

**CITY OF FLORENCE, KENTUCKY**

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

**Year Ended June 30, 2016**

Prepared by:  
Linda J. Chapman  
CFO/HR



**CITY OF FLORENCE, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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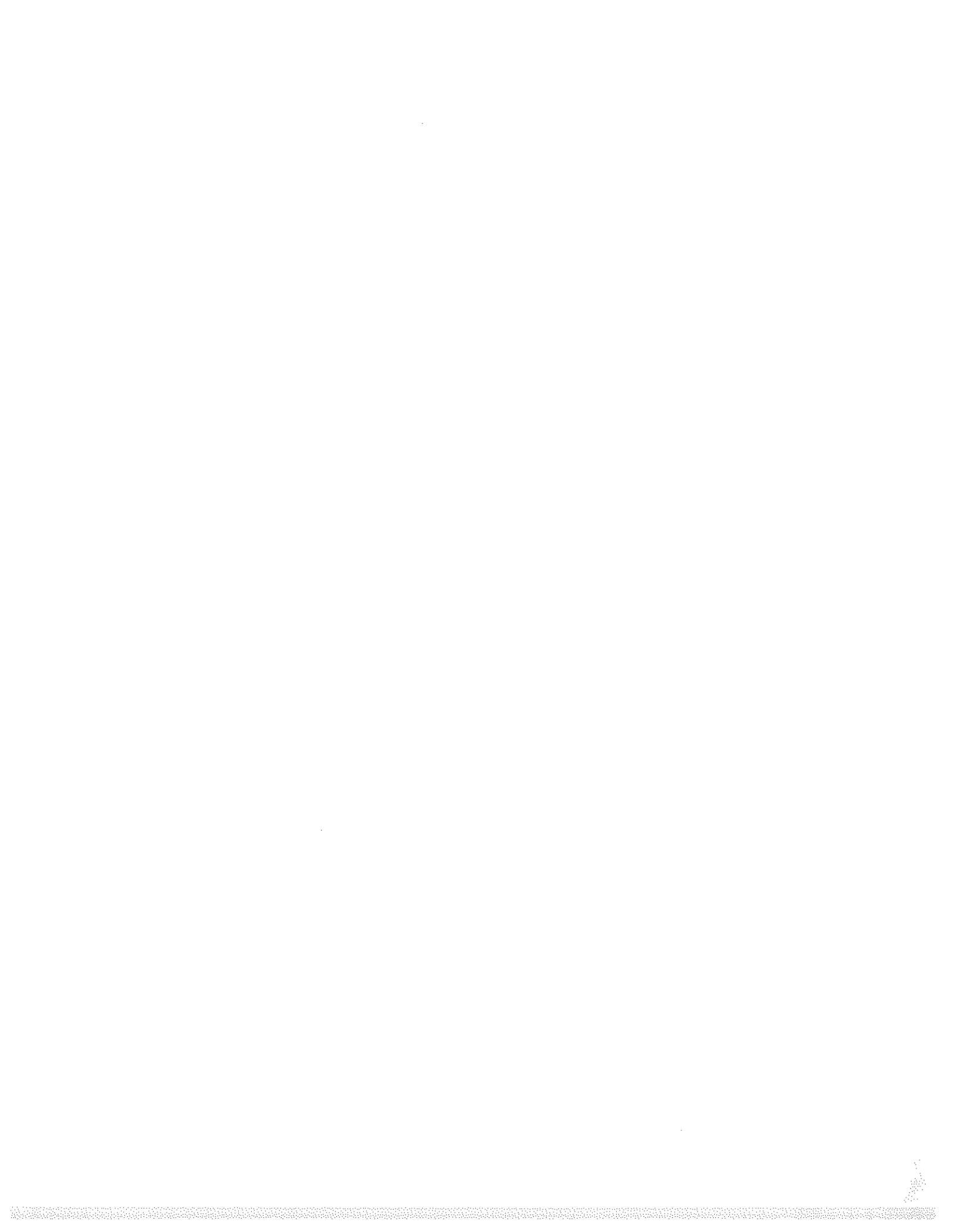
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**INTRODUCTORY SECTION**



OFFICE OF THE CITY COORDINATOR

September 19, 2016

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, 2016.

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, 2016, 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, 2016, 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 coming to fruition with the openings of Costco, Dave and Buster's and Planet Fitness in the current year. The last pieces of the project is the development of Menards, Chick-fil-a and the Outback Steakhouse.

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. 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 redevelopment of the Tanner's garage facility.

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 159.10% 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, 2015. 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, 2016

**Mayor**

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Diane E. Whalen

**Council Members**

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Mei 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

CFO/HR - 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**

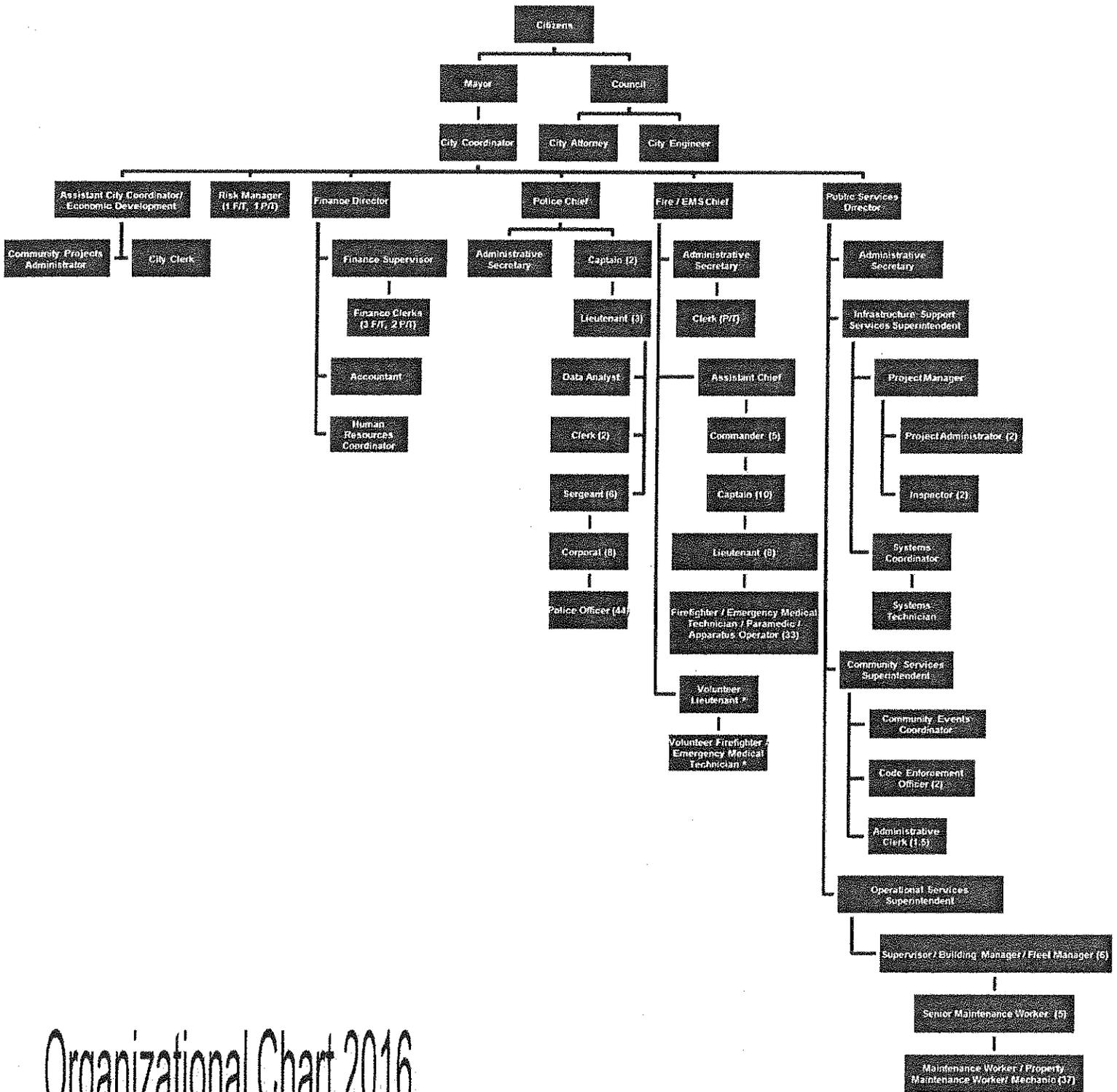
Presented to

**City of Florence  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



# Organizational Chart 2016

Total Employees: 206 Full Time  
4 Part Time

Revised:  
4/13/2016

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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combining and individual budget and actual nonmajor fund financial statements 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 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 9, 2016, 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". The signature is written in black ink and is positioned above the typed name and date.

**Ft. Wright, Kentucky  
September 9, 2016**

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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, 2016. 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 \$168,103,564 (net position). Of this amount, \$74,209,489 (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 \$75,419,592. This was an increase of \$8,721,222 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 \$55,741,050, or 196.95% 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 \$168,103,564 at the close of the most recent year.

The largest portion of the City's net position (55.85 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, 2016 and 2015 net position changed as follows (amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 92,247	\$ 83,178	\$ 9,997	\$ 9,345	\$ 102,244	\$ 92,523
Capital assets, net	84,681	82,307	29,728	30,246	114,409	112,553
Total assets	<u>176,928</u>	<u>165,485</u>	<u>39,725</u>	<u>39,591</u>	<u>216,653</u>	<u>205,076</u>
Total deferred outflows of resources	5,324	3,355	610	526	5,934	3,881
Other liabilities	3,613	3,380	1,563	1,403	5,176	4,783
Long-term liabilities	43,849	38,067	4,107	4,099	47,956	42,166
Total liabilities	<u>47,462</u>	<u>41,447</u>	<u>5,670</u>	<u>5,502</u>	<u>53,132</u>	<u>46,949</u>
Total deferred inflows of resources	1,224	1,631	128	169	1,352	-
Net position:						
Net Investment in capital assets	66,566	63,468	27,328	27,496	93,894	90,964
Unrestricted	66,999	62,295	7,210	6,949	74,209	69,244
Total net position	<u>\$ 133,565</u>	<u>\$ 125,763</u>	<u>\$ 34,538</u>	<u>\$ 34,445</u>	<u>\$ 168,103</u>	<u>\$ 160,208</u>

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 4.92% or \$7.8 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, the City has experienced an increase in deferred outflows and inflows as well as long-term liabilities with the increase of the pension liability in the current year. This also resulted in a prior period adjustment in fiscal year 2015.

