

Comprehensive Annual Financial Report

Year Ended
June 30, 2012

CITY OF
FLORENCE
KENTUCKY®

CITY OF FLORENCE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

Prepared by:
Linda J. Chapman
Finance Director

CITY OF FLORENCE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

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INTRODUCTORY SECTION

OFFICE OF THE CITY COORDINATOR

September 19, 2012

To the Mayor, City Council and Citizens of the City of Florence, Kentucky:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of Florence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Florence has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Florence's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Florence's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Florence's financial statements have been audited by Rankin, Rankin and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Florence for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Florence's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Florence's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Florence, founded in 1830, is located in the northern most part of the state, situated in Boone County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Florence currently occupies a land area of 10.6 square miles and serves an estimated population of 30,687. The City of Florence is empowered to levy numerous sources of revenue including its major sources payroll tax, business license tax, insurance premiums tax and a property tax on both real and personal properties. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Florence operates under the Mayor/Council form of government. Legislative authority is vested in the City Council, consisting of six City Council members. The Mayor is the executive authority. The City Council is responsible, among other things for passing ordinances, adopting the budget and appointing members to various boards. The Mayor approves the hiring of all full time employees. The City Coordinator reports directly to the Mayor and is responsible for carrying out policies and ordinances of the City Council and is responsible for the development of short and long range planning, capital improvement programs and running the day-to-day operations of the city. The City Council is elected on a non-partisan basis. The Mayor serves based upon a 4 year term and the City Council serve based upon a 2 year term. The next election for the Office of Mayor will be held in 2014 with the Mayor to take office January 1, 2015. The next election for City Council will be held in 2012 with the Council to take office on January 1, 2013.

The City of Florence provides a full range of services, full time professional police force and full time professional fire protection; advanced life support medic services; street maintenance and improvement; water and sewer services; storm water collection; a full range of recreational facilities and activities; cultural events; planning and zoning and code enforcement.

The annual budget serves as the foundation for the City of Florence's financial planning and control. All departments of the City of Florence are required to submit requests for appropriation to the City Coordinator. The City Coordinator uses these requests as the starting point for developing a proposed budget. The City Coordinator then presents this proposed budget to the Mayor for review. The Mayor and City Coordinator then present the budget to the City Council for review. Then, City Council budget work sessions are held on the proposed budget. The final budget is adopted by July 1. The appropriated budget is prepared by fund and department (e.g., police). Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would alter total revenues and department expenditures of any fund must be approved by the City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Florence operates.

Local economy. Florence's location is a major factor in allowing it to become an economic force in the Greater Cincinnati/Northern Kentucky region. Also, the consistent and persistent effort put forth by Florence's elected and appointed officials and other community leaders over the past twenty years has positioned the City very well. However, the City is not immune from the national economic realities and that brings with it continuing unknowns for the current fiscal year

The City has continued to experience some growth and development during the current fiscal year the City's focus on financial management and economic development over the past decade has established the City as a center of commerce in the Northern Kentucky region. In 2011 and 2012, total private capital investments and job growth in the City have continued.

The redevelopment of Mall Road remains an important economic development priority for the City. The City has been successful in securing funding for this project from the Commonwealth of Kentucky. Phase II of the reconstruction project was completed in the fall of 2011. The redevelopment of Mall Road has spurred a \$1.5 million landscape improvement project at the Florence Mall. In addition, Kroger has announced a \$10 million investment to develop a new Kroger Marketplace store. At the north end of the corridor, Morris Home Furnishings will open its first Northern Kentucky superstore complex.

In addition, Phase II of the Industrial Road reconstruction project has started and will be completed this summer. This will provide better and much improved access into the southern side of the City for business traffic to the industrial park. The South Airfield Road project has also commenced and is scheduled for completion at the end of this year. This will improve the flow of traffic in the Houston Road corridor.

The City has also completed numerous sidewalk, street improvements, storm water, sanitary sewer and water improvements throughout areas of the City. During the current year, the City began and completed a Senior Citizen Center. Grant funding was secured to provide financing for a portion of the costs of the project. In addition, the City has hired a firm to develop design renderings for the development of a new Fire Substation on Woodspoint Drive.

Long-term financial planning. The city has implemented a three-year budget plan. The three-year budget plan serves as a basis for a rolling three-year strategic plan for the City. This plan will carry out the City's vision as adopted by the City Council. The City implemented increases in the water and sewer rates for the operations and maintenance and capital needs to maintain and improve the lines. There are built in annual increases that take effect every April 1st.

The City is continuing to explore the possibility of developing new parks and adding amenities to existing parks. After the completion of the projects mentioned in the paragraphs above, there are no large construction projects planned.

The unassigned fund balance in the general fund is 76.68% of total general fund revenues and falls within policy guidelines. The City strives to maintain at least 25 percent of total general fund revenues so as to reduce amounts that may need to be borrowed in the future.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the departments of Finance and Administration. Each member of both departments has my sincere appreciation for the contribution made in the preparation of this report. Credit must also be given to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Florence's finances.

Respectfully submitted,



Richard J. Lunnemann
City Coordinator

CITY OF FLORENCE, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

June 30, 2012

Mayor

Diane E. Whalen

Council Members

Larry Brown

Mel D. Carroll

Julie A. Metzger-Aubuchon

David A. Osborne

Patricia Wingo

Gary Winn

Staff

City Coordinator - Richard J. Lunnemann

City Clerk - Joe A. Christofield

Finance Director - Linda J. Chapman

City Attorney - Hugh O. Skees

City Engineer - William R. Viox

Director of Public Services - Robert W. Townsend

Chief of Police - Thomas E. Szurlinski

ABC Administrator - Karen Releford

Fire/E.M.S. Chief - Marc A. Muench

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Florence
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

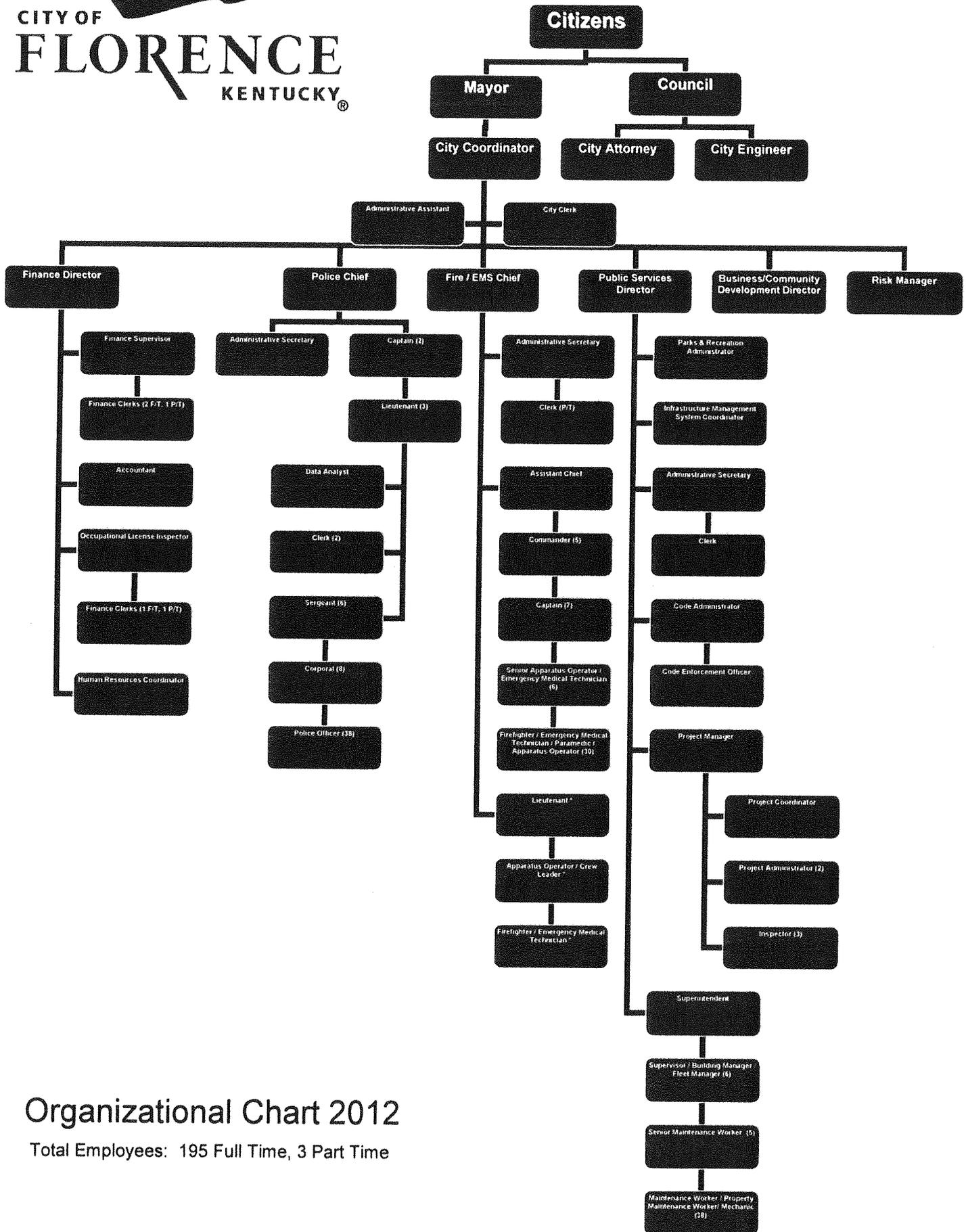


Linda C. Davison

President

Jeffrey R. Enen

Executive Director



Organizational Chart 2012

Total Employees: 195 Full Time, 3 Part Time

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FINANCIAL SECTION



RANKIN, RANKIN & COMPANY
Certified Public Accountants

■ Lookout Corporate Center
1717 Dixie Highway, Suite 600
Ft. Wright, Kentucky 41011

■ Tel. 859/331-5000

INDEPENDENT AUDITOR'S REPORT

Honorable Diane E. Whalen, Mayor
Members of City Council
City of Florence, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky as of June 30, 2012 and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 23 and 53 through 54 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

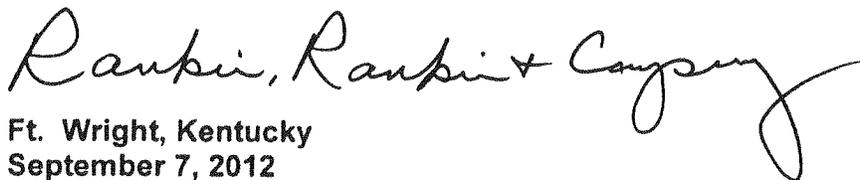
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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 7, 2012**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Florence, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Kentucky for the year ended June 30, 2012. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-4 in this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$146,969,005 (net position). Of this amount, \$60,745,525 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$42,593,276. This was an increase of \$5,719,254 comparison to the prior year. The increase was mainly the result of the City's general operating fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$29,320,078, or 90.64% of total general fund expenditures, transfers and other expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These two statements report the City's net assets and changes in them.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference being reported as net position. Over time, the increases and decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents 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 cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities, from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration. The business-type activities include the City's water and sewer service operations and the golf course operations.

The government-wide financial statements include not only the City of Florence itself (known as the primary government), but also the City of Florence Municipal Properties Corporation for which the City is financially accountable.

The government-wide financial statements can be found on pages 24 and 25 of this report.

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 and objectives. Some funds are required to be established by State law. However, the City Council establishes many other funds with specific sources of revenue to help it control and manage money for particular purposes (i.e., Aquatic Center Fund) or to show that it is meeting legal responsibilities for grant and restricted funds (i.e., Municipal Aid Fund and Asset Forfeiture Fund). All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds. Governmental funds are used to account for essentially the same functions 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. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to 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 the 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.

The City of Florence maintains four individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes in fund balances for the general fund which is

considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 26-28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer service operations and the golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health and dental costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the water and sewer service and the golf course operations, both of which are considered major funds of the City of Florence. Since there is only one internal service fund, separate information is provided.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Florence's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

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

The notes to the financial statements can be found on pages 33-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedules and combining statements and schedules can be found on pages 53-59 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets and deferred outflows of resources exceeded liabilities by \$146,969,005 at the close of the most recent year.

The largest portion of the City's net position (58.50 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt to finance those assets that is still outstanding. The City uses these capital assets to provide services to its 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 funds needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the years ended June 30, 2012 and 2011 net position changed as follows (amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 55,954	\$ 50,151	\$ 8,859	\$ 8,900	\$ 64,813	\$ 59,051
Capital assets, net	80,750	74,985	30,723	30,460	111,473	105,445
Total assets	<u>136,704</u>	<u>125,136</u>	<u>39,582</u>	<u>39,360</u>	<u>176,286</u>	<u>164,496</u>
Total deferred outflows of resources	549	509		-	549	509
Other liabilities	1,595	2,415	1,571	1,509	3,166	3,924
Long-term liabilities	22,875	23,451	3,825	4,203	26,700	27,654
Total liabilities	<u>24,470</u>	<u>25,866</u>	<u>5,396</u>	<u>5,712</u>	<u>29,866</u>	<u>31,578</u>
Net position:						
Invested in capital assets, net of debt	59,317	53,100	26,659	26,174	85,976	79,274
Restricted	-	-	248	479	248	479
Unrestricted	53,466	46,679	7,279	6,995	60,745	53,674
Total net position	<u>\$ 112,783</u>	<u>\$ 99,779</u>	<u>\$ 34,186</u>	<u>\$ 33,648</u>	<u>\$ 146,969</u>	<u>\$ 133,427</u>

An additional portion of the City's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$60,745,525) may be used to meet the government's ongoing obligations to its citizens and creditors.

