ 165,216	\$ 196,791	\$ 5,901,142
Noncurrent assets					
Restricted cash and cash equivalents	\$ —	\$ 50,000	\$ 100,100	\$ —	\$ 150,100
Total noncurrent assets	\$ —	\$ 50,000	\$ 100,100	\$ —	\$ 150,100
Total assets	\$ 273,008	\$ 5,316,127	\$ 265,316	\$ 196,791	\$ 6,051,242
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 48,770	\$ 21,504	\$ 12,422	\$ 2,131	\$ 84,827
Interfund payables	170	20,285	62,863	194,660	277,978
Noncurrent liabilities					
Claims reserve		738,803	2,365,075		3,103,878
Total liabilities	\$ 48,940	\$ 780,592	\$ 2,440,360	\$ 196,791	\$ 3,466,683
NET POSITION					
Restricted for:					
Other purposes	\$ —	\$ 50,000	\$ 100,100	\$ —	\$ 150,100
Unrestricted	224,068	4,485,535	(2,275,144)		2,434,459
Total net position	\$ 224,068	\$ 4,535,535	\$ (2,175,044)	\$ —	\$ 2,584,559

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Operating revenues					
User charges	\$	\$ 325,178	\$ 750,670	\$ 450,550	\$ 1,526,398
Total operating revenues	<u>\$ —</u>	<u>\$ 325,178</u>	<u>\$ 750,670</u>	<u>\$ 450,550</u>	<u>\$ 1,526,398</u>
Operating expenses					
Insurance premiums and claims (net of refunds)	\$ 124,885	\$ 297,035	\$ 1,581,775	\$	\$ 2,003,695
Operations and administration	7,231	105,686	41,100	450,550	604,567
Total operating expenses	<u>\$ 132,116</u>	<u>\$ 402,721</u>	<u>\$ 1,622,875</u>	<u>\$ 450,550</u>	<u>\$ 2,608,262</u>
Operating income (loss)	<u>\$ (132,116)</u>	<u>\$ (77,543)</u>	<u>\$ (872,205)</u>	<u>\$ —</u>	<u>\$ (1,081,864)</u>
Non-operating revenues (expenses)					
Interest revenues	2,921	53,464	6,918		63,303
Change in net position	<u>\$ (129,195)</u>	<u>\$ (24,079)</u>	<u>\$ (865,287)</u>	<u>\$ —</u>	<u>\$ (1,018,561)</u>
Net position—beginning	353,263	4,559,614	(1,309,757)		3,603,120
Net position—ending	<u><u>\$ 224,068</u></u>	<u><u>\$ 4,535,535</u></u>	<u><u>\$ (2,175,044)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 2,584,559</u></u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Cash flows from operating activities					
Receipts from customers and users	\$ 254,716	\$ 324,256	\$ 675,354	\$ 319,180	\$ 1,573,506
Payments to suppliers	(130,385)	(385,602)	(1,641,678)	(463,638)	(2,621,303)
Net cash from operating activities	<u>\$ 124,331</u>	<u>\$ (61,346)</u>	<u>\$ (966,324)</u>	<u>\$ (144,458)</u>	<u>\$ (1,047,797)</u>
Cash flows from investing activities					
Interest on investments	\$ 2,873	\$ 56,511	\$ 7,618	\$	\$ 67,002
Interfund receivables (payables)	170	20,285	13,202	101,765	135,422
Net cash from investing activities	<u>\$ 3,043</u>	<u>\$ 76,796</u>	<u>\$ 20,820</u>	<u>\$ 101,765</u>	<u>\$ 202,424</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 127,374</u>	<u>\$ 15,450</u>	<u>\$ (945,504)</u>	<u>\$ (42,693)</u>	<u>\$ (845,373)</u>
Cash and cash equivalents—beginning	55,746	5,295,017	1,115,800	62,402	6,528,965
Cash and cash equivalents—ending	<u><u>\$ 183,120</u></u>	<u><u>\$ 5,310,467</u></u>	<u><u>\$ 170,296</u></u>	<u><u>\$ 19,709</u></u>	<u><u>\$ 5,683,592</u></u>
<i>Classified as:</i>					
Current assets	\$ 183,120	\$ 5,260,467	\$ 70,196	\$ 19,709	\$ 5,533,492
Restricted assets		50,000	100,100		150,100
Totals	<u><u>\$ 183,120</u></u>	<u><u>\$ 5,310,467</u></u>	<u><u>\$ 170,296</u></u>	<u><u>\$ 19,709</u></u>	<u><u>\$ 5,683,592</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>					
Operating income (loss)	\$ (132,116)	\$ (77,543)	\$ (872,205)	\$	\$ (1,081,864)
Changes in assets and liabilities					
Receivables (net)	\$ 254,716	\$ (922)	\$ (75,316)	\$ (131,370)	\$ 47,108
Accounts and other payables	1,731	17,119	(18,803)	(13,088)	(13,041)
Total adjustments	<u>\$ 256,447</u>	<u>\$ 16,197</u>	<u>\$ (94,119)</u>	<u>\$ (144,458)</u>	<u>\$ 34,067</u>
Net cash provided (used) by operating activities	<u><u>\$ 124,331</u></u>	<u><u>\$ (61,346)</u></u>	<u><u>\$ (966,324)</u></u>	<u><u>\$ (144,458)</u></u>	<u><u>\$ (1,047,797)</u></u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 261,087	\$ 261,087	\$ 261,087	\$ —
Resources (inflows):				
Taxes	160,000	160,000	160,748	748
Interest revenues	900	900	1,571	671
Amounts available for appropriation	<u>\$ 421,987</u>	<u>\$ 421,987</u>	<u>\$ 423,406</u>	<u>\$ 1,419</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 160,900	\$ 160,900	\$ 300,000	\$ (139,100)
Total charges to appropriations	<u>\$ 160,900</u>	<u>\$ 160,900</u>	<u>\$ 300,000</u>	<u>\$ (139,100)</u>
Budgetary fund balance—ending	<u>\$ 261,087</u>	<u>\$ 261,087</u>	<u>\$ 123,406</u>	<u>\$ (137,681)</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	\$ 423,406