Changes in Net Position

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 5,063,897	\$ 4,733,356	\$ 9,567,752	\$ 9,703,540
Operating grants and contributions	1,032,218	1,036,973	-	-
Capital grants	2,237,653	2,557,928	-	-
<b>General revenues:</b>				
Taxes	31,237,280	30,699,521	-	-
Other	1,104,790	509,026	35,338	24,264
<b>Total revenues</b>	<b>40,675,838</b>	<b>39,536,804</b>	<b>9,603,090</b>	<b>9,727,804</b>
<b>Expenses:</b>				
Administration	3,345,813	3,698,237	-	-
Police	11,431,207	8,462,001	-	-
Fire	8,727,953	5,939,493	-	-
Public services	8,157,650	6,656,885	-	-
Interest on long-term debt	1,110,530	768,415	135,024	205,451
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	8,278,424	7,733,558
Golf Course	-	-	1,197,396	1,243,317
<b>Total expenses</b>	<b>32,773,153</b>	<b>25,525,031</b>	<b>9,610,844</b>	<b>9,182,326</b>
Increase in net position before transfers and other expenses	7,902,685	14,011,773	(7,754)	545,478
Transfers	(100,000)	(100,000)	100,000	100,000
<b>Increase in net position</b>	<b>7,802,685</b>	<b>13,911,773</b>	<b>92,246</b>	<b>645,478</b>
Net position - July 1	125,762,874	132,539,139	34,445,759	35,758,916
Prior period adjustment	-	(20,688,038)	-	(1,958,635)
<b>Net position - June 30</b>	<b>\$ 133,565,559</b>	<b>\$ 125,762,874</b>	<b>\$ 34,538,005</b>	<b>\$ 34,445,759</b>

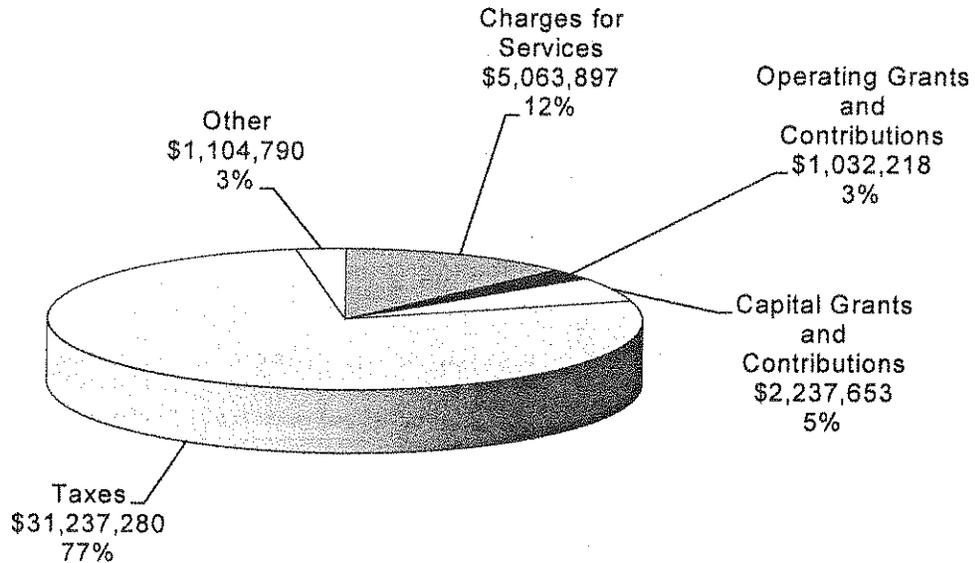
**Governmental activities.** Governmental activities increased the City's net position by \$7.8 million, thereby accounting for 98.83% of the total growth in net position. Key elements of this growth are as follows:

- Taxes increased \$.5 million over fiscal year 2015. The payroll tax position increased by \$581,911 during 2016 as a result of improved economic conditions and increased economic development. In addition, the City also experienced a rebound in 2016 with occupational license fees increasing by \$129,902. The insurance premium tax had been increasing for the last few years experienced a decline as a result of a decline of insurance policies in effect within the City limits. It decreased by \$201,719. The City's property tax revenues increased due to a slight improvement in assessed values. The property tax revenue increased by \$118,395 despite relatively little new

property being developed and not raising of the tax rate for the sixth straight year in a row. Capital grant revenue decreased by \$320,275 as a result of the grants for various road and sidewalk projects coming to an end. Operating grant revenue remained relatively the same as a result of the SAFER grant awarded to hire six additional firefighters for both years.

- There was an increase of \$7,248,122 for governmental activities as a result of various infrastructure projects during the year and the second year entries to record the GASB 68 pension liability changes that had a significant impact due to the increase in the liability this year over the preceding year.

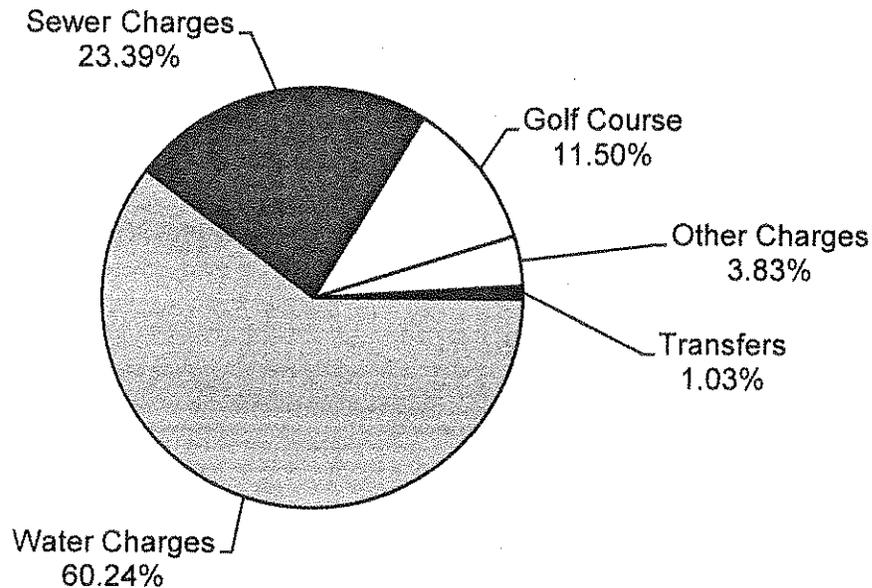
**Revenues by Source - Governmental Type Activities**



**Business-type activities.** Business-type activities increased the City's net position by \$92,246, accounting for 1.17 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 \$151,583. 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 \$488,369 due to higher wage and benefit costs, higher pension expense due to the increase in the liability and an increase in water purchasing costs.
- The golf course fund showed a net loss for the year of \$59,337 as a result of operations and interest expense. The loss was the result of a decrease in revenues of \$43,230 due to the wet spring. Operating expenses increased slightly by \$10,109 due to personnel costs and increasing maintenance issues. 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 \$75,419,592, an increase of \$8,721,222 in comparison with the prior year. Approximately 73.91 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 \$55,741,050 while total fund balance was \$63,345,677. 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 196.96 percent of total general fund expenditures and transfers, while total fund balance represents 223.83 percent of that same amount.

The fund balance of the City's general fund increased by \$6,732,983 during the current fiscal year. Key factors in this growth are as follows:

- Payroll taxes, property taxes and occupational licenses made a recovery and produced results stronger than originally anticipated
- Insurance premium tax experienced a trivial decline in the current year
- 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 \$1,103,972, all of which is restricted for street improvements and snow removal expenditures. The net decrease in fund balance during the year was the result of an increase in the dollar amount of street projects budgeted for the current year and a decrease in revenues due to the decline in fuel prices producing less gas tax revenue to be distributed. The infrastructure fund had a total fund balance of \$9,138,011. The fund balance increased during fiscal year 2016 due to a transfer in of \$2.0 million for the Florence Heights project that has not been mostly completed. An additional transfer of \$1.5 million was made for a future capital project. The asset forfeiture fund had an increase in fund balance of \$38,460 as a result of increased expenditures for the shooting range and equipment purchases. The aquatic center fund had a fund balance increase of \$82,507 after a transfer in from the General Fund of \$200,000. A secondary reason for the increase was the result of a switch in the management contract lowering the center's costs.

*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 \$6,463,172 and those for the golf course operations amounted to \$746,890. The growth in net position for the water and sewer fund was \$151,583 and the net loss in the golf course fund was \$59,337. 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 2015 budget for projects that were started but not completed by June 30, 2015. In addition, there was an amount that was added to the Fire Department for pension expenditures related to military leave of personnel. 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 General Fund grant revenue for a grant received to purchase fire equipment. In addition, the amendment adjusted expenditure line items in the police department for the addition of a drug task force unit and unscheduled overtime in the fire department. The public services budget was adjusted for some mechanical and maintenance issues. In addition, a line item was added for the demolition of a nuisance hotel in the City limits. These costs will be recovered when the land is sold. The Golf Course budget was amended to incorporate costs for irrigation and maintenance issues as well.

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, occupation license fees and the payroll tax all resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$2,577,007. This was due to the growth in the revenue for the above mentioned categories as well as interest income. Actual expenditures and transfers came in \$2,274,478 over the budget amounts. The departments continued to monitor expenditures during the year and some minor capital tasks were not being completed by June 30. However, the City made a year-end transfer to the Infrastructure Fund for a future capital project. Despite the year-end transfer, the City's excess revenues, operational expenditure controls and capital improvements not being completed, the City ended the year with a fund balance that was \$302,529 greater than what was budgeted.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Long-term Debt

At year-end, the City had \$19,985,000 in outstanding bonds compared to \$21,590,000 last year. That is a decrease of \$1,605,000 or 7.43 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 1,810,000	\$ 2,020,000	\$ 1,810,000	\$ 2,020,000
Bonds payable (backed by city)	17,795,000	18,840,000	380,000	730,000	18,175,000	19,570,000
Totals	\$ 17,795,000	\$ 18,840,000	\$ 2,190,000	\$ 2,750,000	\$ 19,985,000	\$ 21,590,000

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, 2016, the capital assets amounted to \$242 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 \$7.5 million, or 3.18 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	
	2016	2015	2016	2015
Not being depreciated:				
Land	\$ 10,617,492	\$ 10,617,492	\$ 4,785,542	\$ 4,785,542
Construction in progress	3,808,124	2,391,326	109,910	52,763
Other capital assets being depreciated:				
Improvements	19,480,718	18,318,619	616,231	581,199
Water and sewer system	-	-	45,630,112	44,902,182
Infrastructure	112,255,371	108,486,352	-	-
Buildings	23,338,855	23,338,855	4,200,497	4,200,497
Computer upgrade	-	-	56,396	56,396
Water meters	-	-	1,630,566	1,612,748
Machinery and equipment	4,808,324	4,624,861	2,011,051	1,957,866
Vehicles	6,908,398	7,042,563	1,302,414	1,036,775
Subtotal	<u>181,217,282</u>	<u>174,820,068</u>	<u>60,342,719</u>	<u>59,185,968</u>
Accumulated depreciation	<u>(96,535,647)</u>	<u>(92,512,321)</u>	<u>(30,615,129)</u>	<u>(28,939,541)</u>
TOTALS	<u>\$ 84,681,635</u>	<u>\$ 82,307,747</u>	<u>\$ 29,727,590</u>	<u>\$ 30,246,427</u>

This year's major additions included:

#### Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 627,930

#### Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 758,639

Improvements and street projects paid for with state and federal grant funds  
and general fund revenues. 7,005,994

\$ 8,392,563

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 2017 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2016. 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 due to a few development projects in the beginning stages. 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.