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

Net position of the City increased 10.14% or \$13.5 million during the current fiscal year. The increase was mainly attributed to the growth in the revenue line items outpacing the growth in operating and contractual expenses.

Changes in Net Position

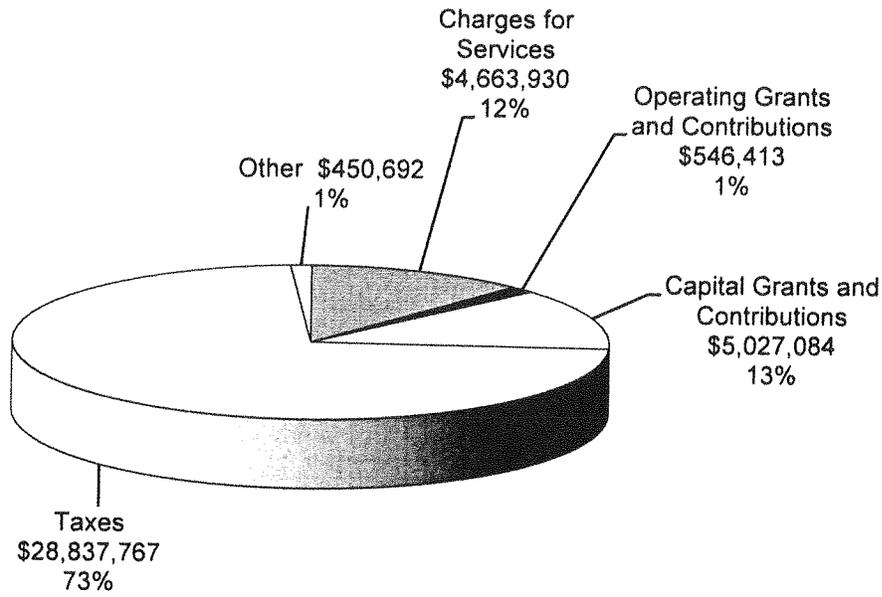
	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 4,663,930	\$ 4,756,620	\$ 9,429,015	\$ 8,793,182
Operating grants and contributions	546,413	551,241	-	-
Capital grants	5,027,084	6,805,808	-	-
General revenues:				
Taxes	28,837,767	27,677,311	-	-
Other	450,692	525,128	38,097	53,355
Total revenues	<u>39,525,886</u>	<u>40,316,108</u>	<u>9,467,112</u>	<u>8,846,537</u>
Expenses:				
Administration	3,298,333	3,249,819	-	-
Police	6,969,522	8,944,266	-	-
Fire	6,430,725	5,386,078	-	-
Public services	8,226,075	7,086,658	-	-
Interest on long-term debt	1,497,431	1,426,457	225,468	260,206
Loss on disposal of assets	-	-	-	9,774
Water and sewer services	-	-	7,635,066	7,502,580
Golf Course	-	-	1,169,102	763,283
Total expenses	<u>26,422,086</u>	<u>26,093,278</u>	<u>9,029,636</u>	<u>8,535,843</u>
Increase in net position before transfers and other expenses				
	13,103,800	14,222,830	437,476	310,694
Transfers	<u>(100,000)</u>	<u>(4,545,335)</u>	<u>100,000</u>	<u>4,535,180</u>
Increase in net position	13,003,800	9,677,495	537,476	4,845,874
Net position - July 1	<u>99,779,111</u>	<u>90,101,616</u>	<u>33,648,618</u>	<u>28,802,744</u>
Net position - June 30	\$ <u>112,782,911</u>	\$ <u>99,779,111</u>	\$ <u>34,186,094</u>	\$ <u>33,648,618</u>

Governmental activities. Governmental activities increased the City's net position by \$13.0 million, thereby accounting for 96.03% of the total growth in net position. Key elements of this growth are as follows:

- Taxes increased by \$1,160,456 as a result of slightly improved current economic conditions. Occupational license fees increased by \$193,895 as a result of the improving local economy. Other revenues increasing as a result of the improved economy were payroll taxes \$834,911 and insurance premium tax by \$172,241. The City realized a slight decrease in property tax revenues due to declining assessed values and not raising of the tax rate for the third straight year in a row. Capital grant revenue was comparable with the prior year due to funding received for the Mall Road reconstruction project and the senior citizen center.

- There was an increase in expenses for governmental activities due to the increase in wages and benefit costs. Additional expenses were incurred for capital projects during the year due to various projects and grant received.

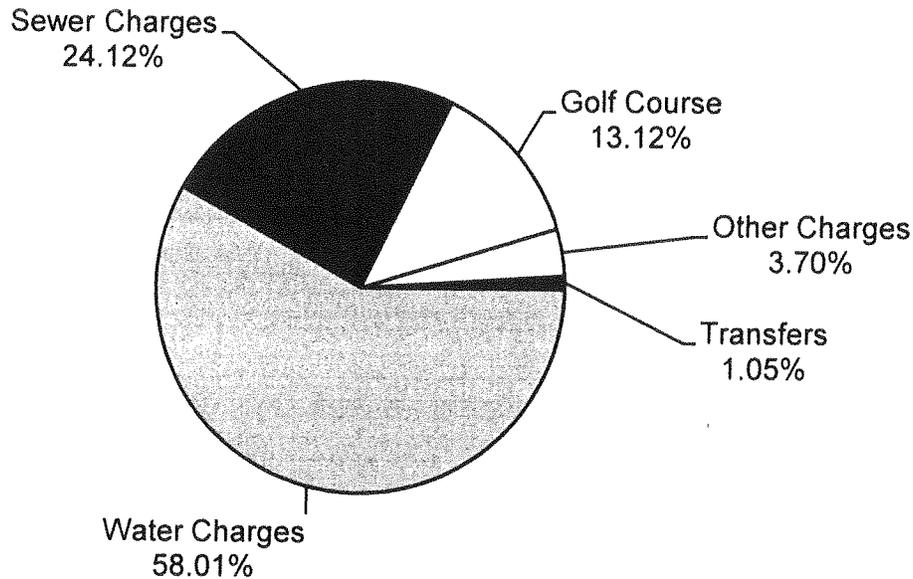
Revenues by Source - Governmental Type Activities



Business-type activities. Business-type activities increased the City's net position by \$537,000, accounting for 4% percent of the total growth in the government's net position. Key elements of this increase are as follows:

- In reviewing the net (expense)/revenue, the water and sewer sales and service function showed net income for the year of \$485,014. The income was attributable to operations due to a four percent increase in rates implemented on April 1, 2011.
- The golf course fund showed a net income for the year of \$52,462 as a result of operations. This was the first full year of operations since the facility was demolished and rebuilt during fiscal years 2010 and 2011. In addition, an operating transfer was made during the year as a result of the ongoing debt service commitments.

Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City's government funds reported combined ending fund balances of \$42,593,276, an increase of \$5,719,254 in comparison with the prior year. Approximately 68.83 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as nonspendable, committed to or assigned to indicate that it is not available for new spending because of constraints that have been placed on the use of these resources for specific purposes either internally or externally.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$29,320,078 while total fund balance was \$40,092,828. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 86.82 percent of total general fund expenditures and transfers, while total fund balance represents 118.72 percent of that same amount.

The fund balance of the City's general fund increased by \$5,155,681 during the current fiscal year. Key factors in this growth are as follows:

- Cost cutting measures enacted to offset a slowdown in revenue. Several full-time personnel positions have not been filled.
- Payroll tax revenues, business occupational license fees and insurance premium taxes all made a recovery and produced results stronger than originally anticipated
- The City enacted payroll and insurance premium tax increases on July 1, 2007 that were part of a long-range plan to enable the City to build reserves for several years
- Several capital improvement projects amounting to approximately \$3,380,000 were scheduled to be completed by June 30 and were delayed until FY 2013.

The municipal aid road/LGEA fund has a total fund balance of \$576,509, all of which is restricted for street improvements and snow removal expenditures. The net increase in fund balance during the year was the result of street resurfacing projects not being completed by the end of the year. The asset forfeiture fund had an increase in fund balance of \$16,306 as a result of the amount of seized forfeitures received during the year. The aquatic center fund had a fund balance increase of \$446,389 as a result of a transfer in of \$700,000. The transfer was made to build reserves in anticipation of repairs and replacement equipment that may be needed as the facility starts to age.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer service fund at the end of the year amounted to \$6,146,841 and those for the golf course operations amounted to \$1,132,252. The total growth in net position for both funds was \$485,014 and \$52,462, respectively. Other factors concerning these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the general fund budget two times. The budget amendments were to adjust the beginning fund balance to actual and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year based on prior year results and current year developments.

In particular, the first amendment increased the grant revenue line items for amounts carried over from the 2011 budget for projects that were not completed. Capital line items were adjusted to include additional carryover amounts from the 2011 budget for projects that were started but not completed by June 30, 2011. The Fire Department budget was amended to allow for the buyout of the Volunteer Fire Annuity service awards plan. In addition, changes were made to all beginning fund balance amounts to reflect the ending balances from the prior June 30.

The second amendment basically adjusted some of the General Fund revenues to more closely reflect anticipated revised projections. In addition, the amendment deferred a few of the projects and their associated expenditures that were not going to be started in FY 2012 back to FY 2013. Original health and dental claims expenses needed to be increased. Line items needed to be adjusted for the bond refunding's that took place during the fiscal year.

All of the general fund department's actual results came in under the final budgeted amounts. All departments were under budget in the salaries, pension costs and health insurance line items. Travel and training, community relations and supply reductions in each department also contributed to lower than budgeted amounts. Motor fuel costs were exceeded in all of the departments due to the increase in the costs. The overall philosophy implemented in the previous year to only make necessary purchases contributed to lower expenditures across the City.

The current year budget relied on the expectation of relatively flat property taxes revenue and slight increases for occupational licenses and payroll and insurance premium taxes revenues. The actual results showed a decrease in property tax revenue. However, payroll taxes experienced a significant increase over the prior year. In addition, the insurance premium tax and the occupational license fees resulted in higher than anticipated amounts as well. Final budgeted revenue categories exceeded final actual revenue amounts by \$1,197,317 mainly as a result of the City not utilizing all grants funds awarded for the Mall Road reconstruction project. The Mall Road reconstruction project had carryover over grant proceeds from the prior year in the amount of \$5.5 million of which the City only requested \$3.36 million to finish the project. Actual expenditures and transfers came in \$3,050,596 under the budget amounts for the same reason mentioned above in addition to some capital projects not being completed by June 30. As a result of the net capital improvements not being completed and the cost reduction measures enacted, the City ended the year with a fund balance that was \$1,853,279 greater than what was budgeted.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-term Debt

At year-end, the City had \$26,120,000 in outstanding bonds compared to \$27,005,000 last year. That is a decrease of \$885,000 or 3.28 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 2,640,000	\$ 2,645,000	\$ 2,640,000	\$ 2,645,000
Bonds payable (backed by city)	21,775,000	22,350,000	1,705,000	2,010,000	23,480,000	24,360,000
Totals	\$ 21,775,000	\$ 22,350,000	\$ 4,345,000	\$ 4,655,000	\$ 26,120,000	\$ 27,005,000

Additional information on the City's long-term debt can be found in Note E on pages 44-48 of this report.

Capital Assets

At June 30, 2012, the capital assets amounted to \$216 million invested in capital assets which include land, water and sewer systems, equipment, vehicles, buildings, park facilities, roads and sidewalks. This represents a net increase of \$11.1 million, or 5.4 percent, over last year due to the investment in street projects, storm water projects, golf clubhouse facility and water and sewer infrastructure improvements. The increase can also be attributed to the replacement of vehicles and equipment during the fiscal year.

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Not being depreciated:				
Land	\$ 10,602,492	\$ 10,602,492	\$ 4,785,542	\$ 4,785,542
Construction in progress	14,616,019	8,427,924	558,729	-
Other capital assets being depreciated:				
Improvements	16,569,481	15,823,859	590,356	585,777
Water and sewer system Infrastructure	92,852,092	91,316,412	40,433,434	40,152,991
Buildings	17,057,893	17,057,893	-	-
Computer upgrade	-	-	4,200,497	4,200,497
Water meters	-	-	56,396	56,396
Machinery and equipment	3,608,086	3,160,476	1,504,676	604,325
Vehicles	6,195,400	6,018,671	1,928,662	1,680,328
Subtotal	<u>161,501,463</u>	<u>152,407,727</u>	<u>55,278,681</u>	<u>53,257,690</u>
Accumulated depreciation	<u>(80,751,359)</u>	<u>(77,422,664)</u>	<u>(24,555,718)</u>	<u>(22,798,532)</u>
TOTALS	<u>\$ 80,750,104</u>	<u>\$ 74,985,063</u>	<u>\$ 30,722,963</u>	<u>\$ 30,459,158</u>

This year's major additions included:

Business-type activities:

Water and sewer system improvements paid for with system revenues	\$ 1,846,400
Clubhouse facility for the golf course paid with capital contributions	32,875

Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues.	1,042,300
Improvements and street projects paid for with state and federal grant funds and general fund revenues including donated assets.	<u>10,254,000</u>
	<u>\$ 13,175,575</u>

Additional information on the City's capital assets can be found in Note D on pages 42-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming budget brings with it continuing unknowns due to the economy. The City of Florence has experienced some economic growth during the last two years and seems to have had a slight recovery in the areas of payroll tax and insurance premium taxes during the current fiscal year. The City has been successful in dealing with budget realities in a positive manner to remain financially sound. The budget for the 2013 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2012. It is anticipated that property tax revenue will remain constant with the level experienced during the prior fiscal year and that Council will not adopt a property tax increase for the fourth year in a row. The City expects slight growth in the remainder of the core revenue line items. The City has taken an extremely conservative approach to our expenditures to be able to continually provide the highest level of service for the residents. The City will once again reinforce the philosophy about only purchasing that which is deemed to be a necessity. The anticipated slow growth in the community is expected to continue until the economic situation turns around over the next couple of years. The rising cost of all types of insurance, including liability, workers compensation, and health and dental continues to be an annual struggle. In addition, health care reform costs, state mandated retirement contributions and rising motor fuel and utility costs are continuing to increase the annual growth of the City's expenditures. The City is constantly looking for ways to operate the departments more efficiently and effectively. In addition, some changes have been made to the employee benefits to assist in curtailing personnel cost increases in the future.