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	(261,087)
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>\$ 162,319</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 300,000
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>\$ 300,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 168,796	\$ 168,796	\$ 168,796	\$ —
Resources (inflows):				
Taxes	169,450	169,450	172,073	2,623
Interest revenues	550	550	1,040	490
Amounts available for appropriation	<u>\$ 338,796</u>	<u>\$ 338,796</u>	<u>\$ 341,909</u>	<u>\$ 3,113</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 35,000	\$ 35,000	\$ 74,157	\$ (39,157)
Capital outlay and improvements	135,000	135,000	200,000	(65,000)
Total charges to appropriations	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 274,157</u>	<u>\$ (104,157)</u>
Budgetary fund balance—ending	<u>\$ 168,796</u>	<u>\$ 168,796</u>	<u>\$ 67,752</u>	<u>\$ (101,044)</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	\$ 341,909
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	(168,796)
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>\$ 173,113</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 274,157
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>\$ 274,157</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 508,693	\$ 508,693	\$ 508,693	\$ —
Resources (inflows):				
Taxes	310,000	310,000	354,771	44,771
Interest revenues	1,650	1,650	3,023	1,373
Amounts available for appropriation	<u>\$ 820,343</u>	<u>\$ 820,343</u>	<u>\$ 866,487</u>	<u>\$ 46,144</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 311,650	\$ 311,650	\$ 600,000	\$ (288,350)
Total charges to appropriations	<u>\$ 311,650</u>	<u>\$ 311,650</u>	<u>\$ 600,000</u>	<u>\$ (288,350)</u>
Budgetary fund balance—ending	<u>\$ 508,693</u>	<u>\$ 508,693</u>	<u>\$ 266,487</u>	<u>\$ (242,206)</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	\$ 866,487
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	(508,693)
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>\$ 357,794</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 600,000
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>\$ 600,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 13,837	\$ 13,837	\$ 13,837	\$ —
Resources (inflows):				
Intergovernmental	60,000	60,000	61,488	1,488
Interest revenues	50	50		(50)
Program revenues	10,000	10,000		(10,000)
Miscellaneous			19,772	19,772
Amounts available for appropriation	<u>\$ 83,887</u>	<u>\$ 83,887</u>	<u>\$ 95,097</u>	<u>\$ (8,562)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 35,050	\$ 35,050	\$	\$ 35,050
Public safety	35,000	35,000	61,992	(26,992)
Capital outlay and improvements			26,267	(26,267)
Total charges to appropriations	<u>\$ 70,050</u>	<u>\$ 70,050</u>	<u>\$ 88,259</u>	<u>\$ (18,209)</u>
Budgetary fund balance—ending	<u>\$ 13,837</u>	<u>\$ 13,837</u>	<u>\$ 6,838</u>	<u>\$ (6,999)</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	\$ 95,097
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(13,837)
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>\$ 81,260</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 88,259
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>\$ 88,259</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 22,624	\$ 22,624	\$ 22,624	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 22,000	\$ 22,000	\$ 739	\$ 21,261
Total charges to appropriations	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 739</u>	<u>\$ 21,261</u>
Budgetary fund balance—ending	<u>\$ 624</u>	<u>\$ 624</u>	<u>\$ 21,885</u>	<u>\$ 21,261</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	\$ 22,624
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	(22,624)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 739
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>\$ 739</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 227,469	\$ 227,469	\$ 227,469	\$ —
Resources (inflows):				
Intergovernmental	350,790	350,790	496,248	145,458
Program revenues	19,610	19,610	4,955	(14,655)
Amounts available for appropriation	<u>\$ 597,869</u>	<u>\$ 597,869</u>	<u>\$ 728,672</u>	<u>\$ 130,803</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 85,276	\$ 85,276	\$ 59,821	\$ 25,455
Public works	190,000	190,000	162,636	27,364
Other	323,423	323,423	293,431	29,992
Capital outlay and improvements			—	—