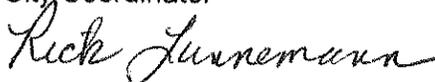
Funds have been identified in the budget for the partial construction of infrastructure on a 65 acre site designated for retail development. This site will host a Menard's, Costco and several other retail and dining establishments.

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  
CFO/HR



**CITY OF FLORENCE, KENTUCKY**

**Statement of Net Position**

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 74,611,054	\$ 7,283,630	\$ 81,894,684
Investments	10,263,370	-	10,263,370
Receivables:			
Property taxes	89,423	-	89,423
Intergovernmental	1,221,725	-	1,221,725
Accrued interest	76,298	-	76,298
Accounts	5,178,177	1,382,278	6,560,455
Internal balances	23,796	(23,796)	-
Inventories	139,789	246,767	386,556
Prepays	538,936	84,317	623,253
Restricted cash and cash equivalents	103,661	1,024,264	1,127,925
Capital assets(net of accumulated depreciation)			
Land	10,617,492	4,785,542	15,403,034
Construction in progress	3,808,124	109,910	3,918,034
Systems	-	20,408,775	20,408,775
Improvements	10,163,581	163,104	10,326,685
Infrastructure	44,145,311	-	44,145,311
Buildings	13,234,472	3,180,326	16,414,798
Machinery and equipment	1,223,763	-	1,223,763
Water meters	-	660,845	660,845
Vehicles	1,488,892	419,089	1,907,981
Total assets	<u>176,927,864</u>	<u>39,725,051</u>	<u>216,652,915</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	320,503	209,648	530,151
Deferred outflows from net pension liability	3,099,490	237,595	3,337,085
Contributions subsequent to the measurement date	1,904,511	163,330	2,067,841
Total deferred outflows of resources	<u>5,324,504</u>	<u>610,573</u>	<u>5,935,077</u>
<b>LIABILITIES</b>			
Accounts payable	1,264,858	335,401	1,600,259
Accrued liabilities	467,732	249,742	717,474
Accrued interest payable	83,433	20,097	103,530
Unearned revenue	16,029	-	16,029
Customer deposits	-	299,097	299,097
General obligation bonds payable - current	1,060,000	380,000	1,440,000
Revenue bonds payable - current	-	215,000	215,000
Compensated absences - current	720,934	62,918	783,852
Net pension liability	27,114,290	2,512,448	29,626,738
Compensated absences	-	-	-
General obligation bonds payable	16,735,000	-	16,735,000
Revenue bonds payable	-	1,595,000	1,595,000
Total liabilities	<u>47,462,276</u>	<u>5,669,703</u>	<u>53,131,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from net pension liability	1,224,533	127,916	1,352,449
<b>NET POSITION</b>			
Net investment in capital assets	66,566,132	27,327,943	93,894,075
Unrestricted	66,999,427	7,210,062	74,209,489
Total net position	<u>\$ 133,565,559</u>	<u>\$ 34,538,005</u>	<u>\$ 168,103,564</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, 2016

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Administration	\$ 3,345,813	\$ 738,044	\$ -	\$ -	\$ (2,607,769)	\$ -	\$ (2,607,769)
Police	11,431,207	7,490	295,043	52,474	(11,076,200)	-	(11,076,200)
Fire	8,727,953	3,167,034	721,602	40,262	(4,799,055)	-	(4,799,055)
Public services	8,157,650	1,151,329	15,573	2,144,917	(4,845,831)	-	(4,845,831)
Interest on long-term debt	1,110,530	-	-	-	(1,110,530)	-	(1,110,530)
Total governmental activities	32,773,153	5,063,897	1,032,218	2,237,653	(24,439,385)	-	(24,439,385)
Business-type activities:							
Water and sewer service	8,336,296	8,455,603	-	-	-	119,307	119,307
Golf course	1,274,548	1,112,149	-	-	-	(162,399)	(162,399)
Total business-type activities	9,610,844	9,567,752	-	-	-	(43,092)	(43,092)
Total primary government	\$ 42,383,997	\$ 14,631,649	\$ 1,032,218	\$ 2,237,653	(24,439,385)	(43,092)	(24,482,477)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,445,906	-	7,445,906
Public service taxes					526,387	-	526,387
Taxes, levied for bank deposits					206,365	-	206,365
Payroll license tax					16,412,440	-	16,412,440
Gross receipts license					2,380,422	-	2,380,422
Insurance premium tax					4,265,760	-	4,265,760
Other					124,339	-	124,339
Uses of property					100,879	-	100,879
Interest					769,693	35,338	805,031
Miscellaneous					109,879	-	109,879
Transfers					(100,000)	100,000	-
Total general revenues and special items					32,242,070	135,338	32,377,408
Change in net position					7,802,685	92,246	7,894,931
Net position-beginning					125,762,874	34,445,759	160,208,633
Net position-ending					\$ 133,565,559	\$ 34,538,005	\$ 168,103,564

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

**CITY OF FLORENCE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 48,093,152	\$ 11,414,664	\$ 59,507,816
Investments	10,263,370	-	10,263,370
Inventories	65,691	74,098	139,789
Receivables:			
Property taxes	89,423	-	89,423
Intergovernmental	89,806	1,131,919	1,221,725
Accrued interest	76,298	-	76,298
Accounts	5,178,177	-	5,178,177
Prepays	538,936	-	538,936
Due from other funds	-	287,932	287,932
Restricted assets:			
Cash	103,661	-	103,661
<b>Total assets</b>	<b>\$ 64,498,514</b>	<b>\$ 12,908,613</b>	<b>\$ 77,407,127</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 315,517	\$ 834,698	\$ 1,150,215
Accrued liabilities	467,732	-	467,732
Due to other funds	264,136	-	264,136
Unearned revenue	5,890	-	5,890
<b>Total liabilities</b>	<b>1,053,275</b>	<b>834,698</b>	<b>1,887,973</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	89,423	-	89,423
Unavailable revenue-employee receivable	10,139	-	10,139
<b>Total deferred inflows of resources</b>	<b>99,562</b>	<b>-</b>	<b>99,562</b>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Inventories	65,691	74,098	139,789
Prepays	538,936	-	538,936
<b>Restricted:</b>			
Street resurfacing	-	1,029,874	1,029,874
<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	-	9,138,011	9,138,011
Law enforcement	-	379,783	379,783
Aquatic center	-	1,452,149	1,452,149
<b>Unassigned:</b>			
<b>Total fund balances</b>	<b>55,741,050</b>	<b>-</b>	<b>55,741,050</b>
<b>Total liabilities and fund balances</b>	<b>\$ 64,498,514</b>	<b>\$ 12,908,613</b>	<b>\$ 77,407,127</b>
<b>Total governmental fund balances</b>			<b>\$ 75,419,592</b>
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 \$96,535,647.			84,681,635
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			89,423
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.			14,988,595
Contributions subsequent to net pension liability measurement date			1,904,511
Net pension liability outflows carried as deferred charges			3,099,490
Net pension liability inflows carried as deferred charges			(1,224,533)
Accrued interest payable on long-term debt			(83,433)
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.			320,503
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			(720,934)
Net pension liability			(27,114,290)
Bonds and leases payable			(17,795,000)
<b>Net position of governmental activities</b>			<b>\$ 133,565,559</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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 8,089,235	\$ -	\$ 8,089,235
Licenses and permits	20,695,029	2,487,932	23,182,961
Intergovernmental	1,162,304	2,107,567	3,269,871
Fines and forfeitures	227,192	-	227,192
Charges for services	4,025,848	810,857	4,836,705
Uses of property	-	100,879	100,879
Interest	726,253	43,440	769,693
Miscellaneous	108,496	1,383	109,879
<b>Total revenues</b>	<b>35,034,357</b>	<b>5,552,058</b>	<b>40,586,415</b>
<b>EXPENDITURES</b>			
Current:			
Administration	2,355,651	-	2,355,651
Police	7,276,198	63,865	7,340,063
Fire	6,991,557	-	6,991,557
Public services	6,205,443	7,324,954	13,530,397
Debt service:			
Principal	1,045,000	-	1,045,000
Interest	502,525	-	502,525
<b>Total expenditures</b>	<b>24,376,374</b>	<b>7,388,819</b>	<b>31,765,193</b>
Excess(deficiency) of revenues over(under) expenditures	10,657,983	(1,836,761)	8,821,222
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers in	-	3,825,000	3,825,000
Transfers out	(3,925,000)	-	(3,925,000)
<b>Total other financing sources and uses</b>	<b>(3,925,000)</b>	<b>3,825,000</b>	<b>(100,000)</b>
<b>Net change in fund balances</b>	<b>6,732,983</b>	<b>1,988,239</b>	<b>8,721,222</b>
Fund balances - beginning	56,612,694	10,085,676	66,698,370
Fund balances - ending	<u>\$ 63,345,677</u>	<u>\$ 12,073,915</u>	<u>\$ 75,419,592</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, 2016

Net change in fund balances-total governmental funds	\$ 8,721,222
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	7,764,633
Depreciation expense	(5,133,322)
Change due to fixed asset retirements	(63,813)
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.	89,423
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.	(20,525)
Government funds report the effect of net pension liability reported deferred inflows and outflows	(366,828)
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.	(223,485) (4,124,846)
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.	1,045,000
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.	2,833
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.	87,947
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.	24,446
Change in net position of governmental activities	\$ <u>7,802,685</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, 2016

