

CITY OF FLORENCE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

Prepared by:
Linda J. Chapman
CFO/HR

CITY OF FLORENCE, KENTUCKY
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INTRODUCTORY SECTION

OFFICE OF THE FINANCE DIRECTOR

September 19, 2018

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, 2018.

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, 2018, 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, 2018, 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 32,460. 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 2018 with the Council to take office on January 1, 2019.

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 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. In addition to the annual plan, the City maintains a rolling five-year capital plan for infrastructure, equipment and vehicles. The plan is in place to address departmental needs and determine capital funding needs for the future. Major infrastructure improvements such as streets, water and sewer have \$50,000 annual increases. All other amounts are at estimated actual costs.

The City does have multiple major projects planned for fiscal year 2018 that will carry over into fiscal year 2019. Past fiscal year 2019 there are not any currently planned projects. However, this is always subject to change. All projects and operations in the rolling five-year plan have been provided for with the City's current reserves. The recent addition of additional personnel and wage increases as part of operations will have a slight impact on reserves moving forward but are inclusive in the plan. There are not any major future capital projects or operational plans that will have a significant impact on the budget past the five-year plan. The final debt service amounts will be retired in September of 2032 with significant amounts of cash flow being increased with the two bond issues to be retired in June of 2027 and June of 2028. As stated above, the City is focused on being in "maintain" mode to be able to attract the business and resident mix necessary to preserve this viable community. Without the continuous upkeep of the many features, infrastructure and amenities, this community will suffer and that could potentially have a measurable impact on the long-range plans of the City. The City has always looked past the five-year plan to assess what future maintenance needs will transpire for the City as whole and how will we be able to fund those needs. That is one of the reasons that the City has accumulated \$73.3 million in reserves knowing the importance of having a future funding mechanism for financial stability.

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 by widening turn lanes. 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 started the Rosetta, Kentaboo park and Nature Park reservation house projects.

Long-term financial planning. The five-year capital and operating budget plan referenced above serves as a basis for the City's strategic plan. This plan carries out the City's vision as adopted by the City Council. Long-term future sustainability is the primary focus of the budget plans.

The City is continuing to explore the possibility of developing new parks and adding amenities to existing parks. In addition, there is ongoing exploration on how to improve the traffic flow through the retail districts. After the completion of the projects mentioned in the paragraphs above, there is 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 171.51% 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, 2017. This was the fifteenth 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,



Linda J. Chapman
CFO/HR

CITY OF FLORENCE, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

June 30, 2018

Mayor

Diane E. Whalen

Council Members

Mel D. Carroll

Duane Froelicher

Jason Kelly Huff

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

Staff

City Clerk - Nancy Zeilman

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

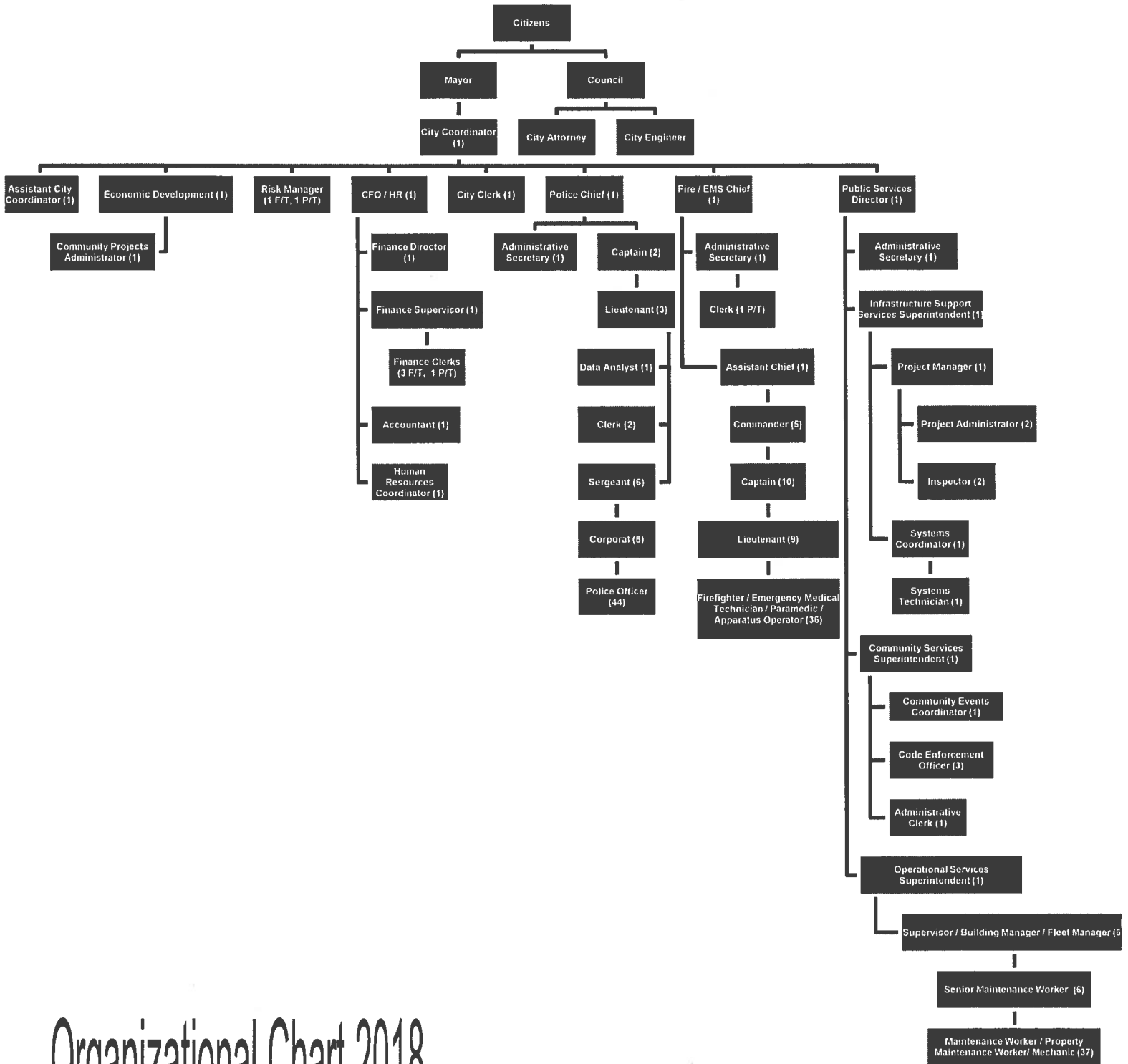
**City of Florence
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



Organizational Chart 2018

Total Employees: 211 Full Time
3 Part Time

Revised:
1/2/2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City of Florence, Kentucky'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, 2018, 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 63 and schedule of city contributions and schedule of proportionate share of net position liability on pages 66 and 67 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 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 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 11, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Florence, Kentucky's 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 & Company".

**Ft. Wright, Kentucky
September 11, 2018**

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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, 2018. 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 \$179,557,364 (net position). Of this amount, \$73,850,517 (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 \$94,802,426. This was an increase of \$6,632,436 in comparison to the prior year. The increase was a combination of the City's general operating fund, infrastructure fund and aquatic center fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$65,617,732, or 177.22% of total general fund expenditures and transfers.

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 25 and 26 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 27-29 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 30-32 of this report.

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

The notes to the financial statements can be found on pages 33-61 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 63-65 and 71-75 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 \$179,557,364 at the close of the most recent year.

The largest portion of the City's net position (55.88 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, 2018 and 2017 net position changed as follows amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 113,652	\$ 104,913	\$ 9,616	\$ 10,122	\$ 123,268	\$ 115,035
Capital assets, net	86,922	84,670	30,048	29,269	116,970	113,939
Total assets	<u>200,574</u>	<u>189,583</u>	<u>39,664</u>	<u>39,391</u>	<u>240,238</u>	<u>228,974</u>
Total deferred outflows of resources	21,360	9,166	1,456	850	22,816	10,016
Other liabilities	4,479	3,051	1,285	957	5,764	4,008
Long-term liabilities	68,739	46,366	5,320	4,118	74,059	50,484
Total liabilities	<u>73,218</u>	<u>49,417</u>	<u>6,605</u>	<u>5,075</u>	<u>79,823</u>	<u>54,492</u>
Total deferred inflows of resources	3,334	863	339	108	3,673	971
Net position:						
Net Investment in capital assets	71,532	67,635	28,798	27,522	100,330	95,157
Unrestricted	73,850	80,834	5,377	7,535	79,227	88,369
Total net position	<u>\$ 145,382</u>	<u>\$ 148,469</u>	<u>\$ 34,175</u>	<u>\$ 35,057</u>	<u>\$ 179,557</u>	<u>\$ 183,526</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 decreased 2.21% or \$4.0 million during the current fiscal year. The decrease was mainly attributed to the prior period adjustment for the adoption of GASB 75 during the year in the amount of \$9.9 million. This adjustment was offset by \$5.9 million of 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 and GASB Statement 75, "Accounting and Financial reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. As a result of those adoptions, the City has experienced an increase in deferred outflows and inflows as well as long-term liabilities with the increase of the pension and OPEB liability in the current year.

Changes in Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues:				
Program revenues:				
Charges for services	\$ 5,649,010	\$ 5,309,491	\$ 9,380,674	\$ 9,700,538
Operating grants and contributions	708,361	911,098	-	-
Capital grants	984,013	2,522,848	467,811	-
General revenues:				
Taxes	34,781,923	33,276,070	-	-
Other	1,323,362	1,349,319	105,755	67,849
Total revenues	43,446,669	43,368,826	9,954,240	9,768,387
Expenses:				
Administration	4,520,114	4,041,965	-	-
Police	10,708,189	8,581,599	-	-
Fire	9,737,520	8,736,082	-	-
Public services	11,828,031	6,503,149	-	-
Interest on long-term debt	484,822	502,887	52,065	101,267
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	8,898,793	8,038,066
Golf Course	-	-	1,216,792	1,209,663
Total expenses	37,278,676	28,365,682	10,167,650	9,348,996
Increase in net position before transfers and other expenses				
	6,167,993	15,003,144	(213,410)	419,391
Transfers	(100,000)	(100,000)	100,000	100,000
Increase in net position	6,067,993	14,903,144	(113,410)	519,391
Prior period adjustment	(9,154,714)	-	(768,604)	-
Net position - July 1	148,468,703	133,565,559	35,057,396	34,538,005
Net position - June 30	\$ 145,381,982	\$ 148,468,703	\$ 34,175,382	\$ 35,057,396

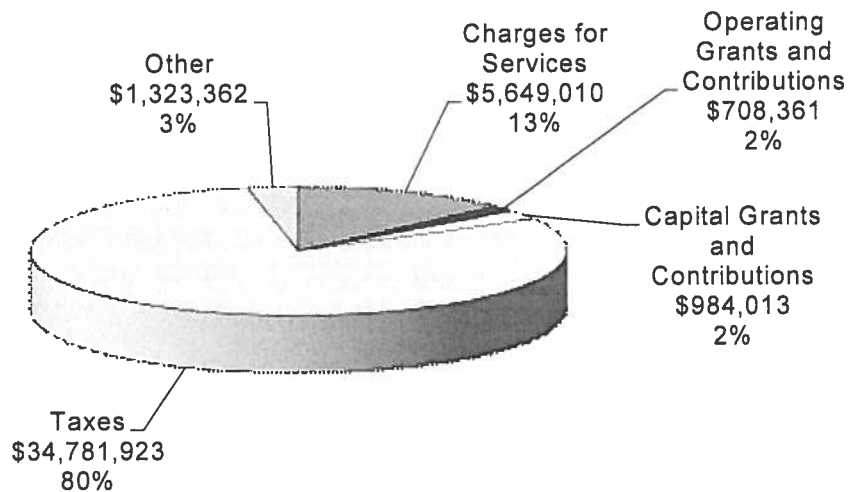
Governmental activities. Governmental activities decreased the City's net position by \$3.1 million, thereby accounting for 77.5% of the total reduction in net position. Key elements of this reduction are as follows:

- Taxes increased \$1.5 million over fiscal year 2017. The payroll tax position increased by \$790,500 during 2018 as a result of improved economic conditions and increased economic development. In addition, the City also experienced an increase in 2018 with occupational license fees increasing by \$155,000. The insurance premium tax experienced a slight increase in 2018 of \$32,600. The City's property tax revenues increased due to an improvement in assessed values, an increased amount of tangible property and new developments added to the tax roll. The property tax revenue increased by \$402,461. Economic development in fiscal year 2018 is ongoing with several projects in various stages. Some of those projects will be finished and should

be on the tax rolls for the 2018 taxes. The City has not raised the real property tax rate since 2008.