Total charges to appropriations	<u>\$ 598,699</u>	<u>\$ 598,699</u>	<u>\$ 515,888</u>	<u>\$ 82,811</u>
Budgetary fund balance—ending	<u>\$ (830)</u>	<u>\$ (830)</u>	<u>\$ 212,784</u>	<u>\$ 213,614</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	\$ 728,672
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(227,469)
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>\$ 501,203</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 515,888
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>\$ 515,888</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$33,571 for the year ended September 30, 2019. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 2,203,186	\$ 2,203,186	\$ 2,203,186	\$ —
Resources (inflows):				
Intergovernmental			361,168	361,168
Interest revenues			71,524	71,524
Transfers from other funds	5,497,719	5,971,660	9,191,101	3,219,441
Amounts available for appropriation	<u>\$ 7,700,905</u>	<u>\$ 8,174,846</u>	<u>\$ 11,826,979</u>	<u>\$ 3,652,133</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 113,843	\$ 113,843	\$ 208,088	\$ (94,245)
Public safety	150,000	150,000		150,000
Public works	20,000	20,000	20,958	(958)
Culture and recreation			10,855	(10,855)
Other		74,165	61,158	13,007
Education—funding for school district			3,475,076	(3,475,076)
Capital outlay and improvements	663,680	1,137,621	620,501	517,120
Transfers to other funds	4,550,196	4,550,196	4,480,352	69,844
Total charges to appropriations	<u>\$ 5,497,719</u>	<u>\$ 6,045,825</u>	<u>\$ 8,876,988</u>	<u>\$ (2,831,163)</u>
Budgetary fund balance—ending	<u>\$ 2,203,186</u>	<u>\$ 2,129,021</u>	<u>\$ 2,949,991</u>	<u>\$ 820,970</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	\$ 11,826,979
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,203,186)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(9,191,101)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 432,692</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 8,876,988
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,480,352)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 4,396,636</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$702,143 for the year ended September 30, 2019. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 464,088	\$ 464,088	\$ 464,088	\$ —
Resources (inflows):				
Interest revenues			3,935	3,935
Program revenues	51,900	51,900	97,975	46,075
Amounts available for appropriation	<u>\$ 515,988</u>	<u>\$ 515,988</u>	<u>\$ 565,998</u>	<u>\$ 50,010</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 51,900	\$ 51,900	\$ 56,758	\$ (4,858)
Total charges to appropriations	<u>\$ 51,900</u>	<u>\$ 51,900</u>	<u>\$ 56,758</u>	<u>\$ (4,858)</u>
Budgetary fund balance—ending	<u>\$ 464,088</u>	<u>\$ 464,088</u>	<u>\$ 509,240</u>	<u>\$ 45,152</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	\$ 565,998
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	(464,088)
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>\$ 101,910</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 56,758
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>\$ 56,758</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Miscellaneous	42,500	42,500	79,517	37,017
Amounts available for appropriation	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 79,517</u>	<u>\$ 37,017</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 37,500	\$ 37,500	\$ 55,712	\$ (18,212)
Public works			1,689	(1,689)
Culture and recreation	5,000	5,000	17,483	(12,483)
Total charges to appropriations	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 74,884</u>	<u>\$ (32,384)</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,633</u>	<u>\$ 4,633</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	\$ 79,517
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 79,517</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 74,884
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>\$ 74,884</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$32,384 for the year ended September 30, 2019. 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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	3,000	3,000		(3,000)
Amounts available for appropriation	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ (3,000)</u>
Charges to appropriations (outflows):				
Transfers to other funds	\$ 3,000	\$ 3,000	\$ —	\$ 3,000
Total charges to appropriations	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ 3,000</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

