

**CITY OF FLORENCE, KENTUCKY**

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

**Year Ended June 30, 2015**

Prepared by:  
Linda J. Chapman  
Finance Director



**CITY OF FLORENCE, KENTUCKY**  
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OFFICE OF THE CITY COORDINATOR

September 19, 2015

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, 2015.

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, 2015, 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, 2015, 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 10.4 square miles and serves an estimated population of 31,888. 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 2018 with the Mayor to take office January 1, 2019. The next election for City Council will be held in 2016 with the Council to take office on January 1, 2017.

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.

The focus on financial management and economic development has established the City as a center of commerce in the Greater Cincinnati and northern Kentucky region. Private investment and job growth continue in the city. Continuing efforts are paying dividends, and the City is experiencing successes from large to small, all of which are very important to our community.

The Northern Kentucky University's Center for Economic Analysis and Development recently released a study about commuter-adjusted populations in the Greater Cincinnati region. The commuter-adjusted population is the expansion or contraction of the worker population throughout a typical workday.

Among all communities in northern Kentucky, Florence had the strongest net-inflow of workers, with our employment to residence ratio of 1.51 to 1. Boone County has the strongest employment to resident ratio among northern Kentucky counties at 1.21 to 1, which is behind only Hamilton County in the tri-state region. Kenton County's ratio is 0.84 to 1, and Campbell County's ratio is 0.68 to 1.

Areas that have an employment to resident ratio of greater than 1.00 are where there are more jobs than the number of working residents; therefore, the city imports part of its labor and classifies us as a "job hub".

When we analyze the commercial real estate market in Florence, we shape up rather well in the region. Leasing and purchasing activity in the retail, industrial, and office sectors have been very active. On the retail side, our vacancy rate in the city is below 4%, which is one of the best performers in the region, where the regional retail vacancy is 8.4%. The industrial vacancy rate is under 2%, while the overall vacancy rate in the region is 6.7%. And, the professional office vacancy rate in Florence is 12%, with the region's rate at 20.6%. Overall, we fair better than most communities in the region. These are positive signs of the strength of our economy in Florence, but it does suggest, particularly on the industrial front, that future growth could be constrained without available industrial real estate coming onto the market.

All of these factors are very strong and positive indicators of Florence's overall economy. It is truly the perfect time to do business in the City of Florence. The City is looking forward to one of the largest regional retail developments with the openings of Costco, Menard's, Dave and Buster's and Planet Fitness.

There were several state transportation projects that were completed during the year that are all of great benefit to the residents, visitors and businesses of the City. In addition, the City is moving forward with additional enhancements to Mall Road. The City is proposing and working with the State to construct a frontage road that will link up with Connector Drive. A new entrance ramp from Mall Road to southbound I-75 is in the Kentucky Transportation Cabinet's six-year road plan proposed by the Governor and adopted by the legislature.

The City has also completed numerous sidewalk, street improvements, storm water, sanitary sewer and water improvements throughout areas of the City. In addition, the City has finished the construction 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. Long-term future sustainability is the primary focus of the budget plan.

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.

#### Relevant Financial Policies

The City of Florence has adopted a comprehensive set of financial policies addressing various areas of operations such as revenue collection, banking services, investment policies, debt management, budget management and fund balance reserves.

The unassigned fund balance in the general fund is 145.10% 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, 2014. This was the tenth 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, 2015

**Mayor**

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Diane E. Whalen

**Council Members**

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Mel D. Carroll

Duane Froelicher

Jason Kelly Huff

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

**Staff**

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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 E. Hall

Chief of Police - John V. McDermond

Fire/E.M.S. Chief - Kelly J. Aylor



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

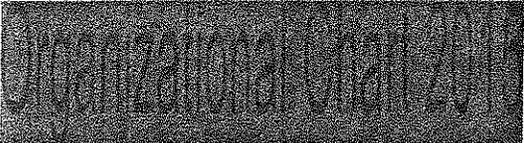
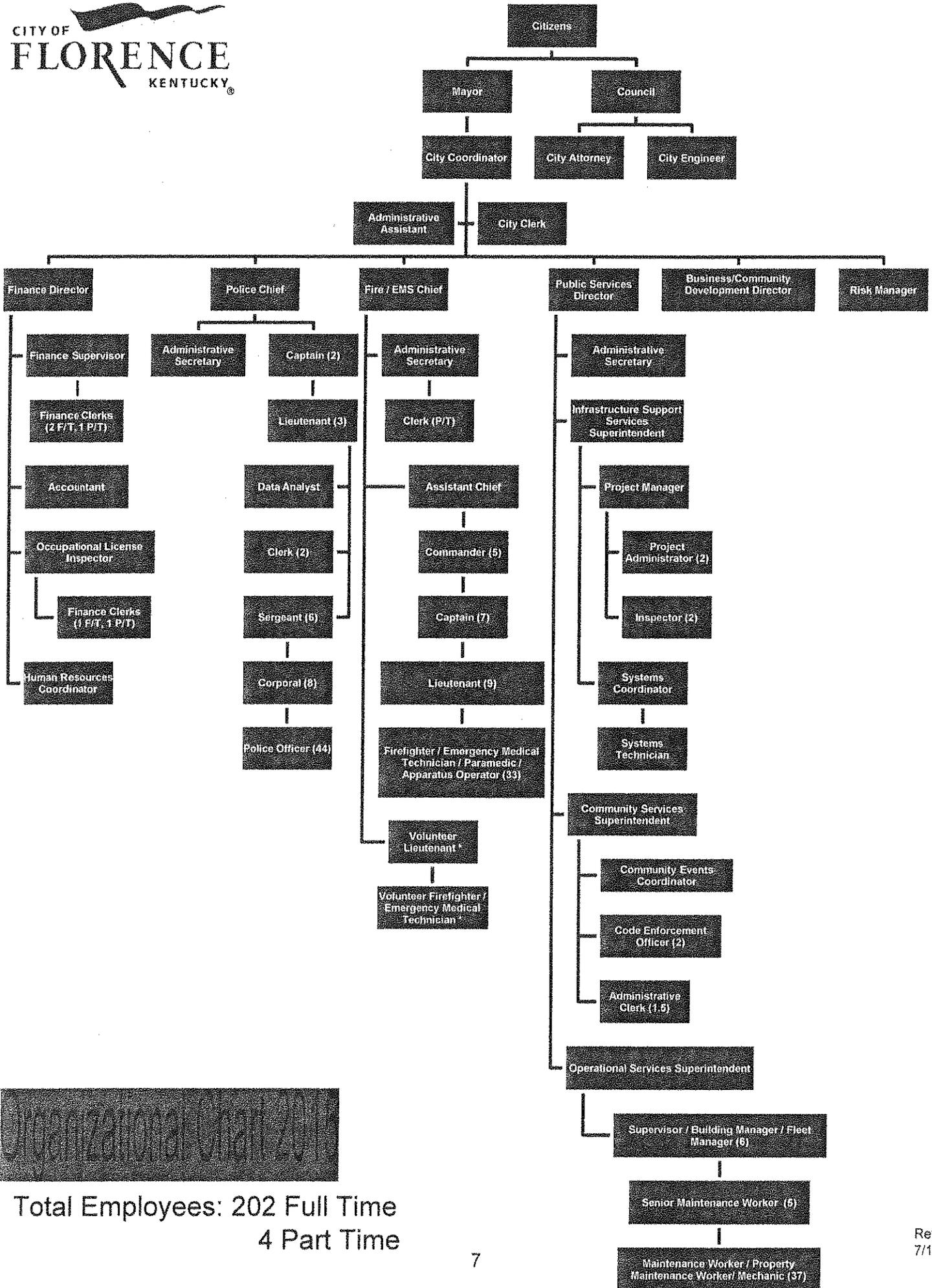
Presented to

**City of Florence  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

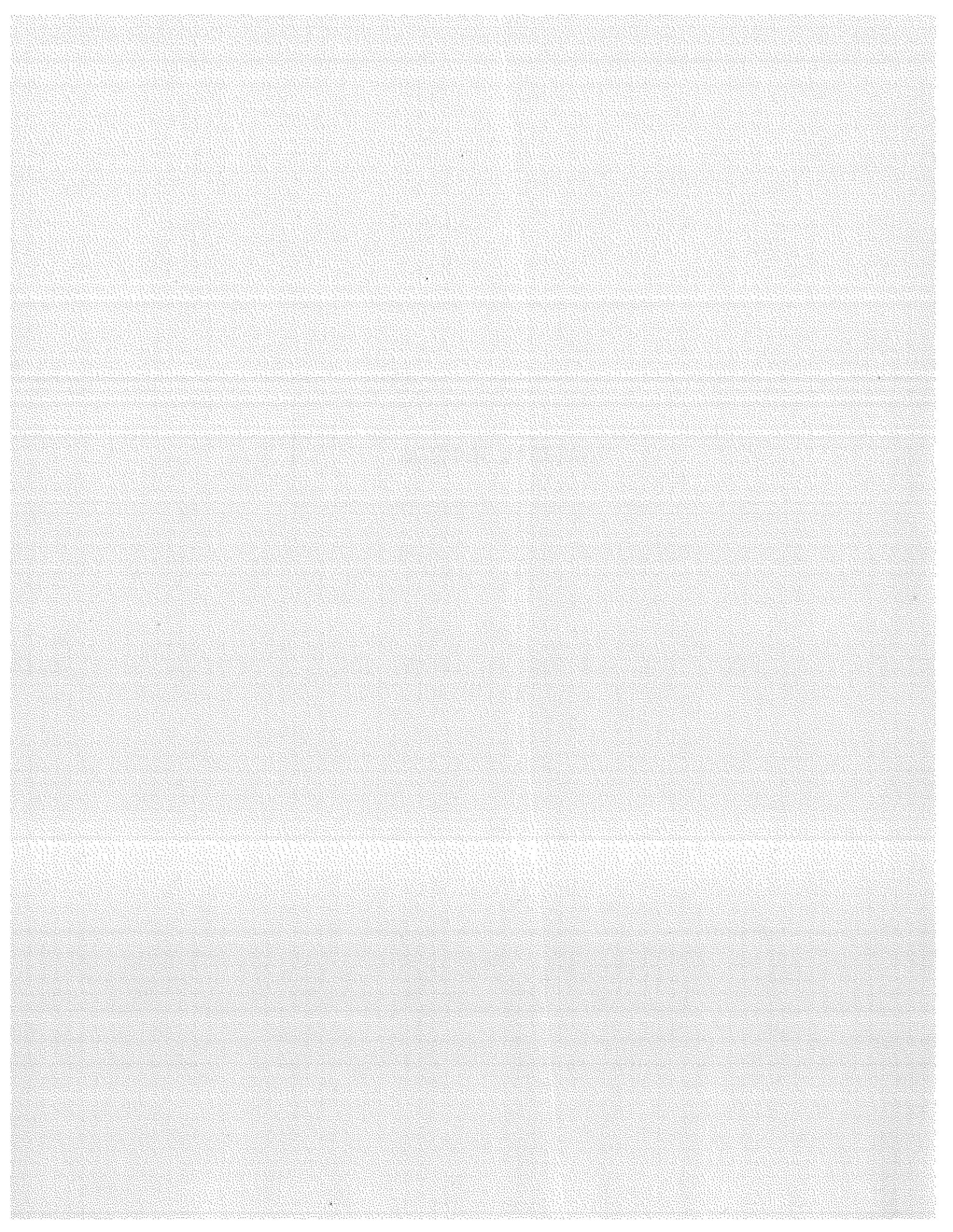
Executive Director/CEO



Total Employees: 202 Full Time  
4 Part Time

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**FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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 City of Florence, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 and 57 and schedule of city contributions and schedule of proportionate share of net position liability on pages 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Kentucky's basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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



The introductory 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015, on our consideration of the City of Florence, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Florence, Kentucky's internal control over financial reporting and compliance.

**RANKIN, RANKIN & COMPANY**

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

**Ft. Wright, Kentucky  
September 10, 2015**

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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, 2015. 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 \$160,208,633 (net position). Of this amount, \$69,244,458 (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 \$66,698,370. This was an increase of \$9,285,238 in 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 \$49,065,099, or 180.96% 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., Infrastructure Fund and 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.

**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 33-56 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 57-58 and 63-68 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 and deferred inflows of resources by \$160,208,633 at the close of the most recent year.

The largest portion of the City's net position (56.78 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, 2015 and 2014 net position changed as follows (amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 83,178	\$ 72,826	\$ 9,345	\$ 9,553	\$ 92,523	\$ 82,379
Capital assets, net	82,307	81,327	30,246	30,133	112,553	111,460
Total assets	<u>165,485</u>	<u>154,153</u>	<u>39,591</u>	<u>39,686</u>	<u>205,076</u>	<u>193,839</u>
Total deferred outflows of resources	3,355	488	526	359	3,881	847
Other liabilities	3,380	2,962	1,403	1,529	4,783	4,491
Long-term liabilities	38,067	19,140	4,099	2,757	42,166	21,897
Total liabilities	<u>41,447</u>	<u>22,102</u>	<u>5,502</u>	<u>4,286</u>	<u>46,949</u>	<u>26,388</u>
Total deferred inflows of resources	1,631	-	169	-	1,800	-
Net position:						
Net Investment in capital assets	63,468	61,572	27,496	26,833	90,964	88,405
Restricted	-	-	-	248	-	248
Unrestricted	62,295	70,967	6,949	8,678	69,244	79,645
Total net position	<u>\$ 125,763</u>	<u>\$ 132,539</u>	<u>\$ 34,445</u>	<u>\$ 35,759</u>	<u>\$ 160,208</u>	<u>\$ 168,298</u>

For fiscal year 2015, 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 (\$69,244,458) 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 9.99% or \$14.5 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.

The city was required to adopt GASB Statement 68, "Accounting and Financial reporting for Pensions, an amendment of GASB Statement No. 27" during fiscal year 2015. As a result of that adoption, a prior period adjustment was made to record the beginning net pension liability amounts.