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 6,598,326	\$ 685,304	\$ 7,283,630	\$ 15,103,238
Accounts receivable	1,379,778	2,500	1,382,278	-
Inventories	156,665	90,102	246,767	-
Prepays	78,221	6,096	84,317	-
Total current assets	<u>8,212,990</u>	<u>784,002</u>	<u>8,996,992</u>	<u>15,103,238</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,024,264	-	1,024,264	-
Capital assets (net of accumulated depreciation)				
Construction in progress	109,910	-	109,910	-
Land	-	4,785,542	4,785,542	-
Improvements	-	163,104	163,104	-
Systems and equipment	20,218,544	190,231	20,408,775	-
Water meters	660,845	-	660,845	-
Building	2,736	3,177,590	3,180,326	-
Vehicles	419,089	-	419,089	-
Total noncurrent assets	<u>22,435,388</u>	<u>8,316,467</u>	<u>30,751,855</u>	<u>-</u>
Total assets	<u>30,648,378</u>	<u>9,100,469</u>	<u>39,748,847</u>	<u>15,103,238</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	176,952	32,696	209,648	-
Deferred outflows related to pension liability	237,595	-	237,595	-
Contributions subsequent to the measurement date	163,330	-	163,330	-
Total deferred outflows of resources	<u>577,877</u>	<u>32,696</u>	<u>610,573</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	315,875	19,526	335,401	114,643
Accrued liabilities	170,920	78,822	249,742	-
Compensated absences	62,918	-	62,918	-
Accrued interest payable	15,941	4,156	20,097	-
Due to other funds	23,796	-	23,796	-
Customer deposits	299,097	-	299,097	-
Bonds payable-current	215,000	380,000	595,000	-
Total current liabilities	<u>1,103,547</u>	<u>482,504</u>	<u>1,586,051</u>	<u>114,643</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Net pension liability	2,512,448	-	2,512,448	-
Revenue bonds payable	1,595,000	-	1,595,000	-
Total noncurrent liabilities	<u>4,107,448</u>	<u>-</u>	<u>4,107,448</u>	<u>-</u>
Total liabilities	<u>5,210,995</u>	<u>482,504</u>	<u>5,693,499</u>	<u>114,643</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	127,916	-	127,916	-
<b>NET POSITION</b>				
Net investments in capital assets	19,424,172	7,903,771	27,327,943	-
Unrestricted	6,463,172	746,890	7,210,062	14,988,595
Total net position	<u>\$ 25,887,344</u>	<u>\$ 8,650,661</u>	<u>\$ 34,538,005</u>	<u>\$ 14,988,595</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, 2016

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water fees	\$ 5,824,078	\$ -	\$ 5,824,078	\$ -
Sewer charges	2,260,943	-	2,260,943	-
Penalties	100,923	-	100,923	-
Tap in fees	107,370	-	107,370	-
Meter installations	70,798	-	70,798	-
Other service charges	61,140	-	61,140	-
Golf course revenues	-	1,112,149	1,112,149	-
Other services	-	-	-	2,694,776
Miscellaneous	30,351	-	30,351	-
Total operating revenues	<u>8,455,603</u>	<u>1,112,149</u>	<u>9,567,752</u>	<u>2,694,776</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	6,793,235	900,968	7,694,203	2,606,829
Depreciation	1,485,189	296,428	1,781,617	-
Total operating expenses	<u>8,278,424</u>	<u>1,197,396</u>	<u>9,475,820</u>	<u>2,606,829</u>
<b>NET OPERATING INCOME(LOSS)</b>	<u>177,179</u>	<u>(85,247)</u>	<u>91,932</u>	<u>87,947</u>
<b>NON-OPERATING REVENUES</b>				
Interest income	32,276	3,062	35,338	60,145
Interest expense	(57,872)	(77,152)	(135,024)	-
Total non-operating income	<u>(25,596)</u>	<u>(74,090)</u>	<u>(99,686)</u>	<u>60,145</u>
Transfers	-	100,000	100,000	-
<b>NET INCOME(LOSS)</b>	<u>151,583</u>	<u>(59,337)</u>	<u>92,246</u>	<u>148,092</u>
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>25,735,761</u>	<u>8,709,998</u>	<u>34,445,759</u>	<u>14,840,503</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 25,887,344</u>	<u>\$ 8,650,661</u>	<u>\$ 34,538,005</u>	<u>\$ 14,988,595</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, 2016**

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Health
	Sewer Service	Course	Current Year	and Dental
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 8,621,014	\$ 1,111,728	\$ 9,732,742	\$ 2,694,776
Cash paid to suppliers	(4,179,935)	(551,877)	(4,731,812)	(2,650,073)
Cash paid to employees	(1,887,592)	(336,383)	(2,223,975)	-
Net cash from(used by) operating activities	<u>2,553,487</u>	<u>223,468</u>	<u>2,776,955</u>	<u>44,703</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	(1,789,827)	(74,900)	(1,864,727)	-
Transfers to Bond Fund	419,161	-	419,161	-
Interest paid on capital debt	(59,395)	(31,938)	(91,333)	-
Principal paid on debt	(210,000)	(350,000)	(560,000)	-
Net cash from(used by) financing activities	<u>(1,640,061)</u>	<u>(456,838)</u>	<u>(2,096,899)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest income	<u>32,276</u>	<u>3,062</u>	<u>35,338</u>	<u>60,145</u>
Net cash provided by investing activities	<u>32,276</u>	<u>3,062</u>	<u>35,338</u>	<u>60,145</u>
Net increase(decrease) in cash	945,702	(130,308)	815,394	104,848
Cash at beginning of year	6,676,888	815,612	7,492,500	14,998,390
Cash at end of year	<u>\$ 7,622,590</u>	<u>\$ 685,304</u>	<u>\$ 8,307,894</u>	<u>\$ 15,103,238</u>
<b>Reconciliation of operating income to net cash used</b>				
by operating activities:				
Operating income(loss)	\$ 177,179	\$ (85,247)	\$ 91,932	\$ 87,947
Adjustments to reconcile operating income				
to net cash provided(used) by				
operating activities:				
Depreciation expense	1,485,189	296,428	1,781,617	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	165,411	(421)	164,990	-
Decrease(increase) in prepaid expenses	(26,433)	2,856	(23,577)	-
Decrease(increase) in inventory	(659)	15,630	14,971	-
Increase(decrease) in accounts payable	15,959	(10,507)	5,452	(43,244)
Increase(decrease) in accrued liabilities	87,756	4,729	92,485	-
Increase (decrease) in net pension liability	613,784	-	613,784	-
Increase(decrease) in due to other funds	6,224	-	6,224	-
Increase(decrease) in customer deposits	29,077	-	29,077	-
Net cash used by operating activities	<u>\$ 2,553,487</u>	<u>\$ 223,468</u>	<u>\$ 2,776,955</u>	<u>\$ 44,703</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, 2016

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, 2016

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 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, deferred inflows and net position 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. 72, investments held at June 30, 2015 are measured using quoted market prices in an active market for identical investments.

*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. A lien may be placed on the property on January 1. Total real property tax assessments were \$2,464,496,170 and tangible tax assessments were \$372,591,995.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

*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, 2016 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

*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 has several items that qualify for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to the pension liability in accordance with GASB 68.

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. The City also has deferred outflows related to the pension liability in accordance with GASB 68.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

*Fund Balance Policies*

Net position is the difference between assets and liabilities. Net position 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 9, 2016, 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.

**NOTE C-DEPOSITS AND INVESTMENTS**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2016, the City had the following recurring fair value measurements:

	<u>Level 1</u>
Cash	\$ 81,894,684
Government obligations	1,127,925
Municipal bonds	<u>10,263,370</u>
Total fair value	<u>\$ 93,285,979</u>

*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, 2016, 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, 2016, 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, 2016 in the amount of \$11,391,295 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, 2016**

**NOTE D-CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2016
Governmental activities:					
Not being depreciated:					
Land	\$ 10,617,492	\$ -	\$ -	\$ -	\$ 10,617,492
Construction in progress	2,391,326	4,596,290	(2,985,882)	(193,610)	3,808,124
Subtotal	<u>13,008,818</u>	<u>4,596,290</u>	<u>(2,985,882)</u>	<u>(193,610)</u>	<u>14,425,616</u>
Other capital assets:					
Improvements	18,318,619	954,254	207,845	-	19,480,718
Infrastructure	108,486,352	1,455,450	2,778,037	(464,468)	112,255,371
Buildings	23,338,855	-	-	-	23,338,855
Machinery and equipment	4,624,861	378,693	-	(195,230)	4,808,324
Vehicles	7,042,563	379,946	(42,396)	(471,715)	6,908,398
Subtotal	<u>161,811,250</u>	<u>3,168,343</u>	<u>2,943,486</u>	<u>(1,131,413)</u>	<u>166,791,666</u>
Accumulated depreciation:					
Improvements	8,296,693	1,020,444	-	-	9,317,137
Infrastructure	66,216,339	2,315,332	-	(421,611)	68,110,060
Buildings	9,321,767	782,616	-	-	10,104,383
Machinery and equipment	3,289,731	479,469	-	(184,639)	3,584,561
Vehicles	5,387,791	535,461	(42,396)	(461,350)	5,419,506
Subtotal	<u>92,512,321</u>	<u>5,133,322</u>	<u>(42,396)</u>	<u>(1,067,600)</u>	<u>96,535,647</u>
Net other assets	<u>69,298,929</u>	<u>(1,964,979)</u>	<u>2,985,882</u>	<u>(63,813)</u>	<u>70,256,019</u>
Net capital assets	<u>\$ 82,307,747</u>	<u>\$ 2,631,311</u>	<u>\$ -</u>	<u>\$ (257,423)</u>	<u>\$ 84,681,635</u>

\*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 2,042,348
Police	2,584,587
Fire	269,961
Public services	236,426
Total governmental activities depreciation expense	<u>\$ 5,133,322</u>

# CITY OF FLORENCE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

	Balance June 30, 2015	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2016
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	52,763	658,253	(601,106)	-	109,910
Subtotal	<u>4,838,305</u>	<u>658,253</u>	<u>(601,106)</u>	<u>-</u>	<u>4,895,452</u>
Other capital assets:					
Water and sewer system	44,902,182	126,824	601,106	-	45,630,112
Improvements	581,199	35,032	-	-	616,231
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	1,036,775	344,139	42,396	(120,896)	1,302,414
Computer upgrade	56,396	-	-	-	56,396
Water meters	1,612,748	17,818	-	-	1,630,566
Machinery and equipment	1,957,866	81,555	-	(28,370)	2,011,051
Subtotal	<u>54,347,663</u>	<u>605,368</u>	<u>643,502</u>	<u>(149,266)</u>	<u>55,447,267</u>
Accumulated depreciation:					
Water and sewer system	24,375,793	1,221,463	214	-	25,597,470
Improvements	390,049	63,078	-	-	453,127
Buildings	886,154	134,017	-	-	1,020,171
Vehicles	875,714	85,511	42,994	(120,896)	883,323
Computer upgrade	56,396	-	-	-	56,396
Water meters	859,399	110,321	-	-	969,720
Machinery and equipment	1,496,036	167,227	29	(28,370)	1,634,922
Subtotal	<u>28,939,541</u>	<u>1,781,617</u>	<u>43,237</u>	<u>(149,266)</u>	<u>30,615,129</u>
Net other assets	<u>25,408,122</u>	<u>(1,176,249)</u>	<u>600,265</u>	<u>-</u>	<u>24,832,138</u>
Net assets	<u>\$ 30,246,427</u>	<u>\$ (517,996)</u>	<u>\$ (841)</u>	<u>\$ -</u>	<u>\$ 29,727,590</u>