Sources/inflows of resources

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

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ —
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
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
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Interest revenues	300	300		(300)
Program revenues	275,000	275,000	246,487	(28,513)
Transfers from other funds	120,000	120,000	141,312	21,312
Amounts available for appropriation	<u>\$ 395,300</u>	<u>\$ 395,300</u>	<u>\$ 387,799</u>	<u>\$ (7,501)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 395,900	\$ 395,900	\$ 377,190	\$ 18,710
Capital outlay and improvements			11,113	(11,113)
Total charges to appropriations	<u>\$ 395,900</u>	<u>\$ 395,900</u>	<u>\$ 388,303</u>	<u>\$ 7,597</u>
Budgetary fund balance—ending	<u>\$ (600)</u>	<u>\$ (600)</u>	<u>\$ (504)</u>	<u>\$ 96</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 387,799
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>(141,312)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 246,487</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 388,303
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>\$ 388,303</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	4,730,465	4,730,465	4,655,238	(75,227)
Amounts available for appropriation	<u>\$ 4,730,465</u>	<u>\$ 4,730,465</u>	<u>\$ 4,655,238</u>	<u>\$ (75,227)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,385,268	\$ 3,385,268	\$ 3,391,970	\$ (6,702)
Interest and fiscal charges	1,345,197	1,345,197	1,263,268	81,929
Total charges to appropriations	<u>\$ 4,730,465</u>	<u>\$ 4,730,465</u>	<u>\$ 4,655,238</u>	<u>\$ 75,227</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,655,238
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	(4,655,238)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,655,238
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>\$ 4,655,238</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 1,351,893	\$ 1,351,893	\$ 1,351,893	\$ —
Resources (inflows):				
Intergovernmental	335,000	335,000	354,464	19,464
Interest revenues	16,000	16,000	9,369	(6,631)
Amounts available for appropriation	<u>\$ 1,702,893</u>	<u>\$ 1,702,893</u>	<u>\$ 1,715,726</u>	<u>\$ 12,833</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 351,000	\$ 351,000	\$ 79,396	\$ 271,604
Total charges to appropriations	<u>\$ 351,000</u>	<u>\$ 351,000</u>	<u>\$ 79,396</u>	<u>\$ 271,604</u>
Budgetary fund balance—ending	<u>\$ 1,351,893</u>	<u>\$ 1,351,893</u>	<u>\$ 1,636,330</u>	<u>\$ 284,437</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	\$ 1,715,726
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	(1,351,893)
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>\$ 363,833</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 79,396
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>\$ 79,396</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Miscellaneous				—
Amounts available for appropriation	\$ —	\$ —	\$ —	\$ —
Charges to appropriations (outflows):				
Current operating:				
Other	\$ —	\$ —	\$ 22,107	\$ (22,107)
Total charges to appropriations	\$ —	\$ —	\$ 22,107	\$ (22,107)
Budgetary fund balance—ending	\$ —	\$ —	\$ (22,107)	\$ (22,107)