Funds have been identified in the budget for some park improvement projects that will include provisions for trails and restroom facilities. The construction of a new fire substation is also included in the budgeted projects. All of the above mentioned projects are in very early phases of production and are expected to be completed by the end of FY 2013. The Council continues to follow a rolling three year strategic plan and monitor the economic conditions to maintain a conservative approach to the City's finances.

The City continues to implement of its annual plan to upgrade the City's infrastructure. Contractors were hired and are replacing certain sidewalks and curbs and are repaving City streets. The City has continuing plans to upgrade the water and sewer system as well as the storm water infrastructure during the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Office or the Department of Finance at 8100 Ewing Boulevard, Florence, Kentucky.



Richard J. Lunnemann
City Coordinator



Linda J. Chapman
Finance Director

CITY OF FLORENCE, KENTUCKY

Statement of Net Position

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,711,986	\$ 5,962,191	\$ 49,674,177
Investments	6,000,000	-	6,000,000
Receivables:			
Property taxes	138,584	-	138,584
Intergovernmental	414,132	-	414,132
Accrued interest	44,679	-	44,679
Accounts	5,037,347	1,630,606	6,667,953
Internal balances	19,213	(19,213)	-
Inventories	147,717	209,273	356,990
Prepays	403,044	55,524	458,568
Restricted cash and cash equivalents	3,679	492,339	496,018
Performance bonds	33,398	-	33,398
Capital assets(net of accumulated depreciation)			
Land	10,602,492	4,785,542	15,388,034
Construction in progress	14,616,019	558,729	15,174,748
Systems	-	19,975,948	19,975,948
Computer upgrade	-	1,132	1,132
Improvements	11,135,351	396,372	11,531,723
Infrastructure	31,906,004	-	31,906,004
Buildings	9,839,615	3,722,118	13,561,733
Machinery and equipment	1,133,732	-	1,133,732
Water meters	-	1,049,014	1,049,014
Vehicles	1,516,891	234,112	1,751,003
Total assets	<u>136,703,883</u>	<u>39,053,687</u>	<u>175,757,570</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	548,741	509,403	1,058,144
Total deferred outflows of resources	<u>548,741</u>	<u>509,403</u>	<u>1,058,144</u>
LIABILITIES			
Accounts payable	1,169,647	470,511	1,640,158
Accrued liabilities	265,425	150,480	415,905
Accrued interest payable	108,148	33,381	141,529
Unearned revenue	50,626	-	50,626
Customer deposits	-	260,236	260,236
General obligation bonds payable - current	1,000,000	310,000	1,310,000
Revenue bonds payable - current	-	210,000	210,000
Compensated absences - current	800,000	95,000	895,000
Compensated absences	300,867	22,388	323,255
General obligation bonds payable	20,775,000	1,395,000	22,170,000
Revenue bonds payable	-	2,430,000	2,430,000
Total liabilities	<u>24,469,713</u>	<u>5,376,996</u>	<u>29,846,709</u>
NET POSITION			
Invested in capital assets, net of related debt	59,316,479	26,658,502	85,974,981
Restricted for debt service	-	248,499	248,499
Unrestricted	53,466,432	7,279,093	60,745,525
Total net position	<u>\$ 112,782,911</u>	<u>\$ 34,186,094</u>	<u>\$ 146,969,005</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Administration	\$ 3,298,333	\$ 887,093	\$ 43,977	\$ 575,400	\$ (1,791,863)	\$ -	\$ (1,791,863)
Police	6,969,522	16,240	295,320	85,315	(6,572,647)	-	(6,572,647)
Fire	6,430,725	2,658,236	192,596	166,780	(3,413,113)	-	(3,413,113)
Public services	8,226,075	1,102,361	14,520	4,199,589	(2,909,605)	-	(2,909,605)
Interest on long-term debt	1,497,431	-	-	-	(1,497,431)	-	(1,497,431)
Total governmental activities	26,422,086	4,663,930	546,413	5,027,084	(16,184,659)	-	(16,184,659)
Business-type activities:							
Water and sewer service	7,726,890	8,179,081	-	-	-	452,191	452,191
Golf course	1,302,746	1,249,934	-	-	-	(52,812)	(52,812)
Total business-type activities	9,029,636	9,429,015	-	-	-	399,379	(52,812)
Total primary government	\$ 35,451,722	\$ 14,092,945	\$ 546,413	\$ 5,027,084	(16,184,659)	399,379	(15,785,280)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,196,826	-	7,196,826
Public service taxes					521,460	-	521,460
Taxes, levied for bank deposits					193,658	-	193,658
Payroll license tax					14,912,330	-	14,912,330
Gross receipts license					2,157,586	-	2,157,586
Insurance premium tax					3,751,078	-	3,751,078
Other					104,829	-	104,829
Uses of property					40,183	-	40,183
Interest					290,602	-	290,602
Miscellaneous					119,907	38,097	158,004
Transfers					(100,000)	100,000	-
Total general revenues and special items					29,188,459	138,097	29,326,556
Change in net position					13,003,800	537,476	13,541,276
Net position-beginning					99,779,111	33,648,618	133,427,729
Net position-ending					\$ 112,782,911	\$ 34,186,094	\$ 146,969,005

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 29,360,274	\$ 2,454,519	\$ 31,814,793
Investments	6,000,000	-	6,000,000
Inventories	79,707	68,010	147,717
Receivables:			
Property taxes	138,584	-	138,584
Intergovernmental	361,570	52,562	414,132
Accrued interest	44,679	-	44,679
Accounts	5,030,167	7,180	5,037,347
Prepays	403,044	-	403,044
Due from other funds	18,623	590	19,213
Restricted assets:			
Cash	3,679	-	3,679
Performance bonds	33,398	-	33,398
Total assets	\$ 41,473,725	\$ 2,582,861	\$ 44,056,586
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 926,262	\$ 82,413	\$ 1,008,675
Accrued liabilities	265,425	-	265,425
Deferred revenue	50,626	-	50,626
Total liabilities	1,242,313	82,413	1,324,726
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	138,584	-	138,584
Total deferred inflows of resources	138,584	-	138,584
Fund balances:			
Nonspendable:			
Inventories	79,707	68,010	147,717
Prepays	403,043	-	403,043
Restricted:			
Street resurfacing	-	508,499	508,499
Committed to:			
Economic stabilization	5,000,000	-	5,000,000
Equipment replacement	2,000,000	-	2,000,000
Assigned to:			
Capital projects	3,290,000	-	3,290,000
Law enforcement	-	250,425	250,425
Aquatic center	-	1,673,514	1,673,514
Unassigned:			
Total fund balances	29,320,078	-	29,320,078
Total fund balances	40,092,828	2,500,448	42,593,276
Total liabilities and fund balances	\$ 41,473,725	\$ 2,582,861	\$ 44,056,586
Total governmental fund balances			\$ 42,593,276
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 in the funds, net of accumulated depreciation \$80,751,359			80,750,104
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			138,584
An internal service fund is used by management to charge certain costs such as health and dental insurance to certain funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.			11,736,221
Accrued interest payable on long-term debt			(108,148)
Costs of issuance of debt, premiums and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.			548,741
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:			
Accrued absences payable			(1,100,867)
Bonds and leases payable			(21,775,000)
Net assets of governmental activities	26		\$ 112,782,911

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,695,996	\$ -	\$ 7,695,996
Licenses and permits	20,925,823	-	20,925,823
Intergovernmental	5,008,430	565,067	5,573,497
Fines and forfeitures	264,636	-	264,636
Charges for services	4,004,705	394,589	4,399,294
Uses of property	-	40,183	40,183
Interest	217,705	10,894	228,599
Miscellaneous	118,920	987	119,907
Total revenues	<u>38,236,215</u>	<u>1,011,720</u>	<u>39,247,935</u>
EXPENDITURES			
Current:			
Administration	2,606,085	-	2,606,085
Police	7,100,006	25,213	7,125,219
Fire	6,242,126	-	6,242,126
Public services	13,824,872	1,247,934	15,072,806
Debt service:			
Principal	1,195,000	-	1,195,000
Interest	1,263,419	-	1,263,419
Refunding bond issuance costs	114,239	-	114,239
Total expenditures	<u>32,345,747</u>	<u>1,273,147</u>	<u>33,618,894</u>
Excess(deficiency) of revenues over(under) expenditures	<u>5,890,468</u>	<u>(261,427)</u>	<u>5,629,041</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	163,176	825,000	988,176
Refunding bonds issued	5,640,000	-	5,640,000
Transfers out	(1,425,000)	-	(1,425,000)
Bond discount	(92,963)	-	(92,963)
Payment to refunded bond escrow agent	(5,020,000)	-	(5,020,000)
Total other financing sources and uses	<u>(734,787)</u>	<u>825,000</u>	<u>90,213</u>
Net change in fund balances	<u>5,155,681</u>	<u>563,573</u>	<u>5,719,254</u>
Fund balances - beginning	<u>34,937,147</u>	<u>1,936,875</u>	<u>36,874,022</u>
Fund balances - ending	<u>\$ 40,092,828</u>	<u>\$ 2,500,448</u>	<u>\$ 42,593,276</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Net change in fund balances-total governmental funds	\$ 5,719,254
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	10,025,664
Depreciation expense	(4,260,173)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in the amount through the year.	
	707,738
Government funds report the effect of issuance cost, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
	(127,001)
The issuance of long-term debt provides current financial resources to governmental funds. This amount is the difference in the treatment of long-term debt.	
	(5,640,000)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	6,215,000
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through the year.	
	7,228
An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues(expenses) of the internal service fund is reported with governmental activities.	
	355,689
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 such as compensated absences.	
	401
Change in net position of governmental activities	\$ <u>13,003,800</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2012