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Revenues:				
Program revenues:				
Charges for services	\$ 4,733,356	\$ 4,403,931	\$ 9,703,540	\$ 9,692,474
Operating grants and contributions	1,036,973	688,046	-	-
Capital grants	2,557,928	1,113,782	-	-
General revenues:				
Taxes	30,699,521	29,246,154	-	-
Other	509,026	848,395	24,264	23,111
Total revenues	<u>39,536,804</u>	<u>36,300,308</u>	<u>9,727,804</u>	<u>9,715,585</u>
Expenses:				
Administration	3,698,237	3,417,382	-	-
Police	8,462,001	7,147,127	-	-
Fire	5,939,493	6,041,934	-	-
Public services	6,656,885	9,387,336	-	-
Interest on long-term debt	768,415	709,212	205,451	199,149
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	7,733,558	7,601,387
Golf Course	-	-	1,243,317	1,248,740
Total expenses	<u>25,525,031</u>	<u>26,702,991</u>	<u>9,182,326</u>	<u>9,049,276</u>
Increase in net position before transfers and other expenses				
	14,011,773	9,597,317	545,478	666,309
Transfers	(100,000)	(100,000)	100,000	100,000
Increase in net position	<u>13,911,773</u>	<u>9,497,317</u>	<u>645,478</u>	<u>766,309</u>
Net position - July 1	132,539,139	123,041,822	35,758,916	34,992,607
Prior period adjustment	(20,688,038)	-	(1,958,635)	-
Net position - June 30	<u>\$ 125,762,874</u>	<u>\$ 132,539,139</u>	<u>\$ 34,445,759</u>	<u>\$ 35,758,916</u>

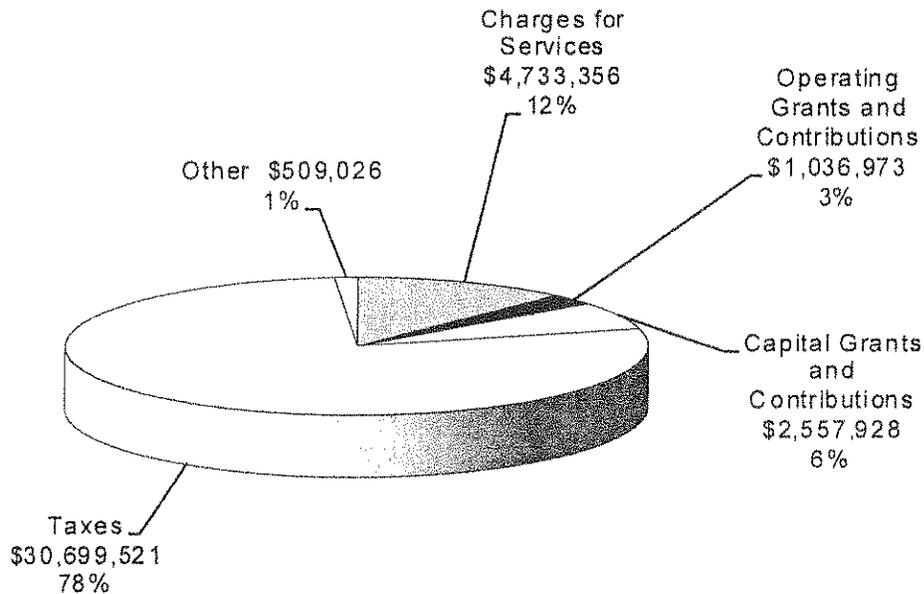
**Governmental activities.** Governmental activities increased the City's net position by \$13.9 million, thereby accounting for 95.56% of the total growth in net position. Key elements of this growth are as follows:

- Taxes increased \$1.4 million over fiscal year 2014. The payroll tax position increased by \$711,298 during 2015 as a result of improved economic conditions and increased economic development. In addition, the City also experienced a rebound in 2015 with occupational license fees increasing by \$151,564. Another revenue increasing as a result of the improved economic conditions was the insurance premium tax. It increased by \$192,560. The City's property tax revenues increased due to collections. The property tax revenue increased by \$214,643 despite relatively no increases in the assessed values and not raising of the tax rate for the sixth straight year in a row. Capital grant

revenue increased by \$1,444,146 as a result of the grants for various road and sidewalk projects. Operating grant revenue also increased by \$348,927 as a result of the SAFER grant awarded to hire six additional firefighters..

- There was a decrease of \$1,177,960 for governmental activities as a result of no major construction projects during the year and the initial entries to record the GASB 68 measurement period entries.

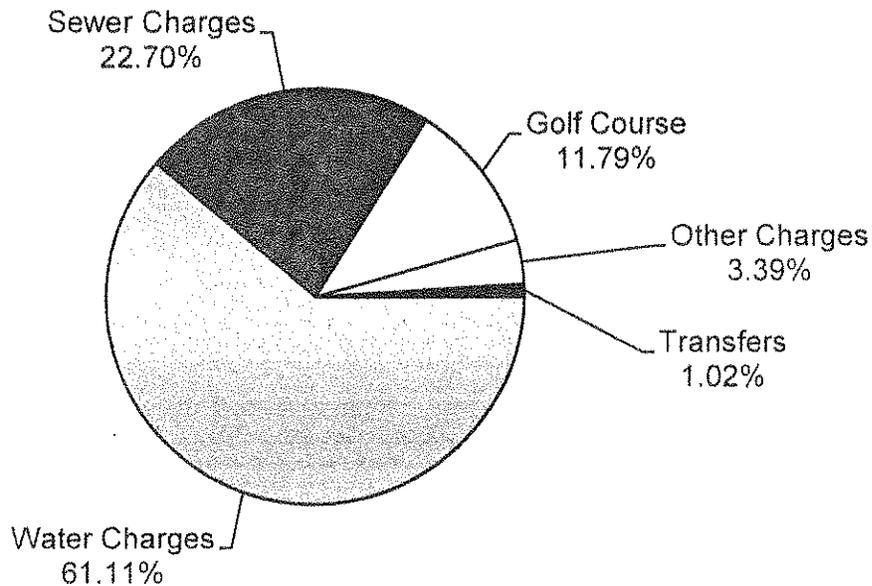
**Revenues by Source - Governmental Type Activities**



**Business-type activities.** Business-type activities increased the City's net position by \$645,478, accounting for 4.44 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 \$722,713. The income was attributable to operations due to a four percent increase in rates implemented the last several years. The last rate increase was on April 1, 2013. In addition, expenses increased by \$65,867 due to higher wage and benefit costs along with an increase in water purchasing costs.
- The golf course fund showed a net loss for the year of \$77,235 as a result of operations and interest expense. The loss was the result of a decrease in revenues of \$70,830 due to the wet spring. Operating expenses decreased slightly by \$5,423 due to lower personnel cost. 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 \$66,698,370, an increase of \$9,285,238 in comparison with the prior year. Approximately 73.56 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 \$49,065,099 while total fund balance was \$56,612,694. 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 180.96 percent of total general fund expenditures and transfers, while total fund balance represents 208.80 percent of that same amount.

The fund balance of the City's general fund increased by \$6,778,412 during the current fiscal year. Key factors in this growth are as follows:

- Payroll taxes, property taxes and insurance premium tax 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. This enactment has continued to enable the City to build reserves.
- No major construction projects were done in the current fiscal year.
- Operating expenditures are continuing to increase as a result of higher wages, benefit costs and additional personnel in the fire and police departments.

The municipal aid road/LGEA fund has a total fund balance of \$1,222,806, 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 a decrease in the dollar amount of street projects budgeted for the current year and an increase in revenues. The infrastructure fund had a total fund balance of \$7,151,905. The fund balance increased during fiscal year 2015 due to a transfer in of \$1.5 million for the Florence Heights project that had not been started yet and an excess of revenues over expenditures. The asset forfeiture fund had a decrease in fund balance of \$68,907 as a result of increased expenditures for the reconstruction of the property room along with the purchase of software to keep the room organized. The aquatic center fund had a fund balance decrease of \$74,879 after a transfer in from the General Fund of \$200,000. The decrease was the result of a cool and rainy May, June and July that affected attendance.

*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 position of the water and sewer service fund at the end of the year amounted to \$6,047,328 and those for the golf course operations amounted to \$902,003. The growth in net position for the water and sewer fund was \$722,713 and the net loss in the golf course fund was \$77,235. 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, during the first amendment, capital line items were adjusted to include additional carryover amounts from the 2014 budget for projects that were started but not completed by June 30, 2014. In addition, there were also amounts added to several expenditure line items for unanticipated repairs and maintenance items that were encountered for the Aquatic Center and the Government Center building. All beginning fund balance amounts were adjusted to reflect the ending balances from the prior June 30 per the audit report.

The second amendment basically adjusted some of the General Fund revenues to more closely reflect anticipated revised projections and the addition of recently refunded bond proceeds. In addition, the amendment adjusted expenditure line items that were affected by the change in the personnel policies to pay out the amount of vacation employees are allowed to carry over from one year to the next. In addition, the City was awarded State funds for the Mall Road Phase III project that will construct a side road parallel to Mall Road for additional expansion. Funds were added to the budget for the estimated revenue and expenditures for that project through June 30, 2015.

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 also came in under budget in all of the departments due to the decrease in the cost of a barrel of oil. The overall philosophy implemented in previous years to only make necessary purchases continues to contribute to lower expenditures throughout the City departments.

The current year budget relied on the expectation of relatively flat property tax revenue and slight increases for payroll tax, occupational license fees and insurance premium tax revenues. The property tax, insurance premium tax, occupation license fees and the payroll tax all resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$1,823,362. This was due to the growth in the revenue for the above mentioned categories as well as interets income. Actual expenditures and transfers came in \$1,984,467 under the budget amounts due to the departments monitoring expenditures during the year and some minor capital tasks not being completed by June 30. As a result of the excess revenues, operational expenditure controls and capital improvements not being completed, the City ended the year with a fund balance that was \$3,807,829 greater than what was budgeted.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Long-term Debt

At year-end, the City had \$21,590,000 in outstanding bonds compared to \$23,055,000 last year. That is a decrease of \$1,465,000 or 6.35 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 2,020,000	\$ 2,230,000	\$ 2,020,000	\$ 2,230,000
Bonds payable (backed by city)	18,840,000	19,755,000	730,000	1,070,000	19,570,000	20,825,000
<b>Totals</b>	<b>\$ 18,840,000</b>	<b>\$ 19,755,000</b>	<b>\$ 2,750,000</b>	<b>\$ 3,300,000</b>	<b>\$ 21,590,000</b>	<b>\$ 23,055,000</b>

Additional information on the City's long-term debt can be found in Note E on pages 43-47 of this report.

### Capital Assets

At June 30, 2015, the capital assets amounted to \$234 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 \$7.8 million, or 3.46 percent, over last year due to the investment in street projects, storm water projects, a new fire substation 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	
	2015	2014	2015	2014
Not being depreciated:				
Land	\$ 10,617,492	\$ 10,602,492	\$ 4,785,542	\$ 4,785,542
Construction in progress	2,391,326	459,386	52,763	-
Other capital assets being depreciated:				
Improvements	18,318,619	17,852,446	581,199	581,199
Water and sewer system Infrastructure	-	-	44,902,182	43,355,488
Buildings	108,486,352	106,427,579	-	-
Computer upgrade	23,338,855	23,338,855	4,200,497	4,200,497
Water meters	-	-	56,396	56,396
Machinery and equipment	-	-	1,612,748	1,604,669
Vehicles	4,624,861	4,198,234	1,957,866	1,907,465
Subtotal	<u>7,042,563</u>	<u>6,144,039</u>	<u>1,036,775</u>	<u>966,519</u>
Accumulated depreciation	174,820,068	169,023,031	59,185,968	57,457,775
TOTALS	\$ <u>82,307,747</u>	\$ <u>81,326,850</u>	\$ <u>30,246,427</u>	\$ <u>30,133,607</u>

This year's major additions included:

#### Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 1,586,227

#### Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 1,613,182

Improvements and street projects paid for with state and federal grant funds  
and general fund revenues. 4,005,834

\$ 7,205,243

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 a continuing conservative approach for the revenue amounts. 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 2016 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2015. 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 seventh 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 City will experience some growth with a large retail development that will include Menard's, Costco, Dave and Buster's and Planet Fitness. 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 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 the partial construction of infrastructure on a 65 acre site designated for retail development. This site will host a Menard's, Costco and several other retail and dining establishments.

The City continues to implement 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.

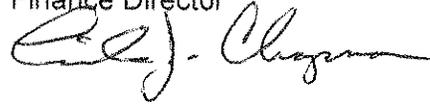
## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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 CPA  
Finance Director



# CITY OF FLORENCE, KENTUCKY

## Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 60,180,961	\$ 6,955,718	\$ 67,136,679
Investments	16,176,174	-	16,176,174
Receivables:			
Property taxes	79,490	-	79,490
Intergovernmental	508,563	-	508,563
Accrued interest	82,012	-	82,012
Accounts	5,393,196	1,547,268	6,940,464
Internal balances	17,572	(17,572)	-
Inventories	163,083	261,738	424,821
Prepays	471,557	60,740	532,297
Restricted cash and cash equivalents	105,177	536,782	641,959
Capital assets(net of accumulated depreciation)			
Land	10,617,492	4,785,542	15,403,034
Construction in progress	2,391,326	52,763	2,444,089
Systems	-	20,988,219	20,988,219
Improvements	10,021,926	191,150	10,213,076
Infrastructure	42,270,013	-	42,270,013
Buildings	14,017,088	3,314,344	17,331,432
Machinery and equipment	1,335,130	-	1,335,130
Water meters	-	753,349	753,349
Vehicles	1,654,772	161,060	1,815,832
Total assets	<u>165,485,532</u>	<u>39,591,101</u>	<u>205,076,633</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	341,028	284,587	625,615
Contributions subsequent to the measurement date	3,014,155	241,282	3,255,437
Total deferred outflows of resources	<u>3,355,183</u>	<u>525,869</u>	<u>3,881,052</u>
<b>LIABILITIES</b>			
Accounts payable	1,132,543	329,949	1,462,492
Accrued liabilities	371,592	157,257	528,849
Accrued interest payable	86,266	25,448	111,714
Unearned revenue	44,848	-	44,848
Customer deposits	-	270,020	270,020
General obligation bonds payable - current	1,045,000	350,000	1,395,000
Revenue bonds payable - current	-	210,000	210,000
Compensated absences - current	700,000	60,000	760,000
Net pension liability	20,226,668	1,898,664	22,125,332
Compensated absences	45,380	10,323	55,703
General obligation bonds payable	17,795,000	380,000	18,175,000
Revenue bonds payable	-	1,810,000	1,810,000
Total liabilities	<u>41,447,297</u>	<u>5,501,661</u>	<u>46,948,958</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Differences between projected and actual earnings on pension plan	1,630,544	169,550	1,800,094
<b>NET POSITION</b>			
Net investment in capital assets	63,467,747	27,496,428	90,964,175
Unrestricted	62,295,127	6,949,331	69,244,458
Total net position	<u>\$ 125,762,874</u>	<u>\$ 34,445,759</u>	<u>\$ 160,208,633</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, 2015