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

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 22,107
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>\$ 22,107</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$22,107 for the year ended September 30, 2019. The excess expenditures will be provided by future revenues or transfers from the General Fund.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013-B G.O. WARRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 2,099,785	\$ 2,099,785	\$ 2,099,785	\$ —
Resources (inflows):				
Interest revenues	20,000	20,000	6,156	(13,844)
Miscellaneous			8,100	8,100
Amounts available for appropriation	<u>\$ 2,119,785</u>	<u>\$ 2,119,785</u>	<u>\$ 2,114,041</u>	<u>\$ (13,844)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$	\$	\$ 66,828	\$ (66,828)
Capital outlay and improvements	2,220,198	2,220,198	1,469,039	751,159
Total charges to appropriations	<u>\$ 2,220,198</u>	<u>\$ 2,220,198</u>	<u>\$ 1,535,867</u>	<u>\$ 684,331</u>
Budgetary fund balance—ending	<u>\$ (100,413)</u>	<u>\$ (100,413)</u>	<u>\$ 578,174</u>	<u>\$ 678,587</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	\$ 2,114,041
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,099,785)
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>\$ 14,256</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,535,867
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,535,867</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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 123,149,000	\$ 123,149,000	\$ 126,485,944	\$ 3,336,944
Other	610,000	610,000	591,275	(18,725)
Total operating revenues	\$ 123,759,000	\$ 123,759,000	\$ 127,077,219	\$ 3,318,219
Operating expenses				
Costs of sales	\$ 95,792,000	\$ 95,792,000	\$ 98,457,381	\$ (2,665,381)
Operations, maintenance, and administration	16,597,200	16,822,200	15,617,302	1,204,898
Depreciation	5,600,000	5,600,000	5,407,027	192,973
Taxes and tax equivalentents	3,901,000	3,901,000	3,876,921	24,079
Total operating expenses	\$ 121,890,200	\$ 122,115,200	\$ 123,358,631	\$ (1,243,431)
Operating income (loss)	\$ 1,868,800	\$ 1,643,800	\$ 3,718,588	\$ 2,074,788
Nonoperating revenues (expenses)				
Interest revenues	\$ 96,000	\$ 96,000	\$ 213,258	\$ 117,258
Merchandising revenues (net of costs)	265,000	265,000	124,192	(140,808)
Miscellaneous nonoperating income	20,000	20,000	16,064	(3,936)
Gain on disposition of assets			10,937	10,937
Interest expense	(214,500)	(214,500)	(214,418)	82
Amortization of debt related costs	(48,600)	(48,600)	(30,755)	17,845
Total nonoperating revenues (expenses)	\$ 117,900	\$ 117,900	\$ 119,278	\$ 1,378
Change in net position	\$ 1,986,700	\$ 1,761,700	\$ 3,837,866	\$ 2,076,166

**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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 17,463,300	\$ 17,463,300	\$ 15,667,359	\$ (1,795,941)
Other	11,100	11,100	11,239	139
Total operating revenues	\$ 17,474,400	\$ 17,474,400	\$ 15,678,598	\$ (1,795,802)
Operating expenses				
Costs of sales	\$ 9,064,600	\$ 9,064,600	\$ 6,218,686	\$ 2,845,914
Operations, maintenance, and administration	4,745,400	4,799,200	5,230,020	(430,820)
Depreciation	1,535,000	1,535,000	1,560,361	(25,361)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,536,500	1,536,500	1,505,265	31,235
Total operating expenses	\$ 16,892,200	\$ 16,946,000	\$ 14,524,993	\$ 2,421,007
Operating income (loss)	\$ 582,200	\$ 528,400	\$ 1,153,605	\$ 625,205
Nonoperating revenues (expenses)				
Interest revenues	\$ 36,000	\$ 36,000	\$ 122,928	\$ 86,928
Gain (loss) on disposition of assets	5,000	5,000	110,922	105,922
Miscellaneous nonoperating income	14,500	14,500	12,802	(1,698)
Total nonoperating revenues (expenses)	\$ 55,500	\$ 55,500	\$ 246,652	\$ 191,152
Change in net position	\$ 637,700	\$ 583,900	\$ 1,400,257	\$ 816,357