- Capital grant revenue decreased by \$1,538,835 as a result of the grants for various road and sidewalk projects coming to an end. All projects were finished during 2017. Operating grant revenue also decreased due to the elimination of the SAFER grant awarded to hire six additional firefighters for both years. This grant ended in the first quarter of fiscal year 2018.
- There was an increase of \$8,912,994 for governmental activities as a result of various infrastructure long-term projects and capital projects such as Rosetta and the Nature Park starting at the end of fiscal year 2017 and continuing thru fiscal year 2018. These projects will be ending during the 2019 fiscal year. Some of the decrease was also the result of 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. In addition, the City needed to adopt GASB 75 which added additional entries for expenditures related to postemployment benefits other than pension. The City has recorded the additional expenditures and OPEB liability related to the adoption of that statement.
- As mentioned in the bullet point above, the City was required to adopt GASB Statement 75. As a result of the adoption the City needed to record a prior period adjustment in the amount of \$9,154,714 which was the major contributing factor to the overall decrease in net position for fiscal year 2018. The adjustment negated the overall increase of \$6,067,993 from operations and resulted in a decline in net position of \$3,086,721.

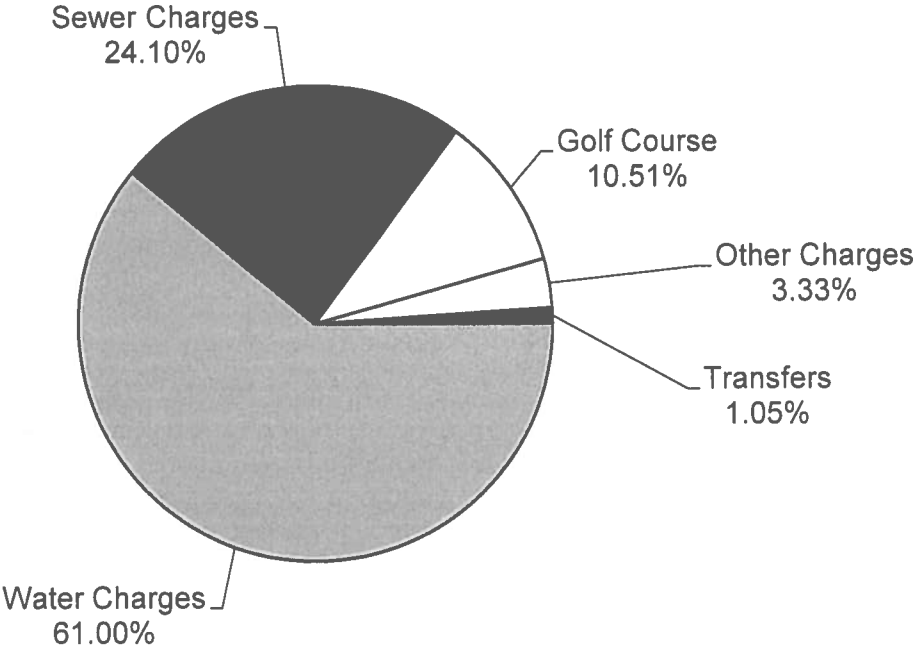
Revenues by Source - Governmental Type Activities



Business-type activities. Business-type activities decreased the City’s net position by \$882,014, accounting for 2.51 percent of the total decline in the government’s net position. Key elements of this decrease are as follows:

- In reviewing the net (expense)/revenue, the water and sewer sales and service function showed net income for the year of \$2,913. The income was attributable to the receipt of a capital grant for the new pump station in the amount of \$467,811. This was coupled with an increase in expenses in the amount of \$775,150. Depreciation expense was increased by \$99,504 due to infrastructure projects.
- In addition, the City needed to adopt GASB 75 which added additional entries for expenditures related to postemployment benefits other than pension. The City has recorded the additional expenditures and OPEB liability related to the adoption of that statement. As a result of the adoption the City needed to record a prior period adjustment in the amount of \$768,604 which was the major contributing factor to the overall decrease in net position for fiscal year 2018. The adjustment negated the net income of \$2,913 from operations and resulted in the overall decrease of in net position of \$765,691 for the water and sewer fund for the fiscal year.
- The golf course fund showed a net loss for the year of \$116,323 as a result of operations. The loss was the result of a decrease in revenues of \$37,905 due to the wet spring and a hot and humid May/June. Operating expenses increased by \$7,283 due to the increase in maintenance and repairs and upgrades to the irrigation system. In addition, an operating transfer was made during the year as a result of the ongoing operating 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 \$94,802,426, an increase of \$6,632,436 in comparison with the prior year. Approximately 69.21 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 \$65,617,732 while total fund balance was \$73,351,888. 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 177.22 percent of total general fund expenditures and transfers, while total fund balance represents 198.11 percent of that same amount.

The fund balance of the City's general fund increased by \$1,233,934 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 steady increase after slight increase in the prior 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.
- Several major construction projects were started at the end of fiscal year 2017 and continued into the current fiscal year that decreased the amount of the excess at year-end.
- 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 \$1,620,044, all of which is restricted for street improvements and snow removal expenditures. The net increase in fund balance during the year was the result of a decrease in the dollar amount of street projects budgeted for the current year and a mild winter resulting in a decrease in snow removal costs. The infrastructure fund had a total fund balance of \$16,452,772. The fund balance increased during fiscal year 2018 with a transfer of \$1.5 million that was made for future infrastructure projects. In addition, grant funds were received for reimbursement of project costs on Renegade Way. The asset

forfeiture fund had a decrease in fund balance of \$3,950 as a result of increased expenditures for the purchase of items to make the police department more efficient. The aquatic center fund had a fund balance increase of \$1,408,263 after a transfer in from the General Fund of \$1.7 million. This was offset by an increase in expenditures and capital 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 \$4,908,252 and those for the golf course operations amounted to \$468,834. The decline in net position for the water and sewer fund was \$765,691 due to the prior period adjustment in the amount of \$768,604 for the adoption of GASB 75. The net loss in the golf course fund was \$116,323. 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 2017 budget for projects that were started but not completed by June 30, 2017. Salaries and benefits were adjusted for the addition of a code enforcement officer. A line item was added to replace the turf field at the stadium for \$550,000. All beginning fund balance amounts were adjusted to reflect the ending balances from the June 30, 2017 audit report.

The second amendment basically adjusted General Fund revenues for increases in payroll taxes and EMS fees. There was an adjustment to expenditures to add \$65,000 for updates to the security system and \$225,000 for the purchase of two properties. An additional transfer of \$1.5 million was incorporated into Aquatic center to shore up finances for future operations and capital needs. Water purchases were increased by \$300,000 due to a 3% rate increase passed on to the City by the Boone–Florence Water Commission.

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, insurance premium tax and

the payroll tax all resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$2,743,978. 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 \$5,205,446 under the budget amounts. The departments continued to monitor expenditures during the year and some major capital tasks were not being completed by June 30. However, the City made a year-end transfer to the aquatic center fund for a future operations and capital needs. Despite the year-end transfer, the City's excess revenues, operational expenditure controls coupled with capital improvements not being completed, the City ended the year with a fund balance that was \$1,233,934 greater than what was budgeted.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-term Debt

At year-end, the City had \$17,045,000 in outstanding bonds compared to \$18,330,000 last year. That is a decrease of \$1,285,000 or 7.01 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 1,375,000	\$ 1,595,000	\$ 1,375,000	\$ 1,595,000
Bonds payable (backed by city)	15,670,000	16,735,000	-	-	15,670,000	16,735,000
Totals	\$ 15,670,000	\$ 16,735,000	\$ 1,375,000	\$ 1,595,000	\$ 17,045,000	\$ 18,330,000

Additional information on the City's long-term debt can be found in Note E on pages 44-47 of this report.

Capital Assets

At June 30, 2018, the capital assets amounted to \$255 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 \$9.0 million, or 3.66 percent, over last year due to the investment in street projects, storm water projects, 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	
	2018	2017	2018	2017
Not being depreciated:				
Land	\$ 11,071,529	\$ 10,461,529	\$ 4,785,542	\$ 4,785,542
Construction in progress	4,001,701	301,096	61,180	145,792
Other capital assets being depreciated:				
Improvements	21,765,186	20,499,246	616,231	616,231
Water and sewer system	-	-	48,894,881	46,719,398
Infrastructure	119,111,166	118,932,998	-	-
Buildings	23,338,855	23,338,855	4,200,497	4,200,497
Computer upgrade	-	-	-	-
Water meters	-	-	1,649,264	1,630,566
Machinery and equipment	5,434,358	4,964,168	2,072,216	2,047,088
Vehicles	6,892,296	6,876,880	1,604,075	1,215,025
Subtotal	<u>191,615,091</u>	<u>185,374,772</u>	<u>63,883,886</u>	<u>61,360,139</u>
Accumulated depreciation	<u>(104,693,079)</u>	<u>(100,705,037)</u>	<u>(33,835,752)</u>	<u>(32,091,541)</u>
TOTALS	<u>\$ 86,922,012</u>	<u>\$ 84,669,735</u>	<u>\$ 30,048,134</u>	<u>\$ 29,268,598</u>

This year's major additions included:

Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 829,758

Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 1,116,587

Improvements and street projects paid for with state grant funds
and general fund revenues. 2,256,087

\$ 4,202,432

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 economic growth during the last two years and seems to have had a slight recovery in the areas of property tax, payroll tax, occupational license fees 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 2019 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2018. 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 ninth year in a

row. The City expects slight growth in the core revenue line items. The City did cut the insurance premium tax rate from 8% to 5% effective July 1, 2018. This will result in an estimated decline in this line item of approximately \$2.0 million. 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.

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.

A handwritten signature in blue ink that reads "Linda J. Chapman". The signature is fluid and cursive, with the first name "Linda" and last name "Chapman" clearly legible.