Functions/Programs	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
Primary government:							
Governmental activities:							
Administration	\$ 3,698,237	\$ 817,194	\$ 4,497	\$ -	\$ (2,876,546)	\$ -	\$ (2,876,546)
Police	8,462,001	8,775	324,075	19,510	(8,109,641)	-	(8,109,641)
Fire	5,939,493	2,886,793	693,220	-	(2,359,480)	-	(2,359,480)
Public services	6,656,885	1,020,594	15,181	2,538,418	(3,082,692)	-	(3,082,692)
Interest on long-term debt	768,415	-	-	-	(768,415)	-	(768,415)
Total governmental activities	25,525,031	4,733,356	1,036,973	2,557,928	(17,196,774)	-	(17,196,774)
Business-type activities:							
Water and sewer service	7,846,872	8,548,161	-	-	-	701,289	701,289
Golf course	1,335,454	1,155,379	-	-	-	(180,075)	(180,075)
Total business-type activities	9,182,326	9,703,540	-	-	-	521,214	521,214
Total primary government	\$ 34,707,357	\$ 14,436,896	\$ 1,036,973	\$ 2,557,928	\$ (17,196,774)	\$ 521,214	\$ (16,675,560)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,327,511	-	7,327,511
Public service taxes					525,169	-	525,169
Taxes, levied for bank deposits					185,114	-	185,114
Payroll license tax					15,830,529	-	15,830,529
Gross receipts license					2,250,520	-	2,250,520
Insurance premium tax					4,467,479	-	4,467,479
Other					113,199	-	113,199
Uses of property					95,545	-	95,545
Interest					291,874	24,264	316,138
Miscellaneous					121,607	-	121,607
Transfers					(100,000)	100,000	-
Total general revenues and special items					31,108,547	124,264	31,232,811
Change in net position					13,911,773	645,478	14,557,251
Prior period adjustment					(20,688,038)	(1,958,635)	(22,646,673)
Net position-beginning					132,539,139	35,758,916	168,298,055
Net position-ending					\$ 125,762,874	\$ 34,445,759	\$ 160,208,633

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

**CITY OF FLORENCE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,186,587	\$ 9,995,984	\$ 45,182,571
Investments	16,176,174	-	16,176,174
Inventories	76,038	87,045	163,083
Receivables:			
Property taxes	79,490	-	79,490
Intergovernmental	157,058	351,505	508,563
Accrued interest	82,012	-	82,012
Accounts	5,385,756	7,440	5,393,196
Prepays	471,557	-	471,557
Due from other funds	-	94,698	94,698
Restricted assets:			
Cash	105,177	-	105,177
<b>Total assets</b>	<b>\$ 57,719,849</b>	<b>\$ 10,536,672</b>	<b>\$ 68,256,521</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 523,660	\$ 450,996	\$ 974,656
Accrued liabilities	371,592	-	371,592
Due to other funds	77,126	-	77,126
Deferred revenue	44,848	-	44,848
<b>Total liabilities</b>	<b>1,017,226</b>	<b>450,996</b>	<b>1,468,222</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	79,490	-	79,490
Unavailable revenue-employee receivable	10,439	-	10,439
<b>Total deferred inflows of resources</b>	<b>89,929</b>	<b>-</b>	<b>89,929</b>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Inventories	76,038	87,045	163,083
Prepays	471,557	-	471,557
<b>Restricted:</b>			
Street resurfacing	-	1,135,761	1,135,761
<b>Committed to:</b>			
Economic stabilization	5,000,000	-	5,000,000
Equipment replacement	2,000,000	-	2,000,000
<b>Assigned to:</b>			
Capital projects	-	7,151,905	7,151,905
Law enforcement	-	341,323	341,323
Aquatic center	-	1,369,642	1,369,642
<b>Unassigned:</b>			
	49,065,099	-	49,065,099
<b>Total fund balances</b>	<b>56,612,694</b>	<b>10,085,676</b>	<b>66,698,370</b>
<b>Total liabilities and fund balances</b>	<b>\$ 57,719,849</b>	<b>\$ 10,536,672</b>	<b>\$ 68,256,521</b>

Total governmental fund balances \$ 66,698,370

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 \$92,512,321.	82,307,747
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	89,929
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.	14,840,503
Contributions subsequent to net pension liability measurement date	3,014,155
Net pension liability actual investment earnings over projected	(1,630,544)
Accrued interest payable on long-term debt	(86,266)
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.	341,028
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	(745,380)
Net pension liability	(20,226,668)
Bonds and leases payable	(18,840,000)
<b>Net position of governmental activities</b>	<b>\$ 125,762,874</b>

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 7,958,304	\$ -	\$ 7,958,304
Licenses and permits	20,267,029	2,394,698	22,661,727
Intergovernmental	1,101,016	2,493,885	3,594,901
Fines and forfeitures	252,909	-	252,909
Charges for services	3,742,741	737,706	4,480,447
Uses of property	-	95,545	95,545
Interest	380,528	25,906	406,434
Miscellaneous	110,915	253	111,168
Total revenues	<u>33,813,442</u>	<u>5,747,993</u>	<u>39,561,435</u>
<b>EXPENDITURES</b>			
Current:			
Administration	2,501,686	-	2,501,686
Police	7,470,284	165,650	7,635,934
Fire	7,327,239	-	7,327,239
Public services	6,203,009	4,900,517	11,103,526
Debt service:			
Principal	1,060,000	-	1,060,000
Interest	552,712	-	552,712
Bond issuance costs	73,700	-	73,700
Total expenditures	<u>25,188,630</u>	<u>5,066,167</u>	<u>30,254,797</u>
Excess(deficiency) of revenues over(under) expenditures	<u>8,624,812</u>	<u>681,826</u>	<u>9,306,638</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers in	-	1,825,000	1,825,000
Transfers out	(1,925,000)	-	(1,925,000)
Refunding bonds issued	6,249,494	-	6,249,494
Payment to refunded bond escrow agent	(6,170,894)	-	(6,170,894)
Total other financing sources and uses	<u>(1,846,400)</u>	<u>1,825,000</u>	<u>(21,400)</u>
Net change in fund balances	6,778,412	2,506,826	9,285,238
Fund balances - beginning	49,834,282	7,578,850	57,413,132
Fund balances - ending	<u>\$ 56,612,694</u>	<u>\$ 10,085,676</u>	<u>\$ 66,698,370</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, 2015**

Net change in fund balances-total governmental funds	\$ 9,285,238
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	6,100,190
Depreciation expense	(5,103,867)
Change due to fixed asset retirements	(286)
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.	(317,275)
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.	(166,301)
Government funds report the effect of net pension liability differences between projected and actual earnings and changes in assumptions, whereas these amounts are deferred and amortized in the statement of activities.	407,640
Government funds report the effect of net pension liability expenses based on proportionate share of service cost and calculated pension costs from measurement date to measurement date.	1,845,001
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.	(6,195,000)
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.	7,110,000
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.	(24,298)
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.	565,865
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.	404,866
Change in net position of governmental activities	\$ <u>13,911,773</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, 2015

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 6,140,106	\$ 815,612	\$ 6,955,718	\$ 14,998,390
Accounts receivable	1,545,189	2,079	1,547,268	-
Inventories	156,006	105,732	261,738	-
Prepays	51,788	8,952	60,740	-
Total current assets	<u>7,893,089</u>	<u>932,375</u>	<u>8,825,464</u>	<u>14,998,390</u>
Noncurrent assets:				
Restricted cash and cash equivalents	536,782	-	536,782	-
Capital assets (net of accumulated depreciation)				
Construction in progress	52,763	-	52,763	-
Land	-	4,785,542	4,785,542	-
Improvements	-	191,150	191,150	-
Systems and equipment	20,737,968	250,251	20,988,219	-
Water meters	753,349	-	753,349	-
Building	3,293	3,311,051	3,314,344	-
Vehicles	161,060	-	161,060	-
Total noncurrent assets	<u>22,245,215</u>	<u>8,537,994</u>	<u>30,783,209</u>	<u>-</u>
Total assets	<u>30,138,304</u>	<u>9,470,369</u>	<u>39,608,673</u>	<u>14,998,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	202,848	81,739	284,587	-
Contributions subsequent to the measurement date	241,282	-	241,282	-
Total deferred outflows of resources	<u>444,130</u>	<u>81,739</u>	<u>525,869</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	299,916	30,033	329,949	157,887
Accrued liabilities	83,164	74,093	157,257	-
Compensated absences	60,000	-	60,000	-
Accrued interest payable	17,464	7,984	25,448	-
Due to other funds	17,572	-	17,572	-
Customer deposits	270,020	-	270,020	-
Bonds payable-current	210,000	350,000	560,000	-
Total current liabilities	<u>958,136</u>	<u>462,110</u>	<u>1,420,246</u>	<u>157,887</u>
Noncurrent liabilities:				
Compensated absences	10,323	-	10,323	-
Net pension liability	1,898,664	-	1,898,664	-
General obligation bonds payable	-	380,000	380,000	-
Revenue bonds payable	1,810,000	-	1,810,000	-
Total noncurrent liabilities	<u>3,718,987</u>	<u>380,000</u>	<u>4,098,987</u>	<u>-</u>
Total liabilities	<u>4,677,123</u>	<u>842,110</u>	<u>5,519,233</u>	<u>157,887</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Differences between projected and actual earnings on pension plan	169,550	-	169,550	-
<b>NET POSITION</b>				
Net investments in capital assets	19,688,433	7,807,995	27,496,428	-
Unrestricted	6,047,328	902,003	6,949,331	14,840,503
Total net position	<u>\$ 25,735,761</u>	<u>\$ 8,709,998</u>	<u>\$ 34,445,759</u>	<u>\$ 14,840,503</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 NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Totals Current Year	Activities Health and Dental
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water fees	\$ 5,990,642	\$ -	\$ 5,990,642	\$ -
Sewer charges	2,225,265	-	2,225,265	-
Penalties	117,610	-	117,610	-
Tap in fees	64,769	-	64,769	-
Meter installations	44,825	-	44,825	-
Other service charges	37,199	-	37,199	-
Golf course revenues	-	1,155,379	1,155,379	-
Other services	-	-	-	2,718,091
Miscellaneous	67,851	-	67,851	-
Total operating revenues	<u>8,548,161</u>	<u>1,155,379</u>	<u>9,703,540</u>	<u>2,718,091</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	6,304,866	911,077	7,215,943	2,152,226
Loss on disposal of property	3,988	2,725	6,713	-
Depreciation	1,424,704	329,515	1,754,219	-
Total operating expenses	<u>7,733,558</u>	<u>1,243,317</u>	<u>8,976,875</u>	<u>2,152,226</u>
<b>NET OPERATING INCOME(LOSS)</b>	<u>814,603</u>	<u>(87,938)</u>	<u>726,665</u>	<u>565,865</u>
<b>NON-OPERATING REVENUES</b>				
Interest income	21,424	2,840	24,264	50,711
Interest expense	(113,314)	(92,137)	(205,451)	-
Total non-operating income	<u>(91,890)</u>	<u>(89,297)</u>	<u>(181,187)</u>	<u>50,711</u>
Transfers	-	100,000	100,000	-
<b>NET INCOME(LOSS)</b>	<u>722,713</u>	<u>(77,235)</u>	<u>645,478</u>	<u>616,576</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	26,971,683	8,787,233	35,758,916	14,223,927
Prior period adjustment-GASB 68	(1,958,635)	-	(1,958,635)	-
<b>NET POSITION-END OF YEAR</b>	<u>\$ 25,735,761</u>	<u>\$ 8,709,998</u>	<u>\$ 34,445,759</u>	<u>\$ 14,840,503</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, 2015**

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Activities
	Sewer Service	Course	Current Year	Health and Dental
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 8,652,038	\$ 1,153,800	\$ 9,805,838	\$ 2,718,091
Cash paid to suppliers	(1,427,749)	(649,678)	(2,077,427)	(2,158,182)
Cash paid to employees	(4,957,453)	(294,777)	(5,252,230)	-
Net cash from(used by) operating activities	<u>2,266,836</u>	<u>209,345</u>	<u>2,476,181</u>	<u>559,909</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	-	100,000	100,000	-
Net cash from(used by) noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(1,860,134)	(36,060)	(1,896,194)	-
Amortization of issuance costs	25,896	49,043	74,939	-
Amortization of deferred inflow related to pension	(42,387)	-	(42,387)	-
Interest paid on capital debt	(116,591)	(95,855)	(212,446)	-
Principal paid on debt	(210,000)	(340,000)	(550,000)	-
Net cash from(used by) financing activities	<u>(2,203,216)</u>	<u>(422,872)</u>	<u>(2,626,088)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest income	21,424	2,840	24,264	50,711
Net cash provided by investing activities	<u>21,424</u>	<u>2,840</u>	<u>24,264</u>	<u>50,711</u>
Net increase(decrease) in cash	85,044	(110,687)	(25,643)	610,620
Cash at beginning of year	6,591,844	926,299	7,518,143	14,387,770
Cash at end of year	<u>\$ 6,676,888</u>	<u>\$ 815,612</u>	<u>\$ 7,492,500</u>	<u>\$ 14,998,390</u>
<b>Reconciliation of operating income to net cash used</b>				
by operating activities:				
Operating income(loss)	\$ 814,603	\$ (87,938)	\$ 726,665	\$ 565,865
Adjustments to reconcile operating income				
to net cash provided(used) by				
operating activities:				
Loss on disposal of assets	3,988	2,724	6,712	-
Depreciation expense	1,424,704	329,515	1,754,219	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	103,877	(1,079)	102,798	-
Decrease(increase) in prepaid expenses	(3,359)	(2,708)	(6,067)	-
Decrease(increase) in inventory	23	(31,612)	(31,589)	-
Increase(decrease) in accounts payable	(79,176)	162	(79,014)	(5,476)
Increase(decrease) in accrued liabilities	(2,333)	281	(2,052)	-
Increase(decrease) in due to other funds	(3,735)	-	(3,735)	(480)
Increase(decrease) in customer deposits	8,244	-	8,244	-
Net cash used by operating activities	<u>\$ 2,266,836</u>	<u>\$ 209,345</u>	<u>\$ 2,476,181</u>	<u>\$ 559,909</u>
<b>Noncash investing, capital and financing activities:</b>				
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.				