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, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 20,383,100	\$ 20,383,100	\$ 20,090,020	\$ (293,080)
Other	133,400	133,400	160,047	26,647
Total operating revenues	\$ 20,516,500	\$ 20,516,500	\$ 20,250,067	\$ (266,433)
Operating expenses				
Operations, maintenance, and administration	\$ 10,723,300	\$ 10,806,400	\$ 10,226,019	\$ 580,381
Depreciation	4,116,000	4,116,000	4,020,570	95,430
Taxes and tax equivalents	1,750,900	1,757,300	1,699,718	57,582
Total operating expenses	\$ 16,590,200	\$ 16,679,700	\$ 15,946,307	\$ 733,393
Operating income (loss)	\$ 3,926,300	\$ 3,836,800	\$ 4,303,760	\$ 466,960
Nonoperating revenues (expenses)				
Interest revenues	\$ 63,600	\$ 63,600	\$ 198,275	\$ 134,675
Gain (loss) on disposition of assets			67,310	67,310
Interest expense	(1,306,300)	(1,306,300)	(1,259,714)	46,586
Amortization of debt related costs	(160,200)	(160,200)	(160,090)	110
Total nonoperating revenues (expenses)	\$ (1,402,900)	\$ (1,402,900)	\$ (1,154,219)	\$ 248,681
Income before contributions	\$ 2,523,400	\$ 2,433,900	\$ 3,149,541	\$ 715,641
Capital contributions			508,500	508,500
Change in net position	\$ 2,523,400	\$ 2,433,900	\$ 3,658,041	\$ 1,224,141

**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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 5,761,485	\$ 5,761,485	\$ 5,514,270	\$ (247,215)
Other	5,000	5,000	3,907	(1,093)
Total operating revenues	<u>\$ 5,766,485</u>	<u>\$ 5,766,485</u>	<u>\$ 5,518,177</u>	<u>\$ (248,308)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 5,631,471	\$ 5,631,471	\$ 5,662,868	\$ (31,397)
Depreciation	264,730	264,730	298,598	(33,868)
Taxes and tax equivalents	35,065	35,065	37,457	(2,392)
Total operating expenses	<u>\$ 5,931,266</u>	<u>\$ 5,931,266</u>	<u>\$ 5,998,923</u>	<u>\$ (67,657)</u>
Operating income (loss)	<u>\$ (164,781)</u>	<u>\$ (164,781)</u>	<u>\$ (480,746)</u>	<u>\$ (315,965)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 30,000	\$ 30,000	\$ 40,837	\$ 10,837
Gain (loss) on disposition of assets	20,000	20,000	27,033	7,033
Total nonoperating revenues (expenses)	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 67,870</u>	<u>\$ 17,870</u>
Income before contributions	<u>\$ (114,781)</u>	<u>\$ (114,781)</u>	<u>\$ (412,876)</u>	<u>\$ (298,095)</u>
Capital contributions			111,374	111,374
Change in net position	<u>\$ (114,781)</u>	<u>\$ (114,781)</u>	<u>\$ (301,502)</u>	<u>\$ (186,721)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 290,500	\$ 290,500	\$ —	\$ (290,500)
Total operating revenues	<u>\$ 290,500</u>	<u>\$ 290,500</u>	<u>\$ —</u>	<u>\$ (290,500)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 280,000	\$ 280,000	\$ 124,885	\$ 155,115
Operations and administration	12,000	12,000	7,231	4,769
Total operating expenses	<u>\$ 292,000</u>	<u>\$ 292,000</u>	<u>\$ 132,116</u>	<u>\$ 159,884</u>
Operating income (loss)	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>	<u>\$ (132,116)</u>	<u>\$ (130,616)</u>
Nonoperating revenues				
Interest revenues	1,500	1,500	2,921	1,421
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (129,195)</u>	<u>\$ (129,195)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 270,985	\$ 249,139	\$ 325,178	\$ 76,039
Total operating revenues	<u>\$ 270,985</u>	<u>\$ 249,139</u>	<u>\$ 325,178</u>	<u>\$ 76,039</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 191,500	\$ 191,500	\$ 297,035	\$ (105,535)
Operations and administration	121,500	143,346	105,686	37,660
Total operating expenses	<u>\$ 313,000</u>	<u>\$ 334,846</u>	<u>\$ 402,721</u>	<u>\$ (67,875)</u>
Operating income (loss)	<u>\$ (42,015)</u>	<u>\$ (85,707)</u>	<u>\$ (77,543)</u>	<u>\$ 8,164</u>
Nonoperating revenues				
Interest revenues	42,015	42,015	53,464	11,449
Change in net position	<u>\$ —</u>	<u>\$ (43,692)</u>	<u>\$ (24,079)</u>	<u>\$ 19,613</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 830,100	\$ 830,100	\$ 750,670	\$ (79,430)
Total operating revenues	<u>\$ 830,100</u>	<u>\$ 830,100</u>	<u>\$ 750,670</u>	<u>\$ (79,430)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 791,150	\$ 791,150	\$ 1,581,775	\$ (790,625)
Operations and administration	48,450	48,450	41,100	7,350
Total operating expenses	<u>\$ 839,600</u>	<u>\$ 839,600</u>	<u>\$ 1,622,875</u>	<u>\$ (783,275)</u>
Operating income (loss)	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>	<u>\$ (872,205)</u>	<u>\$ (862,705)</u>
Nonoperating revenues				
Interest revenues	9,500	9,500	6,918	(2,582)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (865,287)</u>	<u>\$ (865,287)</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEE HEALTH AND WELLNESS CENTER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
User charges	\$ 599,400	\$ 599,400	\$ 450,550	\$ (148,850)
Total operating revenues	<u>\$ 599,400</u>	<u>\$ 599,400</u>	<u>\$ 450,550</u>	<u>\$ (148,850)</u>
Operating expenses				
Operations and administration	\$ 599,400	\$ 599,400	\$ 450,550	\$ 148,850
Total operating expenses	<u>\$ 599,400</u>	<u>\$ 599,400</u>	<u>\$ 450,550</u>	<u>\$ 148,850</u>
Operating income (loss)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