\*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 296,428
Golf Course	1,485,189
Total proprietary activities depreciation expense	<u>\$ 1,781,617</u>

### NOTE E-LONG-TERM DEBT

#### *Leases Payable*

#### Operating Lease

The City leases postage machine under a noncancelable operating lease. Total costs for this lease was \$4,374 for the year ended June 30, 2016. The future minimum lease payments for this lease are as follows:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

Year Ended June 30	Amount
2017	\$ 1,458
2018	1,458
2019	1,458
2020	-
2021	-
Totals	\$ <u>4,374</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, 2016, are as follows:

Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 5,530,000
Land-Series 2011 refunding	2.00-3.375%	2,850,000
Land-Series 2012 refunding	2.00-3.80%	2,250,000
General obligation refunding bonds(Series 2015)	1.00-2.50%	5,635,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	1,530,000
		\$ <u>17,795,000</u>
<b>Proprietary Fund Debt</b>		
Water and Sewer System	1.45-2.50%	1,810,000
Golf Course	4.375%	380,000
		\$ <u>2,190,000</u>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

The following is a schedule of future debt service requirements to maturity at June 30, 2016 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2016, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
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	280,000	148,644	140,000	64,756
2022-2026	1,555,000	607,281	750,000	274,669
2027-2031	1,815,000	340,631	850,000	163,994
2032-2034	825,000	32,259	580,000	29,753

Total Debt Service \$ 5,530,000 \$ 1,791,915 \$ 2,850,000 \$ 818,996

Fiscal Year June 30,	2008B GO Bonds		2015 GO Bonds	
	Principal	Interest	Principal	Interest
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	120,000	42,060	500,000	79,850
2022-2026	665,000	142,075	2,650,000	243,550
2027-2028	310,000	18,800	565,000	14,125

Total Debt Service \$ 1,530,000 \$ 408,905 \$ 5,635,000 \$ 736,900

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2017	\$ 100,000	\$ 70,045
2018	95,000	68,095
2019	100,000	66,145
2020	105,000	63,833
2021	105,000	60,945
2022-2026	580,000	257,363
2027-2031	685,000	152,902
2032-2034	480,000	27,740

Total Debt Service \$ 2,250,000 \$ 767,068

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

The City's proprietary fund debt service requirements to maturity at June 30, 2016 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System		2008A Golf Course	
	Principal	Interest	Principal	Interest
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	230,000	17,455	-	-
2022-2024	700,000	28,371	-	-
<b>Total Debt Service</b>	<b>\$ 1,810,000</b>	<b>\$ 148,054</b>	<b>\$ 380,000</b>	<b>\$ 16,624</b>

*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, 2016 the bonds outstanding were \$2,185,000.

*Changes in Governmental-Type Long-Term Liabilities*

During the year ended June 30, 2016, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2015	Additions	Retirements	June 30, 2016	Amounts Due Within One Year
Compensated absences	\$ 745,380	\$ 878,710	\$ (903,156)	\$ 720,934	\$ 900,000
Bonds payable:					
Series 2008B	1,630,000	-	(100,000)	1,530,000	105,000
Series 2010	5,780,000	-	(250,000)	5,530,000	255,000
Series 2011	2,980,000	-	(130,000)	2,850,000	130,000
Series 2012	2,350,000	-	(100,000)	2,250,000	100,000
Series 2015	6,100,000	-	(465,000)	5,635,000	470,000
<b>Totals</b>	<b>\$ 19,585,380</b>	<b>\$ 878,710</b>	<b>\$ (1,948,156)</b>	<b>\$ 18,515,934</b>	<b>\$ 1,960,000</b>

Compensated absences are liquidated by the general fund.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

The government-wide statement of net position includes \$1,960,000 of long-term liabilities due within one year for governmental activities and \$695,000 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, 2016 was as follows:

	Balance June 30, 2015	Additions	Retired	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 2,020,000	\$ -	\$ (210,000)	\$ 1,810,000	\$ 215,000
Compensated absences	70,323	93,821	(101,226)	62,918	100,000
Bonds payable-golf course	730,000	-	(350,000)	380,000	380,000
	<u>\$ 2,820,323</u>	<u>\$ 93,821</u>	<u>\$ (661,226)</u>	<u>\$ 2,252,918</u>	<u>\$ 695,000</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 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

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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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. No COLA has been granted since July 1, 2011.

*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, 2016, 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 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, 2016, participating employers contributed 17.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

June 30, 2016 was 17.06% 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 \$686,825 for the year ended June 30, 2016.

*Hazardous Contributions* - For the year ended June 30, 2016, 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, 2016, participating employers contributed 32.95% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2016 was 32.95% of creditable compensation. Administrative costs of KRS 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 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

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

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 \$2,559,626 for the year ended June 30, 2016.

*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 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, 2016, the City reported a liability of \$7,395,498 for its proportionate share of the net pension liability for non-hazardous and \$22,231,240 for hazardous. The City's net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.17 percent for non-hazardous and 1.45 percent for hazardous.

For the year ended June 30, 2016, the City recognized pension expense of \$1,752,989 for non-hazardous and \$4,291,671 for hazardous. At June 30, 2016, 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, 2016

	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	\$ 418,730	\$ -	\$ 16,717	\$ -
Change in assumptions	1,930,672	-	202,846	-
Net difference between projected and actual earnings on pension plan investments	146,693	1,222,963	18,032	127,107
Changes in proportion and difference between City contributions and proportionate share of contributions	603,395	1,570	-	809
City contributions subsequent to the measurement date	1,904,511	-	163,330	-
<b>Total</b>	<b>\$ 5,004,001</b>	<b>\$ 1,224,533</b>	<b>\$ 400,925</b>	<b>\$ 127,916</b>

The \$1,904,511 and \$163,330 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, 2017. 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 Hazardous		General Non-Hazardous		Water and sewer Non-Hazardous	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
2017	\$ 325,355	\$ 659,569	\$ 82,692	\$ 115,304	\$ 42,571	\$ 59,398
2018	325,355	659,569	82,692	115,304	42,571	59,398
2019	325,355	659,569	82,692	115,304	42,571	59,398
2020	-	659,569	393	115,304	203	59,398
2021	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 976,065</b>	<b>\$ 2,638,276</b>	<b>\$ 248,469</b>	<b>\$ 461,216</b>	<b>\$ 127,916</b>	<b>\$ 237,592</b>

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

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

The Mortality Table for active members is RP-2000 Combined Mortality table projected with

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

Scale BB to 2013 multiplied by 50% for males and 30% for females. The rates of mortality healthy retired members and their beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 multiplied by 50% for males and 30% for females and setback one year for females. For disabled members, the RP-2000 Combined mortality Table projected with Scale BB to 2013 setback four years for males is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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 2008 through 2013, is outlined in a report submitted April 30, 2014. 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
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return ( Diversified Inflation Strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (Diversified Hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash equivalent	2%	-0.25%
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 2117.

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 28 year amortization period of the unfunded actuarial accrued liability. The actuarial

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

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 7.5% 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 (6.5%) or one percentage point higher (8.5%) than the current rate for non-hazardous and (6.5%) or one percentage point higher (8.5%) than the current rate for hazardous (\$ thousands):

CERS	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Non-hazardous	\$ 5,488,878	\$ 4,299,525	\$ 3,280,950
Hazardous	\$ 1,964,988	\$ 1,535,106	\$ 1,178,941

*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, 2016**

Due from/to other Funds			Amount
<u>Receivable Funds(s)</u>	<u>Payable Fund(s)</u>		
General	Water and sewer	\$	23,796
Infrastructure	General		<u>(287,932)</u>
Total		\$	<u>(264,136)</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	Aquatic Center	200,000
General	Infrastructure Fund	3,500,000
General	Golf Course	100,000
Total		<u>\$ 3,925,000</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, 2016, 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 \$200,000 was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.
- 3) A transfer of \$3,500,000 was made from the general fund to the infrastructure fund for the funding of infrastructure projects.
- 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 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 \$114,643 reported in the fund at June 30, 2016, 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:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2013-2014	\$ -	\$ 1,950,897	\$ 1,817,647	\$ 133,250
2014-2015	\$ 133,250	\$ 2,146,750	\$ 2,152,226	\$ 127,774
2015-2016	\$ 127,774	\$ 2,593,698	\$ 2,606,829	\$ 114,643

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2016, 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 – TAX ABATEMENTS**

The City provides tax abatements under three programs: the Florence Business Growth and Development Program, the Kentucky Business Investment Program and the Kentucky Jobs Development Act.

The Florence Business Growth and Development Program is a city initiative focused on offering payroll tax reductions for those businesses that are willing to locate in specific outlined areas in the City limits. The Kentucky Business Investment Program (KBI) and Kentucky Jobs Development Act (KJDA) are state initiatives that incentivize companies to locate and create jobs and investments in the State of Kentucky. Each agreement has specific quantitative targets that must be achieved in the form of new jobs created or payroll wages created beg. The City agreements are valid for a five year period whereas the State agreements can be for ten years.