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**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, 2015

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 infrastructure fund is used to account for a designated portion of payroll taxes, storm water fees and grants to be used for the annual repairs to the City road infrastructure and storm water lines.

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.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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 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 the operations of the golf course facility.

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

*Assets, deferred outflows, 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, 2015 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 January 1, the bill becomes delinquent and penalties and interest may be assessed by the City.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

A lien may be placed on the property on January 1. Total real property tax assessments were \$2,489,369,629 and tangible tax assessments were \$358,457,842.

*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, 2015 are recorded as prepaid items. These prepaids are amortized over the contract period.

*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, 2015

*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 a 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, 2015**

*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 prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance 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. Council has authorized the finance director to assign fund balance through the financial policies and procedures established. 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.



*Date of Management's Review*

Subsequent events were evaluated through September 10, 2015, which is the date the financial statements were available for review.

**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 31<sup>st</sup>, Mayor and Council shall determine if any funds are to be transferred to increase the stabilization fund balance.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

**NOTE C-DEPOSITS AND INVESTMENTS**

As of June 30, 2015, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity(Years)</u>
Cash	\$ 67,136,679	-
Certificates of deposit	6,145,507	0.33
Government obligations	<u>10,030,667</u>	5.00
Total fair value	<u>\$ 83,312,853</u>	
Portfolio weighted average maturity		4.60

*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, 2015, 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, 2015, 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, 2015 in the amount of \$10,030,667 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, 2015

**NOTE D-CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2015
Governmental activities:					
Not being depreciated:					
Land	\$ 10,602,492	\$ 15,000	\$ -	\$ -	\$ 10,617,492
Construction in progress	459,386	2,391,327	(444,266)	(15,121)	2,391,326
Subtotal	<u>11,061,878</u>	<u>2,406,327</u>	<u>(444,266)</u>	<u>(15,121)</u>	<u>13,008,818</u>
Other capital assets:					
Improvements	17,852,446	466,173	-	-	18,318,619
Infrastructure	106,427,579	1,614,507	444,266	-	108,486,352
Buildings	23,338,855	-	-	-	23,338,855
Machinery and equipment	4,198,234	503,445	-	(76,818)	4,624,861
Vehicles	6,144,039	1,109,737	(40,244)	(170,969)	7,042,563
Subtotal	<u>157,961,153</u>	<u>3,693,862</u>	<u>404,022</u>	<u>(247,787)</u>	<u>161,811,250</u>
Accumulated depreciation:					
Improvements	7,323,242	973,451	-	-	8,296,693
Infrastructure	63,952,479	2,263,860	-	-	66,216,339
Buildings	8,539,151	782,616	-	-	9,321,767
Machinery and equipment	2,888,433	477,812	18	(76,532)	3,289,731
Vehicles	4,992,876	606,128	(40,244)	(170,969)	5,387,791
Subtotal	<u>87,696,181</u>	<u>5,103,867</u>	<u>(40,226)</u>	<u>(247,501)</u>	<u>92,512,321</u>
Net other assets	<u>70,264,972</u>	<u>(1,410,005)</u>	<u>444,248</u>	<u>(286)</u>	<u>69,298,929</u>
Net capital assets	<u>\$ 81,326,850</u>	<u>\$ 996,322</u>	<u>\$ (18)</u>	<u>\$ (15,407)</u>	<u>\$ 82,307,747</u>

\*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 2,027,619
Police	2,501,427
Fire	270,376
Public services	304,445
Total governmental activities depreciation expense	<u>\$ 5,103,867</u>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

	Balance June 30, 2014	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2015
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	-	52,763	-	-	52,763
Subtotal	<u>4,785,542</u>	<u>52,763</u>	<u>-</u>	<u>-</u>	<u>4,838,305</u>
Other capital assets:					
Water and sewer system	43,355,488	1,586,227	(39,533)	-	44,902,182
Improvements	581,199	-	-	-	581,199
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	966,519	90,001	40,244	(59,989)	1,036,775
Computer upgrade	56,396	-	-	-	56,396
Water meters	1,604,669	8,079	-	-	1,612,748
Machinery and equipment	1,907,465	137,637	38,577	(125,813)	1,957,866
Subtotal	<u>52,672,233</u>	<u>1,821,944</u>	<u>39,288</u>	<u>(185,802)</u>	<u>54,347,663</u>
Accumulated depreciation:					
Water and sewer system	23,196,397	1,159,553	19,843	-	24,375,793
Improvements	321,560	68,489	-	-	390,049
Buildings	751,223	134,931	-	-	886,154
Vehicles	818,202	77,257	40,244	(59,989)	875,714
Computer upgrade	56,396	-	-	-	56,396
Water meters	746,191	113,208	-	-	859,399
Machinery and equipment	1,434,199	200,781	(19,843)	(119,101)	1,496,036
Subtotal	<u>27,324,168</u>	<u>1,754,219</u>	<u>40,244</u>	<u>(179,090)</u>	<u>28,939,541</u>
Net other assets	<u>25,348,065</u>	<u>67,725</u>	<u>(956)</u>	<u>(6,712)</u>	<u>25,408,122</u>
Net assets	<u>\$ 30,133,607</u>	<u>\$ 120,488</u>	<u>\$ (956)</u>	<u>\$ (6,712)</u>	<u>\$ 30,246,427</u>

\*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,424,704
Golf Course	329,515
Total proprietary activities depreciation expense	<u>\$ 1,754,219</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 \$29,912 for the year ended June 30, 2015. The future minimum lease payments for this lease are as follows:

**CITY OF FLORENCE, KENTUCKY**  
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Year Ended June 30	Amount
2016	\$ 22,434
2017	-
2018	-
2019	-
2020	-
Totals	\$ <u>22,434</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, 2015, are as follows:

Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 5,780,000
Land-Series 2011 refunding	2.00-3.375%	2,980,000
Land-Series 2012 refunding	2.00-3.80%	2,350,000
General obligation refunding bonds(Series 2015)	1.00-2.50%	6,100,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	1,630,000
		\$ <u>18,840,000</u>
<b>Proprietary Fund Debt</b>		
Water and Sewer System	1.45-2.50%	2,020,000
Golf Course	4.375%	730,000
		\$ <u>2,750,000</u>

**CITY OF FLORENCE, KENTUCKY****NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

The following is a schedule of future debt service requirements to maturity at June 30, 2015 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2015, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 250,000	\$ 179,169	\$ 130,000	\$ 78,056
2017	255,000	174,119	130,000	75,456
2018	260,000	168,968	130,000	72,856
2019	265,000	163,388	135,000	70,006
2020	275,000	156,625	135,000	67,506
2021-2025	1,505,000	653,994	735,000	292,097
2026-2030	1,755,000	396,281	825,000	189,053
2031-2034	1,215,000	50,573	760,000	52,022
<b>Total Debt Service</b>	<b>\$ 5,780,000</b>	<b>\$ 1,943,117</b>	<b>\$ 2,980,000</b>	<b>\$ 897,052</b>

Fiscal Year June 30,	2008B GO Bonds		2015 GO Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 100,000	\$ 59,855	\$ 465,000	\$ 113,400
2017	105,000	56,655	470,000	108,750
2018	105,000	53,295	475,000	104,050
2019	110,000	49,935	485,000	96,925
2020	115,000	46,085	490,000	89,650
2021-2025	640,000	165,935	2,595,000	296,787
2026-2028	455,000	37,000	1,120,000	40,738
<b>Total Debt Service</b>	<b>\$ 1,630,000</b>	<b>\$ 468,760</b>	<b>\$ 6,100,000</b>	<b>\$ 850,300</b>

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2016	\$ 100,000	\$ 72,045
2017	100,000	70,045
2018	95,000	68,095
2019	100,000	66,145
2020	105,000	63,833
2021-2025	560,000	274,650
2026-2030	660,000	175,470
2031-2034	630,000	48,830
<b>Total Debt Service</b>	<b>\$ 2,350,000</b>	<b>\$ 839,113</b>

**CITY OF FLORENCE, KENTUCKY**  
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June 30, 2015

The City's proprietary fund debt service requirements to maturity at June 30, 2015 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System		2008A Golf Course	
	Principal	Interest	Principal	Interest
2016	\$ 210,000	\$ 33,405	\$ 350,000	\$ 31,938
2017	215,000	30,324	380,000	16,624
2018	220,000	27,170	-	-
2019	220,000	23,980	-	-
2020	225,000	20,754	-	-
2021-2024	<u>930,000</u>	<u>45,826</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>\$ 2,020,000</u>	<u>\$ 181,459</u>	<u>\$ 730,000</u>	<u>\$ 48,562</u>

*Conduit Debt*

The City has issued General Obligation Bonds to provide assistance to the Northern Kentucky Area Development District for the construction of a facility deemed to be in the public interest. The bonds are secured by the property financed. Upon repayment of the bonds ownership transfers to the entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2015 the bonds outstanding were \$2,295,000.

*Changes in Governmental-Type Long-Term Liabilities*

During the year ended June 30, 2015, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2014	Additions	Retirements	June 30, 2015	Amounts Due Within One Year
Compensated absences	\$ 1,150,246	\$ 407,068	\$ (811,934)	\$ 745,380	\$ 700,000
Bonds payable:					
Series 2003A	90,000	-	(90,000)	-	-
Series 2005A	6,445,000	-	(6,445,000)	-	-
Series 2008B	1,725,000	-	(95,000)	1,630,000	100,000
Series 2010	6,030,000	-	(250,000)	5,780,000	250,000
Series 2011	3,015,000	-	(35,000)	2,980,000	130,000
Series 2012	2,450,000	-	(100,000)	2,350,000	100,000
Series 2015	-	6,195,000	(95,000)	6,100,000	465,000
Totals	<u>\$ 20,905,246</u>	<u>\$ 6,602,068</u>	<u>\$ (7,921,934)</u>	<u>\$ 19,585,380</u>	<u>\$ 1,745,000</u>

**CITY OF FLORENCE, KENTUCKY**  
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Compensated absences are liquidated by the general fund.

The government-wide statement of net assets includes \$1,745,000 of long-term liabilities due within one year for governmental activities and \$620,000 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, 2015 was as follows:

	Balance June 30, 2014	Additions	Retired	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 180,000	\$ -	\$ (180,000)	\$ -	\$ -
Bonds payable-water/sewer	2,050,000	-	(30,000)	2,020,000	210,000
Compensated absences	102,494	76,145	(108,316)	70,323	60,000
Bonds payable-golf course	1,070,000	-	(340,000)	730,000	350,000
	<u>\$ 3,402,494</u>	<u>\$ 76,145</u>	<u>\$ (658,316)</u>	<u>\$ 2,820,323</u>	<u>\$ 620,000</u>

**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**

*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 (KRS) 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.

*General Information about the Pension Plan*

*Plan Description* - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each county, city, and school board, and any additional eligible local agencies electing to participate in CERS. 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. Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided

**CITY OF FLORENCE, KENTUCKY**  
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annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5%.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2014, the COLA was not granted.

*Non-hazardous Benefits* – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

*Hazardous Benefits* – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months or service or a member with 25 years of service, may retire with no reduction in benefits. In addition, a member, age 60, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

*Non-hazardous Contributions* - For the year ended June 30, 2015, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. 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

**CITY OF FLORENCE, KENTUCKY**  
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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, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2015 was 17.67% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the non-hazardous pension plan from the City were \$709,653 for the year ended June 30, 2015.

*Hazardous Contributions* - For the year ended June 30, 2015, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. 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, 2015, participating employers contributed 34.31% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2015 was 34.31% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

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In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute 8% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the hazardous pension plan from the City were \$2,545,784 for the year ended June 30, 2015.

*Insurance Benefits*

*Plan Description* – The Kentucky Retirement Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS and SPRS. The Fund pays a prescribed contribution for the whole or partial payment of required premiums to purchase hospital and medical insurance. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

*Insurance Benefits* – For members participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or More	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits

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are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

*Insurance Contributions* – In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve a target rate for the full entry age normal funding within 20 years.

KRS commenced self-funding of healthcare benefits for its Medicare eligible retirees on January 1, 2006. A self-funded plan is one in which KRS assumes the financial risk for providing healthcare benefits to its retirees. The self-funded plan pays for claims out-of-pocket as they are presented instead of paying a pre-determined premium to an insurance carrier for a fully-insured plan. KRS funds the risk of its self-insured program directly from its insurance assets.

On August 6, 2012, the board voted to cease self-funding of healthcare benefits for most KRS Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the City reported a liability of \$5,584,305 for its proportionate share of the net pension liability for non-hazardous and \$16,541,007 for hazardous. The City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.17 percent for non-hazardous and 1.38 percent for hazardous.

For the year ended June 30, 2015, the City recognized pension expense of \$621,253 for non-hazardous and \$2,163,297 for hazardous. At June 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

	GENERAL		WATER AND SEWER	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,630,544	-	169,550
Changes in proportion and difference between City contributions and proportionate share of contributions	-	-	-	-
City contributions subsequent to the measurement date	3,014,155	-	241,282	-
<b>Total</b>	<b>\$ 3,014,155</b>	<b>\$ 1,630,544</b>	<b>\$ 241,282</b>	<b>\$ 169,550</b>

The \$3,014,155 and \$241,282 reported as deferred outflows of resources relating to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	General		Water and
	Hazardous	Nonhazardous	Sewer
2016	\$ (325,355)	\$ (82,374)	\$ (42,295)
2017	(325,355)	(82,374)	(42,295)
2018	(325,355)	(82,374)	(42,295)
2019	(325,355)	(82,374)	(42,295)
2020	-	-	-
<b>Totals</b>	<b>(1,301,420)</b>	<b>(329,496)</b>	<b>(169,180)</b>

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

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The rates of mortality for the period after the service retirement are according to the 1983 Group

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

Annuity Mortality Table for all retired member and beneficiaries as of June 30, 2006 and the 1994 Group Annuity mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on results of an actuarial experience study for the period July 1, 2005-June 30, 2008.

The long-term expected return on system assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	11.25%
Real estate	5%	7.00%
Core US fixed income	10%	5.25%
High yield US fixed income	5%	7.25%
Non US fixed income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

*Discount Rate* – The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2016.