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SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce</u>		
<i>Direct program:</i>		
Investments for Public Works and Economic Development Facilities	11.300	\$ 260,500
Total U.S. Department of Commerce		<u>\$ 260,500</u>
<u>U.S. Department of Homeland Security</u>		
<i>Direct program:</i>		
Port Security Grant Program	97.056	\$ 38,724
Total U.S. Department of Homeland Security		<u>\$ 38,724</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct programs:</i>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 261,040
Total direct programs		<u>\$ 261,040</u>
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Emergency Solutions Grant Program (Note 4)	14.231	228,299
Total U.S. Department of Housing and Urban Development		<u>\$ 489,339</u>
<u>U.S. Department of Transportation</u>		
<i>Pass-through program from—</i>		
<i>North Central Regional Highway Safety Office:</i>		
State and Community Highway Safety	20.600	\$ 24,188
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	10,357
Occupant Protection Incentive Grants	20.602	1,263
Total U.S. Department of Transportation		<u>\$ 35,808</u>
<u>General Services Administration</u>		
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Donation of Federal Surplus Personal Property	39.003	\$ 86,834
Total General Services Administration		<u>\$ 86,834</u>
Total Expenditures of Federal Awards		<u><u>\$ 911,205</u></u>



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**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Florence, Alabama (City) under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or the changes in net position of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3—INDIRECT COST RATE

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

NOTE 4—SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Solutions Grant Program	14.231	\$ 213,023



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

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Practice Section
Alabama Society of CPA's

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2019, 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 31, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency – 2019-001.



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Compliance and Other Matters

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

City of Florence, Alabama's Response to Finding

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

Purpose of this Report

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

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2020



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

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Practice Section
Alabama Society of CPA's

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2019. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Florence, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Florence, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Florence, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Florence, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.



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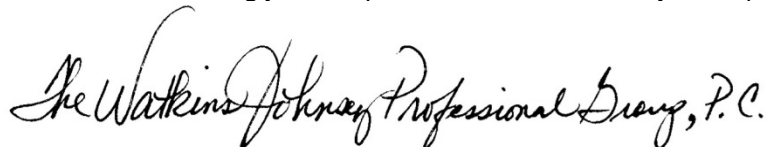
Report on Internal Control Over Compliance

Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Florence, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2020

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14. 231	Emergency Solutions Grant Program
11. 300	Investments for Public Works and Economic Development Facilities

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

Auditee qualified as low-risk auditee? Yes X No

Section II—Financial Statement Findings

Finding Number: 2019-001

Type: Internal Control

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

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

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

Auditee Response: The City agrees with the finding.

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

Section III—Federal Award Findings and Questioned Costs

None to be reported.