The City had the following tax abatement agreements in effect during fiscal year 2016:

Purpose	Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Relocation	50%	\$ 19,276
Relocation	50%	10,213
Expansion	50%	33,416
Expansion	50%	5,516
Relocation	50%	7,865
Total		\$ 76,286

**NOTE M – COMMITMENTS**

At June 30, 2016, the City had the following commitments with respect to the following projects:

Projects	Commitments
Mall Road Development	\$1,000,000

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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



**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 52,804,865	\$ 56,612,694	\$ 56,612,694	\$ -
<b>Resources (inflows):</b>				
Taxes:				
Property	7,100,000	7,100,000	7,356,483	256,483
Franchise	530,000	530,000	526,387	(3,613)
Bank deposit	185,000	185,000	206,365	21,365
Licenses and permits:				
Payroll license fees	13,000,000	13,000,000	13,924,508	924,508
Gross receipts license fees	2,200,000	2,200,000	2,380,422	180,422
Insurance	4,200,000	4,200,000	4,265,760	65,760
Other	111,000	111,000	124,339	13,339
Intergovernmental	945,350	993,350	1,162,304	168,954
Fines and forfeitures	196,000	196,000	227,192	31,192
Charges for services	3,476,000	3,476,000	4,025,848	549,848
Interest	400,000	400,000	726,253	326,253
Miscellaneous	66,000	66,000	108,496	42,496
Amounts available for appropriation	<u>85,214,215</u>	<u>89,070,044</u>	<u>91,647,051</u>	<u>2,577,007</u>
<b>Charges to appropriations (outflows):</b>				
Administration:				
Personnel	996,100	996,100	976,590	19,510
Contractual	884,000	809,780	745,877	63,903
Operating/Maintenance	441,000	441,000	462,150	(21,150)
Capital outlay	243,750	276,750	171,034	105,716
Total administration	<u>2,564,850</u>	<u>2,523,630</u>	<u>2,355,651</u>	<u>167,979</u>
Police:				
Personnel	6,397,000	6,589,500	6,584,454	5,046
Contractual	35,000	35,000	31,929	3,071
Operating/Maintenance	482,100	482,100	357,040	125,060
Capital outlay	300,304	300,304	302,775	(2,471)
Total police	<u>7,214,404</u>	<u>7,406,904</u>	<u>7,276,198</u>	<u>130,706</u>
Fire:				
Personnel	5,891,800	6,231,800	6,252,205	(20,405)
Contractual	139,000	139,000	81,154	57,846
Operating/Maintenance	487,000	487,000	472,140	14,860
Capital outlay	111,000	207,000	186,058	20,942
Total fire	<u>6,628,800</u>	<u>7,064,800</u>	<u>6,991,557</u>	<u>73,243</u>

(Continued)

**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
**For the Year Ended June 30, 2016**

(Continued)

Public services:				
Personnel	\$ 3,181,050	\$ 3,181,050	\$ 3,082,449	\$ 98,601
Contractual	425,000	425,000	412,486	12,514
Operating/Maintenance	1,149,500	1,149,500	1,039,746	109,754
Capital outlay	1,867,000	2,302,412	1,670,762	631,650
Total public services	<u>6,622,550</u>	<u>7,057,962</u>	<u>6,205,443</u>	<u>852,519</u>
Debt service:				
Principal	1,045,000	1,045,000	1,045,000	-
Interest	503,600	503,600	502,525	1,075
Total debt service	<u>1,548,600</u>	<u>1,548,600</u>	<u>1,547,525</u>	<u>1,075</u>
Other financing uses:				
Special revenue	325,000	325,000	3,825,000	(3,500,000)
Enterprise fund	100,000	100,000	100,000	-
Total other financing uses	<u>425,000</u>	<u>425,000</u>	<u>3,925,000</u>	<u>(3,500,000)</u>
Total charges to appropriations	25,004,204	26,026,896	28,301,374	(2,274,478)
Budgetary fund balance, June 30	\$ <u>60,210,011</u>	\$ <u>63,043,148</u>	\$ <u>63,345,677</u>	\$ <u>302,529</u>

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
For the Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Non-hazardous:</b>			
Contractually required contribution	\$ 745,922	\$ 709,653	\$ 686,825
Contributions in relation to the contractually required contribution	745,922	709,653	686,825
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938
Contributions as a percentage of covered-employee payroll	18.89%	17.67%	17.06%
<b>Hazardous:</b>			
Contractually required contribution	\$ 2,488,652	\$ 2,545,784	\$ 2,559,626
Contributions in relation to the contractually required contribution	2,488,652	2,545,784	2,559,626
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212
Contributions as a percentage of covered-employee payroll	35.70%	34.31%	32.95%

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-**  
**NON-HAZARDOUS AND HAZARDOUS**  
**For the Year Ended June 30, 2016**

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>
Non-hazardous:		
City's proportion of the net pension liability	0.17%	0.17%
City's proportionate share of the net pension liability	\$ 5,584,305	\$ 7,395,498
City's covered-employee payroll	\$ 4,016,146	\$ 4,025,938
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.05%	183.70%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%
Hazardous:		
City's proportion of the net pension liability	1.38%	1.45%
City's proportionate share of the net pension liability	\$ 16,541,007	\$ 22,231,240
City's covered-employee payroll	\$ 7,419,947	\$ 7,768,212
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	222.93%	286.18%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	60.0%

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

*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, 2015 actuarial report.

*Changes in assumptions.* There were changes in assumptions and methods reported in the June 30, 2015 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, 2016**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 987,007	\$ 8,496,192	\$ 379,783	\$ 1,551,682	\$ 11,414,664
Intergovernmental receivable	55,194	1,076,725	-	-	1,131,919
Due from other funds	-	287,932	-	-	287,932
Inventory	74,098	-	-	-	74,098
<b>Total assets</b>	<b>\$ 1,116,299</b>	<b>\$ 9,860,849</b>	<b>\$ 379,783</b>	<b>\$ 1,551,682</b>	<b>\$ 12,908,613</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 12,327	\$ 722,838	\$ -	\$ 99,533	\$ 834,698
<b>Total liabilities</b>	<b>12,327</b>	<b>722,838</b>	<b>-</b>	<b>99,533</b>	<b>834,698</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventories	74,098	-	-	-	74,098
<b>Restricted:</b>					
Resurfacing	-	-	-	-	-
<b>Assigned to:</b>					
Special revenue fund	1,029,874	9,138,011	379,783	1,452,149	11,999,817
<b>Total fund balances</b>	<b>1,103,972</b>	<b>9,138,011</b>	<b>379,783</b>	<b>1,452,149</b>	<b>12,073,915</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,116,299</b>	<b>\$ 9,860,849</b>	<b>\$ 379,783</b>	<b>\$ 1,551,682</b>	<b>\$ 12,908,613</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, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Municipal Aid	Infrastructure	Asset Forfeiture	Aquatic Center	
<b>REVENUES</b>					
Licenses and permits	\$ -	\$ 2,487,932	\$ -	\$ -	\$ 2,487,932
Intergovernmental	599,400	1,508,167	-	-	2,107,567
Charges for services	-	475,000	-	335,857	810,857
Uses of property	-	-	100,879	-	100,879
Interest	5,119	30,866	1,446	6,009	43,440
Miscellaneous	-	-	-	1,383	1,383
Total revenues	<u>604,519</u>	<u>4,501,965</u>	<u>102,325</u>	<u>343,249</u>	<u>5,552,058</u>
<b>EXPENDITURES</b>					
Current:					
Police	-	-	63,865	-	63,865
Public Services	848,353	6,015,859	-	460,742	7,324,954
Total expenditures	<u>848,353</u>	<u>6,015,859</u>	<u>63,865</u>	<u>460,742</u>	<u>7,388,819</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(243,834)</u>	<u>(1,513,894)</u>	<u>38,460</u>	<u>(117,493)</u>	<u>(1,836,761)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	125,000	3,500,000	-	200,000	3,825,000
Total other financing sources	<u>125,000</u>	<u>3,500,000</u>	<u>-</u>	<u>200,000</u>	<u>3,825,000</u>
Net change in fund balances	(118,834)	1,986,106	38,460	82,507	1,988,239
Fund balances - beginning	<u>1,222,806</u>	<u>7,151,905</u>	<u>341,323</u>	<u>1,369,642</u>	<u>10,085,676</u>
Fund balances - ending	\$ <u><u>1,103,972</u></u>	\$ <u><u>9,138,011</u></u>	\$ <u><u>379,783</u></u>	\$ <u><u>1,452,149</u></u>	\$ <u><u>12,073,915</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,223,268	\$ 1,222,806	\$ 1,222,806	\$ -
Resources (inflows):				
Intergovernmental	740,000	740,000	599,400	(140,600)
Interest	2,200	2,200	5,119	2,919
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>2,090,468</u>	<u>2,090,006</u>	<u>1,952,325</u>	<u>(137,681)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>995,200</u>	<u>995,200</u>	<u>848,353</u>	<u>146,847</u>
Total	<u>995,200</u>	<u>995,200</u>	<u>848,353</u>	<u>146,847</u>
Budgetary fund balances, June 30	\$ <u><u>1,095,268</u></u>	\$ <u><u>1,094,806</u></u>	\$ <u><u>1,103,972</u></u>	\$ <u><u>9,166</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 5,801,831	\$ 7,151,905	\$ 7,151,905	\$ -
Resources (inflows):				
Licenses and permits	2,300,000	2,300,000	2,487,932	187,932
Intergovernmental revenue	2,443,137	3,456,137	1,508,167	(1,947,970)
Charges for services	475,000	475,000	475,000	-
Interest	15,000	15,000	30,866	15,866
Transfer in	-	-	3,500,000	3,500,000
Amounts available for appropriation	<u>11,034,968</u>	<u>13,398,042</u>	<u>15,153,870</u>	<u>1,755,828</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>5,628,137</u>	<u>8,090,137</u>	<u>6,015,859</u>	<u>2,074,278</u>
Total	<u>5,628,137</u>	<u>8,090,137</u>	<u>6,015,859</u>	<u>2,074,278</u>
Budgetary fund balances, June 30	\$ <u>5,406,831</u>	\$ <u>5,307,905</u>	\$ <u>9,138,011</u>	\$ <u>3,830,106</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 234,795	\$ 341,323	\$ 341,323	\$ -
Resources (inflows):				
Uses of property	25,000	25,000	100,879	75,879
Interest	900	900	1,446	546
Amounts available for appropriation	<u>260,695</u>	<u>367,223</u>	<u>443,648</u>	<u>76,425</u>
Charges to appropriations (outflows):				
Current:				
Police	<u>126,100</u>	<u>126,100</u>	<u>63,865</u>	<u>62,235</u>
Total	<u>126,100</u>	<u>126,100</u>	<u>63,865</u>	<u>62,235</u>
Budgetary fund balances, June 30	<u>\$ 134,595</u>	<u>\$ 241,123</u>	<u>\$ 379,783</u>	<u>\$ 138,660</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,319,671	\$ 1,369,642	\$ 1,369,642	\$ -
Resources (inflows):				
Memberships	45,000	45,000	47,482	2,482
Daily Admissions	220,000	220,000	259,620	39,620
Programs	25,000	25,000	23,080	(1,920)
Concessions	10,000	10,000	4,383	(5,617)
Locker Rental	800	800	1,292	492
Interest	4,700	4,700	6,009	1,309
Miscellaneous	500	500	1,383	883
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>1,825,671</u>	<u>1,875,642</u>	<u>1,912,891</u>	<u>37,249</u>
Charges to appropriations (outflows):				
Public services				
Management contract	315,000	315,000	306,317	8,683
Utilities	120,700	120,700	68,865	51,835
Repairs and maintenance	50,000	50,000	41,401	8,599
Supplies	1,000	1,000	1,341	(341)
Bank service charges	6,500	6,500	5,637	863
Miscellaneous	5,250	5,250	1,783	3,467
Capital	35,000	35,000	35,398	(398)
Total	<u>533,450</u>	<u>533,450</u>	<u>460,742</u>	<u>72,708</u>
Budgetary fund balances, June 30	\$ <u>1,292,221</u>	\$ <u>1,342,192</u>	\$ <u>1,452,149</u>	\$ <u>109,957</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>GOVERNMENTAL ACTIVITIES</b>										
Invested in capital assets	\$ 69,825	\$ 69,163	\$ 48,629	\$ 47,198	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572	\$ 63,468	\$ 66,566
Restricted	18,543	28,011	35,364	42,903	46,679	53,466	63,305	70,967	62,295	66,999
Total governmental activities net assets	\$ 88,368	\$ 97,174	\$ 83,993	\$ 90,101	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539	\$ 125,763	\$ 133,565
<b>BUSINESS-TYPE ACTIVITIES</b>										
Invested in capital assets	19,096	19,508	19,651	22,638	26,175	26,659	26,695	26,833	27,496	27,328
Restricted	266	469	473	265	479	248	248	248	-	-
Unrestricted	5,860	5,387	5,684	5,900	6,995	7,279	8,050	8,678	6,949	7,210
Total business-type activities net assets	\$ 25,222	\$ 25,364	\$ 25,808	\$ 28,803	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759	\$ 34,445	\$ 34,538
<b>PRIMARY GOVERNMENT</b>										
Invested in capital assets	88,921	88,671	68,280	69,836	79,275	85,975	86,431	88,405	90,964	93,894
Restricted	266	469	473	265	479	248	248	248	-	-
Unrestricted	24,403	33,398	41,048	48,803	53,674	60,745	71,355	79,645	69,244	74,209
Total primary government net assets	\$ 113,590	\$ 122,538	\$ 109,801	\$ 118,904	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298	\$ 160,208	\$ 168,103