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The discount rate used to measure the total pension liability for the system was 7.75% for both, nonhazardous and hazardous. The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate for non-hazardous and (6.75%) or one percentage point higher (8.75%) than the current rate for hazardous (\$ thousands):

CERS	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Non-hazardous	\$ 4,269,383	\$ 3,244,376	\$ 2,338,760
Hazardous	\$ 1,572,178	\$ 1,201,824	\$ 887,365

*Pension Plan Fiduciary Net Position* – Detailed information about the plan's fiduciary net position is available in the separately issued CERS financial report.

**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.

**NOTE J-INTERFUND TRANSACTIONS**

A summary of the interfund account balances is as follows:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

Due from/to other Funds		Amount
<u>Receivable Funds(s)</u>	<u>Payable Fund(s)</u>	
General	Water and sewer	\$ 17,572
Infrastructure	General	(94,698)
Total		<u>\$ (77,126)</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.

Transfers in/out		Amount
General	Municipal aid/LGEA	\$ 125,000
General	Infrastructure	1,500,000
General	Aquatic center	200,000
General	Golf Course	100,000
Total		<u>\$ 1,925,000</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, 2015, the City made the following annual transfers:

- 1) A transfer of \$125,000 was made from the general fund to the special revenue fund for annual funding amounts for snow removal.
- 2) A transfer of \$1,500,000 was made from the general fund to the infrastructure fund to provide funding for the initial infrastructure for a retail development on Mall Road..
- 3) A transfer of \$200,000 was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.
- 4) A transfer of \$100,000 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 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 \$60,000 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

**CITY OF FLORENCE, KENTUCKY****NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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 \$157,887 reported in the fund at June 30, 2015, 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,
2012-2013	\$ 160,972	\$ 2,666,124	\$ 2,796,983	\$ 30,113
2013-2014	\$ 30,113	\$ 1,950,897	\$ 1,817,647	\$ 163,363
2014-2015	\$ 163,363	\$ 2,146,750	\$ 2,152,226	\$ 157,887

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2015, 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, 2015, the City had the following commitments with respect to the following projects:

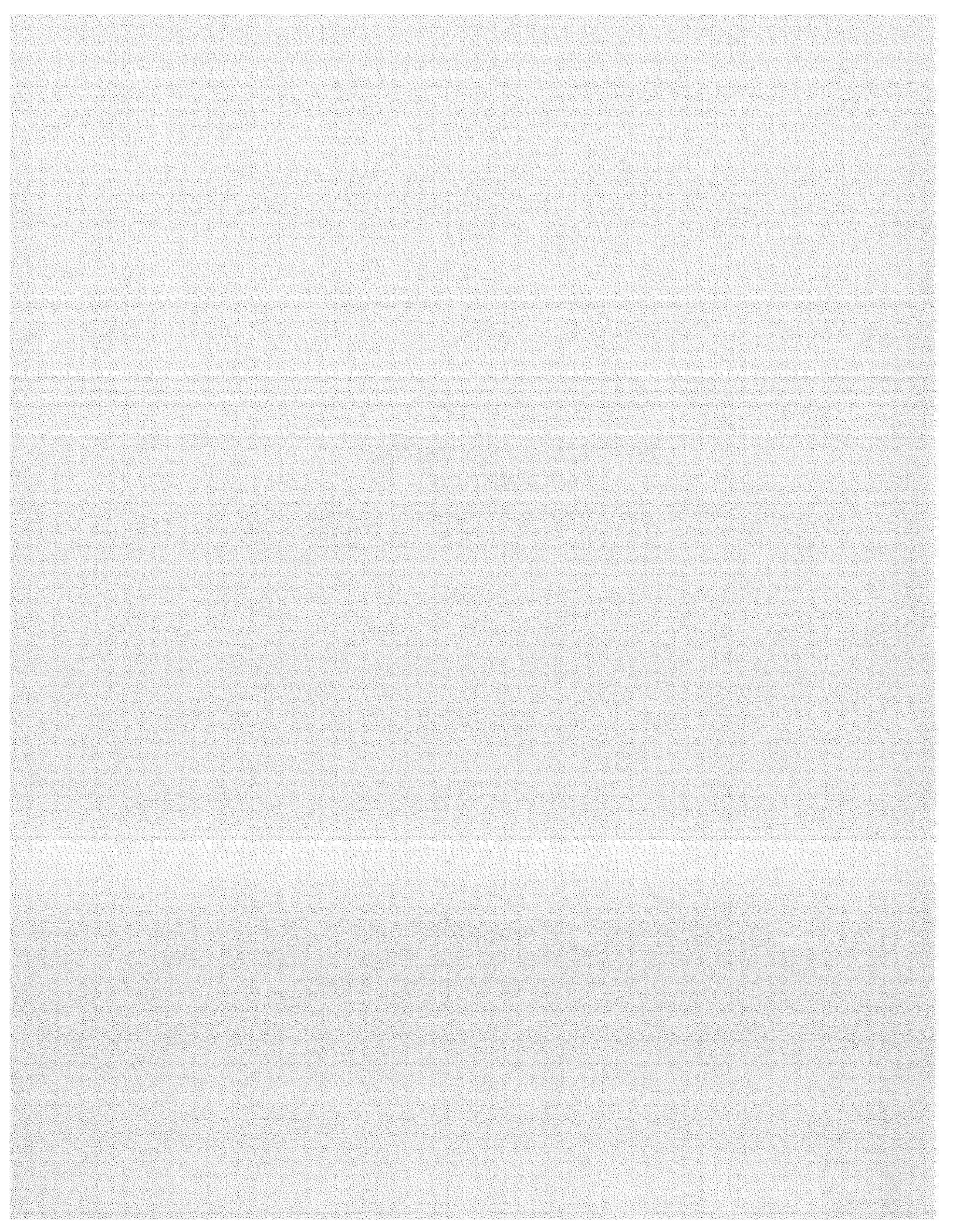
<u>Projects</u>	<u>Commitments</u>
Mall Road Development	\$2,750,000

**NOTE M-PRIOR PERIOD ADJUSTMENT**

The city was required to adopt GASB Statement 68, "Accounting and Financial reporting for Pensions, an amendment of GASB Statement No. 27" during fiscal year 2015. As a result of that adoption, a prior period adjustment was made to record the beginning net pension liability amounts.

**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.



**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 45,813,145	\$ 49,834,282	\$ 49,834,282	\$ -
<b>Resources (inflows):</b>				
Taxes:				
Property	7,100,000	7,100,000	7,248,021	148,021
Franchise	530,000	530,000	525,169	(4,831)
Bank deposit	200,000	200,000	185,114	(14,886)
Licenses and permits:				
Payroll license fees	12,800,000	12,800,000	13,435,831	635,831
Gross receipts license fees	2,100,000	2,100,000	2,250,520	150,520
Insurance	4,000,000	4,000,000	4,467,479	467,479
Other	95,000	95,000	113,199	18,199
Intergovernmental	1,045,000	1,056,574	1,101,016	44,442
Fines and forfeitures	186,000	186,000	252,909	66,909
Charges for services	3,664,000	3,664,000	3,742,741	78,741
Interest	175,000	175,000	380,528	205,528
Miscellaneous	83,000	83,000	110,915	27,915
Other financing sources:				
Refunding bonds issued	-	6,250,000	6,249,494	(506)
Amounts available for appropriation	77,791,145	88,073,856	89,897,218	1,823,362
<b>Charges to appropriations (outflows):</b>				
Administration:				
Personnel	1,021,550	1,021,550	1,000,488	21,062
Contractual	930,000	930,000	700,660	229,340
Operating/Maintenance	441,000	441,000	419,577	21,423
Capital outlay	427,875	435,875	380,961	54,914
Total administration	2,820,425	2,828,425	2,501,686	326,739
Police:				
Personnel	6,955,000	7,043,100	6,821,120	221,980
Contractual	30,000	30,000	25,420	4,580
Operating/Maintenance	482,100	482,100	368,863	113,237
Capital outlay	247,992	259,566	254,881	4,685
Total police	7,715,092	7,814,766	7,470,284	344,482
Fire:				
Personnel	6,096,650	6,306,650	6,092,890	213,760
Contractual	161,000	161,000	82,204	78,796
Operating/Maintenance	465,000	465,000	447,625	17,375
Capital outlay	742,600	769,600	704,520	65,080
Total fire	7,465,250	7,702,250	7,327,239	375,011

(Continued)

**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
**For the Year Ended June 30, 2015**

(Continued)

Public services:				
Personnel	\$ 3,259,550	\$ 3,259,550	\$ 3,064,869	\$ 194,681
Contractual	426,000	426,000	396,942	29,058
Operating/Maintenance	1,140,500	1,140,500	1,053,874	86,626
Capital outlay	1,671,000	2,293,500	1,687,324	606,176
Total public services	<u>6,497,050</u>	<u>7,119,550</u>	<u>6,203,009</u>	<u>916,541</u>
Debt service:				
Principal	1,060,000	1,060,000	1,060,000	-
Interest	569,000	569,000	552,712	16,288
Refunding bond issuance costs	-	73,700	73,700	-
Total debt service	<u>1,629,000</u>	<u>1,702,700</u>	<u>1,686,412</u>	<u>16,288</u>
Other financing uses:				
Special revenue	1,825,000	1,825,000	1,825,000	-
Enterprise fund	100,000	100,000	100,000	-
Payment to refunded bond escrow agent	-	6,176,300	6,170,894	5,406
Total other financing uses	<u>1,925,000</u>	<u>8,101,300</u>	<u>8,095,894</u>	<u>5,406</u>
Total charges to appropriations	<u>28,051,817</u>	<u>35,268,991</u>	<u>33,284,524</u>	<u>1,984,467</u>
Budgetary fund balance, June 30	<u>\$ 49,739,328</u>	<u>\$ 52,804,865</u>	<u>\$ 56,612,694</u>	<u>\$ 3,807,829</u>

**CITY OF FLORENCE, KENTUCKY****SCHEDULE OF CITY CONTRIBUTIONS**

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Non-hazardous:		
Contractually required contribution	\$ 745,922	\$ 709,653
Contributions in relation to the contractually required contribution	745,922	709,653
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
City's covered payroll	\$ 3,948,767	\$ 4,474,550
Contributions as a percentage of covered-employee payroll	18.89%	17.67%
Hazardous:		
Contractually required contribution	\$ 2,488,652	2,545,784
Contributions in relation to the contractually required contribution	2,488,652	2,545,784
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
City's covered payroll	\$ 6,971,014	\$ 7,419,947
Contributions as a percentage of covered-employee payroll	35.70%	34.31%

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-**  
**NON-HAZARDOUS AND HAZARDOUS**  
**For the Year Ended June 30, 2015**

	<u>June 30,</u> <u>2014</u>
<b>Non-hazardous:</b>	
City's proportion of the net pension liability	0.17%
City's proportionate share of the net pension liability	\$ 5,584,305
City's covered-employee payroll	\$ 4,016,148
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.05%
Plan fiduciary net position as a percentage of the total pension liability	66.8%
<b>Hazardous:</b>	
City's proportion of the net pension liability	1.38%
City's proportionate share of the net pension liability	\$ 16,541,007
City's covered-employee payroll	\$ 7,419,948
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	222.93%
Plan fiduciary net position as a percentage of the total pension liability	63.4%

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2015**

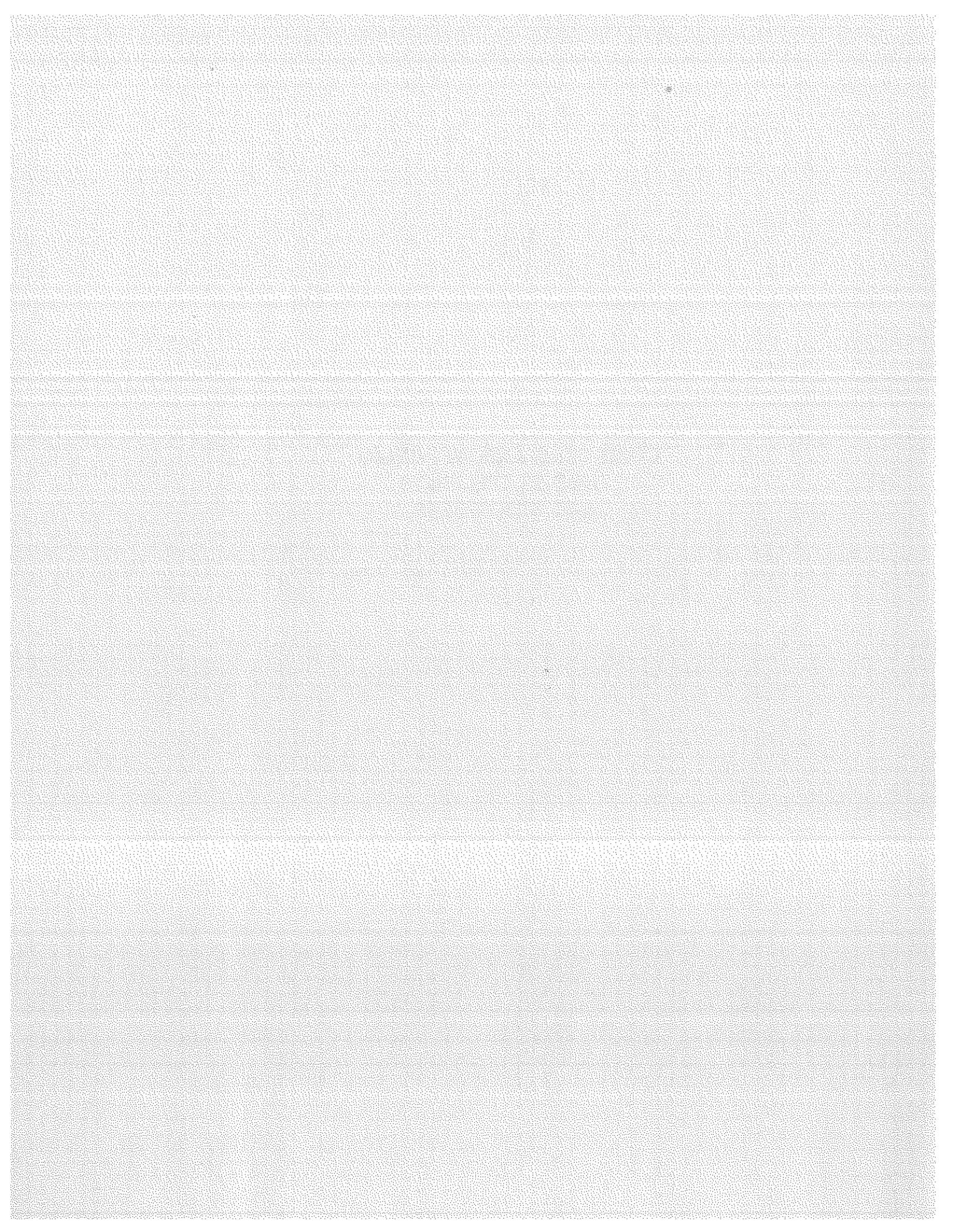
*Valuation dates.* Actuarially determined contribution rates are calculated as of July 1<sup>st</sup> preceeding the fiscal year end in which the contributions are reported.