Linda J. Chapman CPA
CFO/HR

CITY OF FLORENCE, KENTUCKY

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 94,558,330	\$ 6,862,918	\$ 101,421,248
Investments	11,637,864	-	11,637,864
Receivables:			
Property taxes	58,141	-	58,141
Intergovernmental	96,703	-	96,703
Accrued interest	96,048	-	96,048
Accounts	6,363,227	1,775,387	8,138,614
Internal balances	30,263	(30,263)	-
Inventories	140,944	281,061	422,005
Prepays	653,489	66,477	719,966
Restricted cash and cash equivalents	17,278	660,335	677,613
Capital assets(net of accumulated depreciation)			
Land	11,071,529	4,785,542	15,857,071
Construction in progress	4,001,701	61,180	4,062,881
Systems	-	21,023,310	21,023,310
Improvements	10,296,951	87,270	10,384,221
Infrastructure	47,219,420	-	47,219,420
Buildings	11,672,270	2,912,291	14,584,561
Machinery and equipment	1,300,814	-	1,300,814
Water meters	-	502,883	502,883
Vehicles	1,359,327	675,658	2,034,985
Total assets	<u>200,574,299</u>	<u>39,664,049</u>	<u>240,238,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	279,453	125,161	404,614
Deferred outflows from net pension liability	15,091,341	1,044,049	16,135,390
Deferred outflows from net OPEB liability	5,989,157	286,467	6,275,624
Total deferred outflows of resources	<u>21,359,951</u>	<u>1,455,677</u>	<u>22,815,628</u>
LIABILITIES			
Accounts payable	1,819,422	687,839	2,507,261
Accrued liabilities	627,507	155,181	782,688
Accrued interest payable	77,802	12,787	90,589
Unearned revenue	120,659	-	120,659
Customer deposits	-	155,157	155,157
General obligation bonds payable - current	1,095,000	-	1,095,000
Revenue bonds payable - current	-	220,000	220,000
Compensated absences - current	738,913	53,362	792,275
Net pension liability	39,593,524	3,185,519	42,779,043
Net OPEB liability	14,570,636	979,900	15,550,536
Compensated absences	-	-	-
General obligation bonds payable	14,575,000	-	14,575,000
Revenue bonds payable	-	1,155,000	1,155,000
Total liabilities	<u>73,218,463</u>	<u>6,604,745</u>	<u>79,823,208</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from net pension liability	2,413,747	288,294	2,702,041
Deferred inflows from net OPEB liability	920,058	51,305	971,363
Total deferred inflows	<u>3,333,805</u>	<u>339,599</u>	<u>3,673,404</u>
NET POSITION			
Net investment in capital assets	71,531,465	28,798,296	100,329,761
Unrestricted	73,850,517	5,377,086	79,227,603
Total net position	<u>\$ 145,381,982</u>	<u>\$ 34,175,382</u>	<u>\$ 179,557,364</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 4,520,114	\$ 871,359	\$ 32,033	\$ -	\$ (3,616,722)	\$ -	\$ (3,616,722)
Police	10,708,189	30,973	337,353	10,475	(10,329,388)	-	(10,329,388)
Fire	9,737,520	3,542,071	320,620	-	(5,874,829)	-	(5,874,829)
Public services	11,828,031	1,204,607	18,355	973,538	(9,631,531)	-	(9,631,531)
Interest on long-term debt	484,822	-	-	-	(484,822)	-	(484,822)
Total governmental activities	<u>37,278,676</u>	<u>5,649,010</u>	<u>708,361</u>	<u>984,013</u>	<u>(29,937,292)</u>	<u>-</u>	<u>(29,937,292)</u>
Business-type activities:							
Water and sewer service	8,950,858	8,384,213	-	467,811	-	(98,834)	(98,834)
Golf course	1,216,792	996,461	-	-	-	(220,331)	(220,331)
Total business-type activities	<u>10,167,650</u>	<u>9,380,674</u>	<u>-</u>	<u>467,811</u>	<u>-</u>	<u>(319,165)</u>	<u>(319,165)</u>
Total primary government	<u>\$ 47,446,326</u>	<u>\$ 15,029,684</u>	<u>\$ 708,361</u>	<u>\$ 1,451,824</u>	<u>(29,937,292)</u>	<u>(319,165)</u>	<u>(30,256,457)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,878,389	-	7,878,389
Public service taxes					606,610	-	606,610
Taxes, levied for bank deposits					263,130	-	263,130
Payroll license tax					18,730,631	-	18,730,631
Gross receipts license					2,554,307	-	2,554,307
Insurance premium tax					4,615,303	-	4,615,303
Other					133,553	-	133,553
Uses of property					126,835	-	126,835
Interest					1,011,060	105,755	1,116,815
Miscellaneous					185,467	-	185,467
Transfers					(100,000)	100,000	-
Total general revenues and special items					<u>36,005,285</u>	<u>205,755</u>	<u>36,211,040</u>
Change in net position					6,067,993	(113,410)	5,954,583
Prior period adjustment					(9,154,714)	(768,604)	(9,923,318)
Net position-beginning					148,468,703	35,057,396	183,526,099
Net position-ending					<u>\$ 145,381,982</u>	<u>\$ 34,175,382</u>	<u>\$ 179,557,364</u>

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

CITY OF FLORENCE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 57,245,469	\$ 15,971,299	\$ 4,951,140	\$ 78,167,908
Investments	11,637,864	-	-	11,637,864
Inventories	80,667	-	60,277	140,944
Receivables:				
Property taxes	58,141	-	-	58,141
Intergovernmental	36,796	-	59,907	96,703
Accrued interest	96,048	-	-	96,048
Accounts	6,357,741	36	5,450	6,363,227
Prepays	653,489	-	-	653,489
Due from other funds	-	484,353	-	484,353
Restricted assets:				
Cash	17,278	-	-	17,278
Total assets	\$ 76,183,493	\$ 16,455,688	\$ 5,076,774	\$ 97,715,955
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,571,358	\$ 2,916	\$ 78,858	\$ 1,653,132
Accrued liabilities	627,507	-	-	627,507
Due to other funds	453,940	-	150	454,090
Unearned revenue	111,120	-	-	111,120
Total liabilities	2,763,925	2,916	79,008	2,845,849
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	58,141	-	-	58,141
Unavailable revenue-employee receivable	9,539	-	-	9,539
Total deferred inflows of resources	67,680	-	-	67,680
Fund balances:				
Nonspendable:				
Inventories	80,667	-	60,277	140,944
Prepays	653,489	-	-	653,489
Restricted:				
Street resurfacing	-	-	1,559,767	1,559,767
Committed to:				
Economic stabilization	5,000,000	-	-	5,000,000
Equipment replacement	2,000,000	-	-	2,000,000
Assigned to:				
Capital projects	-	16,452,772	-	16,452,772
Law enforcement	-	-	470,982	470,982
Aquatic center	-	-	2,906,740	2,906,740
Unassigned:				
Total fund balances	65,617,732	-	-	65,617,732
Total fund balances	73,351,888	16,452,772	4,997,766	94,802,426
Total liabilities and fund balances	\$ 76,183,493	\$ 16,455,688	\$ 5,076,774	\$ 97,715,955

Total governmental fund balances \$ 94,802,426

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 \$104,693,079.	86,922,012
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	58,141
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.	16,224,132
Contributions subsequent to net pension liability measurement date	2,438,018
Contributions subsequent to net OPEB liability measurement date	990,002
Net pension liability outflows carried as deferred charges	12,653,323
Net pension liability inflows carried as deferred charges	(2,413,747)
Net OPEB liability outflows carried as deferred charges	4,999,155
Net OPEB liability inflows carried as deferred charges	(920,058)
Accrued interest payable on long-term debt	(77,802)
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.	279,453
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	(738,913)
Net pension liability	(39,593,524)
Net OPEB liability	(14,570,636)
Bonds and leases payable	(15,670,000)
Net position of governmental activities	\$ 145,381,982

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, 2018

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,689,988	\$ -	\$ -	\$ 8,689,988
Licenses and permits	23,199,441	2,834,353	-	26,033,794
Intergovernmental	718,836	360,000	613,538	1,692,374
Fines and forfeitures	360,519	-	-	360,519
Charges for services	4,452,613	475,000	360,878	5,288,491
Uses of property	-	-	126,835	126,835
Interest	653,969	148,754	40,701	843,424
Miscellaneous	183,612	-	1,855	185,467
Total revenues	38,258,978	3,818,107	1,143,807	43,220,892
EXPENDITURES				
Current:				
Administration	2,787,232	-	-	2,787,232
Police	8,414,195	-	136,224	8,550,419
Fire	8,121,831	-	-	8,121,831
Public services	12,744,521	1,614,011	1,138,177	15,496,709
Debt service:				
Principal	1,065,000	-	-	1,065,000
Interest	467,265	-	-	467,265
Total expenditures	33,600,044	1,614,011	1,274,401	36,488,456
Excess(deficiency) of revenues over(under) expenditures	4,658,934	2,204,096	(130,594)	6,732,436
OTHER FINANCING SOURCES(USES)				
Transfers in	-	1,500,000	1,825,000	3,325,000
Transfers out	(3,425,000)	-	-	(3,425,000)
Total other financing sources and uses	(3,425,000)	1,500,000	1,825,000	(100,000)
Net change in fund balances	1,233,934	3,704,096	1,694,406	6,632,436
Fund balances - beginning	72,117,954	12,748,676	3,303,360	88,169,990
Fund balances - ending	<u>\$ 73,351,888</u>	<u>\$ 16,452,772</u>	<u>\$ 4,997,766</u>	<u>\$ 94,802,426</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, 2018

Net change in fund balances-total governmental funds	\$ 6,632,436
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	8,136,690
Depreciation expense	(5,868,152)
Change due to fixed asset retirements	1,161
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.	58,141
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-wide financials report the effect of net pension and OPEB liability change based on proportionate share of service cost and calculated pension costs from measurement date to measurement date. Those costs do not require the use of current financial resources.	(4,472,515)
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.	1,065,000
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.	2,968
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.	538,298
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.	(5,509)
Change in net position of governmental activities	\$ <u>6,067,993</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, 2018

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,436,886	\$ 426,032	\$ 6,862,918	\$ 16,390,422
Accounts receivable	1,774,351	1,036	1,775,387	-
Inventories	156,158	124,903	281,061	-
Prepays	61,940	4,537	66,477	-
Total current assets	<u>8,429,335</u>	<u>556,508</u>	<u>8,985,843</u>	<u>16,390,422</u>
Noncurrent assets:				
Restricted cash and cash equivalents	660,335	-	660,335	-
Capital assets (net of accumulated depreciation)				
Construction in progress	61,180	-	61,180	-
Land	-	4,785,542	4,785,542	-
Improvements	-	87,270	87,270	-
Systems and equipment	20,857,080	166,230	21,023,310	-
Water meters	502,883	-	502,883	-
Building	1,623	2,910,668	2,912,291	-
Vehicles	675,658	-	675,658	-
Total noncurrent assets	<u>22,758,759</u>	<u>7,949,710</u>	<u>30,708,469</u>	<u>-</u>
Total assets	<u>31,188,094</u>	<u>8,506,218</u>	<u>39,694,312</u>	<u>16,390,422</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	125,161	-	125,161	-
Deferred outflows related to pension liability	1,044,049	-	1,044,049	-
Deferred outflows related to OPEB liability	286,467	-	286,467	-
Total deferred outflows of resources	<u>1,455,677</u>	<u>-</u>	<u>1,455,677</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	647,340	40,499	687,839	166,290
Accrued liabilities	108,007	47,174	155,181	-
Compensated absences	53,362	-	53,362	-
Accrued interest payable	12,787	-	12,787	-
Due to other funds	30,263	-	30,263	-
Customer deposits	155,157	-	155,157	-
Bonds payable-current	220,000	-	220,000	-
Total current liabilities	<u>1,226,916</u>	<u>87,673</u>	<u>1,314,589</u>	<u>166,290</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Net pension liability	3,185,519	-	3,185,519	-
Net OPEB liability	979,900	-	979,900	-
Revenue bonds payable	1,155,000	-	1,155,000	-
Total noncurrent liabilities	<u>5,320,419</u>	<u>-</u>	<u>5,320,419</u>	<u>-</u>
Total liabilities	<u>6,547,335</u>	<u>87,673</u>	<u>6,635,008</u>	<u>166,290</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	288,294	-	288,294	-
Deferred inflows related to OPEB liability	51,305	-	51,305	-
Total deferred inflows	<u>339,599</u>	<u>-</u>	<u>339,599</u>	<u>-</u>
NET POSITION				
Net investments in capital assets	20,848,585	7,949,711	28,798,296	-
Unrestricted	4,908,252	468,834	5,377,086	16,224,132
Total net position	<u>\$ 25,756,837</u>	<u>\$ 8,418,545</u>	<u>\$ 34,175,382</u>	<u>\$ 16,224,132</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, 2018