**CITY OF FLORENCE, KENTUCKY**

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 3,315	\$ 3,150	\$ 3,405	\$ 3,423	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417	\$ 3,698	\$ 3,346
Police	5,556	6,338	6,994	6,436	8,944	6,969	7,303	7,147	8,462	11,431
Fire	4,796	5,448	5,559	6,595	5,386	6,431	6,136	6,042	5,940	8,728
Public services	6,907	8,429	8,443	7,572	7,087	8,226	8,316	9,387	6,657	8,158
Economic development	517	412	908	-	-	-	-	-	-	-
Other agencies	830	813	-	-	-	-	-	-	-	-
Interest on long-term debt	1,133	1,211	1,101	1,089	1,426	1,497	755	709	768	1,110
Total governmental activities	23,054	25,802	26,410	25,115	26,092	26,421	26,544	26,702	25,525	32,773
Business-type activities:										
Water and sewer service	6,828	7,340	7,214	7,346	7,616	7,727	7,571	7,694	7,847	8,336
Golf course	855	905	860	784	920	1,303	1,312	1,355	1,335	1,274
Total business-type activities	7,683	8,245	8,074	8,130	8,536	9,030	8,883	9,049	9,182	9,610
Total primary government expense	\$ 30,737	\$ 34,047	\$ 34,484	\$ 33,245	\$ 34,628	\$ 35,451	\$ 35,427	\$ 35,751	\$ 34,707	\$ 42,383
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Administration	\$ 582	\$ 668	\$ 691	\$ 939	\$ 877	\$ 887	\$ 784	\$ 790	\$ 817	\$ 738
Fire	2,344	2,504	2,758	2,586	2,754	2,658	2,791	2,540	2,887	3,167
Public services	834	1,068	1,088	1,065	1,094	1,102	999	1,051	1,021	1,151
Other activities	20	20	18	17	30	16	10	22	9	7
Operating grants and contributions	473	602	640	808	551	546	2,132	688	1,037	1,032
Capital grants and contributions	1,332	667	1,890	2,501	6,806	5,027	734	1,114	2,558	2,238
Total governmental activities program revenues	5,585	5,529	7,085	7,916	12,112	10,236	7,450	6,205	8,329	8,333
Business-type activities:										
Charges for services:										
Water and sewer service	6,642	7,120	7,106	7,586	8,084	8,179	8,361	8,466	8,548	8,456
Golf course	945	850	753	588	709	1,250	1,206	1,226	1,155	1,112
Capital grants and contributions	50	80	-	-	-	-	-	-	-	-
Total business-type activities program revenues	7,637	8,050	7,859	8,174	8,793	9,429	9,567	9,692	9,703	9,568
Total primary government program revenues	\$ 13,222	\$ 13,579	\$ 14,944	\$ 16,090	\$ 20,905	\$ 19,665	\$ 17,017	\$ 15,897	\$ 18,032	\$ 17,901
Net (expense)/revenue	\$ (17,469)	\$ (20,273)	\$ (19,325)	\$ (17,199)	\$ (13,980)	\$ (16,185)	\$ (19,094)	\$ (20,497)	\$ (17,196)	\$ (24,440)
Governmental activities:	(46)	(195)	(215)	44	257	399	684	643	521	(42)
Business-type activities:	\$ (17,515)	\$ (20,468)	\$ (19,540)	\$ (17,155)	\$ (13,723)	\$ (15,786)	\$ (18,410)	\$ (19,854)	\$ (16,675)	\$ (24,482)
Total primary government, net expense										

(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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Taxes:										
Property taxes, levied for										
general purposes	\$ 6,085	\$ 7,057	\$ 7,258	\$ 7,341	\$ 7,194	\$ 7,197	\$ 6,999	\$ 6,982	\$ 7,328	\$ 7,446
Public service taxes	515	562	544	579	555	521	521	562	525	526
Taxes, levied for bank deposits	170	181	184	211	207	194	183	209	185	206
Payroll license	7,931	13,114	13,115	13,373	14,077	14,912	14,872	15,119	15,831	16,413
Gross receipts license	1,749	2,183	1,944	2,048	1,964	2,158	2,235	2,099	2,250	2,380
Insurance premium	2,897	4,150	4,050	3,659	3,579	3,751	4,098	4,275	4,467	4,266
Other	97	106	103	97	101	105	126	89	113	124
Uses of property	218	176	373	45	89	40	116	98	95	101
Interest	922	868	531	351	292	291	177	540	292	770
Miscellaneous	310	227	4,331	132	144	120	125	121	122	110
Transfers	(95)	454	(500)	(4,529)	(4,545)	(100)	(100)	(100)	(100)	(100)
Total governmental activities	20,829	29,078	31,933	23,307	23,657	29,189	29,352	29,994	31,108	32,242
Business-type activities										
Investment earnings	316	249	122	48	54	38	22	23	24	35
Capital contributions	-	-	-	1,773	3,745	-	-	-	-	-
Transfers	65	125	500	1,129	789	100	100	100	100	100
Total business-type activities	381	374	622	2,950	4,588	138	122	123	124	135
Total primary government	21,210	29,452	32,555	26,257	28,245	29,327	29,474	30,117	31,232	32,377
Change in net assets										
Governmental activities	\$ 556	\$ 9,753	\$ 14,734	\$ 9,327	\$ 7,472	\$ 10,085	\$ 8,855	\$ 12,798	\$ 31,108	\$ 7,802
Business-type activities	186	159	666	3,207	4,987	822	765	644	124	93
Total primary government	742	9,912	15,400	12,534	12,459	10,917	9,620	13,442	31,232	7,895

**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
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
2016	7,356,483	526,387	206,365	16,412,440	2,380,422	4,265,760

**CITY OF FLORENCE, KENTUCKY**

**Fund balances of Governmental Funds**

**Last Ten Fiscal Years**

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>GENERAL FUND</b>										
Reserved	\$ 496	\$ 551	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,127	15,802	19,235	-	-	-	-	-	-	-
Nonspendable	-	-	-	395	254	483	490	472	548	605
Committed to	-	-	-	5,500	6,500	7,000	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	55,741
<b>Total general fund</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>\$ 63,346</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ 57	\$ 46	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,750	7,531	10,486	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	63	63	68	71	71	87	74
Restricted	-	-	-	266	413	508	599	895	1,136	1,030
Assigned to	-	-	-	1,593	1,461	1,924	3,973	6,612	8,863	10,970
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</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>	<b>\$ 12,074</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Taxes	\$ 6,997	\$ 7,817	\$ 7,927	\$ 8,148	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884	\$ 7,958	\$ 8,089
Licenses and permits	12,675	19,553	19,212	19,177	19,721	20,926	21,332	21,582	22,662	23,183
Intergovernmental	1,805	1,269	2,530	3,308	7,357	5,573	2,866	1,802	3,595	3,270
Fines and forfeitures	157	241	219	278	253	264	247	198	253	227
Charges for services	3,623	4,020	4,336	4,329	4,503	4,399	4,363	4,206	4,480	4,837
Uses of property	218	176	373	45	89	40	116	98	96	101
Interest	748	708	458	351	292	229	177	509	406	769
Miscellaneous	475	136	109	132	144	120	85	121	111	110
Total revenues	26,698	33,920	35,164	35,768	40,344	39,247	36,893	36,400	39,561	40,586
<b>EXPENDITURES</b>										
Current:										
Administration	2,578	2,438	2,377	2,532	2,052	2,606	2,630	2,402	2,502	2,356
Police	6,073	6,595	7,289	7,326	7,166	7,125	7,506	7,469	7,636	7,340
Fire	5,638	5,464	5,615	6,915	5,725	6,242	6,042	6,188	7,327	6,992
Public services	6,517	7,533	8,200	8,781	15,749	15,073	9,844	11,771	11,103	13,530
Economic development	518	412	2,539	-	-	-	-	-	-	-
Other agencies	830	812	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,259	1,401	1,224	1,055	1,230	1,195	1,000	1,020	1,060	1,045
Interest	1,202	1,289	1,094	1,057	1,398	1,263	711	690	553	502
Cost of issuance	-	-	-	-	74	114	-	-	74	-
Total expenditures	24,615	25,944	28,338	27,666	33,394	33,618	27,733	29,540	30,255	31,765
Excess(deficiency) of revenues over(under) expenditures	2,083	7,976	6,826	8,102	6,950	5,629	9,160	6,860	9,306	8,821

(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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	10,010	6,859	9,675	9,023	325	988	1,325	1,825	1,825	3,825
Transfers out	(10,075)	(6,405)	(10,175)	(13,552)	(4,870)	(1,425)	(2,425)	(1,925)	(1,925)	(3,925)
Total other financing sources and uses	295	524	(500)	(4,529)	(3,905)	90	(1,100)	(100)	(21)	(100)
Net change in fund balances	<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>	<u>\$ 8,721</u>