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Total Current Year	Activities Health and Dental
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,991,083	\$ 971,108	\$ 5,962,191	\$ 11,897,193
Accounts receivable	1,614,202	16,404	1,630,606	-
Inventories	156,457	52,816	209,273	-
Prepays	49,174	6,350	55,524	-
Total current assets	<u>6,810,916</u>	<u>1,046,678</u>	<u>7,857,594</u>	<u>11,897,193</u>
Noncurrent assets:				
Restricted cash and cash equivalents	492,339	-	492,339	-
Capital assets (net of accumulated depreciation)				
Construction in progress	558,729	-	558,729	-
Land	-	4,785,542	4,785,542	-
Improvements	-	396,372	396,372	-
Systems and equipment	19,480,372	495,576	19,975,948	-
Computer upgrade	1,132	-	1,132	-
Water meters	1,049,014	-	1,049,014	-
Building	10,684	3,711,434	3,722,118	-
Vehicles	234,112	-	234,112	-
Total noncurrent assets	<u>21,826,382</u>	<u>9,388,924</u>	<u>31,215,306</u>	<u>-</u>
Total assets	<u>28,637,298</u>	<u>10,435,602</u>	<u>39,072,900</u>	<u>11,897,193</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	280,536	228,867	509,403	-
Total deferred outflows of resources	<u>280,536</u>	<u>228,867</u>	<u>509,403</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	429,979	40,532	470,511	160,972
Accrued liabilities	66,366	84,114	150,480	-
Compensated absences	22,388	-	22,388	-
Accrued interest payable	14,733	18,648	33,381	-
Due to other funds	19,213	-	19,213	-
Customer deposits	260,236	-	260,236	-
Bonds payable-current	210,000	310,000	520,000	-
Total current liabilities	<u>1,022,915</u>	<u>453,294</u>	<u>1,476,209</u>	<u>160,972</u>
Noncurrent liabilities:				
Compensated absences	95,000	-	95,000	-
General obligation bonds payable	-	1,395,000	1,395,000	-
Revenue bonds payable	2,430,000	-	2,430,000	-
Total noncurrent liabilities	<u>2,525,000</u>	<u>1,395,000</u>	<u>3,920,000</u>	<u>-</u>
Total liabilities	<u>3,547,915</u>	<u>1,848,294</u>	<u>5,396,209</u>	<u>160,972</u>
NET ASSETS				
Invested in capital, net of related debt	18,974,579	7,683,923	26,658,502	-
Restricted for:				
Debt service	248,499	-	248,499	-
Unrestricted	<u>6,146,841</u>	<u>1,132,252</u>	<u>7,279,093</u>	<u>11,736,221</u>
Total net position	<u>\$ 25,369,919</u>	<u>\$ 8,816,175</u>	<u>\$ 34,186,094</u>	<u>\$ 11,736,221</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Activities
	Sewer Service	Course	Current Year	Health and Dental
OPERATING REVENUES				
Charges for sales and services:				
Water fees	\$ 5,528,080	\$ -	\$ 5,528,080	\$ -
Sewer charges	2,298,287	-	2,298,287	-
Penalties	119,757	-	119,757	-
Tap in fees	88,544	-	88,544	-
Meter installations	43,951	-	43,951	-
Other service charges	34,818	-	34,818	-
Golf course revenues	-	1,249,934	1,249,934	-
Other services	-	-	-	2,598,972
Miscellaneous	65,644	-	65,644	16,956
Total operating revenues	<u>8,179,081</u>	<u>1,249,934</u>	<u>9,429,015</u>	<u>2,615,928</u>
OPERATING EXPENSES				
Cost of sales and services	6,334,557	854,164	7,188,721	2,260,239
Depreciation	1,300,509	314,938	1,615,447	-
Total operating expenses	<u>7,635,066</u>	<u>1,169,102</u>	<u>8,804,168</u>	<u>2,260,239</u>
NET OPERATING INCOME(LOSS)	<u>544,015</u>	<u>80,832</u>	<u>624,847</u>	<u>355,689</u>
NON-OPERATING REVENUES				
Interest income	32,823	5,274	38,097	62,043
Interest expense	(91,824)	(133,644)	(225,468)	-
Transfer in	-	-	-	500,000
Total non-operating income	<u>(59,001)</u>	<u>(128,370)</u>	<u>(187,371)</u>	<u>562,043</u>
Transfers	-	100,000	100,000	-
NET INCOME	<u>485,014</u>	<u>52,462</u>	<u>537,476</u>	<u>917,732</u>
NET POSITION-BEGINNING OF YEAR	<u>24,884,905</u>	<u>8,763,713</u>	<u>33,648,618</u>	<u>10,818,489</u>
NET POSITION-END OF YEAR	<u>\$ 25,369,919</u>	<u>\$ 8,816,175</u>	<u>\$ 34,186,094</u>	<u>\$ 11,736,221</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Totals Current Year	Activities Health and Dental
Cash flows from operating activities:				
Cash received from customers	\$ 8,168,631	\$ 1,286,871	\$ 9,455,502	\$ 2,615,928
Cash paid to suppliers	(5,007,267)	(538,724)	(5,545,991)	(2,185,614)
Cash paid to employees	(1,361,286)	(324,108)	(1,685,394)	-
Net cash from(used by) operating activities	<u>1,800,078</u>	<u>424,039</u>	<u>2,224,117</u>	<u>430,314</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	100,000	100,000	500,000
Net cash from(used by) noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>500,000</u>
Cash flows from capital and related financing activities:				
Proceeds from revenue bonds	2,346,912	-	2,346,912	-
Acquisition of capital assets	(1,846,379)	(32,875)	(1,879,254)	-
Interest paid on capital debt	(126,385)	(87,939)	(214,324)	-
Principal paid on debt	(2,535,000)	(305,000)	(2,840,000)	-
Net cash from(used by) financing activities	<u>(2,160,852)</u>	<u>(425,814)</u>	<u>(2,586,666)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	32,823	5,274	38,097	62,043
Net cash provided by investing activities	<u>32,823</u>	<u>5,274</u>	<u>38,097</u>	<u>62,043</u>
Net increase(decrease) in cash	(327,951)	103,499	(224,452)	992,357
Cash at beginning of year	5,811,373	867,609	6,678,982	10,904,836
Cash at end of year	<u>\$ 5,483,422</u>	<u>\$ 971,108</u>	<u>\$ 6,454,530</u>	<u>\$ 11,897,193</u>
Reconciliation of operating income to net cash used				
by operating activities:				
Operating income(loss)	\$ 544,015	\$ 80,832	\$ 624,847	\$ 355,689
Adjustments to reconcile operating income				
to net cash provided(used) by				
operating activities:				
Depreciation expense	1,300,509	314,938	1,615,447	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	(10,450)	(16,404)	(26,854)	-
Decrease(increase) in prepaid expenses	(18,486)	(236)	(18,722)	-
Decrease(increase) in inventory	(1,053)	(2,323)	(3,376)	-
Increase(decrease) in accounts payable	65,148	3,782	68,930	159,935
Increase(decrease) in accrued liabilities	(44,220)	43,450	(770)	(85,310)
Increase(decrease) in due to other funds	515	-	515	-
Increase(decrease) in customer deposits	(35,900)	-	(35,900)	-
Net cash used by operating activities	<u>\$ 1,800,078</u>	<u>\$ 424,039</u>	<u>\$ 2,224,117</u>	<u>\$ 430,314</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	-	-	-	-
Borrowing under capital lease	-	-	-	-
Contributions of capital assets from government	-	-	-	-

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	<u>Pension Trusts</u>	<u>Private- Purpose Trust</u>
ADDITIONS		
Contributions		
Employer contributions	\$ -	\$ -
Total contributions	<u>-</u>	<u>-</u>
Investment earnings:		
Interest and dividends	<u>1,620</u>	<u>10</u>
Total investment earnings	<u>1,620</u>	<u>10</u>
Total additions	<u>1,620</u>	<u>10</u>
DEDUCTIONS		
Benefits	<u>-</u>	<u>-</u>
Total deductions	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	1,620	10
TRANSFER OUT	(161,267)	(1,908)
NET ASSETS-BEGINNING OF YEAR	<u>159,647</u>	<u>1,898</u>
NET ASSETS-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Florence, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Florence is a municipality operating under a Mayor/Council form of government. Legislative authority is vested in the six City Council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity because of the significance of its operational and/or financial relationship with the City.

Included within the Reporting Entity:

City of Florence Municipal Properties Corporation

The City of Florence Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by (1) first mortgage liens on the projects, and (2) lease and option agreements between the Corporation and the City, the construction agreements and pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, payroll fees, insurance license fees, occupational license fees and interest are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered recorded as revenue when the funds have been received.

The government reports the following funds of the financial reporting entity:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The municipal aid road/LGEA fund is used to account for funds received from the state for road improvements and snow removal.

The asset forfeiture fund accounts for all funds received from seized assets and purchases made with those funds.

The aquatic center fund is used to account for the operations of the City's pool facility.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

not meeting this definition are reported as non-operating revenues and expenses. The City applies all GASB pronouncements and FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The government reports the following proprietary funds:

The water and sewer fund accounts for the activities of the government's water and sewer sales and services to residential and commercial users.

The World of Golf fund is responsible for operations the golf course.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs.

Additionally, the City reports two fiduciary funds. The pension trust fund accounts for the activities of the Volunteer Firemen Program. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees. The Cemetery trust fund accounts for the escrowing of certain monies for certain costs. Both of these funds were closed during the year.

Assets, liabilities and net assets or equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposits.
3. Banker's acceptance.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Investments

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2012 are recorded at fair value based on quoted market prices.

Property Tax Receivable

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Total real property tax assessments were \$2,383,435,244 and tangible tax assessments were \$318,225,739.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by the proprietary fund are reported in the business type activities column of the government-wide statement of net assets. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for). Capital assets are defined by the City as assets with an initial, individual minimum cost of \$1,000 with a useful life in excess of two years. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings	30 years
Building Improvements	10-20 years
Public Domain Infrastructure	25-40 years
Vehicles	5-10 years
Office Equipment	3-10 years

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based upon a retirement basis. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay specified amounts when employees retire from service with the government. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report as separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value if refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Fund Balance Policies

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the Council. The Council can by adoption of an ordinance or resolution prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balances are those that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words an additional action does not normally have to be taken for the removal of an assignment. Conversely, additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the government fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character	Current-further classified by function
	Debt service
	Capital outlay

Proprietary fund – by operating and non-operating

In the fund financial statements governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Interfund Transactions

Interfund services provided/used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Date of Management's Review

Subsequent events were evaluated through September 7, 2012, which is the date the financial statements were available for review.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the Mayor submits to the Council, a proposed operating budget on a basis consistent with generally accepted accounting principles for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. By July 1, the budget is legally enacted through passage of an ordinance.
- C. The City Coordinator is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Council may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year end.

The City Council has adopted guidelines for maintaining a minimum general fund balance in the amount of 17% of budgeted operating expenditures and recurring transfers. In either case, unusual items such as one time expenditures shall be excluded from the calculation. In addition, Council has adopted a resolution and established a stabilization fund balance. This fund balance may only be used for operations to pay for expenditures when the unreserved fund balance falls below the minimum fund balance of 17% of expenditures and recurring transfers. Each December 31st, Mayor and Council shall determine if any funds are to be transferred to increase the stabilization fund balance.

NOTE C-DEPOSITS AND INVESTMENTS

As of June 30, 2012, the City had the following investments:

	Fair Value	Weighted Average Maturity(Years)
Certificates of deposit	\$ 6,000,000	0.60
Government obligations	496,018	0.40
Total fair value	\$ 6,496,018	
Portfolio weighted average maturity		0.50

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Interest rate risk. In accordance with the City's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City's investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2012, the City's investment in government was rated Aaa by Moody's and AAAM by Standard & Poor's.

Concentration of credit risk. The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2012, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2012 in the amount of \$496,018 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2012
Governmental activities:					
Not being depreciated:					
Land	\$ 10,602,492	\$ -	\$ -	\$ -	\$ 10,602,492
Construction in progress	8,427,924	7,458,991	-	1,270,896	14,616,019
Subtotal	<u>19,030,416</u>	<u>7,458,991</u>	<u>-</u>	<u>1,270,896</u>	<u>25,218,511</u>
Other capital assets:					
Improvements	15,823,859	745,622	-	-	16,569,481
Infrastructure	91,316,412	2,049,665	-	513,985	92,852,092
Buildings	17,057,893	-	-	-	17,057,893
Machinery and equipment	3,160,476	624,690	-	177,080	3,608,086
Vehicles	6,018,671	417,593	-	240,864	6,195,400
Subtotal	<u>133,377,311</u>	<u>3,837,570</u>	<u>-</u>	<u>931,929</u>	<u>136,282,952</u>
Accumulated depreciation:					
Improvements	4,602,718	831,412	-	-	5,434,130
Infrastructure	59,573,951	1,886,122	-	513,985	60,946,088
Buildings	6,645,062	573,216	-	-	7,218,278
Machinery and equipment	2,385,941	265,042	451	177,080	2,474,354
Vehicles	4,214,992	704,381	-	240,864	4,678,509
Subtotal	<u>77,422,664</u>	<u>4,260,173</u>	<u>451</u>	<u>931,929</u>	<u>80,751,359</u>
Net other assets	<u>55,954,647</u>	<u>(422,603)</u>	<u>(451)</u>	<u>-</u>	<u>55,531,593</u>
 Net capital assets	 <u>\$ 74,985,063</u>	 <u>\$ 7,036,388</u>	 <u>\$ (451)</u>	 <u>\$ 1,270,896</u>	 <u>\$ 80,750,104</u>

*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 1,518,595
Police	2,085,554
Fire	223,234
Public services	432,790
Total governmental activities depreciation expense	<u>\$ 4,260,173</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2011	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2012
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	-	558,729	-	-	558,729
Subtotal	<u>4,785,542</u>	<u>558,729</u>	<u>-</u>	<u>-</u>	<u>5,344,271</u>
Other capital assets:					
Water and sewer system	40,152,991	280,443	-	-	40,433,434
Improvements	585,777	-	-	(4,579)	590,356
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	1,191,834	62,660	(139,935)	(105,830)	1,220,389
Computer upgrade	56,396	-	-	-	56,396
Water meters	604,325	900,351	-	-	1,504,676
Machinery and equipment	1,680,328	77,069	139,935	(31,330)	1,928,662
Subtotal	<u>48,472,148</u>	<u>1,320,523</u>	<u>-</u>	<u>(141,739)</u>	<u>49,934,410</u>
Accumulated depreciation:					
Water and sewer system	20,081,478	1,011,835	-	-	21,093,313
Improvements	117,997	71,408	-	(4,579)	193,984
Buildings	334,120	144,261	-	-	478,381
Vehicles	935,000	82,107	(136,660)	(105,830)	986,277
Computer upgrade	52,302	2,962	-	-	55,264
Water meters	312,840	142,822	-	-	455,662
Machinery and equipment	964,795	160,052	136,660	(31,330)	1,292,837
Subtotal	<u>22,798,532</u>	<u>1,615,447</u>	<u>-</u>	<u>(141,739)</u>	<u>24,555,718</u>
Net other assets	<u>25,673,616</u>	<u>(294,924)</u>	<u>-</u>	<u>-</u>	<u>25,378,692</u>
Net assets	<u>\$ 30,459,158</u>	<u>\$ 263,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,722,963</u>

*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,300,509
Golf Course	<u>314,938</u>
Total proprietary activities depreciation expense	<u>\$ 1,615,447</u>