*Changes in benefit terms.* There were no benefit changes reported in the June 30, 2014 actuarial report.

*Changes in assumptions.* There were no changes in assumptions and methods reported in the June 30, 2014 actuarial report.

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**



**CITY OF FLORENCE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,083,344	\$ 7,159,023	\$ 342,425	\$ 1,411,192	\$ 9,995,984
Intergovernmental receivable	56,790	294,715	-	-	351,505
Due from other funds	-	94,698	-	-	94,698
Accounts receivable	7,440	-	-	-	7,440
Inventory	87,045	-	-	-	87,045
<b>Total assets</b>	<b>\$ 1,234,619</b>	<b>\$ 7,548,436</b>	<b>\$ 342,425</b>	<b>\$ 1,411,192</b>	<b>\$ 10,536,672</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 11,813	\$ 396,531	\$ 1,102	\$ 41,550	\$ 450,996
<b>Total liabilities</b>	<b>11,813</b>	<b>396,531</b>	<b>1,102</b>	<b>41,550</b>	<b>450,996</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	87,045	-	-	-	87,045
<b>Restricted:</b>					
Resurfacing	1,135,761	-	-	-	1,135,761
<b>Assigned to:</b>					
Special revenue fund	-	7,151,905	341,323	1,369,642	8,862,870
<b>Total fund balances</b>	<b>1,222,806</b>	<b>7,151,905</b>	<b>341,323</b>	<b>1,369,642</b>	<b>10,085,676</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,234,619</b>	<b>\$ 7,548,436</b>	<b>\$ 342,425</b>	<b>\$ 1,411,192</b>	<b>\$ 10,536,672</b>

**CITY OF FLORENCE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2015**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ 2,394,698	\$ -	\$ -	\$ 2,394,698
Intergovernmental	713,755	1,780,130	-	-	2,493,885
Charges for services	-	475,000	-	262,706	737,706
Uses of property	-	-	95,545	-	95,545
Interest	3,398	17,373	1,198	3,937	25,906
Miscellaneous	-	-	-	253	253
Total revenues	<u>717,153</u>	<u>4,667,201</u>	<u>96,743</u>	<u>266,896</u>	<u>5,747,993</u>
<b>EXPENDITURES</b>					
Current:					
Police	-	-	165,650	-	165,650
Public Services	586,615	3,772,127	-	541,775	4,900,517
Total expenditures	<u>586,615</u>	<u>3,772,127</u>	<u>165,650</u>	<u>541,775</u>	<u>5,066,167</u>
Excess (deficiency) of revenues over(under) expenditures	<u>130,538</u>	<u>895,074</u>	<u>(68,907)</u>	<u>(274,879)</u>	<u>681,826</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	125,000	1,500,000	-	200,000	1,825,000
Total other financing sources	<u>125,000</u>	<u>1,500,000</u>	<u>-</u>	<u>200,000</u>	<u>1,825,000</u>
Net change in fund balances	255,538	2,395,074	(68,907)	(74,879)	2,506,826
Fund balances - beginning	<u>967,268</u>	<u>4,756,831</u>	<u>410,230</u>	<u>1,444,521</u>	<u>7,578,850</u>
Fund balances - ending	\$ <u><u>1,222,806</u></u>	\$ <u><u>7,151,905</u></u>	\$ <u><u>341,323</u></u>	\$ <u><u>1,369,642</u></u>	\$ <u><u>10,085,676</u></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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 597,556	\$ 967,268	\$ 967,268	\$ -
Resources (inflows):				
Intergovernmental	719,000	719,000	713,755	(5,245)
Interest	2,200	2,200	3,398	1,198
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>1,443,756</u>	<u>1,813,468</u>	<u>1,809,421</u>	<u>(4,047)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>590,200</u>	<u>590,200</u>	<u>586,615</u>	<u>3,585</u>
Total	<u>590,200</u>	<u>590,200</u>	<u>586,615</u>	<u>3,585</u>
Budgetary fund balances, June 30	\$ <u><u>853,556</u></u>	\$ <u><u>1,223,268</u></u>	\$ <u><u>1,222,806</u></u>	\$ <u><u>(462)</u></u>

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL-INFRASTRUCTURE FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 2,997,896	\$ 4,756,831	\$ 4,756,831	\$ -
Resources (inflows):				
Licenses and permits	2,200,000	2,200,000	2,394,698	194,698
Intergovernmental revenue	2,000,000	2,750,000	1,780,130	(969,870)
Charges for services	475,000	475,000	475,000	-
Interest	5,000	5,000	17,373	12,373
Transfer in	1,500,000	1,500,000	1,500,000	-
Amounts available for appropriation	<u>9,177,896</u>	<u>11,686,831</u>	<u>10,924,032</u>	<u>(762,799)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>5,135,000</u>	<u>5,885,000</u>	<u>3,772,127</u>	<u>2,112,873</u>
Total	<u>5,135,000</u>	<u>5,885,000</u>	<u>3,772,127</u>	<u>2,112,873</u>
Budgetary fund balances, June 30	\$ <u>4,042,896</u>	\$ <u>5,801,831</u>	\$ <u>7,151,905</u>	\$ <u>1,350,074</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 315,770	\$ 315,770	\$ 410,230	\$ 94,460
Resources (inflows):				
Uses of property	25,000	25,000	95,545	70,545
Interest	900	900	1,198	298
Amounts available for appropriation	<u>341,670</u>	<u>341,670</u>	<u>506,973</u>	<u>165,303</u>
Charges to appropriations (outflows):				
Current:				
Police	201,335	201,335	165,650	35,685
Total	<u>201,335</u>	<u>201,335</u>	<u>165,650</u>	<u>35,685</u>
Budgetary fund balances, June 30	\$ <u>140,335</u>	\$ <u>140,335</u>	\$ <u>341,323</u>	\$ <u>200,988</u>

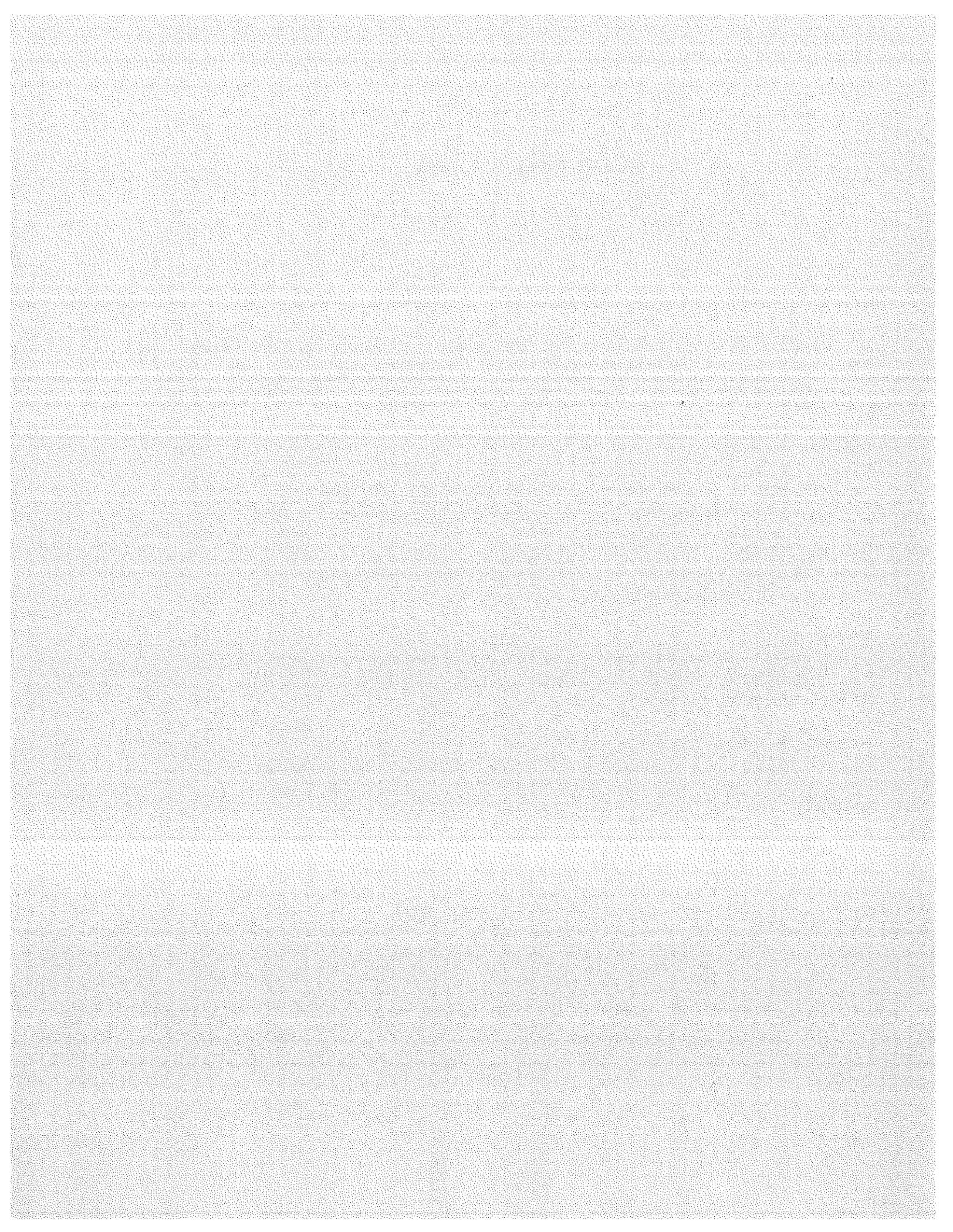
**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE-BUDGET AND ACTUAL-AQUATIC CENTER FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,468,783	\$ 1,468,783	\$ 1,444,521	\$ (24,262)
Resources (inflows):				
Memberships	50,000	50,000	44,277	(5,723)
Daily Admissions	225,000	225,000	189,188	(35,812)
Programs	19,000	19,000	23,397	4,397
Concessions	15,000	15,000	5,122	(9,878)
Locker Rental	800	800	722	(78)
Interest	4,800	4,800	3,937	(863)
Miscellaneous	500	500	253	(247)
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>1,983,883</u>	<u>1,983,883</u>	<u>1,911,417</u>	<u>(72,466)</u>
Charges to appropriations (outflows):				
Public services				
Management contract	380,000	380,000	359,000	21,000
Utilities	157,700	157,700	92,849	64,851
Repairs and maintenance	45,000	45,000	42,347	2,653
Supplies	1,000	1,000	1,961	(961)
Bank service charges	6,500	6,500	5,063	1,437
Miscellaneous	3,750	3,750	4,581	(831)
Capital	35,000	35,000	35,974	(974)
Total	<u>628,950</u>	<u>628,950</u>	<u>541,775</u>	<u>87,175</u>
Budgetary fund balances, June 30	\$ <u>1,354,933</u>	\$ <u>1,354,933</u>	\$ <u>1,369,642</u>	\$ <u>14,709</u>

## 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.

<b>CONTENTS</b>	<b>PAGE</b>
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.	69
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	76
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.	81
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.	86
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.	88



**CITY OF FLORENCE, KENTUCKY**

**Net Position by Component**

**Last Ten Fiscal Years**

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GOVERNMENTAL ACTIVITIES</b>										
Invested in capital assets	\$ 69,947	\$ 69,825	\$ 69,163	\$ 48,629	\$ 47,198	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572	\$ 63,468
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,061	18,543	28,011	35,364	42,903	46,679	53,466	63,305	70,967	62,295
Total governmental activities net assets	\$ 85,008	\$ 88,368	\$ 97,174	\$ 83,993	\$ 90,101	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539	\$ 125,763
<b>BUSINESS-TYPE ACTIVITIES</b>										
Invested in capital assets	18,711	19,096	19,508	19,651	22,638	26,175	26,659	26,695	26,833	27,496
Restricted	463	266	469	473	265	479	248	248	248	-
Unrestricted	5,713	5,860	5,387	5,684	5,900	6,995	7,279	8,050	8,678	6,949
Total business-type activities net assets	\$ 24,887	\$ 25,222	\$ 25,364	\$ 25,808	\$ 28,803	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759	\$ 34,445
<b>PRIMARY GOVERNMENT</b>										
Invested in capital assets	88,658	88,921	88,671	68,280	69,836	79,275	85,975	86,431	88,405	90,964
Restricted	463	266	469	473	265	479	248	248	248	-
Unrestricted	20,774	24,403	33,398	41,048	48,803	53,674	60,745	71,355	79,645	69,244
Total primary government net assets	\$ 109,895	\$ 113,590	\$ 122,538	\$ 109,801	\$ 118,904	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298	\$ 160,208