Debt service as a percentage of noncapital expenditures

	<u>12.95%</u>	<u>12.74%</u>	<u>15.47%</u>	<u>10.37%</u>	<u>11.40%</u>	<u>11.40%</u>	<u>7.28%</u>	<u>7.76%</u>	<u>6.67%</u>	<u>5.79%</u>
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**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>
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
2016	7,357	526	206	8,089

**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				
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	
2016	1,130,225,380	1,416,310,940	372,591,995	82,040,150	2,837,088,165	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 City of Florence			Overlapping Rates County			Total Direct and Overlapping Rates
	Florence	Hazardous	Boone County	Extension Services	Health	Library	
2007	\$ 1,800	\$ 0,660	\$ 0,990	\$ 0,190	\$ 0,200	\$ 0,720	4,560
2008	1,730	0,800	0,990	0,190	0,200	0,680	4,590
2009	1,820	0,640	1,020	0,160	0,190	0,500	4,330
2010	1,820	0,640	1,020	0,160	0,190	0,500	4,330
2011	1,820	0,640	1,020	0,160	0,190	0,500	4,330
2012	1,820	0,640	1,040	0,160	0,190	0,510	4,360
2013	1,820	0,640	1,050	0,180	0,190	0,520	4,400
2014	1,820	0,640	1,050	0,180	0,190	0,520	4,400
2015	1,820	0,640	1,050	0,180	0,190	0,520	4,400
2016	1,820	0,640	1,050	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, 2016

Taxpayer	2016			2007		
	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	3.49%	\$ 88,100,000	1	3.85%
New Plan Property Holding	37,650,135	3	1.32%	39,475,000	2	1.73%
Turfway Park, LLC				30,000,000	3	1.31%
Dell Marketing USA	42,802,689	2	1.51%			
IBM Credit Corp	24,866,640	4	0.00%			
Star Wetherington	23,894,000	5	0.88%			
Cabot Turfway Ridge 14 LLC	21,500,000	6	0.84%			
Trellises Kentucky	19,410,000	7	0.68%	15,802,500	6	0.69%
Wal-Mart Real Estate	18,000,000	8	0.63%			
GPT Properties Trust	18,000,000	9	0.63%			
Fifth Third Bank	17,700,182	10	0.62%			
BH Turfway, Inc				18,500,000	4	0.81%
Corporex Key Partnership				15,934,000	5	0.70%
Meijer Stores				15,800,000	7	0.69%
Turfway Crossing				14,950,000	8	0.65%
Cayton Development				14,147,700	9	0.62%
Beam Associates				12,499,000	10	0.55%
<b>TOTAL</b>	<b>\$ 322,923,646</b>		<b>10.60%</b>	<b>\$ 265,208,200</b>		<b>11.60%</b>

**CITY OF FLORENCE, KENTUCKY**  
**Property Tax Levies and Collections**

Last Ten Fiscal Years

Fiscal Year	Total Tax		Current Tax		Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
	Levy	Collections	Levy	Collections				Amount	Percentage of Collection
2007	\$ 6,354,149	\$ 6,182,681	\$ 6,182,681	\$ (102,692)	98%	\$ 170,495	\$ 6,353,176	100%	
2008	\$ 7,246,063	\$ 7,125,485	\$ 7,125,485	\$ (117,326)	99%	\$ 115,590	\$ 7,241,075	100%	
2009	\$ 7,463,379	\$ 7,280,815	\$ 7,280,815	\$ (117,795)	99%	\$ 147,295	\$ 7,428,110	100%	
2010	\$ 7,401,426	\$ 7,209,530	\$ 7,209,530	\$ (125,730)	99%	\$ 185,723	\$ 7,395,253	100%	
2011	\$ 7,244,508	\$ 7,193,319	\$ 7,193,319	\$ (125,186)	99%	\$ 35,275	\$ 7,228,594	100%	
2012	\$ 7,190,106	\$ 7,015,187	\$ 7,015,187	\$ (115,734)	99%	\$ 160,567	\$ 7,175,754	100%	
2013	\$ 7,094,090	\$ 7,042,131	\$ 7,042,131	\$ (121,914)	99%	\$ 26,035	\$ 7,068,166	100%	
2014	\$ 7,180,243	\$ 7,110,763	\$ 7,110,763	\$ (125,342)	99%	\$ 55,165	\$ 7,165,928	100%	
2015	\$ 7,274,130	\$ 7,102,792	\$ 7,102,792	\$ (128,458)	99%	\$ 37,135	\$ 7,139,927	98%	
2016	\$ 7,433,766	\$ 7,405,441	\$ 7,405,441	\$ (130,094)	99%	-	\$ 7,405,441	100%	

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

Fiscal Year	Governmental Type Activities				Business-Type Activities				Total		Debt per Population
	General		Public		Water Bonds	Sewer Bonds	Properties/GO Bonds	Capital Leases	Capital Leases	Primary Government	
	Obligations Bonds	Properties Bonds	Properties Bonds	Capital Leases							
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	
2016	\$ 17,795,000	\$ -	\$ -	\$ -	\$ 1,810,000	\$ -	\$ 380,000	\$ -	\$ 19,985,000	\$ 627	

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 86 for personal income and population data.

(2) Public Properties Bonds

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

Fiscal Year	General Obligations		Less: Amounts Available in Debt Service Fund		Total	Percentage of Actual Taxable Value(1) of Property		Per Capita (2)
	Bonds							
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
2016	\$ 18,175,000	\$ -	\$ -	\$ -	18,175,000	0.64%	\$	570

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 77 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on Page 86.

**CITY OF FLORENCE, KENTUCKY**

**Direct and Overlapping Governmental Activities Debt**

June 30, 2016

<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	\$ 29,623,024	26.40%	\$ 7,820,478
Subtotal, overlapping debt			<u>7,820,478</u>
City of Florence direct debt			<u>17,795,000</u>
Total direct and overlapping			<u>\$ 25,615,478</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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 228,642	\$ 259,011	\$ 270,393	\$ 268,343	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259	\$ 277,295	\$ 283,709
Total net debt applicable to limit	23,640	25,000	26,575	25,240	24,360	23,480	22,170	20,825	19,520	18,175
Legal debt margin	205,002	234,011	243,818	243,103	239,333	240,219	245,031	249,434	257,775	265,534
Total net debt applicable to the limit as a percentage of debt limit	10.34%	9.65%	9.83%	9.41%	9.24%	8.90%	8.30%	7.71%	7.04%	6.41%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Taxable assessed value	\$ 283,709
Debt limit(10% for total taxable assessed value)	
Debt applicable to limit:	28,371
General obligation bonds	18,175
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	18,175
Legal debt margin	\$ 10,196

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

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

Fiscal Year	Sewer and Water Revenue Bonds							Coverage	
	Sewer/Water		Less:		Net		Debt Service		
	Charges and Other	Operating Expenses	Operating Expenses	Available Revenue	Principal	Interest			
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%	
2016	8,455,603	8,363,162	92,441	210,000	33,405			38%	

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Median Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
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%
2016	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	2016			2007		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
St. Elizabeth Healthcare	\$ 964,972	1	5.00%	N/A	1	0.00%
Boone County Board of Ed	\$ 836,068	2	4.60%	N/A	2	0.00%
Robert Bosch Automotive	\$ 760,973	3	4.05%	N/A	3	0.00%
M-I, LLC	\$ 459,492	4	2.81%	N/A	4	0.00%
Department of Treasury	\$ 443,834	5	2.50%	N/A	5	0.00%
Eagle Manufacturing	\$ 390,083	7	1.91%	N/A	7	0.00%
Meritor Heavy Vehicle	\$ 375,934	6	2.08%	N/A	6	0.00%
St. Elizabeth Physicians	\$ 325,524	8	1.79%	N/A	8	0.00%
Walmart	\$ 284,371	9	1.60%	N/A	9	0.00%
City of Florence	\$ 245,290	10	1.34%	N/A	10	0.00%
<b>TOTAL</b>	<b>5,086,541</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration:										
Mayor's office	4	4	4	4	4	4	4	4	4	5
Finance	9	10	10	10	10	10	10	10	10	8
Human resources	2	N/A								
Information technology	3	4	N/A							
Public services:										
Professional	19	19	19	19	19	19	19	19	19	19
Maintenance	21	21	21	21	21	21	21	21	21	21
Police:										
Sworn	58	61	61	61	61	61	61	61	64	64
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	50	51	51	51	51	51	51	57	57	60
Civilian	1	1	1	1	1	1	1	1	1	1
Parks and recreation:	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Police:</b>										
Physical arrests	1,569	2,213	1,870	2,617	2,431	2,542	2,571	2,563	2,736	2,501
Traffic violations	6,204	11,471	7,770	6,729	6,385	4,664	4,487	7,790	5,188	5,768
Parking violations	352	450	391	307	513	224	120	162	93	114
<b>Fire:</b>										
Number of calls answered:										
Fire	2,215	2,498	2,641	2,381	2,486	2,367	2,416	2,511	2,492	2,496
Ambulance	5,249	5,682	5,703	5,772	6,091	6,364	6,380	6,283	6,819	6,982
Inspections	1,752	1,549	1,657	2,032	2,255	1,945	2,005	2,186	2,575	2,527
<b>Highways and streets:</b>										
Street resurfacing(lane miles)	4.76	5.13	6.60	7.05	7.62	8.44	9.11	9.11	8.48	8.48
<b>Water:</b>										
New connections	135	100	53	45	45	50	42	27	46	35
Water main breaks	38	78	61	24	55	37	62	31	34	30
Average daily consumption (thousands of gallons)	2,909	3,229	2,969	2,839	3,055	3,090	3,035	3,021	2,995	2,945

Source: Various city departments

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	4	4	4
Highways and streets:										
Streets(miles)	159	159	159	160	168	168	169	169	169	169
Streetlights	1,597	1,134	1,134	1,134	1,977	1,977	2,103	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	126	132	135	200	145	145	149	150	150	146
Fire hydrants	1,302	1,062	1,122	1,259	1,520	1,520	1,583	1,598	1,598	1,605
Maximum daily capacity (thousands of gallons)	3,944	4,791	4,805	4,000	4,550	4,810	4,809	4,595	4,183	4,120
Sewer:										
Contained sanitary/storm sewers (miles)	271	231	241	278	286	286	278	276	274	274

Source: Various city departments



**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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Florence, Kentucky's basic financial statements, and have issued our report thereon dated September 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Florence, Kentucky'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, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Kentucky'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 first 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, Kentucky'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 9, 2016**