NOTE E-LONG-TERM DEBT

Leases Payable

Operating Lease

The City leases copier and printing equipment under a noncancelable operating lease. Total costs for this lease was \$28,623 for the year ended June 30, 2012. The future minimum lease payments for this lease are as follows:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Year Ended June 30	Amount
2013	\$ 29,912
2014	29,912
2015	29,912
2016	22,434
2017	-
Totals	\$ <u>112,170</u>

Bonds Payable

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2012, are as follows:

Purpose	Interest Rate	Amount
Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 6,510,000
Land-Series 2003A	1.60-4.85%	260,000
Land-Series 2011 refunding	2.00-3.375%	3,080,000
Land-Series 2003B	3.50-5.875%	295,000
Land-Series 2012 refunding	2.00-3.80%	2,530,000
General obligation refunding bonds(Series 2005A)	3.50-4.125%	7,185,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	1,915,000
		<u>\$ 21,775,000</u>
Proprietary Fund Debt		
Water	2.50-4.20%	\$ 525,000
Water and Sewer System	1.45-2.50%	2,115,000
Golf Course	4.375%	1,705,000
		<u>\$ 4,345,000</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The following is a schedule of future debt service requirements to maturity at June 30, 2012 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2012, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 235,000	\$ 193,919	\$ 30,000	\$ 81,056
2014	245,000	189,119	35,000	80,406
2015	250,000	184,169	35,000	79,706
2016	250,000	179,169	130,000	78,056
2017	255,000	174,119	130,000	75,456
2018-2022	1,375,000	777,644	680,000	337,280
2023-2027	1,595,000	558,387	770,000	255,607
2028-2032	1,885,000	263,628	875,000	137,439
2033-2034	420,000	8,137	395,000	13,416
Total Debt Service	\$ 6,510,000	\$ 2,528,291	\$ 3,080,000	\$ 1,138,422

Fiscal Year June 30,	2003A GO Bonds		2003B GO Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 85,000	\$ 8,333	\$ 145,000	\$ 12,325
2014	85,000	5,167	150,000	4,350
2015	90,000	1,755	-	-
2016	-	-	-	-
2017	-	-	-	-
2018-2022	-	-	-	-
2023-2027	-	-	-	-
2028-2032	-	-	-	-
2033-2034	-	-	-	-
Total Debt Service	\$ 260,000	\$ 15,255	\$ 295,000	\$ 16,675

Fiscal Year June 30,	2005A GO Bonds		2008B GO Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 365,000	\$ 282,932	\$ 95,000	\$ 68,975
2014	375,000	269,701	95,000	65,935
2015	395,000	256,107	95,000	62,895
2016	405,000	241,789	100,000	59,855
2017	420,000	227,006	105,000	56,655
2018-2022	2,360,000	879,727	570,000	229,235
2023-2027	2,865,000	364,443	695,000	116,615
2028	-	-	160,000	6,400
Total Debt Service	\$ 7,185,000	\$ 2,521,705	\$ 1,915,000	\$ 666,565

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2013	\$ 45,000	\$ 63,634
2014	35,000	75,395
2015	100,000	74,045
2016	100,000	72,045
2017	100,000	70,045
2018-2022	515,000	316,738
2023-2027	595,000	235,175
2028-2032	715,000	128,665
2033-2034	325,000	12,445
Total Debt Service	\$ 2,530,000	\$ 1,048,187

The City's proprietary fund debt service requirements to maturity at June 30, 2012 are as follows:

Fiscal Year June 30,	2003 Water System		2008A Golf Course	
	Principal	Interest	Principal	Interest
2013	\$ 170,000	\$ 14,485	\$ 310,000	\$ 74,594
2014	175,000	8,964	325,000	61,031
2015	180,000	3,060	340,000	46,812
2016	-	-	350,000	31,938
2017	-	-	380,000	16,624
Total Debt Service	\$ 525,000	\$ 26,509	\$ 1,705,000	\$ 230,999

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2013	\$ 40,000	\$ 24,014
2014	25,000	35,543
2015	30,000	35,145
2016	210,000	33,405
2017	215,000	30,324
2018-2022	1,120,000	102,896
2023-2024	475,000	11,644
Total Debt Service	\$ 2,115,000	\$ 272,971

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Advance Refundings

The City issued \$3,110,000 in general obligation bonds with interest rates ranging from 2.0% to 3.375%. The proceeds were used to partially advance refund \$2,700,000 of outstanding 2003A general obligation bonds from the year 2013 and on which had interest rates ranging from 3.55% to 4.85%. The net proceeds of \$3,001,150 (less a discount of \$46,650 and the payment of costs of issuance of \$59,000) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003A bonds from 2013 on are considered defeased and the liability for those bonds have been removed.

The reacquisition price exceeded the net carrying amount of the old debt by \$301,150. This amount is being netted against the new debt and amortized over the remaining life of the new debt. The City advance refunded the 2003A general obligation bonds to reduce its total debt service over 23 years by \$370,362 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$264,738.

The City issued \$2,530,000 in general obligation bonds with interest rates ranging from 2.0% to 3.80%. The proceeds were used to partially advance refund \$2,425,000 of outstanding 2003B general obligation bonds from the year 2013 and on which had interest rates ranging from 4.00% to 5.75%. The net proceeds of \$2,425,087 (less a discount of \$46,313 and the payment of costs of issuance of \$58,600) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003B bonds from 2013 on are considered defeased and the liability for those bonds have been removed.

The reacquisition price exceeded the net carrying amount of the old debt by \$87. This amount is being netted against the new debt and amortized over the remaining life of the new debt. The City advance refunded the 2003B general obligation bonds to reduce its total debt service over 23 years by \$472,709 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$332,011.

Changes in Governmental-Type Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in liabilities reported in the general long-term debt:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

	June 30, 2011	Additions	Retirements	June 30, 2012	Amounts Due Within One Year
Compensated absences	\$ 1,101,269	\$ 801,633	\$ (802,035)	\$ 1,100,867	\$ 800,000
Bonds payable:					
Series 2002A	165,000	-	(165,000)	-	-
Series 2002B	305,000	-	(305,000)	-	-
Series 2003A	3,095,000	-	(2,835,000)	260,000	85,000
Series 2003B	2,665,000	-	(2,370,000)	295,000	145,000
Series 2005A	7,540,000	-	(355,000)	7,185,000	365,000
Series 2008B	2,005,000	-	(90,000)	1,915,000	95,000
Series 2010	6,575,000	-	(65,000)	6,510,000	235,000
Series 2011	-	3,110,000	(30,000)	3,080,000	30,000
Series 2012	-	2,530,000	-	2,530,000	45,000
Totals	\$ 23,451,269	\$ 6,441,633	\$ (7,017,035)	\$ 22,875,867	\$ 1,800,000

Compensated absences are liquidated by the general fund.

The government-wide statement of net assets includes \$1,800,000 of long-term liabilities due within one year for governmental activities and \$615,000 for business-type activities.

Changes in Business-Type Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Retired	Balance June 30, 2012	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 2,645,000	\$ -	\$ (2,120,000)	\$ 525,000	\$ 170,000
Bonds payable-water/sewer	-	2,115,000	-	2,115,000	40,000
Compensated absences	102,763	109,173	(94,548)	117,388	95,000
Bonds payable-golf course	2,010,000	-	(305,000)	1,705,000	310,000
	\$ 4,757,763	\$ 2,224,173	\$ (2,519,548)	\$ 4,462,388	\$ 615,000

NOTE F-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G-EMPLOYEE RETIREMENT SYSTEM

Employer Contributions

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2012, all plan members were required to contribute 5% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2012, participating employers contributed 18.96% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2012 was 18.96% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2012, all plan members were required to contribute 8% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2012, participating employers contributed 35.76% of each employee's creditable compensation. The actuarially determined rate set by the Board for the

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

year ended June 30, 2012 was 35.76% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed by the City for the current and previous two years are as follows:

<u>Year</u>		<u>Contribution</u>	<u>Contributed</u>
2012	\$	3,242,238	100%
2011	\$	2,805,424	100%
2010	\$	2,764,681	100%

Medical Insurance Plan

The CERS provides post-retirement healthcare benefits to eligible members and dependents, under a cost-sharing multiple employer defined benefit plan. Medical benefits are offered to members who have retired from service or disability. The post-retirement healthcare is financed through member contributions and state appropriations.

NOTE H-DEFERRED COMPENSATION PLAN

Employees of the City of Florence may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by ICMA and Kentucky Public Employees' Deferred Compensation Plan.

NOTE I-CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the government.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE J-INTERFUND TRANSACTIONS

A summary of the interfund account balances is as follows:

<u>Due from/to other Funds</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
<u>Receivable Funds(s)</u>		
Asset forfeiture	General	\$ 590
General	Water and sewer	(19,213)
Total		<u>\$ (18,623)</u>

Due from and due to other funds represent short-term accounts receivable and payable. The balances in these accounts are typically the result of time differences between the date that goods and services were provided and when payment occurred.

<u>Transfers in/out</u>	<u>Transfer in</u>	<u>Amount</u>
<u>Transfer out</u>		
Volunteer Fire	General	\$ 161,268
Cemetery	General	1,908
General	Municipal aid/LGEA	125,000
General	Aquatic center	700,000
General	Health and Dental	500,000
General	Golf course	100,000
Total		<u>\$ 1,588,176</u>

During the year, transfers are used to move general fund resources to provide annual subsidy to the transit fund. For the year ended June 30, 2012, the City made the following annual transfers:

- 1) A transfer of \$161,268 was made from the Volunteer Fire trust fund to the general fund to pay for the annuity purchased by the City to fully fund and close out the fund.
- 2) A transfer was made from the cemetery trust fund to merge the cash account into the general fund as restricted and close out the fund.
- 3) A transfer was made from the general fund to the special revenue fund for annual funding amounts for snow removal/
- 4) A transfer was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.
- 5) A transfer was made from the general fund to the health and dental fund as a one-time influx of funds for the future stability of the fund.
- 6) A transfer was made from the general fund to the golf course fund for the annual subsidy to support the recreation operations.

NOTE K-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its department heads. All risk for general

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in this program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. The general fund participates in the program and makes payments to the health and dental fund based on estimates of the amount needed to pay current year claims. The claims liability of \$160,972 reported in the fund at June 30, 2012, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2009-2010	\$ 102,492	\$ 1,754,402	\$ 1,774,328	\$ 82,566
2010-2011	\$ 82,566	\$ 1,966,261	\$ 1,963,517	\$ 85,310
2011-2012	\$ 85,310	\$ 2,335,901	\$ 2,260,239	\$ 160,972

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2012, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE L – COMMITMENTS

At June 30, 2012, the City had the following commitments with respect to the following projects:

Projects	Commitments
Fire Substation	\$2,500,000
US 42 Turn Lane	\$590,000
Main Street/Turfway	\$200,000

Required Supplementary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 28,420,713	\$ 34,937,147	\$ 34,937,147	\$ -
Resources (inflows):				
Taxes:				
Property	7,100,000	7,100,000	6,980,878	(119,122)
Franchise	525,000	525,000	521,460	(3,540)
Bank deposit	200,000	200,000	193,658	(6,342)
Licenses and permits:				
Payroll license fees	13,800,000	14,500,000	14,912,330	412,330
Gross receipts license fees	1,800,000	1,800,000	2,157,586	357,586
Insurance	3,400,000	3,700,000	3,751,078	51,078
Other	95,000	95,000	104,829	9,829
Intergovernmental	1,241,000	7,184,900	5,008,430	(2,176,470)
Fines and forfeitures	159,500	159,500	264,636	105,136
Charges for services	3,956,040	3,956,040	4,004,705	48,665
Interest	150,000	150,000	217,705	67,705
Miscellaneous	75,000	65,000	118,920	53,920
Other financing sources:				
Transfers in	-	161,268	163,176	1,908
Refunding bonds issued	-	5,640,000	5,640,000	-
Amounts available for appropriation	<u>60,922,253</u>	<u>80,173,855</u>	<u>78,976,538</u>	<u>(1,197,317)</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,061,300	1,061,300	943,846	117,454
Contractual	896,000	896,000	693,181	202,819
Operating/Maintenance	421,000	421,000	380,529	40,471
Capital outlay	409,800	571,800	588,529	(16,729)
Total administration	<u>2,788,100</u>	<u>2,950,100</u>	<u>2,606,085</u>	<u>344,015</u>
Police:				
Personnel	6,759,800	6,759,800	6,342,037	417,763
Contractual	33,000	33,000	24,401	8,599
Operating/Maintenance	453,600	453,600	430,028	23,572
Capital outlay	297,700	350,820	303,540	47,280
Total police	<u>7,544,100</u>	<u>7,597,220</u>	<u>7,100,006</u>	<u>497,214</u>
Fire:				
Personnel	5,424,450	5,424,450	5,069,557	354,893
Contractual	179,000	559,000	530,915	28,085
Operating/Maintenance	448,000	448,000	422,718	25,282
Capital outlay	358,200	224,400	218,936	5,464
Total fire	<u>6,409,650</u>	<u>6,655,850</u>	<u>6,242,126</u>	<u>413,724</u>

(Continued)