**CITY OF FLORENCE, KENTUCKY**

**Changes in Net Position  
Last Ten Fiscal Years**

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

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities:</b>										
Administration	\$ 3,051	\$ 3,315	\$ 3,150	\$ 3,405	\$ 3,423	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417	\$ 3,698
Police	5,470	5,556	6,338	6,994	6,436	8,944	6,969	7,303	7,147	8,462
Fire	4,619	4,796	5,449	5,559	6,595	5,386	6,431	6,136	6,042	5,940
Public services	6,182	6,907	8,429	8,443	7,572	7,087	8,226	8,316	9,387	6,657
Parks and recreation	195	-	-	-	-	-	-	-	-	-
Economic development	353	517	412	908	-	-	-	-	-	-
Other agencies	800	830	813	-	-	-	-	-	-	-
Interest on long-term debt	1,228	1,133	1,211	1,101	1,089	1,426	1,497	755	709	768
<b>Total governmental activities</b>	<b>21,898</b>	<b>23,054</b>	<b>25,802</b>	<b>26,410</b>	<b>25,115</b>	<b>26,092</b>	<b>26,421</b>	<b>26,544</b>	<b>26,702</b>	<b>25,525</b>
<b>Business-type activities:</b>										
Water and sewer service	6,825	6,828	7,340	7,214	7,346	7,616	7,727	7,571	7,694	7,847
Golf course	942	855	905	860	784	920	1,303	1,312	1,355	1,335
<b>Total business-type activities</b>	<b>7,767</b>	<b>7,683</b>	<b>8,245</b>	<b>8,074</b>	<b>8,130</b>	<b>8,536</b>	<b>9,030</b>	<b>8,883</b>	<b>9,049</b>	<b>9,182</b>
<b>Total primary government expense</b>	<b>\$ 29,665</b>	<b>\$ 30,737</b>	<b>\$ 34,047</b>	<b>\$ 34,484</b>	<b>\$ 33,245</b>	<b>\$ 34,628</b>	<b>\$ 35,451</b>	<b>\$ 35,427</b>	<b>\$ 35,751</b>	<b>\$ 34,707</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Administration	\$ 560	\$ 562	\$ 668	\$ 691	\$ 939	\$ 877	\$ 887	\$ 784	\$ 790	\$ 817
Fire	2,181	2,344	2,504	2,758	2,586	2,754	2,658	2,791	2,540	2,887
Public services	820	834	1,068	1,088	1,065	1,094	1,102	999	1,051	1,021
Parks and recreation	-	-	-	-	-	-	-	-	-	-
Other activities	19	20	20	18	17	30	16	10	22	9
Operating grants and contributions	439	473	602	640	808	551	546	2,132	688	1,037
Capital grants and contributions	581	1,332	667	1,890	2,501	6,806	5,027	734	1,114	2,558
<b>Total governmental activities program revenues</b>	<b>4,600</b>	<b>5,585</b>	<b>5,529</b>	<b>7,085</b>	<b>7,916</b>	<b>12,112</b>	<b>10,236</b>	<b>7,450</b>	<b>6,205</b>	<b>8,329</b>
<b>Business-type activities:</b>										
Charges for services:										
Water and sewer service	6,920	6,642	7,120	7,106	7,586	8,084	8,179	8,361	8,466	8,548
Golf course	996	945	850	753	588	709	1,250	1,206	1,226	1,155
Capital grants and contributions	-	50	80	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>7,916</b>	<b>7,637</b>	<b>8,050</b>	<b>7,859</b>	<b>8,174</b>	<b>8,793</b>	<b>9,429</b>	<b>9,567</b>	<b>9,692</b>	<b>9,703</b>
<b>Total primary government program revenues</b>	<b>\$ 12,516</b>	<b>\$ 13,222</b>	<b>\$ 13,579</b>	<b>\$ 14,944</b>	<b>\$ 16,090</b>	<b>\$ 20,905</b>	<b>\$ 19,665</b>	<b>\$ 17,017</b>	<b>\$ 15,897</b>	<b>\$ 18,032</b>
<b>Net (expense)/revenue</b>										
<b>Governmental activities:</b>	<b>\$ (17,298)</b>	<b>\$ (17,469)</b>	<b>\$ (20,273)</b>	<b>\$ (19,325)</b>	<b>\$ (17,199)</b>	<b>\$ (13,980)</b>	<b>\$ (16,185)</b>	<b>\$ (19,094)</b>	<b>\$ (20,497)</b>	<b>\$ (17,196)</b>
<b>Business-type activities:</b>	<b>149</b>	<b>(46)</b>	<b>(195)</b>	<b>(215)</b>	<b>44</b>	<b>257</b>	<b>399</b>	<b>684</b>	<b>643</b>	<b>521</b>
<b>Total primary government, net expense</b>	<b>\$ (17,149)</b>	<b>\$ (17,515)</b>	<b>\$ (20,468)</b>	<b>\$ (19,540)</b>	<b>\$ (17,155)</b>	<b>\$ (13,723)</b>	<b>\$ (15,786)</b>	<b>\$ (18,410)</b>	<b>\$ (19,854)</b>	<b>\$ (16,675)</b>

(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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Taxes:										
Property taxes, levied for										
general purposes	\$ 6,003	\$ 6,085	\$ 7,057	\$ 7,258	\$ 7,341	\$ 7,194	\$ 7,197	\$ 6,999	\$ 6,982	\$ 7,328
Public service taxes	614	515	562	544	579	555	521	521	562	525
Taxes, levied for bank deposits	141	170	181	184	211	207	194	183	209	185
Payroll license	7,748	7,931	13,114	13,115	13,373	14,077	14,912	14,872	15,119	15,831
Gross receipts license	1,766	1,749	2,183	1,944	2,048	1,964	2,158	2,235	2,099	2,250
Insurance premium	2,683	2,897	4,150	4,050	3,659	3,579	3,751	4,098	4,275	4,467
Other	104	97	106	103	97	101	105	126	89	113
Uses of property	110	218	176	373	45	89	40	116	98	95
Interest	564	922	868	531	351	292	291	177	540	292
Miscellaneous	330	310	227	4,331	132	144	120	125	121	122
Transfers	(100)	(65)	454	(500)	(4,529)	(4,545)	(100)	(100)	(100)	(100)
Total governmental activities	19,963	20,829	29,078	31,933	23,307	23,657	29,189	29,352	29,994	31,108
Business-type activities										
Investment earnings	212	316	249	122	48	54	38	22	23	24
Capital contributions	-	-	-	-	1,773	3,745	-	-	-	-
Transfers	100	65	125	500	1,129	789	100	100	100	100
Total business-type activities	312	381	374	622	2,950	4,588	138	122	123	124
Total primary government	\$ 20,275	\$ 21,210	\$ 29,452	\$ 32,555	\$ 26,257	\$ 28,245	\$ 29,327	\$ 29,474	\$ 30,117	\$ 31,232
<b>Change in net assets</b>										
Governmental activities	\$ 2,665	\$ 3,360	\$ 8,805	\$ 12,608	\$ 6,108	\$ 9,677	\$ 13,004	\$ 10,258	\$ 9,497	\$ 13,912
Business-type activities	461	335	179	407	2,994	4,845	537	806	766	645
Total primary government	\$ 3,126	\$ 3,695	\$ 8,984	\$ 13,015	\$ 9,102	\$ 14,522	\$ 13,541	\$ 11,064	\$ 10,263	\$ 14,557

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

Fiscal Year	Property Tax	Franchise Tax	Bank Deposit Tax	Payroll License Tax	Gross Receipts Tax	Insurance Premium Tax
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
2013	7,003,025	420,742	183,325	14,871,599	2,235,304	4,098,294
2014	7,112,868	562,203	209,289	15,119,231	2,098,956	4,274,919
2015	7,248,021	525,169	185,114	15,830,529	2,250,520	4,467,479

**CITY OF FLORENCE, KENTUCKY**

**Fund balances of Governmental Funds**

**Last Ten Fiscal Years**

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>GENERAL FUND</b>										
Reserved	\$ 521	\$ 496	\$ 551	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,728	8,127	15,802	19,235	-	-	-	-	-	-
Nonspendable	-	-	-	-	395	254	483	490	472	548
Committed to	-	-	-	-	5,500	6,500	7,000	7,000	7,000	7,000
Assigned to	-	-	-	-	8,505	6,440	3,290	3,590	-	-
Unassigned	-	-	-	-	17,506	21,743	29,320	34,929	42,362	49,065
<b>Total general fund</b>	<b>\$ 8,249</b>	<b>\$ 8,623</b>	<b>\$ 16,353</b>	<b>\$ 19,669</b>	<b>\$ 31,906</b>	<b>\$ 34,937</b>	<b>\$ 40,093</b>	<b>\$ 46,009</b>	<b>\$ 49,834</b>	<b>\$ 56,613</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ 55	\$ 57	\$ 46	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,351	6,750	7,531	10,486	-	-	-	-	-	-
Capital projects funds	3,398	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	63	63	68	71	71	87
Restricted	-	-	-	-	266	413	508	599	895	1,136
Assigned to	-	-	-	-	1,593	1,461	1,924	3,973	6,612	8,863
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 4,804</b>	<b>\$ 6,807</b>	<b>\$ 7,577</b>	<b>\$ 10,587</b>	<b>\$ 1,922</b>	<b>\$ 1,937</b>	<b>\$ 2,500</b>	<b>\$ 4,643</b>	<b>\$ 7,578</b>	<b>\$ 10,086</b>

**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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Taxes	\$ 6,571	\$ 6,997	\$ 7,817	\$ 7,927	\$ 8,148	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884	\$ 7,958
Licenses and permits	12,301	12,675	19,553	19,212	19,177	19,721	20,926	21,332	21,582	22,662
Intergovernmental	1,020	1,805	1,269	2,530	3,308	7,357	5,573	2,866	1,802	3,595
Fines and forfeitures	134	157	241	219	278	253	264	247	198	253
Charges for services	3,425	3,623	4,020	4,336	4,329	4,503	4,399	4,363	4,206	4,480
Uses of property	110	218	176	373	45	89	40	116	98	96
Interest	496	748	708	458	351	292	229	177	509	406
Miscellaneous	410	475	136	109	132	144	120	85	121	111
Total revenues	24,467	26,698	33,920	35,164	35,768	40,344	39,247	36,893	36,400	39,561
<b>EXPENDITURES</b>										
Current:										
Administration	2,534	2,578	2,438	2,377	2,532	2,052	2,606	2,630	2,402	2,502
Police	5,708	6,073	6,595	7,289	7,326	7,166	7,125	7,506	7,469	7,636
Fire	4,893	5,638	5,464	5,615	6,915	5,725	6,242	6,042	6,188	7,327
Public services	5,697	6,517	7,533	8,200	8,781	15,749	15,073	9,844	11,771	11,103
Parks and recreation	292	-	-	-	-	-	-	-	-	-
Economic development	354	518	412	2,539	-	-	-	-	-	-
Other agencies	800	830	812	-	-	-	-	-	-	-
Capital outlay	58	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,096	1,259	1,401	1,224	1,055	1,230	1,195	1,000	1,020	1,060
Interest	1,253	1,202	1,289	1,094	1,057	1,398	1,263	711	690	553
Cost of issuance	-	-	-	-	-	74	114	-	-	74
Total expenditures	22,685	24,615	25,944	28,338	27,666	33,394	33,618	27,733	29,540	30,255
Excess(deficiency) of revenues over(under) expenditures	1,782	2,083	7,976	6,826	8,102	6,950	5,629	9,160	6,860	9,306

(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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>OTHER FINANCING SOURCES(USES)</b>										
Refunding bonds issued	-	-	2,255	-	-	6,720	5,640	-	-	6,250
Lease proceeds	-	360	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	(93)	-	-	-
Payment to refunded bond escrow agent	-	-	(2,185)	-	-	(6,080)	(5,020)	-	-	(6,171)
Transfers in	5,123	10,010	6,859	9,675	9,023	325	988	1,325	1,825	1,825
Transfers out	(5,223)	(10,075)	(6,405)	(10,175)	(13,552)	(4,870)	(1,425)	(2,425)	(1,925)	(1,925)
Total other financing sources and uses	(100)	295	524	(500)	(4,529)	(3,905)	90	(1,100)	(100)	(21)
Net change in fund balances	<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>	<u>8,060</u>	<u>6,760</u>	<u>9,285</u>

Debt service as a percentage of noncapital expenditures

	11.90%	12.95%	12.74%	15.47%	10.37%	11.40%	11.40%	7.28%	7.76%	7.51%
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(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)

<u>Fiscal Year</u>		<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Bank Deposit Tax</u>	<u>Total</u>
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
2013		7,003	521	183	7,707
2014		7,113	562	209	7,884
2015		7,248	525	185	7,958

# 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				
2006	\$ 801,001,216	\$ 1,131,885,454	\$ 215,743,147	\$ 36,092,000	\$ 2,112,537,817	2.24	
2007	873,986,533	1,208,132,976	246,316,002	42,012,600	2,286,422,911	2.38	
2008	933,390,668	1,384,907,492	320,548,655	48,732,800	2,590,114,015	2.46	
2009	994,782,905	1,429,745,754	333,536,812	54,133,600	2,703,931,871	2.53	
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	
2013	1,142,856,422	1,292,878,730	303,628,112	67,354,000	2,672,009,264	2.46	
2014	1,099,827,227	1,364,905,691	310,617,351	72,792,000	2,702,558,269	2.46	
2015	1,167,812,275	1,321,557,354	358,457,842	74,880,000	2,772,947,471	2.46	

SOURCE: Boone County PVA

NOTE: Property in the city is reassessed every four years. The county assesses property at 100% of fair market value for all types of real and personal property. Tax rates are per \$1,000 assessed value.