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
OPERATING REVENUES				
Charges for sales and services:				
Water fees	\$ 5,783,482	\$ -	\$ 5,783,482	\$ -
Sewer charges	2,285,304	-	2,285,304	-
Penalties	102,195	-	102,195	-
Tap in fees	77,538	-	77,538	-
Meter installations	42,263	-	42,263	-
Other service charges	53,760	-	53,760	-
Golf course revenues	-	996,461	996,461	-
Other services	-	-	-	2,960,776
Miscellaneous	39,671	-	39,671	-
Total operating revenues	<u>8,384,213</u>	<u>996,461</u>	<u>9,380,674</u>	<u>2,960,776</u>
OPERATING EXPENSES				
Cost of sales and services	7,246,491	976,853	8,223,344	2,422,478
Loss on disposal of property	-	1,471	1,471	-
Depreciation	1,652,302	238,468	1,890,770	-
Total operating expenses	<u>8,898,793</u>	<u>1,216,792</u>	<u>10,115,585</u>	<u>2,422,478</u>
NET OPERATING INCOME(LOSS)	<u>(514,580)</u>	<u>(220,331)</u>	<u>(734,911)</u>	<u>538,298</u>
NON-OPERATING REVENUES				
Interest income	101,747	4,008	105,755	167,636
Interest expense	(52,065)	-	(52,065)	-
Total non-operating income	<u>49,682</u>	<u>4,008</u>	<u>53,690</u>	<u>167,636</u>
Income before contributions and transfers	(464,898)	(216,323)	(681,221)	705,934
Capital contributions - grant	467,811	-	467,811	-
Transfers	-	100,000	100,000	-
NET INCOME(LOSS)	<u>2,913</u>	<u>(116,323)</u>	<u>(113,410)</u>	<u>705,934</u>
NET POSITION-BEGINNING OF YEAR	26,522,528	8,534,868	35,057,396	15,518,198
Prior period adjustment - GASB 75	(768,604)	-	(768,604)	-
NET POSITION-END OF YEAR	<u>\$ 25,756,837</u>	<u>\$ 8,418,545</u>	<u>\$ 34,175,382</u>	<u>\$ 16,224,132</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, 2018

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Health
	Sewer Service	Course	Current Year	and Dental
Cash flows from operating activities:				
Cash received from customers	\$ 8,033,965	\$ 998,628	\$ 9,032,593	\$ 212,956
Collections from other funds	-	-	-	2,747,820
Cash paid to suppliers	(4,582,131)	(669,201)	(5,251,332)	(2,422,478)
Cash paid to employees	(2,189,647)	(321,872)	(2,511,519)	-
Net cash from(used by) operating activities	<u>1,262,187</u>	<u>7,555</u>	<u>1,269,742</u>	<u>538,298</u>
Cash flows from noncapital financing activities:				
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>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,472,779)	(55,790)	(2,528,569)	-
Capital contributions - grant	467,811	-	467,811	-
Transfers to Bond Fund	(54,422)	-	(54,422)	-
Interest paid on capital debt	(53,660)	-	(53,660)	-
Principal paid on debt	(220,000)	-	(220,000)	-
Net cash from(used by) financing activities	<u>(2,333,050)</u>	<u>(55,790)</u>	<u>(2,388,840)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	<u>101,747</u>	<u>4,008</u>	<u>105,755</u>	<u>167,636</u>
Net cash provided by investing activities	<u>101,747</u>	<u>4,008</u>	<u>105,755</u>	<u>167,636</u>
Net increase(decrease) in cash	(969,116)	55,773	(913,343)	705,934
Cash at beginning of year	7,406,002	370,259	7,776,261	15,684,488
Cash at end of year	<u>\$ 6,436,886</u>	<u>\$ 426,032</u>	<u>\$ 6,862,918</u>	<u>\$ 16,390,422</u>
Reconciliation of operating income to net cash used				
by operating activities:				
Operating income(loss)	\$ (514,580)	\$ (220,331)	\$ (734,911)	\$ 538,298
Adjustments to reconcile operating income to net cash				
provided(used) by operating activities:				
Depreciation expense	1,652,302	238,468	1,890,770	-
Loss on disposal of assets	-	1,471	1,471	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	(350,248)	2,167	(348,081)	-
Decrease(increase) in prepaid expenses	(1,341)	-	(1,341)	-
Decrease(increase) in inventory	455	(23,703)	(23,248)	-
Increase(decrease) in pension subsequent contributions	(1,682)	-	(1,682)	-
Increase(decrease) in OPEB subsequent contributions	73,246	-	73,246	-
Increase(decrease) in accounts payable	296,580	7,497	304,077	-
Increase(decrease) in accrued liabilities	(6,364)	1,986	(4,378)	-
Increase(decrease) in pension liability	42,972	-	42,972	-
Increase(decrease) in OPEB liability	21,521	-	21,521	-
Increase(decrease) in due to other funds	20,719	-	20,719	-
Increase(decrease) in customer deposits	28,607	-	28,607	-
Net cash used by operating activities	<u>\$ 1,262,187</u>	<u>\$ 7,555</u>	<u>\$ 1,269,742</u>	<u>\$ 538,298</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	-	-	-	-
Borrowing under capital lease	-	-	-	-
Contributions of capital assets from government	-	-	-	-

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

CITY OF FLORENCE, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 position and the statement of changes in net position) 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, 2018

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, 2018

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, 2018 are measured using quoted market prices in an active market for identical investments and/or using significant other observable inputs.

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 \$2,594,590,742 and tangible tax assessments were \$390,044,245.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 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 using the effective interest method.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period incurred. 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 if refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to the pension and OPEB liability in accordance with GASB 68 and GASB 75, respectively.

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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

the amounts become available. The City also has deferred inflows related to the pension and OPEB liability in accordance with GASB 68 and GASB 75, respectively.

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 of 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

CITY OF FLORENCE, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Proprietary fund – by operating and non-operating

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market

investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Interfund Transactions

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

Use of Estimates

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

Date of Management's Review

Subsequent events were evaluated through September 11, 2018, 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.

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

NOTE C-DEPOSITS AND INVESTMENTS

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, 2018, the City had the following recurring fair value measurements:

	June 30, 2018	Quoted Prices in		
		Active Markets for Identical assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Cash	\$ 101,514,579	\$ 101,514,579	\$ -	\$ -
Mutual Funds	677,613	677,613		
Government obligations	489,520	-	489,520	-
Municipal bonds	11,148,344	-	11,148,344	-
Total fair value	\$ 113,830,056	\$ 102,192,192	\$ 11,637,864	\$ -

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, 2018, 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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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, 2018 in the amount of \$12,119,315 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2018
Governmental activities:					
Not being depreciated:					
Land	\$ 10,461,529	\$ 610,000	\$ -	\$ -	\$ 11,071,529
Construction in progress	301,096	4,154,016	(438,311)	(15,100)	4,001,701
Subtotal	<u>10,762,625</u>	<u>4,764,016</u>	<u>(438,311)</u>	<u>(15,100)</u>	<u>15,073,230</u>
Other capital assets:					
Improvements	20,499,246	1,278,991	4,000	(17,051)	21,765,186
Infrastructure	118,932,998	977,096	434,311	(1,233,239)	119,111,166
Buildings	23,338,855	-	-	-	23,338,855
Machinery and equipment	4,964,168	754,078	-	(283,888)	5,434,358
Vehicles	6,876,880	362,509	-	(347,093)	6,892,296
Subtotal	<u>174,612,147</u>	<u>3,372,674</u>	<u>438,311</u>	<u>(1,881,271)</u>	<u>176,541,861</u>
Accumulated depreciation:					
Improvements	10,373,094	1,112,192	-	(17,051)	11,468,235
Infrastructure	70,140,386	2,984,599	-	(1,233,239)	71,891,746
Buildings	10,885,930	780,655	-	-	11,666,585
Machinery and equipment	3,996,057	421,375	-	(283,888)	4,133,544
Vehicles	5,309,570	569,331	-	(345,932)	5,532,969
Subtotal	<u>100,705,037</u>	<u>5,868,152</u>	<u>-</u>	<u>(1,880,110)</u>	<u>104,693,079</u>
Net other assets	<u>73,907,110</u>	<u>(2,495,478)</u>	<u>438,311</u>	<u>(1,161)</u>	<u>71,848,782</u>
Net capital assets	<u><u>\$ 84,669,735</u></u>	<u><u>\$ 2,268,538</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,261)</u></u>	<u><u>\$ 86,922,012</u></u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

*Depreciation was charged to functions as follows:

Governmental activities:

Administration	\$ 2,032,898
Police	3,294,811
Fire	299,083
Public services	241,360
Total governmental activities depreciation expense	<u>\$ 5,868,152</u>

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

	Balance June 30, 2017	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2018
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	-	-	-	\$ 4,785,542
Construction in progress	145,792	1,267,766	(1,345,725)	(6,653)	61,180
Subtotal	<u>4,931,334</u>	<u>1,267,766</u>	<u>(1,345,725)</u>	<u>(6,653)</u>	<u>4,846,722</u>
Other capital assets:					
Water and sewer system	46,719,398	829,758	1,345,725	-	48,894,881
Improvements	616,231	-	-	-	616,231
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	1,215,025	449,935	-	(60,885)	1,604,075
Water meters	1,630,566	18,698	-	-	1,649,264
Machinery and equipment	2,047,088	112,274	-	(87,146)	2,072,216
Subtotal	<u>56,428,805</u>	<u>1,410,665</u>	<u>1,345,725</u>	<u>(148,031)</u>	<u>59,037,164</u>
Accumulated depreciation:					
Water and sewer system	26,909,687	1,349,153	-	-	28,258,840
Improvements	491,044	37,917	-	-	528,961
Buildings	1,154,188	134,018	-	-	1,288,206
Vehicles	840,159	149,141	-	(60,885)	928,415
Water meters	1,069,380	77,000	-	-	1,146,380
Machinery and equipment	1,627,083	143,541	-	(85,674)	1,684,950
Subtotal	<u>32,091,541</u>	<u>1,890,770</u>	<u>-</u>	<u>(146,559)</u>	<u>33,835,752</u>
Net other assets	<u>24,337,264</u>	<u>(480,105)</u>	<u>1,345,725</u>	<u>(1,472)</u>	<u>25,201,412</u>
Net assets	<u>\$ 29,268,598</u>	<u>\$ 787,661</u>	<u>\$ -</u>	<u>\$ (8,125)</u>	<u>\$ 30,048,134</u>

*Depreciation was charged to functions as follows:

Proprietary activities:

Water and sewer	\$ 1,652,302
Golf Course	238,468
Total proprietary activities depreciation expense	<u>\$ 1,890,770</u>

CITY OF FLORENCE, KENTUCKY
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June 30, 2018

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 \$1,458 for the year ended June 30, 2018. The future minimum lease payments for this lease are as follows:

Year Ended June 30	Amount
2019	\$ 1,458
2020	-
2021	-
2022	-
2023	-
Totals	\$ <u>1,458</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, 2018, are as follows:

Purpose	Interest Rate	Amount
Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 5,015,000
Land-Series 2011 refunding	2.00-3.375%	2,590,000
Land-Series 2012 refunding	2.00-3.80%	2,055,000
General obligation refunding bonds(Series 2015)	1.00-2.50%	4,690,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	1,320,000
		\$ <u>15,670,000</u>
Proprietary Fund Debt		
Water and Sewer System	1.45-2.50%	\$ <u>1,375,000</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The following is a schedule of future debt service requirements to maturity at June 30, 2018 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2018, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
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	295,000	140,019	140,000	61,956
2023	300,000	131,094	150,000	58,775
2024-2028	1,645,000	506,849	785,000	234,851
2029-2033	1,955,000	202,208	905,000	109,460
2034	-	-	200,000	3,375
Total Debt Service	\$ 5,015,000	\$ 1,448,827	\$ 2,590,000	\$ 670,685

Fiscal Year June 30,	2008B GO Bonds		2015 GO Bonds	
	Principal	Interest	Principal	Interest
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	120,000	37,860	510,000	69,850
2023	125,000	33,420	515,000	59,650
2024-2028	730,000	89,595	2,190,000	128,175
Total Debt Service	\$ 1,320,000	\$ 298,955	\$ 4,690,000	\$ 524,100

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2019	\$ 100,000	\$ 66,145
2020	105,000	63,833
2021	105,000	60,945
2022	110,000	57,720
2023	110,000	54,420
2024-2028	620,000	219,997
2029-2033	740,000	102,733
2034	165,000	3,135
Total Debt Service	\$ 2,055,000	\$ 628,928

CITY OF FLORENCE, KENTUCKY
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June 30, 2018

The City's proprietary fund debt service requirements to maturity at June 30, 2018 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2019	\$ 220,000	\$ 23,980
2020	225,000	20,754
2021	230,000	17,455
2022	225,000	13,539
2023	235,000	8,644
2024	240,000	3,000
Total Debt Service	\$ <u>1,375,000</u>	\$ <u>87,372</u>

Conduit Debt

The City has issued General Obligation Bonds to provide assistance to the Northern Kentucky Area Development District for the construction of a facility deemed to be in the public interest. The bonds are secured by the property financed. Upon repayment of the bonds ownership transfers to the entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2018 the bonds outstanding were \$1,960,000.

Changes in Governmental-Type Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2017	Additions	Retirements	June 30, 2018	Amounts Due Within One Year
Compensated absences	\$ 733,403	\$ 1,041,448	\$ (1,035,938)	\$ 738,913	\$ 900,000
Bonds payable:					
Series 2008B	1,425,000	-	(105,000)	1,320,000	110,000
Series 2010	5,275,000	-	(260,000)	5,015,000	265,000
Series 2011	2,720,000	-	(130,000)	2,590,000	135,000
Series 2012	2,150,000	-	(95,000)	2,055,000	100,000
Series 2015	5,165,000	-	(475,000)	4,690,000	485,000
Totals	\$ <u>17,468,403</u>	\$ <u>1,041,448</u>	\$ <u>(2,100,938)</u>	\$ <u>16,408,913</u>	\$ <u>1,995,000</u>

Compensated absences are liquidated by the general fund.

The government-wide statement of net position includes \$1,995,000 of long-term liabilities due within one year for governmental activities and \$320,000 for business-type activities.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Changes in Business-Type Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Retired	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 1,595,000	\$ -	\$ (220,000)	\$ 1,375,000	\$ 220,000
Compensated absences	68,860	86,045	(101,543)	53,362	100,000
	<u>\$ 1,663,860</u>	<u>\$ 86,045</u>	<u>\$ (321,543)</u>	<u>\$ 1,428,362</u>	<u>\$ 320,000</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 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

CITY OF FLORENCE, KENTUCKY
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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, 2018, 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, 2018, participating employers contributed 19.18% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2018 was 19.18% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

CITY OF FLORENCE, KENTUCKY
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In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 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 105 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 \$861,990 for the year ended June 30, 2018.

Hazardous Contributions - For the year ended June 30, 2018, 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, 2018, participating employers contributed 31.55% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2018 was 31.55% 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 Administrative regulation 105 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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$2,834,003 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$9,838,181 for its proportionate share of the net pension liability for non-hazardous and \$32,940,862 for hazardous. The City's net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.17 percent for non-hazardous and 1.47 percent for hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$1,679,346 for non-hazardous and \$6,526,567 for hazardous. At June 30, 2018, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

CITY OF FLORENCE, KENTUCKY
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	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	\$ 1,216,893	\$ 177,312	\$ 3,539	\$ 78,739
Change in assumptions	8,157,075	-	627,867	-
Net difference between projected and actual earnings on pension plan investments	2,713,858	2,190,203	225,960	190,671
Changes in proportion and difference between City contributions and proportionate share of contributions	565,495	46,232	-	18,884
City contributions subsequent to the measurement date	2,438,020	-	186,683	-
Total	\$ 15,091,341	\$ 2,413,747	\$ 1,044,049	\$ 288,294

The \$2,438,020 and \$186,683 are reported as deferred outflows of resources relating to pensions resulting from the City's contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. 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	
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows
2019	\$ 3,971,891	\$ 440,192	\$ 684,624	\$ 178,694	\$ 312,120	\$ 87,191
2020	3,971,891	440,192	684,624	178,694	312,120	87,191
2021	2,181,336	440,192	406,192	157,287	176,636	66,244
2022	593,487	440,192	159,278	138,303	56,490	47,668
2023	-	-	-	-	-	-
Totals	\$ 10,718,605	\$ 1,760,768	\$ 1,934,718	\$ 652,978	\$ 857,366	\$ 288,294

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	2.0 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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

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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, 2017 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	CERS Non-Hazardous		CERS Hazardous	
	Target Allocation	Long-Term Expected Nominal Return	Target Allocation	Long-Term Expected Nominal Return
Combined equity	44%	5.40%	44%	5.40%
Combined fixed income	19%	1.50%	19%	1.50%
Real return (Diversified Inflation Strategies)	10%	3.50%	10%	3.50%
Real estate	5%	4.50%	5%	4.50%
Absolute return (Diversified Hedge funds)	10%	4.25%	10%	4.25%
Private equity	10%	8.50%	10%	8.50%
Cash equivalent	2%	-0.25%	2%	-0.25%
Total	100%		100%	

Discount Rate – The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected though 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 27 year amortization period of the unfunded actuarial accrued liability. The actuarial

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

June 30, 2018

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 6.25% 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 (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous (\$ thousands):

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
CERS			
Non-hazardous-Per 2017 CAFR	\$ 7,382,285	\$ 5,853,307	\$ 4,574,328
Florence Proportionate Share	\$ 12,408	\$ 9,838	\$ 7,688
		0.17%	
Hazardous-Per 2017 CAFR	\$ 2,812,972	\$ 2,237,278	\$ 1,761,839
Florence Proportionate Share	\$ 41,417	\$ 32,941	\$ 25,941
		1.47%	

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-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)*Insurance Benefits 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 61.701, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the insurance fund for members participating in 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 Insurance Fund

Plan Description – The Kentucky Retirement Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible retirees through a Medicare Advantage Plan. The Insurance 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.

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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, which is currently 1.5%, based upon Kentucky Revised Statutes. Dollar contributions for fiscal year 2017 was \$13.18 for non-hazardous and \$19.77 for hazardous. 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 – Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board. Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payment from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions. It is the understanding that cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$3,378,963 for its proportionate share of the net OPEB liability for non-hazardous and \$12,171,573 for hazardous. The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At

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June 30, 2017, the City's proportion was 0.17 percent for non-hazardous and 1.47 percent for hazardous.

For the year ended June 30, 2018, the City recognized OPEB income of \$82,294 for non-hazardous and \$405,251 for hazardous. At June 30, 2018, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	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	\$ -	\$ 35,026	\$ -	\$ 2,722
Change in assumptions	5,011,603	-	213,220	-
Net difference between projected and actual earnings on OPEB plan investments	-	877,044	-	46,310
Changes in proportion and difference between City contributions and proportionate share of contributions	-	7,987	-	2,274
City contributions subsequent to the measurement date	977,554	-	73,246	-
Total	\$ 5,989,157	\$ 920,057	\$ 286,466	\$ 51,306

The \$977,554 and \$73,246 are reported as deferred outflows of resources relating to OPEB resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	General Hazardous		General Non-Hazardous		Water and sewer Non-Hazardous	
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows
2019	\$ 1,268,243	\$ 199,612	\$ 98,868	\$ 30,661	\$ 40,383	\$ 12,524
2020	1,268,243	199,612	98,868	30,660	40,383	12,524
2021	1,268,243	199,612	98,868	30,660	40,383	12,524
2022	684,854	195,614	98,867	30,660	40,382	12,523
2023	-	-	98,867	2,316	40,382	946
Thereafter	-	-	27,684	650	11,307	265
Totals	\$ 4,489,583	\$ 794,450	\$ 522,022	\$ 125,607	\$ 213,220	\$ 51,306

CITY OF FLORENCE, KENTUCKY
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June 30, 2018

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	7.5% for 2017, decreasing to an ultimate rate of 5.0% over period of five years
Health cost trend rates Post-65	5.5% for 2017, decreasing to an ultimate rate of 5.0% over period of two years

The Mortality Table for active members is RP-2000 Combined Mortality table projected with 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, 2017 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

In January, the Investment Committee chair appointed a special subcommittee to review asset allocation for each individual system to determine the level of risk based on liquidity and cash flow need. The subcommittee worked for six months with the Systems' consultants and actuaries and in July, 2017, the Board approved new asset allocations. The new assets allocation, at its highest level, allocates 45.0% of system assets to equity risk, 30.0% to credit risk and 25.0% to diversifying strategies (real return, real estate, private equity and absolute return). These new allocations should reduce the public equity exposure by roughly 16.0% in favor of fixed income. The committee also reviewed the capital market assumptions from eight leading investment and/or consulting firms, e.g., JP Morgan, PIMCO, RVK, Goldman Sachs, and Blackrock. The assumptions from these firms were compared to asset allocations where the resulting portfolio returns were averaged to produce an estimated return for each system. As a result, the Committee recommended lowering the assumed rate of return from 7.5% to 6.25%. This was approved by the Board in July, 2017. The Board recognizes its fiduciary duty to not only invest funds in compliance with the prudent Person Rule but to also manage the funds while recognizing the long-term nature of the investments. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF FLORENCE, KENTUCKY
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June 30, 2018

CERS Insurance Plans

Asset Class	Target	Long-Term
	Allocation	Expected Nominal Return
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.5%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return*	10.0%	6.13%
Private equity	10.0%	8.25%
Cash equivalent	2.0%	1.88%
Total	100%	6.56%

*Long-term expected real rates of return may vary depending on risk tolerance.