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

Public services:				
Personnel	3,149,800	3,149,800	2,918,570	231,230
Contractual	405,000	405,000	401,142	3,858
Operating/Maintenance	1,019,500	1,070,500	1,015,883	54,617
Capital outlay	4,865,500	12,020,400	9,489,277	2,531,123
Total public services	<u>9,439,800</u>	<u>16,645,700</u>	<u>13,824,872</u>	<u>2,820,828</u>
Debt service:				
Principal	1,195,000	1,195,000	1,195,000	-
Interest	870,451	1,263,426	1,263,419	7
Refunding bond issuance costs	-	116,000	114,239	1,761
Total debt service	<u>2,065,451</u>	<u>2,574,426</u>	<u>2,572,658</u>	<u>1,768</u>
Other financing uses:				
Special revenue	325,000	325,000	825,000	(500,000)
Enterprise fund	100,000	100,000	100,000	-
Internal service	-	-	500,000	(500,000)
Bond discount	-	66,010	92,963	(26,953)
Payment to refunded bond escrow agent	-	5,020,000	5,020,000	-
Total other financing uses	<u>425,000</u>	<u>5,511,010</u>	<u>6,537,963</u>	<u>(1,026,953)</u>
Total charges to appropriations	<u>28,672,101</u>	<u>41,934,306</u>	<u>38,883,710</u>	<u>3,050,596</u>
Budgetary fund balance, June 30	\$ <u>32,250,152</u>	\$ <u>38,239,549</u>	\$ <u>40,092,828</u>	\$ <u>1,853,279</u>

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

CITY OF FLORENCE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
ASSETS				
Cash and cash equivalents	\$ 483,066	\$ 249,835	\$ 1,721,618	\$ 2,454,519
Intergovernmental receivable	52,562	-	-	52,562
Due from other funds	-	590	-	590
Accounts receivable	-	-	7,180	7,180
Inventory	68,010	-	-	68,010
Total assets	\$ 603,638	\$ 250,425	\$ 1,728,798	\$ 2,582,861
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,129	\$ -	\$ 55,284	\$ 82,413
Total liabilities	27,129	-	55,284	82,413
Fund balances:				
Nonspendable:				
Inventories	68,010	-	-	68,010
Assigned to:				
Special revenue fund	508,499	250,425	1,673,514	2,432,438
Total fund balances	576,509	250,425	1,673,514	2,500,448
Total liabilities and fund balances	\$ 603,638	\$ 250,425	\$ 1,728,798	\$ 2,582,861

CITY OF FLORENCE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
REVENUES				
Intergovernmental	\$ 565,067	\$ -	\$ -	\$ 565,067
Charges for services	-	-	394,589	394,589
Uses of property	-	40,183	-	40,183
Interest	2,781	1,336	6,777	10,894
Miscellaneous	-	-	987	987
Total revenues	567,848	41,519	402,353	1,011,720
EXPENDITURES				
Current:				
Police	-	25,213	-	25,213
Public Services	591,970	-	655,964	1,247,934
Total expenditures	591,970	25,213	655,964	1,273,147
Excess (deficiency) of revenues over(under) expenditures	(24,122)	16,306	(253,611)	(261,427)
OTHER FINANCING SOURCES				
Transfers in	125,000	-	700,000	825,000
Total other financing sources	125,000	-	700,000	825,000
Net change in fund balances	100,878	16,306	446,389	563,573
Fund balances - beginning	475,631	234,119	1,227,125	1,936,875
Fund balances - ending	\$ <u>576,509</u>	\$ <u>250,425</u>	\$ <u>1,673,514</u>	\$ <u>2,500,448</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-MUNICIPAL AID FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 318,586	\$ 475,631	\$ 475,631	\$ -
Resources (inflows):				
Intergovernmental	485,000	485,000	565,067	80,067
Interest	1,500	1,500	2,781	1,281
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>930,086</u>	<u>1,087,131</u>	<u>1,168,479</u>	<u>81,348</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>645,200</u>	<u>745,200</u>	<u>591,970</u>	<u>153,230</u>
Total	<u>645,200</u>	<u>745,200</u>	<u>591,970</u>	<u>153,230</u>
Budgetary fund balances, June 30	\$ <u><u>284,886</u></u>	\$ <u><u>341,931</u></u>	\$ <u><u>576,509</u></u>	\$ <u><u>234,578</u></u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-ASSET FORFEITURE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 176,616	\$ 234,119	\$ 234,119	\$ -
Resources (inflows):				
Uses of property	25,000	25,000	40,183	15,183
Interest	2,500	2,500	1,336	(1,164)
Amounts available for appropriation	<u>204,116</u>	<u>261,619</u>	<u>275,638</u>	<u>14,019</u>
Charges to appropriations (outflows):				
Current:				
Police	<u>30,000</u>	<u>30,150</u>	<u>25,213</u>	<u>4,937</u>
Total	<u>30,000</u>	<u>30,150</u>	<u>25,213</u>	<u>4,937</u>
Budgetary fund balances, June 30	<u>\$ 174,116</u>	<u>\$ 231,469</u>	<u>\$ 250,425</u>	<u>\$ 18,956</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL-AQUATIC CENTER FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,173,961	\$ 1,227,125	\$ 1,227,125	\$ -
Resources (inflows):				
Memberships	60,000	60,000	60,436	436
Daily Admissions	250,000	250,000	295,541	45,541
Programs	15,000	15,000	21,835	6,835
Concessions	15,000	15,000	15,460	460
Locker Rental	1,000	1,000	1,317	317
Interest	8,500	8,500	6,777	(1,723)
Miscellaneous	500	500	987	487
Other financing sources:				
Transfer in	200,000	200,000	700,000	500,000
Amounts available for appropriation	<u>1,723,961</u>	<u>1,777,125</u>	<u>2,329,478</u>	<u>552,353</u>
Charges to appropriations (outflows):				
Public services				
Management contract	385,000	385,000	378,450	6,550
Utilities	144,700	154,700	147,859	6,841
Repairs and maintenance	40,000	60,000	54,925	5,075
Supplies	1,000	1,000	1,867	(867)
Bank service charges	6,500	6,500	5,534	966
Miscellaneous	4,250	4,250	2,113	2,137
Capital	50,000	50,000	65,216	(15,216)
Total	<u>631,450</u>	<u>661,450</u>	<u>655,964</u>	<u>5,486</u>
Budgetary fund balances, June 30	\$ <u>1,092,511</u>	\$ <u>1,115,675</u>	\$ <u>1,673,514</u>	\$ <u>557,839</u>

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STATISTICAL SECTION

This part of the City of Florence's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	61
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	68
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	73
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	78
Operating Information These schedules contain certain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	80

CITY OF FLORENCE, KENTUCKY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES										
Invested in capital assets, net of related debt	\$ 9,996	\$ 12,118	\$ 69,125	\$ 69,947	\$ 69,825	\$ 69,163	\$ 48,629	\$ 47,198	\$ 53,100	\$ 59,316
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,267	10,434	13,218	15,061	18,543	28,011	35,364	42,903	46,679	53,466
Total governmental activities net assets	\$ 16,263	\$ 22,552	\$ 82,343	\$ 85,008	\$ 88,368	\$ 97,174	\$ 83,993	\$ 90,101	\$ 99,779	\$ 112,782
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets, net of related debt	18,259	17,542	18,613	18,711	19,096	19,508	19,651	22,638	26,175	26,659
Restricted	440	261	265	463	266	469	473	265	479	248
Unrestricted	5,069	6,408	5,548	5,713	5,860	5,387	5,684	5,900	6,995	7,279
Total business-type activities net assets	\$ 23,768	\$ 24,211	\$ 24,426	\$ 24,887	\$ 25,222	\$ 25,364	\$ 25,808	\$ 28,803	\$ 33,649	\$ 34,186
PRIMARY GOVERNMENT										
Invested in capital assets, net of related debt	28,255	29,660	87,738	88,658	88,921	88,671	68,280	69,836	79,275	85,975
Restricted	440	261	265	463	266	469	473	265	479	248
Unrestricted	11,336	16,842	18,766	20,774	24,403	33,398	41,048	48,803	53,674	60,745
Total primary government net assets	\$ 40,031	\$ 46,763	\$ 106,769	\$ 109,895	\$ 113,590	\$ 122,538	\$ 109,801	\$ 118,904	\$ 133,428	\$ 146,968

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Administration	\$ 2,574	\$ 2,904	\$ 4,204	\$ 3,051	\$ 3,315	\$ 3,150	\$ 3,405	\$ 3,423	\$ 3,249	\$ 3,298
Police	4,594	5,094	5,211	5,470	5,556	6,338	6,984	6,436	8,944	6,969
Fire	3,865	3,937	3,932	4,619	4,796	5,449	5,559	6,595	5,386	6,431
Public services	3,044	4,150	5,923	6,182	6,907	8,429	8,443	7,572	7,087	8,226
Parks and recreation	237	628	645	195	-	-	-	-	-	-
Economic development	-	-	454	353	517	412	908	-	-	-
Other agencies	855	790	791	800	830	813	-	-	-	-
Interest on long-term debt	1,110	1,303	1,916	1,228	1,133	1,211	1,101	1,089	1,426	1,497
Total governmental activities	16,279	18,806	23,076	21,898	23,054	25,802	26,410	25,115	26,092	26,421
Business-type activities:										
Water and sewer service	6,531	6,676	6,769	6,825	6,828	7,340	7,214	7,346	7,616	7,727
Golf course	1,081	1,038	1,021	942	855	905	860	784	920	1,303
Total business-type activities	7,612	7,714	7,790	7,767	7,683	8,245	8,074	8,130	8,536	9,030
Total primary government expense	\$ 23,891	\$ 26,520	\$ 30,866	\$ 29,665	\$ 30,737	\$ 34,047	\$ 34,484	\$ 33,245	\$ 34,628	\$ 35,451
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 440	\$ 826	\$ 610	\$ 560	\$ 582	\$ 668	\$ 691	\$ 939	\$ 877	\$ 887
Fire	1,630	1,697	2,028	2,181	2,344	2,504	2,758	2,586	2,754	2,658
Public services	-	44	397	820	834	1,068	1,088	1,065	1,094	1,102
Parks and recreation	141	480	429	-	-	-	-	-	-	-
Other activities	29	73	23	19	20	20	18	17	30	16
Operating grants and contributions	320	481	417	439	473	602	640	808	551	546
Capital grants and contributions	940	1,475	591	581	1,332	667	1,890	2,501	6,806	5,027
Total governmental activities program revenues	3,500	5,076	4,495	4,600	5,585	5,529	7,085	7,916	12,112	10,236
Business-type activities:										
Charges for services:										
Water and sewer service	6,082	6,910	6,751	6,920	6,642	7,120	7,106	7,586	8,084	8,179
Golf course	1,027	1,076	1,007	996	945	850	753	588	709	1,250
Capital grants and contributions	-	-	-	-	50	80	-	-	-	-
Total business-type activities program revenues	7,109	7,986	7,758	7,916	7,637	8,050	7,859	8,174	8,793	9,429
Total primary government program revenues	\$ 10,609	\$ 13,062	\$ 12,253	\$ 12,516	\$ 13,222	\$ 13,579	\$ 14,944	\$ 16,090	\$ 20,905	\$ 19,665
Net (expense)/revenue	\$ (12,779)	\$ (13,730)	\$ (18,581)	\$ (17,298)	\$ (17,469)	\$ (20,273)	\$ (19,325)	\$ (17,199)	\$ (13,980)	\$ (16,185)
Business-type activities:	(503)	272	(32)	149	(46)	(195)	(215)	44	257	399
Total primary government, net expense	\$ (13,282)	\$ (13,458)	\$ (18,613)	\$ (17,149)	\$ (17,515)	\$ (20,468)	\$ (19,540)	\$ (17,155)	\$ (13,723)	\$ (15,786)

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

(continued)

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(continued)

General Revenues and Other Changes in Net Asset

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 4,495	\$ 4,960	\$ 4,961	\$ 6,003	\$ 6,085	\$ 7,057	\$ 7,258	\$ 7,341	\$ 7,194	\$ 7,197
Public service taxes	260	483	502	614	515	562	544	579	555	521
Taxes, levied for bank deposits	109	113	140	141	170	181	184	211	207	194
Payroll license	6,904	7,242	7,594	7,748	7,931	13,114	13,115	13,373	14,077	14,912
Gross receipts license	1,809	1,888	1,880	1,766	1,749	2,183	1,944	2,048	1,964	2,158
Insurance premium	2,582	2,811	2,970	2,683	2,897	4,150	4,050	3,659	3,579	3,751
Other	258	83	121	104	97	106	103	97	101	105
Grants and contributions not restricted to program	56	28	-	-	-	-	-	-	-	-
Uses of property	-	55	112	110	218	176	373	45	89	40
Interest	121	122	289	564	922	868	531	351	292	291
Miscellaneous	138	2,333	1,657	330	310	227	4,331	132	144	120
Transfers	(1,209)	(100)	(119)	(100)	(65)	454	(500)	(4,529)	(4,545)	(100)
Total governmental activities	15,523	20,018	20,107	19,963	20,829	29,078	31,933	23,307	23,657	29,189
Business-type activities										
Investment earnings	75	70	128	212	316	249	122	48	54	38
Capital contributions	-	-	-	-	-	-	-	1,773	3,745	-
Transfers	1,209	100	119	100	65	125	500	1,129	789	100
Total business-type activities	1,284	170	247	312	381	374	622	2,950	4,588	138
Total primary government	\$ 16,807	\$ 20,188	\$ 20,354	\$ 20,275	\$ 21,210	\$ 29,452	\$ 32,555	\$ 26,257	\$ 28,245	\$ 29,327
Change in net assets										
Governmental activities	\$ 2,744	\$ 6,288	\$ 1,526	\$ 2,665	\$ 3,360	\$ 8,805	\$ 12,608	\$ 6,108	\$ 9,677	\$ 13,004
Business-type activities	781	442	215	461	335	179	407	2,994	4,845	537
Total primary government	\$ 3,525	\$ 6,730	\$ 1,741	\$ 3,126	\$ 3,695	\$ 8,984	\$ 13,015	\$ 9,102	\$ 14,522	\$ 13,541