**CITY OF FLORENCE, KENTUCKY**

**Property Tax Rates (1)**

**Direct and Overlapping (2) Governments**

Last Ten Fiscal Years

Fiscal Year	Direct Rates			Overlapping Rates				Total Direct and Overlapping Rates				
	Florence	Florence	City of Florence	Boone County	Extension Services	Health	Library					
2006	\$	1.790	\$	0.590	\$	0.180	\$	0.200	\$	0.720	\$	4.430
2007		1.800		0.660		0.190		0.200		0.720		4.560
2008		1.730		0.800		0.190		0.200		0.680		4.590
2009		1.820		0.640		0.160		0.190		0.500		4.330
2010		1.820		0.640		0.160		0.190		0.500		4.330
2011		1.820		0.640		0.160		0.190		0.500		4.330
2012		1.820		0.640		0.160		0.190		0.510		4.360
2013		1.820		0.640		0.180		0.190		0.520		4.400
2014		1.820		0.640		0.180		0.190		0.520		4.400
2015		1.820		0.640		0.180		0.190		0.520		4.400

(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, 2015

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
General Growth	\$ 99,100,000	1	3.57%	\$ 86,900,000	1	4.11%
New Plan Property Holding	37,650,135	2	1.35%	32,881,800	2	1.55%
Turfway Park, LLC	21,900,000	3	0.79%	30,000,000	3	1.42%
Cabot Turfway Ridge 14 LLC	21,500,000	4	0.77%			
IBM Credit Corp	20,302,320	5	0.73%			
Trellises Kentucky	19,410,000	6	0.70%	15,802,500	5	0.75%
Bluegrass RHP	18,000,000	7	0.65%			
Wal-Mart Real Estate	18,000,000	8	0.65%			
GPT Properties Trust	18,000,000	9	0.65%			
ZF Steering	17,033,279	10	0.61%			
Corporex Key Partnership				15,912,000	4	0.75%
Meijer Stores				15,800,000	6	0.75%
Cayton Development				13,680,400	7	0.65%
Beam Associates				12,499,000	8	0.59%
SRC Facilities				12,152,000	9	0.57%
Shelbyville Inc.				12,000,000	10	0.57%
<b>TOTAL</b>	<b>\$ 290,895,734</b>		<b>10.47%</b>	<b>\$ 247,627,700</b>		<b>11.71%</b>

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

Fiscal Year	Total Tax Levy		Current Tax Collections		Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years		Total Collections to Date	
	Amount		Amount				Amount	Years	Amount	Percentage of Collection
2006	\$ 5,563,550	\$	5,452,279	\$	-	97%	-	\$ 5,452,279	98%	
2007	\$ 6,354,149	\$	6,182,681	\$	(102,692)	98%	170,495	\$ 6,353,176	100%	
2008	\$ 7,246,063	\$	7,125,485	\$	(117,326)	99%	115,590	\$ 7,241,075	100%	
2009	\$ 7,463,379	\$	7,280,815	\$	(117,795)	99%	147,295	\$ 7,428,110	100%	
2010	\$ 7,401,426	\$	7,209,530	\$	(125,730)	99%	185,723	\$ 7,395,253	100%	
2011	\$ 7,244,508	\$	7,193,319	\$	(125,186)	99%	35,275	\$ 7,228,594	100%	
2012	\$ 7,190,106	\$	7,015,187	\$	(115,734)	99%	160,567	\$ 7,175,754	100%	
2013	\$ 7,094,090	\$	7,042,131	\$	(121,914)	99%	26,035	\$ 7,068,166	100%	
2014	\$ 7,180,243	\$	7,110,763	\$	(125,342)	99%	55,165	\$ 7,165,928	100%	
2015	\$ 7,274,130	\$	7,102,792	\$	(128,458)	99%	-	\$ 7,102,792	98%	

**CITY OF FLORENCE, KENTUCKY**  
**Ratios of Outstanding Debt by Type**

Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities				Business-Type Activities				Total	
	General		Public		Water		Public		Capital Leases	Primary Government
	Obligations Bonds	Properties Bonds	Capital Leases	Sewer Bonds	Water Bonds	Properties/GO Bonds	Capital Leases			
2006	\$ 24,280,000	\$ 2,470,000	\$ 698,970	\$ -	\$ 3,395,000	\$ 3,230,000	\$ 83,270	\$ 34,157,242	\$ 1,304	
2007	\$ 23,640,000	\$ 2,185,000	\$ 724,598	\$ -	\$ 3,255,000	\$ 3,000,000	\$ 63,063	\$ 32,867,663	\$ 1,230	
2008	\$ 25,000,000	\$ -	\$ 218,630	\$ -	\$ 3,110,000	\$ 2,885,000	\$ 41,791	\$ 31,255,423	\$ 1,145	
2009	\$ 23,995,000	\$ -	\$ -	\$ -	\$ 2,960,000	\$ 2,580,000	\$ 24,534	\$ 29,559,536	\$ 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	
2013	\$ 20,775,000	\$ -	\$ -	\$ -	\$ 2,430,000	\$ 1,395,000	\$ -	\$ 24,600,000	\$ 791	
2014	\$ 19,755,000	\$ -	\$ -	\$ -	\$ 2,230,000	\$ 1,070,000	\$ -	\$ 23,055,000	\$ 742	
2015	\$ 18,790,000	\$ -	\$ -	\$ -	\$ 2,020,000	\$ 730,000	\$ -	\$ 21,540,000	\$ 675	

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 Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	
					Per Capita (2)
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
2013	\$ 22,170,000	\$ -	\$ 22,170,000	0.83%	\$ 713
2014	\$ 20,825,000	\$ -	\$ 20,825,000	0.77%	\$ 670
2015	\$ 19,520,000	\$ -	\$ 19,520,000	0.70%	\$ 612

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 73 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on Page 82.

**CITY OF FLORENCE, KENTUCKY**  
**Direct and Overlapping Governmental Activities Debt**  
 June 30, 2015

<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	\$ 36,766,999	26.40%	\$ 9,706,488
Subtotal, overlapping debt			<u>9,706,488</u>
City of Florence direct debt			<u>19,520,000</u>
Total direct and overlapping			<u>\$ 29,226,488</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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 215,163	\$ 228,642	\$ 259,011	\$ 270,393	\$ 268,343	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259	\$ 277,295
Total net debt applicable to limit	24,280	23,640	25,000	26,575	25,240	24,360	23,480	22,170	20,825	19,520
Legal debt margin	190,253	205,002	234,011	243,818	243,103	239,333	240,219	245,031	249,434	257,775
Total net debt applicable to the limit as a percentage of debt limit	11.28%	10.34%	9.65%	9.83%	9.41%	9.24%	8.90%	8.30%	7.71%	7.04%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Taxable assessed value	\$ 2,772,947
Debt limit(10% for total taxable assessed value)	277,295
Debt applicable to limit:	
General obligation bonds	19,520
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	19,520
Legal debt margin	\$ 257,775

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 Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage	
				Principal	Interest	Coverage		
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%		
2013	8,361,515	7,493,012	868,503	210,000	38,499	349%		
2014	8,466,355	7,601,386	864,969	200,000	44,508	354%		
2015	8,548,161	7,733,558	814,603	210,000	34,928	333%		

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

# CITY OF FLORENCE, KENTUCKY

## Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
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	\$ 1,374,860,783	\$ 48,443	34.9	9.7%
2011	29,951	\$ 1,474,907,044	\$ 49,244	35.7	9.1%
2012	30,687	\$ 1,522,228,635	\$ 49,605	35.2	7.1%
2013	31,088	\$ 1,560,026,928	\$ 50,181	36.5	6.9%
2014	31,088	N/A	N/A	N/A	5.6%
2015	31,888	N/A	N/A	N/A	5.5%

(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	2015			2006		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
St. Elizabeth Healthcare	\$ 903,221	1	5.00%	N/A	1	0.00%
Boone County Board of Ed	\$ 832,012	2	4.60%	N/A	2	0.00%
Robert Bosch Automotive	\$ 732,637	3	4.05%	N/A	3	0.00%
M-I, LLC	\$ 507,848	4	2.81%	N/A	4	0.00%
Department of Treasury	\$ 453,162	5	2.50%	N/A	5	0.00%
Meritor Heavy Vehicle	\$ 375,934	6	2.08%	N/A	6	0.00%
Eagle Manufacturing	\$ 346,109	7	1.91%	N/A	7	0.00%
St. Elizabeth Physicians	\$ 323,978	8	1.79%	N/A	8	0.00%
Walmart	\$ 289,029	9	1.60%	N/A	9	0.00%
City of Florence	\$ 241,834	10	1.34%	N/A	10	0.00%
<b>TOTAL</b>	<b>5,005,764</b>		<b>27.68%</b>			

Source: Tri-County Economic Development Corporation

Note: Information not available for all ten years due to the City not providing this schedule until FY 2015.

# CITY OF FLORENCE, KENTUCKY

## Full-time Equivalent Government Employees by Function Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration:										
Mayor's office	4	4	4	4	4	4	4	4	4	4
Finance	10	9	10	10	10	10	10	10	10	10
Human resources	2	2	N/A							
Information technology	3	3	4	N/A						
Public services:										
Professional	19	19	19	19	19	19	19	19	19	19
Maintenance	19	21	21	21	21	21	21	21	21	21
Police:										
Sworn	54	58	61	61	61	61	61	61	61	64
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	50	50	51	51	51	51	51	51	57	57
Civilian	1	1	1	1	1	1	1	1	1	1
Parks and recreation:	1	N/A								
Water and sewer administration	2	2	2	2	2	2	2	2	2	2
Water	11	11	11	11	11	11	11	11	11	11
Sewer	12	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police:</b>										
Physical arrests	1,699	1,569	2,213	1,870	2,617	2,431	2,542	2,571	2,563	2,736
Traffic violations	6,304	6,204	11,471	7,770	6,729	6,385	4,664	4,487	7,790	5,188
Parking violations	341	352	450	391	307	513	224	120	162	93
<b>Fire:</b>										
Number of calls answered:										
Fire	2,186	2,215	2,498	2,641	2,381	2,486	2,367	2,416	2,511	2,492
Ambulance	4,827	5,249	5,682	5,703	5,772	6,091	6,364	6,380	6,283	6,819
Inspections	1,928	1,752	1,549	1,657	2,032	2,255	1,945	2,005	2,186	2,575
<b>Highways and streets:</b>										
Street resurfacing(lane miles)	2.60	4.76	5.13	6.60	7.05	7.62	8.44	9.11	9.11	8.48
<b>Water:</b>										
New connections	216	135	100	53	45	45	50	42	27	46
Water main breaks	78	38	78	61	24	55	37	62	31	34
Average daily consumption (thousands of gallons)	2,856	2,909	3,229	2,969	2,839	3,055	3,090	3,035	3,021	2,995

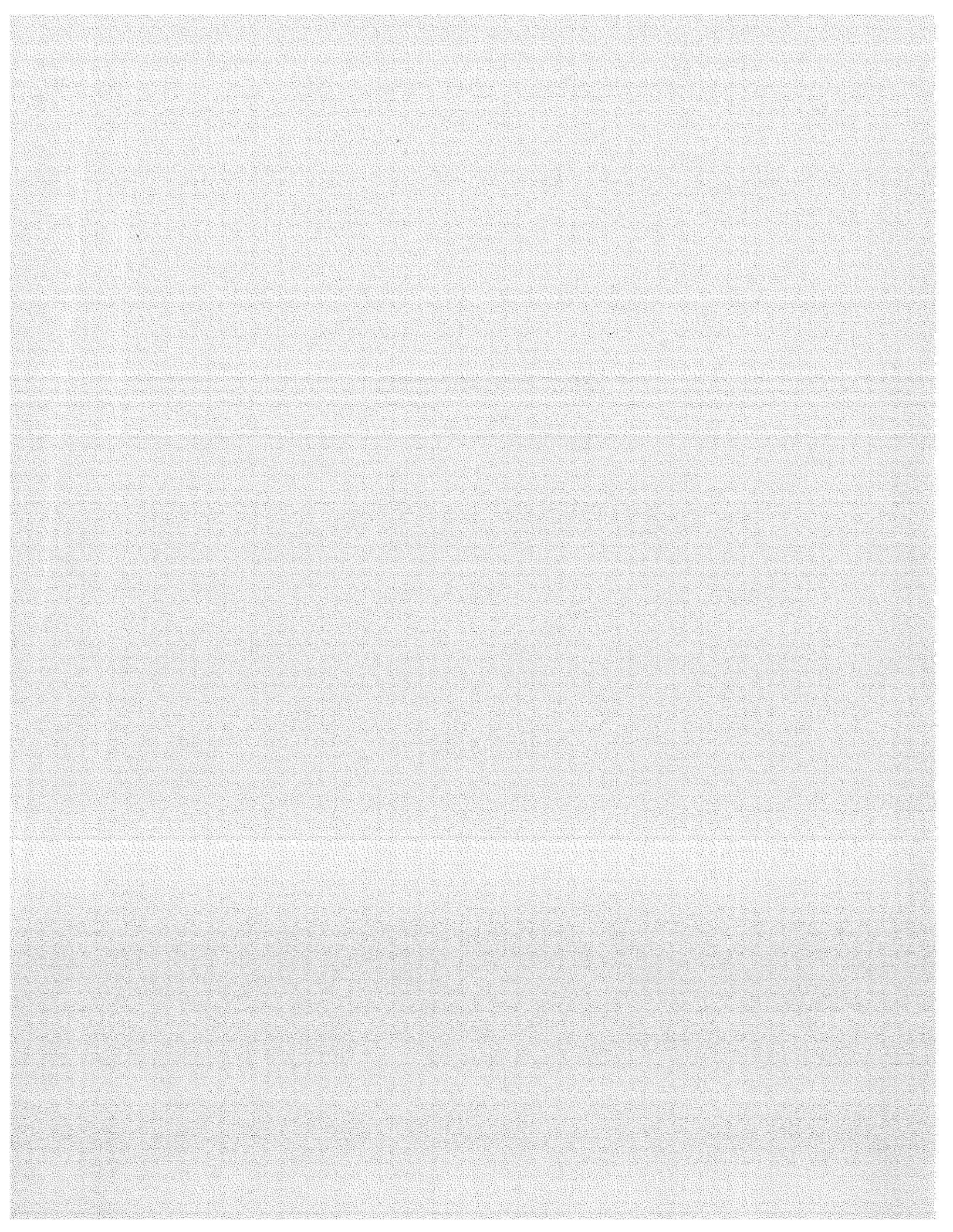
Source: Various city departments

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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	4	4
Highways and streets:										
Streets(miles)	144	159	159	159	160	168	168	169	169	169
Streetlights	1,589	1,597	1,134	1,134	1,134	1,977	1,977	2,103	2,103	2,103
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	125	126	132	135	200	145	145	149	150	150
Fire hydrants	1,289	1,302	1,062	1,122	1,259	1,520	1,520	1,583	1,598	1,598
Maximum daily capacity (thousands of gallons)	4,751	3,944	4,791	4,805	4,000	4,550	4,810	4,809	4,595	4,183
Sewer:										
Contained sanitary/storm sewers (miles)	268	271	231	241	278	286	286	278	276	274

Source: Various city departments

**SINGLE AUDIT SECTION**



**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Justice Assistance Grant (JAG)	16.804	2014-DJ-BX-0638	11,570
	16.804	2011-DJ-BX-2361	2,856
DEA - Law Enforcement Assistance	16.001	-	17,271
			<u>31,697</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through State of Kentucky			
National Hwy Traffic Safety Adm.	20.600	PT-14-15	2,945
	20.600	M5-15-11	24,825
			<u>27,770</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Staffing for Adequate Fire and Emergency/Response (SAFER)	97.083	EMW-2013-FH-00577	473,805
			<u>473,805</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u><u>533,272</u></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.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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 years ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Florence's basic financial statements and have issued our report thereon dated September 10, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

**RANKIN, RANKIN & COMPANY**

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

**Ft. Wright, Kentucky  
September 10, 2015**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Florence'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 the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issue by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**RANKIN, RANKIN & COMPANY**

*Rankin, Rankin + Company*

**Ft. Wright, Kentucky  
September 10, 2015**

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

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>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083

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**  
**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2015

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.