Discount Rate – 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 26 year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rates of 5.84% for non-hazardous and 5.96% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2017. The following presents the net OPEB 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 (4.84%) or one percentage point higher (6.84%) than the current rate for non-hazardous and one percentage point lower (4.96%) or one percentage point higher (6.96%) than the current rate for hazardous:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

	1% Decrease 4.84% Non-hazardous 4.96% hazardous	Current 5.84% Non-hazardous 5.96% Hazardous	1% Increase 6.84% Non-hazardous 6.96% Hazardous
<u>CERS</u>			
Florence Proportionate Share	\$ 4,299,543	\$ 3,378,963 0.17%	\$ 2,612,896
Florence Proportionate Share	\$ 16,311,576	\$ 12,171,573 1.47%	\$ 8,784,370

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates – For both the non-hazardous and hazardous plans the initial trend rate for Pre-65 starts at 7.50% and is expected to gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. For both the non-hazardous and hazardous plans the initial trend rate for Post-65 starts at 5.50% and is expected to gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

	1% Decrease	Healthcare Trend Rate	1% Increase
<u>CERS</u>			
Florence Proportionate Share	\$ 2,591,838	\$ 3,378,963 0.17%	\$ 4,402,178
Florence Proportionate Share	\$ 8,616,070	\$ 12,171,573 1.47%	\$ 16,572,049

OPEB Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued KRS financial report.

NOTE I-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 J-CONTINGENT LIABILITIES

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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE K-INTERFUND TRANSACTIONS

A summary of the interfund account balances is as follows:

<u>Due from/to other Funds</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
Receivable Funds(s)		
General	Water and sewer	\$ 30,263
General	Aquatic	150
Infrastructure	General	<u>(484,353)</u>
Total		<u>\$ (453,940)</u>

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

<u>Transfers in/out</u>		<u>Amount</u>
General	Municipal aid/LGEA	\$ 125,000
General	Aquatic Center	1,700,000
General	Infrastructure Fund	1,500,000
General	Golf Course	100,000
Total		<u>\$ 3,425,000</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, 2018, the City made the following annual transfers:

- 1) A transfer of \$125,000 was made from the general fund to the special revenue fund for annual funding amounts for snow removal.
- 2) A transfer of \$1,700,000 was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.
- 3) A transfer of \$1,500,000 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 L-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 \$75,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$166,290 reported in the fund at June 30, 2018, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2015-2016	\$ 127,774	\$ 2,593,698	\$ 2,606,829	\$ 114,643
2016-2017	\$ 114,643	\$ 2,531,922	\$ 2,472,919	\$ 173,646
2017-2018	\$ 173,646	\$ 2,415,122	\$ 2,422,478	\$ 166,290

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2018, 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 M – 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 City partners with the Kentucky Business Investment Program (KBI) and Kentucky Jobs Development Act (KJDA) 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. The Applicant for each incentive program must generate a new minimum payroll and achieve that payroll to receive the 50% rebate of payroll tax. The City agreements listed below are valid for a five-year period.

The City had the following tax abatement agreements in effect during fiscal year 2018:

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Relocation	50%	\$ 11,653
Relocation	50%	8,992
Expansion	50%	1,417
Relocation	50%	21,207
Total		\$ 43,269

CITY OF FLORENCE, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE N – COMMITMENTS

At June 30, 2018, the City had the following commitments with respect to the following projects:

<u>Projects</u>	<u>Commitments</u>
Nature Park	\$2,400,000
Rosetta	\$2,000,000

NOTE O – PRIOR PERIOD ADJUSTMENT

The City was required to adopt GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" during fiscal year 2018. As a result of that adoption, a prior period adjustment was made to record the beginning net OPEB liability amounts.

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**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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 66,011,099	\$ 72,117,954	\$ 72,117,954	\$ -
Resources (inflows):				
Taxes:				
Property	7,400,000	7,400,000	7,820,248	420,248
Franchise	530,000	530,000	606,610	76,610
Bank deposit	200,000	200,000	263,130	63,130
Licenses and permits:				
Payroll license fees	14,000,000	15,200,000	15,896,278	696,278
Gross receipts license fees	2,300,000	2,300,000	2,554,307	254,307
Insurance	4,250,000	4,250,000	4,615,303	365,303
Other	116,000	116,000	133,553	17,553
Intergovernmental	635,000	635,000	718,836	83,836
Fines and forfeitures	205,000	205,000	360,519	155,519
Charges for services	3,986,000	4,099,000	4,452,613	353,613
Interest	500,000	500,000	653,969	153,969
Miscellaneous	80,000	80,000	183,612	103,612
Amounts available for appropriation	<u>100,213,099</u>	<u>107,632,954</u>	<u>110,376,932</u>	<u>2,743,978</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,155,850	1,156,850	1,098,785	58,065
Contractual	915,500	965,500	881,112	84,388
Operating/Maintenance	516,250	516,250	492,121	24,129
Capital outlay	421,290	537,190	315,214	221,976
Total administration	<u>3,008,890</u>	<u>3,175,790</u>	<u>2,787,232</u>	<u>388,558</u>
Police:				
Personnel	7,777,500	7,822,500	7,712,427	110,073
Contractual	45,000	45,000	39,540	5,460
Operating/Maintenance	472,100	472,100	370,973	101,127
Capital outlay	343,000	343,000	291,255	51,745
Total police	<u>8,637,600</u>	<u>8,682,600</u>	<u>8,414,195</u>	<u>268,405</u>
Fire:				
Personnel	7,246,000	7,271,000	7,155,800	115,200
Contractual	96,000	96,000	112,389	(16,389)
Operating/Maintenance	465,500	465,500	511,568	(46,068)
Capital outlay	390,000	390,000	342,074	47,926
Total fire	<u>8,197,500</u>	<u>8,222,500</u>	<u>8,121,831</u>	<u>100,669</u>

(Continued)

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2018

(Continued)

Public services:								
Personnel	\$	3,529,000	\$	3,622,000	\$	3,639,616	\$	(17,616)
Contractual		437,000		437,000		427,118		9,882
Operating/Maintenance		1,190,500		1,210,500		1,177,203		33,297
Capital outlay		8,863,500		11,922,500		7,500,584		4,421,916
Total public services		<u>14,020,000</u>		<u>17,192,000</u>		<u>12,744,521</u>		<u>4,447,479</u>
Debt service:								
Principal		1,065,000		1,065,000		1,065,000		-
Interest		467,600		467,600		467,265		335
Total debt service		<u>1,532,600</u>		<u>1,532,600</u>		<u>1,532,265</u>		<u>335</u>
Other financing uses:								
Special revenue		1,825,000		3,325,000		3,325,000		-
Enterprise fund		100,000		100,000		100,000		-
Total other financing uses		<u>1,925,000</u>		<u>3,425,000</u>		<u>3,425,000</u>		<u>-</u>
Total charges to appropriations		<u>37,321,590</u>		<u>42,230,490</u>		<u>37,025,044</u>		<u>5,205,446</u>
Budgetary fund balance, June 30	\$	<u>62,891,509</u>	\$	<u>65,402,464</u>	\$	<u>73,351,888</u>	\$	<u>7,949,424</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 12,121,672	\$ 12,748,676	\$ 12,748,676	\$ -
Resources (inflows):				
Licenses and permits	2,350,000	2,350,000	2,834,353	484,353
Intergovernmental revenue	-	360,000	360,000	-
Charges for services	475,000	475,000	475,000	-
Interest	60,000	60,000	148,754	88,754
Transfer In	1,500,000	1,500,000	1,500,000	-
Amounts available for appropriation	<u>16,506,672</u>	<u>17,493,676</u>	<u>18,066,783</u>	<u>573,107</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>1,795,000</u>	<u>2,200,500</u>	<u>1,614,011</u>	<u>586,489</u>
Total	<u>1,795,000</u>	<u>2,200,500</u>	<u>1,614,011</u>	<u>586,489</u>
Budgetary fund balances, June 30	\$ <u>14,711,672</u>	\$ <u>15,293,176</u>	\$ <u>16,452,772</u>	\$ <u>1,159,596</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - PENSION
For the Year Ended June 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Non-hazardous:					
Contractually required contribution	\$ 542,560	\$ 512,059	\$ 500,021	\$ 570,792	\$ 650,762
Contributions in relation to the contractually required contribution	542,560	709,653	500,021	570,792	650,762
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>(197,594)</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	\$ 4,091,702	\$ 4,494,213
Contributions as a percentage of covered-employee payroll	13.74%	12.75%	12.42%	13.95%	14.48%
Hazardous:					
Contractually required contribution	\$ 1,517,590	\$ 1,538,155	\$ 1,573,840	\$ 1,776,181	\$ 1,994,132
Contributions in relation to the contractually required contribution	1,517,590	1,538,155	1,573,840	1,776,181	1,994,132
Contribution deficiency (excess)	\$ <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	\$ 8,181,397	\$ 8,982,577
Contributions as a percentage of covered-employee payroll	21.77%	20.73%	20.26%	21.71%	22.20%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY

**SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-
NON-HAZARDOUS AND HAZARDOUS**

For the Year Ended June 30, 2018

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Non-hazardous:				
City's proportion of the net pension liability	0.17%	0.17%	0.17%	0.17%
City's proportionate share of the net pension liability	\$ 5,584,305	\$ 7,395,498	\$ 8,311,160	\$ 9,838,181
City's covered-employee payroll	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.42%	184.14%	206.44%	240.44%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%	55.5%	53.3%
Hazardous:				
City's proportion of the net pension liability	1.38%	1.45%	1.45%	1.47%
City's proportionate share of the net pension liability	\$ 16,541,007	\$ 22,231,240	\$ 25,127,410	\$ 32,940,862
City's covered-employee payroll	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.28%	299.61%	323.46%	402.63%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	60.0%	54.0%	49.8%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2018

	<u>2017</u>	<u>2018</u>
Non-hazardous:		
Contractually required contribution	\$ 193,537	\$ 211,228
Contributions in relation to the contractually required contribution	193,537	211,228
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 4,091,702	\$ 4,494,213
Contributions as a percentage of covered-employee payroll	4.73%	4.70%
Hazardous:		
Contractually required contribution	\$ 764,960	\$ 839,871
Contributions in relation to the contractually required contribution	764,960	839,871
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 8,181,397	\$ 8,982,577
Contributions as a percentage of covered-employee payroll	9.35%	9.35%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY-
NON-HAZARDOUS AND HAZARDOUS
For the Year Ended June 30, 2018

	<u>June 30,</u> <u>2017</u>
Non-hazardous:	
City's proportion of the net OPEB liability	0.17%
City's proportionate share of the net OPEB liability	\$ 3,378,963
City's covered-employee payroll	\$ 4,091,702
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	82.58%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%
Hazardous:	
City's proportion of the net OPEB liability	1.47%
City's proportionate share of the net OPEB liability	\$ 12,171,573
City's covered-employee payroll	\$ 8,181,397
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	148.77%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Pension

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2017 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2017. Specifically, the total Pension liability as of June 30, 2017 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note G starting on page 47.