CITY OF FLORENCE, KENTUCKY
Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Bank Deposit Tax	Payroll License Tax	Gross Receipts Tax	Insurance Premium Tax
2003	\$ 4,495,638	\$ 259,951	\$ 108,950	\$ 6,904,557	\$ 1,808,557	\$ 2,582,230
2004	4,959,912	482,696	112,616	7,242,431	1,888,439	2,811,348
2005	4,961,142	502,243	139,615	7,594,271	1,879,672	2,969,919
2006	6,002,673	613,920	140,671	7,748,070	1,765,618	2,683,571
2007	6,085,225	514,693	170,188	7,931,480	1,749,035	2,897,067
2008	7,057,274	561,658	180,793	13,114,397	2,182,703	4,150,090
2009	7,258,039	543,546	184,469	13,114,839	1,944,202	4,050,644
2010	7,357,458	578,970	211,568	13,373,239	2,047,911	3,658,788
2011	7,222,802	554,987	206,908	14,077,419	1,963,691	3,578,837
2012	6,980,878	521,460	193,658	14,912,330	2,157,586	3,751,078

CITY OF FLORENCE, KENTUCKY
Fund balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL FUND										
Reserved	\$ 244	\$ 484	\$ 418	\$ 521	\$ 496	\$ 551	\$ 434	\$ -	\$ -	\$ -
Unreserved	5,155	5,359	6,709	7,728	8,127	15,802	19,235	-	-	-
Nonspendable	-	-	-	-	-	-	-	395	254	483
Committed to	-	-	-	-	-	-	-	5,500	6,500	7,000
Assigned to	-	-	-	-	-	-	-	8,505	6,440	3,290
Unassigned	-	-	-	-	-	-	-	17,506	21,743	29,320
Total general fund	\$ 5,399	\$ 5,843	\$ 7,127	\$ 8,249	\$ 8,623	\$ 16,353	\$ 19,669	\$ 31,906	\$ 34,937	\$ 40,093
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ -	\$ -	\$ 43	\$ 55	\$ 57	\$ 46	\$ 101	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	864	2,194	1,172	1,351	6,750	7,531	10,486	-	-	-
Capital projects funds	508	2,492	3,028	3,398	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	63	63	68
Restricted	-	-	-	-	-	-	-	266	413	508
Assigned to	-	-	-	-	-	-	-	1,593	1,461	1,924
Total all other governmental funds	\$ 1,372	\$ 4,686	\$ 4,243	\$ 4,804	\$ 6,807	\$ 7,577	\$ 10,587	\$ 1,922	\$ 1,937	\$ 2,500

CITY OF FLORENCE, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 4,765	\$ 5,352	\$ 5,553	\$ 6,571	\$ 6,997	\$ 7,817	\$ 7,927	\$ 8,148	\$ 7,985	\$ 7,696
Licenses and permits	11,553	12,025	12,565	12,301	12,675	19,553	19,212	19,177	19,721	20,926
Intergovernmental	1,316	1,792	1,008	1,020	1,805	1,269	2,530	3,308	7,357	5,573
Fines and forfeitures	83	166	143	134	157	241	219	278	253	264
Charges for services	2,015	2,778	3,344	3,425	3,623	4,020	4,336	4,329	4,503	4,399
Uses of property	141	247	112	110	218	176	373	45	89	40
Interest	121	122	271	496	748	708	458	351	292	229
Miscellaneous	283	2,333	1,657	410	475	136	109	132	144	120
Total revenues	<u>20,277</u>	<u>24,815</u>	<u>24,653</u>	<u>24,467</u>	<u>26,698</u>	<u>33,920</u>	<u>35,164</u>	<u>35,768</u>	<u>40,344</u>	<u>39,247</u>
EXPENDITURES										
Current:										
Administration	2,098	2,275	3,737	2,534	2,578	2,438	2,377	2,532	2,052	2,606
Police	4,392	4,893	5,394	5,708	6,073	6,595	7,289	7,326	7,166	7,125
Fire	3,712	3,830	4,425	4,893	5,638	5,464	5,615	6,915	5,725	6,242
Public services	2,890	3,836	5,016	5,697	6,517	7,533	8,200	8,781	15,749	15,073
Parks and recreation	212	603	865	292	-	-	-	-	-	-
Economic development	-	-	796	354	518	412	2,539	-	-	-
Other agencies	854	790	791	800	830	812	-	-	-	-
Capital outlay	10,473	10,303	302	58	-	-	-	-	-	-
Debt service:										
Principal	576	873	1,112	1,096	1,259	1,401	1,224	1,055	1,230	1,195
Interest	1,110	1,340	2,135	1,253	1,202	1,289	1,094	1,057	1,398	1,263
Cost of issuance	-	-	-	-	-	-	-	-	74	114
Total expenditures	<u>26,317</u>	<u>28,743</u>	<u>24,573</u>	<u>22,685</u>	<u>24,615</u>	<u>25,944</u>	<u>28,338</u>	<u>27,666</u>	<u>33,394</u>	<u>33,618</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(6,040)</u>	<u>(3,928)</u>	<u>80</u>	<u>1,782</u>	<u>2,083</u>	<u>7,976</u>	<u>6,826</u>	<u>8,102</u>	<u>6,950</u>	<u>5,629</u>

(continued)

CITY OF FLORENCE, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OTHER FINANCING SOURCES(USES)										
Refunding bonds issued	-	7,085	9,070	-	-	2,255	-	-	6,720	5,640
Lease proceeds	-	700	-	-	360	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	(93)
Payment to refunded bond escrow agent	-	-	(8,190)	-	-	(2,185)	-	-	(6,080)	(5,020)
Transfers in	4,911	5,454	4,356	5,123	10,010	6,859	9,675	9,023	325	988
Transfers out	(6,120)	(5,554)	(4,475)	(5,223)	(10,075)	(6,405)	(10,175)	(13,552)	(4,870)	(1,425)
Total other financing sources and uses	(1,209)	7,685	761	(100)	295	524	(500)	(4,529)	(3,905)	90
Net change in fund balances	<u>(7,249)</u>	<u>\$ 3,757</u>	<u>\$ 841</u>	<u>\$ 1,682</u>	<u>\$ 2,378</u>	<u>\$ 8,500</u>	<u>\$ 6,326</u>	<u>\$ 3,573</u>	<u>\$ 3,045</u>	<u>\$ 5,719</u>
Debt service as a percentage of noncapital expenditures	<u>10.64%</u>	<u>12.00%</u>	<u>15.00%</u>	<u>11.90%</u>	<u>12.95%</u>	<u>12.74%</u>	<u>15.47%</u>	<u>10.37%</u>	<u>11.40%</u>	<u>11.69%</u>

(continued)

CITY OF FLORENCE, KENTUCKY
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

(continued)

Fiscal Year	Property Tax		Franchise Tax		Bank Deposit Tax		Total
	Tax	Tax	Tax	Tax	Tax	Tax	
2003	\$ 4,496	\$ 260	\$ 109	\$ 4,865			
2004	4,960	483	113	5,556			
2005	4,961	502	140	5,603			
2006	5,817	614	141	6,572			
2007	6,312	515	170	6,997			
2008	7,074	562	181	7,817			
2009	7,199	543	184	7,926			
2010	7,357	579	211	8,147			
2011	7,223	555	207	7,985			
2012	6,981	521	193	7,695			

CITY OF FLORENCE, KENTUCKY
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property				Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property				
2003	\$ 579,350,766	\$ 903,850,968	\$ 229,774,245	\$ 31,945,600	\$ 1,681,030,379	2.35	
2004	675,126,725	999,437,572	208,379,552	35,028,000	1,847,915,849	2.25	
2005	731,789,280	1,070,193,910	250,457,191	35,700,000	2,016,740,381	2.24	
2006	801,001,216	1,131,885,454	215,743,147	36,092,000	2,112,537,817	2.38	
2007	873,986,533	1,208,132,976	246,316,002	42,012,600	2,286,422,911	2.46	
2008	933,390,668	1,384,907,492	320,548,655	48,732,800	2,590,114,015	2.53	
2009	994,782,905	1,429,745,754	333,536,812	54,133,600	2,703,931,871	2.46	
2010	1,010,120,162	1,425,270,095	307,487,386	59,446,800	2,683,430,843	2.46	
2011	1,023,395,608	1,396,265,937	279,984,247	62,715,700	2,636,930,092	2.46	
2012	1,028,965,182	1,354,470,062	318,225,739	64,668,000	2,636,992,983	2.46	

CITY OF FLORENCE, KENTUCKY

Property Tax Rates (1)

Direct and Overlapping (2) Governments

Last Ten Fiscal Years

Fiscal Year	Direct Rates City of Florence			Overlapping Rates County			Total Direct and Overlapping Rates
	Florence	Hazardous	Boone County	Extension Services	Health	Library	
2003	\$ 1.900	\$ 0.450	\$ 0.950	\$ 0.170	\$ 0.200	\$ 0.620	4.290
2004	1.800	0.450	0.950	0.170	0.200	0.720	4.290
2005	1.790	0.450	0.950	0.170	0.200	0.870	4.430
2006	1.790	0.590	0.950	0.180	0.200	0.720	4.430
2007	1.800	0.660	0.990	0.190	0.200	0.720	4.560
2008	1.730	0.800	0.990	0.190	0.200	0.680	4.590
2009	1.820	0.640	1.020	0.160	0.190	0.500	4.330
2010	1.820	0.640	1.020	0.160	0.190	0.500	4.330
2011	1.820	0.640	1.020	0.160	0.190	0.500	4.330
2012	1.820	0.640	1.040	0.160	0.190	0.510	4.360

(1) Per \$1000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Florence.

CITY OF FLORENCE, KENTUCKY

Principal Property Taxpayers

June 30, 2012

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
General Growth	\$ 96,000,000	1	3.64%	\$		
New Plan Property Holding	36,334,270	2	1.38%			
Wal-Mart Real Estate	22,721,000	3	0.86%			
Turfway Park, LLC	21,500,000	4	0.82%			
Trellises Kentucky	18,060,000	5	0.68%			
Meijer Stores	17,196,060	6	0.65%			
Cabot Turfway Ridge 14 LLC	14,400,000	7	0.55%			
Beam Associates	13,511,880	8	0.51%			
BRE Retail	13,500,000	9	0.51%			
Columns Appratment Complex	13,300,000	10	0.50%			
Western and Southern Life				62,538,500	1	3.54%
B & J Development				23,708,800	2	1.60%
PHL-OPCO, LP				18,640,590	3	1.26%
Corporex Key Partnership				15,934,000	4	1.60%
Meijer Inc				15,800,000	5	1.07%
Turfway Park				14,000,000	6	1.06%
Cayton Development LLC				12,818,700	7	0.86%
Shelbyville Inc.				12,000,000	8	0.81%
Rockwell Heavy Vehicles				10,700,000	9	0.72%
Beam Associates LTD				10,400,000	10	0.70%
TOTAL	\$ <u>266,523,210</u>		<u>10.10%</u>	\$ <u>196,540,590</u>		<u>13.22%</u>

CITY OF FLORENCE, KENTUCKY
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax		Current Tax Collections	Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
	Levy						Amount	Percentage of Collection
2003	\$ 4,119,564	\$ 4,014,871	\$ -	-	97%	\$ -	\$ 4,014,871	97%
2004	\$ 4,657,551	\$ 4,615,257	\$ -	-	99%	\$ -	\$ 4,615,257	99%
2005	\$ 5,009,338	\$ 4,991,729	\$ -	-	97%	\$ -	\$ 4,991,729	100%
2006	\$ 5,563,550	\$ 5,452,279	\$ -	-	97%	\$ -	\$ 5,452,279	98%
2007	\$ 6,354,149	\$ 6,182,681	(102,692)	-	98%	\$ -	\$ 6,182,681	97%
2008	\$ 7,246,063	\$ 7,125,485	(117,326)	-	99%	\$ -	\$ 7,125,485	98%
2009	\$ 7,463,379	\$ 7,280,815	(117,795)	16,285	99%	\$ 16,285	\$ 7,297,100	98%
2010	\$ 7,401,426	\$ 7,209,530	(125,730)	40,712	99%	\$ 40,712	\$ 7,250,242	98%
2011	\$ 7,244,508	\$ 7,193,319	(125,186)	24,428	99%	\$ 24,428	\$ 7,217,747	100%
2012	\$ 7,190,106	\$ 7,015,187	(115,734)	-	99%	\$ -	\$ 7,015,187	98%

CITY OF FLORENCE, KENTUCKY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities				Business-Type Activities				Total		Debt per Population
	General		Public		Sewer Bonds	Water Bonds	Properties/GO Bonds	Capital Leases	Capital Leases	Primary Government	
	Obligations	Bonds	Properties	Bonds							
2003	\$ 9,775,000	\$ 11,430,000	\$ 613,077	\$ 615,000	\$ -	\$ 3,860,000 ²	\$ 11,352	\$ 26,304,431	\$ 1,076		
2004	\$ 16,500,000	\$ 11,190,000	\$ 1,087,656	\$ -	\$ 3,670,000	\$ 3,660,000 ²	\$ 12,588	\$ 36,120,246	\$ 1,456		
2005	\$ 24,910,000	\$ 2,740,000	\$ 895,470	\$ -	\$ 3,535,000	\$ 3,450,000 ²	\$ 36,804	\$ 35,567,276	\$ 1,397		
2006	\$ 24,280,000	\$ 2,470,000	\$ 698,970	\$ -	\$ 3,395,000	\$ 3,230,000 ²	\$ 83,270	\$ 34,157,242	\$ 1,304		
2007	\$ 23,640,000	\$ 2,185,000	\$ 724,598	\$ -	\$ 3,255,000	\$ 3,000,000 ²	\$ 63,063	\$ 32,867,663	\$ 1,230		
2008	\$ 25,000,000	\$ -	\$ 218,630	\$ -	\$ 3,110,000	\$ 2,885,000 ²	\$ 41,791	\$ 31,255,423	\$ 1,145		
2009	\$ 23,995,000	\$ -	\$ -	\$ -	\$ 2,960,000	\$ 2,580,000	\$ 24,534	\$ 29,559,534	\$ 1,065		
2010	\$ 22,940,000	\$ -	\$ -	\$ -	\$ 2,805,000	\$ 2,300,000	\$ -	\$ 28,045,000	\$ 988		
2011	\$ 22,350,000	\$ -	\$ -	\$ -	\$ 2,645,000	\$ 2,010,000	\$ -	\$ 27,005,000	\$ 902		
2012	\$ 21,775,000	\$ -	\$ -	\$ -	\$ 2,640,000	\$ 1,705,000	\$ -	\$ 26,120,000	\$ 846		

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 78 for personal income and population data.

(2) Public Properties Bonds

CITY OF FLORENCE, KENTUCKY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligations		Less: Amounts Available in Debt Service Fund		Total	Percentage of Actual Taxable Value(1) of Property		Per Capita (2)
	Bonds		Service Fund					
2003	\$ 9,775,000	\$ -	\$ -	\$ -	\$ 9,775,000	0.58%	\$ 400	
2004	\$ 16,500,000	\$ -	\$ -	\$ -	\$ 16,500,000	0.89%	\$ 665	
2005	\$ 24,910,000	\$ -	\$ -	\$ -	\$ 24,910,000	1.23%	\$ 979	
2006	\$ 24,280,000	\$ -	\$ -	\$ -	\$ 24,280,000	1.15%	\$ 927	
2007	\$ 23,640,000	\$ -	\$ -	\$ -	\$ 23,640,000	1.15%	\$ 885	
2008	\$ 25,000,000	\$ -	\$ -	\$ -	\$ 25,000,000	0.96%	\$ 916	
2009	\$ 26,575,000	\$ -	\$ -	\$ -	\$ 26,575,000	0.98%	\$ 958	
2010	\$ 25,240,000	\$ -	\$ -	\$ -	\$ 25,240,000	0.94%	\$ 889	
2011	\$ 24,360,000	\$ -	\$ -	\$ -	\$ 24,360,000	0.92%	\$ 813	
2012	\$ 23,480,000	\$ -	\$ -	\$ -	\$ 23,480,000	0.89%	\$ 765	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value of Taxable Property on page 70 for property value data.

(2) Population data can be found in the Schedule of Demographic and economic Statistics on Page 78.

CITY OF FLORENCE, KENTUCKY
Direct and Overlapping Governmental Activities Debt
 June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 49,765,276	26.40%	\$ 12,884,664
Subtotal, overlapping debt			<u>12,884,664</u>
City of Florence direct debt			<u>23,480,000</u>
Total direct and overlapping			<u>\$ 36,364,664</u>

Source: Kentucky Local Debt Report

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Florence. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF FLORENCE, KENTUCKY

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 175,300	\$ 192,843	\$ 212,859	\$ 215,163	\$ 228,642	\$ 259,011	\$ 270,393	\$ 268,343	\$ 263,693	\$ 263,699
Total net debt applicable to limit	9,775	16,500	24,910	24,280	23,640	25,000	26,575	25,240	24,360	23,480
Legal debt margin	165,525	176,343	187,949	190,253	205,002	234,011	243,818	243,103	239,333	240,219
Total net debt applicable to the limit as a percentage of debt limit	5.58%	8.56%	11.70%	11.28%	10.34%	9.65%	9.83%	9.41%	9.24%	8.90%

Legal Debt Margin Calculation for Fiscal Year 2012

Taxable assessed value	\$ 2,636,993
Debt limit(10% for total taxable assessed value)	263,699
Debt applicable to limit:	
General obligation bonds	23,480
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	23,480
Legal debt margin	\$ 240,219

Note: Under state finance law, the City of Florence's outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF FLORENCE, KENTUCKY
Pledged-Revenue Coverage
 Last Ten Fiscal Years

Fiscal Year	Sewer and Water Revenue Bonds							Coverage
	Sewer/Water		Less:		Net		Debt Service	
	Charges and Other		Operating Expenses		Available Revenue			
						Principal	Interest	
2003	\$ 4,915,652	\$ 5,570,682	\$ (655,030)	\$ 275,000	¹ \$ 42,328		-206%	
2004	5,963,020	5,595,307	367,713	615,000	² 45,816		56%	
2005	6,122,206	5,668,050	454,156	135,000	118,580		179%	
2006	6,294,875	5,687,170	607,705	140,000	119,648		234%	
2007	6,440,730	5,694,721	746,009	140,000	116,147		291%	
2008	7,120,380	6,088,773	1,031,607	150,000	112,585		393%	
2009	7,106,429	5,915,803	1,190,626	150,000	108,898		460%	
2010	7,586,055	7,227,255	358,800	155,000	103,029		139%	
2011	8,083,907	7,502,580	581,327	160,000	101,943		222%	
2012	8,179,081	7,635,066	544,015	165,000	96,112		208%	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Sewer and water charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

¹ Sewer bonds were defeased and water bonds were issued. Principal payments were made on both issues this year.

² Water bond issued were less than the sewer bonds that were defeased.

CITY OF FLORENCE, KENTUCKY
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
2003	24,438 \$	902,641,968 \$	36,936	34.4	4.4%
2004	24,801 \$	883,163,610 \$	35,610	32.9	4.2%
2005	25,443 \$	933,732,657 \$	36,699	34.7	4.6%
2006	26,188 \$	1,034,033,180 \$	39,485	33.1	4.0%
2007	26,710 \$	1,053,762,920 \$	39,452	33.1	4.5%
2008	27,281 \$	1,122,558,588 \$	41,148	34.1	5.4%
2009	27,745 \$	1,183,712,680 \$	42,664	34.2	9.7%
2010	28,381 \$	966,174,383 \$	34,043	34.9	9.7%
2011	29,951 \$	N/A \$	N/A	35.7	9.1%
2012	30,687 \$	N/A \$	N/A	N/A	7.1%

- (1) Census Bureau and Kentucky State Data Center
- (2) Tri-County Economic Development Corporation
- (3) Bureau of Labor Statistics Data and Kentucky State Data Center

CITY OF FLORENCE, KENTUCKY

Principal Employers

Current Year and Nine Years Ago

Taxpayer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boone County Board of Education	2,400	1	19.50%	N/A	1	0.00%
Schwan's Food Mfg.	1,100	2	8.94%	N/A	2	0.00%
St. Elizabeth Hospital	1,050	3	8.54%	N/A	3	0.00%
ZF Groups of Companies	682	4	5.54%	N/A	4	0.00%
ArvinMeritor, Inc.	490	5	3.98%	N/A	5	0.00%
Staples Direct	400	6	3.25%	N/A	6	0.00%
KECO Industries	360	7	2.93%	N/A	7	0.00%
Mubea	300	8	2.44%	N/A	8	0.00%
Loreal	300	9	2.44%	N/A	9	0.00%
City of Florence	200	10	1.63%	N/A	10	0.00%
TOTAL	7,282		51.38%	0		-

Source: Tri-County Economic Development Corporation

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2004.

CITY OF FLORENCE, KENTUCKY
Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration:										
Mayor's office	2	3	3	4	4	4	4	4	4	4
Finance	10	10	10	10	9	10	10	10	10	10
Human resources	2	3	3	2	2	N/A	N/A	N/A	N/A	N/A
Information technology	2	2	2	3	3	4	N/A	N/A	N/A	N/A
Public services:										
Professional	10	17	18	19	19	19	19	19	19	19
Maintenance	19	20	21	19	21	21	21	21	21	21
Police:										
Sworn	53	53	53	54	58	61	61	61	61	61
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	38	38	38	50	50	51	51	51	51	51
Civilian	1	1	1	1	1	1	1	1	1	1
Parks and recreation:	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Water and sewer administration	N/A	2	2	2	2	2	2	2	2	2
Water	N/A	11	11	11	11	11	11	11	11	11
Sewer	N/A	12	12	12	12	12	12	12	12	12

Source: Finance department.

CITY OF FLORENCE, KENTUCKY
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Physical arrests	675	1,030	1,053	1,699	1,569	2,213	1,870	2,617	2,431	2,542
Traffic violations	2,124	4,209	6,163	6,304	6,204	11,471	7,770	6,729	6,385	4,664
Parking violations	N/A	85	438	341	352	450	391	307	513	224
Fire:										
Number of calls answered:										
Fire	1,741	1,856	2,030	2,186	2,215	2,498	2,641	2,381	2,486	2,367
Ambulance	3,699	3,913	4,177	4,827	5,249	5,682	5,703	5,772	6,091	6,364
Inspections	966	864	856	1,928	1,752	1,549	1,657	2,032	2,255	1,945
Highways and streets:										
Street resurfacing(lane miles)	4.50	2.20	2.80	2.60	4.76	5.13	6.60	7.05	7.62	10.44
Water:										
New connections	252	213	226	216	135	100	53	45	45	50
Water main breaks	59	50	82	78	38	78	61	24	55	37
Average daily consumption (thousands of gallons)	2,915	2,767	2,926	2,856	2,909	3,229	2,969	2,839	3,055	3,090

Source: Various city departments

CITY OF FLORENCE, KENTUCKY
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	34	34	34	34	34	34	34	34	34
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets:										
Streets(miles)	136	141	143	144	159	159	159	160	168	168
Streetlights	1,493	1,561	1,582	1,589	1,597	1,134	1,134	1,134	1,977	1,977
Culture and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Parks acreage	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Ball fields	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Water:										
Water mains	120	123	124	125	126	132	135	200	145	145
Fire hydrants	1,152	1,259	1,271	1,289	1,302	1,062	1,122	1,259	1,520	1,520
Maximum daily capacity (thousands of gallons)	4,011	4,095	4,714	4,751	3,944	4,791	4,805	4,000	4,550	4,810
Sewer:										
Contained sanitary/storm sewers (miles)	252	257	264	268	271	231	241	278	286	286

Source: Various city departments

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HUD</u>			
Passed through State of Kentucky Small Cities Program	14.228	09-073	\$ <u>470,000</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Passed through State of Kentucky Federal Land & Water Conservation Fund	15.921	21-1416	12,635 F <u>11,342 NF</u> <u>23,977</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Justice Assistance Grant	16.738	2009-OJ-BX-0621 2010-DJ-BX-0370 2011-DJ-BX-2361	1,420 35,719 7,196
Safe Street Taskforce DEA	16.001 16.001	281B-LS-C70840-A -	10,023 <u>14,226</u> <u>68,584</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through State of Kentucky Highway Planning & Construction (ISTEA) National Hwy Traffic Safety Adm.	20.205 20.600 20.602	POZ-628-10000004447 AL-11-15 PT-12-16 KZ-12-21	342,565 6,507 11,212 <u>1,000</u> <u>361,284</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Assistance to Firefighters FEMA	97.044 97.067	EMW-2010 FO-04642 2010-SS-TO-0066	146,880 F 27,788 NF <u>19,900</u> <u>194,568</u>
<u>DEPARTMENT OF ENERGY</u>			
Energy Efficiency and Renewable Energy	81.128	DE-EE-0001483	<u>105,400</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>1,184,683 F</u> \$ <u>39,130 NF</u>

Notes to Schedule of Expenditures of Federal Awards.

Note A - Basis of Presentation

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

Note B - (F) Denotes Federal expenditure amount

(NF) Denotes non-federal expenditure amount.

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

**Honorable Diane E. Whalen, Mayor
Members of City Council
City of Florence, Kentucky**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, Kentucky as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
September 7, 2012**

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

**Honorable Diane E. Whalen, Mayor
Members of City Council
City of Florence, Kentucky**

Compliance

We have audited City of Florence, Kentucky's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. City of Florence, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Florence, Kentucky's management. Our responsibility is to express an opinion on City of Florence, Kentucky's compliance based on our audit.

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

In our opinion, the City of Florence, Kentucky complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

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

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

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

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

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
September 7, 2012**

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City.
2. There were no material weaknesses or significant deficiencies relating to the audit of the financial statements of the City as reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal awards programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
CDBG/Small Cities Program	14.228
Highway Planning and Construction (ISTEA)	20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined not to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF FLORENCE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

Prior Year - Compliance and other matters (Financial Information)
There were no findings in the prior year.

Prior Year - Federal Award Findings and Questioned Costs
There were no findings or questioned costs in the prior year.