OPEB

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2017 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2017. Specifically, the total OPEB liability as of June 30, 2017 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note H starting on page 53.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

CITY OF FLORENCE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
ASSETS				
Cash and cash equivalents	\$ 1,527,378	\$ 495,532	\$ 2,928,230	\$ 4,951,140
Intergovernmental receivable	59,907	-	-	59,907
Accounts receivable	-	5,450	-	5,450
Due from other funds	-	-	-	-
Inventory	60,277	-	-	60,277
Total assets	\$ <u>1,647,562</u>	\$ <u>500,982</u>	\$ <u>2,928,230</u>	\$ <u>5,076,774</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,518	\$ 30,000	\$ 21,340	\$ 78,858
Due to other funds	-	-	150	150
Total liabilities	<u>27,518</u>	<u>30,000</u>	<u>21,490</u>	<u>79,008</u>
Fund balances:				
 Nonspendable:				
Inventories	60,277	-	-	60,277
 Assigned to:				
Special revenue fund	<u>1,559,767</u>	<u>470,982</u>	<u>2,906,740</u>	<u>4,937,489</u>
Total fund balances	<u>1,620,044</u>	<u>470,982</u>	<u>2,906,740</u>	<u>4,997,766</u>
Total liabilities and fund balances	\$ <u>1,647,562</u>	\$ <u>500,982</u>	\$ <u>2,928,230</u>	\$ <u>5,076,774</u>

CITY OF FLORENCE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
REVENUES				
Intergovernmental	\$ 613,538	\$ -	\$ -	\$ 613,538
Charges for services	-	-	360,878	360,878
Uses of property	-	126,835	-	126,835
Interest	16,222	5,439	19,040	40,701
Miscellaneous	-	-	1,855	1,855
Total revenues	<u>629,760</u>	<u>132,274</u>	<u>381,773</u>	<u>1,143,807</u>
EXPENDITURES				
Current:				
Police	-	136,224	-	136,224
Public Services	464,667	-	673,510	1,138,177
Total expenditures	<u>464,667</u>	<u>136,224</u>	<u>673,510</u>	<u>1,274,401</u>
Excess(deficiency) of revenues over(under) expenditures	<u>165,093</u>	<u>(3,950)</u>	<u>(291,737)</u>	<u>(130,594)</u>
OTHER FINANCING SOURCES				
Transfers in	125,000	-	1,700,000	1,825,000
Total other financing sources	<u>125,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,825,000</u>
Net change in fund balances	290,093	(3,950)	1,408,263	1,694,406
Fund balances - beginning	<u>1,329,951</u>	<u>474,932</u>	<u>1,498,477</u>	<u>3,303,360</u>
Fund balances - ending	<u>\$ 1,620,044</u>	<u>\$ 470,982</u>	<u>\$ 2,906,740</u>	<u>\$ 4,997,766</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,226,272	\$ 1,329,951	\$ 1,329,951	\$ -
Resources (inflows):				
Intergovernmental	605,000	605,000	613,538	8,538
Interest	5,000	5,000	16,222	11,222
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>1,961,272</u>	<u>2,064,951</u>	<u>2,084,711</u>	<u>19,760</u>
Charges to appropriations (outflows):				
Current:				
Public services	615,200	650,200	464,667	185,533
Total	<u>615,200</u>	<u>650,200</u>	<u>464,667</u>	<u>185,533</u>
Budgetary fund balances, June 30	\$ <u><u>1,346,072</u></u>	\$ <u><u>1,414,751</u></u>	\$ <u><u>1,620,044</u></u>	\$ <u><u>205,293</u></u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-ASSET FORFEITURE FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 315,483	\$ 474,932	\$ 474,932	\$ -
Resources (inflows):				
Uses of property	50,000	50,000	126,835	76,835
Interest	2,500	2,500	5,439	2,939
Amounts available for appropriation	<u>367,983</u>	<u>527,432</u>	<u>607,206</u>	<u>79,774</u>
Charges to appropriations (outflows):				
Current:				
Police	243,200	243,200	136,224	106,976
Total	<u>243,200</u>	<u>243,200</u>	<u>136,224</u>	<u>106,976</u>
Budgetary fund balances, June 30	<u>\$ 124,783</u>	<u>\$ 284,232</u>	<u>\$ 470,982</u>	<u>\$ 186,750</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,394,799	\$ 1,498,477	\$ 1,498,477	\$ -
Resources (inflows):				
Memberships	220,000	220,000	275,071	55,071
Daily Admissions	45,000	45,000	54,666	9,666
Programs	25,000	25,000	18,114	(6,886)
Concessions	6,000	6,000	11,517	5,517
Locker Rental	800	800	1,510	710
Interest	6,000	6,000	19,040	13,040
Miscellaneous	250	250	1,855	1,605
Other financing sources:				
Transfer in	200,000	1,700,000	1,700,000	-
Amounts available for appropriation	<u>1,897,849</u>	<u>3,501,527</u>	<u>3,580,250</u>	<u>78,723</u>
Charges to appropriations (outflows):				
Public services				
Management contract	325,000	325,000	326,350	(1,350)
Utilities	100,700	100,700	78,120	22,580
Repairs and maintenance	50,000	50,000	48,083	1,917
Supplies	2,000	2,000	2,002	(2)
Bank service charges	7,000	7,000	3,998	3,002
Miscellaneous	5,200	5,200	2,226	2,974
Capital	240,000	240,000	212,731	27,269
Total	<u>729,900</u>	<u>729,900</u>	<u>673,510</u>	<u>56,390</u>
Budgetary fund balances, June 30	\$ <u>1,167,949</u>	\$ <u>2,771,627</u>	\$ <u>2,906,740</u>	\$ <u>135,113</u>

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STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	77
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	84
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.	89
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.	94
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.	96

CITY OF FLORENCE, KENTUCKY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GOVERNMENTAL ACTIVITIES										
Invested in capital assets	\$ 48,629	\$ 47,198	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572	\$ 63,468	\$ 66,566	\$ 67,635	\$ 71,532
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	35,364	42,903	46,679	53,466	63,305	70,967	62,295	66,999	80,834	73,850
Total governmental activities net assets	\$ 83,993	\$ 90,101	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539	\$ 125,763	\$ 133,565	\$ 148,469	\$ 145,382
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets	19,651	22,638	26,175	26,659	26,695	26,833	27,496	27,328	27,522	28,798
Restricted	473	265	479	248	248	248	-	-	-	-
Unrestricted	5,684	5,900	6,995	7,279	8,050	8,678	6,949	7,210	7,535	5,377
Total business-type activities net assets	\$ 25,808	\$ 28,803	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759	\$ 34,445	\$ 34,538	\$ 35,057	\$ 34,175
PRIMARY GOVERNMENT										
Invested in capital assets	68,280	69,836	79,275	85,975	86,431	88,405	90,964	93,894	95,157	100,330
Restricted	473	265	479	248	248	248	-	-	-	-
Unrestricted	41,048	48,803	53,674	60,745	71,355	79,645	69,244	74,209	88,369	79,227
Total primary government net assets	\$ 109,801	\$ 118,904	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298	\$ 160,208	\$ 168,103	\$ 183,526	\$ 179,557

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Administration	\$ 3,405	\$ 3,423	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417	\$ 3,698	\$ 3,346	\$ 4,042	\$ 4,520
Police	6,994	6,436	8,944	6,969	7,303	7,147	8,462	11,431	8,582	10,708
Fire	5,559	6,595	5,386	6,431	6,136	6,042	5,940	8,728	8,736	9,738
Public services	8,443	7,572	7,087	8,226	8,316	9,387	6,657	8,158	6,503	11,828
Economic development	908	-	-	-	-	-	-	-	-	-
Interest on long-term debt	1,101	1,089	1,426	1,497	755	709	768	1,110	503	484
Total governmental activities	26,410	25,115	26,092	26,421	26,544	26,702	25,525	32,773	28,366	37,278
Business-type activities:										
Water and sewer service	7,214	7,346	7,616	7,727	7,571	7,694	7,847	8,336	8,094	8,951
Golf course	860	784	920	1,303	1,312	1,355	1,335	1,274	1,255	1,217
Total business-type activities	8,074	8,130	8,536	9,030	8,883	9,049	9,182	9,610	9,349	10,168
Total primary government expense	\$ 34,484	\$ 33,245	\$ 34,628	\$ 35,451	\$ 35,427	\$ 35,751	\$ 34,707	\$ 42,383	\$ 37,715	\$ 47,446
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 691	\$ 939	\$ 877	\$ 887	\$ 784	\$ 790	\$ 817	\$ 738	\$ 842	\$ 871
Fire	2,758	2,586	2,754	2,658	2,791	2,540	2,887	3,167	3,346	3,542
Public services	1,088	1,065	1,094	1,102	999	1,051	1,021	1,151	1,112	1,204
Other activities	18	17	30	16	10	22	9	7	10	31
Operating grants and contributions	640	808	551	546	2,132	688	1,037	1,032	911	708
Capital grants and contributions	1,890	2,501	6,806	5,027	734	1,114	2,558	2,238	2,523	984
Total governmental activities program revenues	7,085	7,916	12,112	10,236	7,450	6,205	8,329	8,333	8,744	7,340
Business-type activities:										
Charges for services:										
Water and sewer service	7,106	7,586	8,084	8,179	8,361	8,466	8,548	8,456	8,666	8,384
Golf course	753	588	709	1,250	1,206	1,226	1,155	1,112	1,034	997
Capital grants and contributions	-	-	-	-	-	-	-	-	-	468
Total business-type activities program revenues	7,859	8,174	8,793	9,429	9,567	9,692	9,703	9,568	9,700	9,849
Total primary government program revenues	\$ 14,944	\$ 16,090	\$ 20,905	\$ 19,665	\$ 17,017	\$ 15,897	\$ 18,032	\$ 17,901	\$ 18,444	\$ 17,189
Net (expense)/revenue										
Governmental activities:	\$ (19,325)	\$ (17,199)	\$ (13,980)	\$ (16,185)	\$ (19,094)	\$ (20,497)	\$ (17,196)	\$ (24,440)	\$ (19,622)	\$ (29,938)
Business-type activities:	(215)	44	257	399	684	643	521	(42)	351	(319)
Total primary government, net expense	\$ (19,540)	\$ (17,155)	\$ (13,723)	\$ (15,786)	\$ (18,410)	\$ (19,854)	\$ (16,675)	\$ (24,482)	\$ (19,271)	\$ (30,257)

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 7,258	\$ 7,341	\$ 7,194	\$ 7,197	\$ 6,999	\$ 6,982	\$ 7,328	\$ 7,446	\$ 7,476	\$ 7,878
Public service taxes	544	579	555	521	521	562	525	526	510	607
Taxes, levied for bank deposits	184	211	207	194	183	209	185	206	220	263
Payroll license	13,115	13,373	14,077	14,912	14,872	15,119	15,831	16,413	17,940	18,731
Gross receipts license	1,944	2,048	1,964	2,158	2,235	2,099	2,250	2,380	2,399	2,554
Insurance premium	4,050	3,659	3,579	3,751	4,098	4,275	4,467	4,266	4,583	4,615
Other	103	97	101	105	126	89	113	124	148	134
Uses of property	373	45	89	40	116	98	95	101	163	127
Interest	531	351	292	291	177	540	292	770	505	1,011
Miscellaneous	4,331	132	144	120	125	121	122	110	681	185
Transfers	(500)	(4,529)	(4,545)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Total governmental activities	31,933	23,307	23,657	29,189	29,352	29,994	31,108	32,242	34,525	36,005
Business-type activities										
Investment earnings	122	48	54	38	22	23	24	35	68	106
Capital contributions	-	1,773	3,745	-	-	-	-	-	-	-
Transfers	500	1,129	789	100	100	100	100	100	100	100
Total business-type activities	622	2,950	4,588	138	122	123	124	135	168	206
Total primary government	\$ 32,555	\$ 26,257	\$ 28,245	\$ 29,327	\$ 29,474	\$ 30,117	\$ 31,232	\$ 32,377	\$ 34,693	\$ 36,211
Change in net assets										
Governmental activities	\$ 14,734	\$ 9,327	\$ 7,472	\$ 10,095	\$ 8,855	\$ 12,798	\$ 31,108	\$ 7,802	\$ 14,903	\$ 6,067
Business-type activities	666	3,207	4,987	822	765	644	124	93	519	(113)
Total primary government	\$ 15,400	\$ 12,534	\$ 12,459	\$ 10,917	\$ 9,620	\$ 13,442	\$ 31,232	\$ 7,895	\$ 15,422	\$ 5,954

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
2009	\$ 7,258,039	\$ 543,546	\$ 184,469	\$ 13,114,397	\$ 1,944,202	\$ 4,050,644
2010	\$ 7,357,458	\$ 578,970	\$ 211,568	\$ 13,114,839	\$ 2,047,911	\$ 3,658,788
2011	\$ 7,222,802	\$ 554,987	\$ 206,908	\$ 13,373,239	\$ 1,963,691	\$ 3,578,837
2012	\$ 6,980,878	\$ 521,460	\$ 193,658	\$ 14,077,419	\$ 2,157,586	\$ 3,751,078
2013	\$ 7,003,025	\$ 420,742	\$ 183,325	\$ 14,912,330	\$ 2,235,304	\$ 4,098,294
2014	\$ 7,112,868	\$ 562,203	\$ 209,289	\$ 14,871,599	\$ 2,098,956	\$ 4,274,919
2015	\$ 7,248,021	\$ 525,169	\$ 185,114	\$ 15,119,231	\$ 2,250,520	\$ 4,467,479
2016	\$ 7,356,483	\$ 526,387	\$ 206,365	\$ 16,412,440	\$ 2,380,422	\$ 4,265,760
2017	\$ 7,422,594	\$ 509,760	\$ 220,124	\$ 17,940,093	\$ 2,399,296	\$ 4,582,660
2018	\$ 7,820,248	\$ 606,610	\$ 263,130	\$ 18,730,631	\$ 2,554,307	\$ 4,615,303

CITY OF FLORENCE, KENTUCKY

Fund balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GENERAL FUND										
Reserved	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	19,235	-	-	-	-	-	-	-	-	-
Nonspendable	-	395	254	483	490	472	548	605	647	734
Committed to	-	5,500	6,500	7,000	7,000	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	64,471	65,618
Total general fund	\$ <u>19,669</u>	\$ <u>31,906</u>	\$ <u>34,937</u>	\$ <u>40,093</u>	\$ <u>46,009</u>	\$ <u>49,834</u>	\$ <u>56,613</u>	\$ <u>63,346</u>	\$ <u>72,118</u>	\$ <u>73,352</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,486	-	-	-	-	-	-	-	-	-
Nonspendable	-	63	63	68	71	71	87	74	66	60
Restricted	-	266	413	508	599	895	1,136	1,030	1,264	1,560
Assigned to	-	1,593	1,461	1,924	3,973	6,612	8,863	10,970	14,722	19,830
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ <u>10,587</u>	\$ <u>1,922</u>	\$ <u>1,937</u>	\$ <u>2,500</u>	\$ <u>4,643</u>	\$ <u>7,578</u>	\$ <u>10,086</u>	\$ <u>12,074</u>	\$ <u>16,052</u>	\$ <u>21,450</u>

GASB 54 was applied in FY 2010 shifting the focus of fund balance availability to the extent the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 7,927	\$ 8,148	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884	\$ 7,958	\$ 8,089	\$ 8,152	\$ 8,690
Licenses and permits	19,212	19,177	19,721	20,926	21,332	21,582	22,662	23,183	25,070	26,034
Intergovernmental	2,530	3,308	7,357	5,573	2,866	1,802	3,595	3,270	3,434	1,692
Fines and forfeitures	219	278	253	264	247	198	253	227	217	361
Charges for services	4,336	4,329	4,503	4,399	4,363	4,206	4,480	4,837	5,093	5,288
Uses of property	373	45	89	40	116	98	96	101	163	127
Interest	458	351	292	229	177	509	406	769	505	843
Miscellaneous	109	132	144	120	85	121	111	110	681	185
Total revenues	35,164	35,768	40,344	39,247	36,893	36,400	39,561	40,586	43,315	43,220
EXPENDITURES										
Current:										
Administration	2,377	2,532	2,052	2,606	2,630	2,402	2,502	2,356	2,548	2,787
Police	7,289	7,326	7,166	7,125	7,506	7,469	7,636	7,340	7,683	8,551
Fire	5,615	6,915	5,725	6,242	6,042	6,188	7,327	6,992	7,283	8,121
Public services	8,200	8,781	15,749	15,073	9,844	11,771	11,103	13,530	11,406	15,497
Economic development	2,539	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,224	1,055	1,230	1,195	1,000	1,020	1,060	1,045	1,060	1,065
Interest	1,094	1,057	1,398	1,263	711	690	553	502	485	467
Cost of issuance	-	-	74	114	-	-	74	-	-	-
Total expenditures	28,338	27,666	33,394	33,618	27,733	29,540	30,255	31,765	30,465	36,488
Excess(deficiency) of revenues over(under) expenditures	6,826	8,102	6,950	5,629	9,160	6,860	9,306	8,821	12,850	6,732

(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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OTHER FINANCING SOURCES(USES)										
Refunding bonds issued	-	-	6,720	5,640	-	-	6,250	-	-	-
Bond discount	-	-	-	(93)	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(6,080)	(5,020)	-	-	(6,171)	-	-	-
Transfers in	9,675	9,023	325	988	1,325	1,825	1,825	3,825	1,825	3,325
Transfers out	(10,175)	(13,552)	(4,870)	(1,425)	(2,425)	(1,925)	(1,925)	(3,925)	(1,925)	(3,425)
Total other financing sources and uses	<u>(500)</u>	<u>(4,529)</u>	<u>(3,905)</u>	<u>90</u>	<u>(1,100)</u>	<u>(100)</u>	<u>(21)</u>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>
Net change in fund balances	\$ <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>	\$ <u>12,750</u>	\$ <u>6,632</u>
Debt service as a percentage of noncapital expenditures	<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>	<u>6.65%</u>	<u>5.71%</u>

(continued)

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Bank Deposit Tax</u>	<u>Total</u>
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
2017	\$ 7,423	\$ 510	\$ 220	\$ 8,153
2018	\$ 7,820	\$ 607	\$ 263	\$ 8,690

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			
2009	\$ 994,782,905	\$ 1,429,745,754	\$ 333,536,812	\$ 54,133,600	\$ 2,703,931,871	\$ 2.38
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
2017	\$ 1,116,788,389	\$ 1,478,581,450	\$ 413,566,187	\$ 79,187,400	\$ 2,929,748,626	\$ 2.46
2018	\$ 1,050,419,962	\$ 1,544,170,780	\$ 390,044,245	\$ 81,396,400	\$ 2,903,238,587	\$ 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	
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
2017	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2018	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.390

(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, 2018

Taxpayer	2018			2009		
	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	3.41%	\$ 90,000,000	1	3.33%
New Plan Property Holding	34,116,635	2	1.17%	48,722,735	2	1.80%
Turfway Park, LLC				30,450,000	4	1.13%
IBM Credit Corp	26,403,099	3	0.91%			
Dixie Highway, LLC	24,890,800	4	0.86%			
Star Wetherington	24,227,733	5	0.83%			
Vantiv	23,895,934	6	0.82%			
7300 & 7310 Turfway Holdings	21,500,000	7	0.74%			
Costco	20,000,000	8	0.69%			
Trellises Kentucky	19,410,000	9	0.67%	18,060,000	9	0.67%
Bluegrass RHP	18,000,000	10	0.62%	18,000,000	10	0.67%
Applied industrial Tech				34,842,419	3	1.29%
Wal-Mart Real Estate				22,721,000	5	0.84%
Cabot Turfway, Inc				22,000,000	6	1.81%
Fifth Third Bank (Ohio)				20,515,835	7	0.76%
AP/AIM CVG Airport, LLC				18,360,000	8	0.67%
TOTAL	\$ 311,544,201		10.72%	\$ 323,671,989		12.97%

CITY OF FLORENCE, KENTUCKY

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Collection
2009	\$ 7,463,379	\$ 7,280,815	\$ (117,795)	99%	\$ 147,295	\$ 7,428,110	100%
2010	\$ 7,401,426	\$ 7,209,530	\$ (125,730)	99%	\$ 185,723	\$ 7,395,253	100%
2011	\$ 7,244,508	\$ 7,193,319	\$ (125,186)	99%	\$ 35,275	\$ 7,228,594	100%
2012	\$ 7,190,106	\$ 7,015,187	\$ (115,734)	99%	\$ 160,567	\$ 7,175,754	100%
2013	\$ 7,094,090	\$ 7,042,131	\$ (121,914)	99%	\$ 26,035	\$ 7,068,166	100%
2014	\$ 7,180,243	\$ 7,110,763	\$ (125,342)	99%	\$ 55,165	\$ 7,165,928	100%
2015	\$ 7,274,130	\$ 7,102,792	\$ (128,458)	99%	\$ 37,135	\$ 7,139,927	98%
2016	\$ 7,433,766	\$ 7,405,441	\$ (130,094)	99%	\$ 3,386	\$ 7,405,441	100%
2017	\$ 7,823,820	\$ 7,554,189	\$ (131,595)	97%	\$ 20,435	\$ 7,574,624	97%
2018	\$ 7,864,044	\$ 7,832,285	\$ (138,033)	99%	\$ -	\$ 7,832,285	100%

CITY OF FLORENCE, KENTUCKY
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities			Business-Type Activities				Total Primary Government	Debt per Population
	General Obligations Bonds	Public Properties Bonds	Capital Leases	Sewer Bonds	Water Bonds	Public Properties/GO Bonds	Capital Leases		
2009	\$ 23,995,000	\$ -	\$ -	\$ -	\$ 2,960,000	\$ 2,580,000 ²	\$ 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
2017	\$ 16,735,000	\$ -	\$ -	\$ -	\$ 1,595,000	\$ -	\$ -	\$ 18,330,000	\$ 565
2018	\$ 15,670,000	\$ -	\$ -	\$ -	\$ 1,375,000	\$ -	\$ -	\$ 17,045,000	\$ 525

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 94 for personal income and population data.

(2) Public Properties Bonds

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

<u>Fiscal Year</u>	<u>General Obligations Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value(1) of Property</u>	<u>Per Capita (2)</u>
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
2017	\$ 16,735,000	\$ -	\$ 16,735,000	0.64%	\$ 516
2018	\$ 15,670,000	\$ -	\$ 15,670,000	0.54%	\$ 483

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 85 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on Page 94.

CITY OF FLORENCE, KENTUCKY
Direct and Overlapping Governmental Activities Debt
June 30, 2018

<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	\$ 30,138,303	26.40%	\$ 7,956,512
Subtotal, overlapping debt			<u>7,956,512</u>
City of Florence direct debt			<u>15,670,000</u>
Total direct and overlapping			<u>\$ 23,626,512</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 270,393	\$ 268,343	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259	\$ 277,295	\$ 283,709	\$ 292,975	\$ 290,324
Total net debt applicable to limit	26,575	25,240	24,360	23,480	22,170	20,825	19,520	18,175	16,735	15,670
Legal debt margin	243,818	243,103	239,333	240,219	245,031	249,434	257,775	265,534	276,240	274,654
Total net debt applicable to the limit as a percentage of debt limit	9.83%	9.41%	9.24%	8.90%	8.30%	7.71%	7.04%	6.41%	5.71%	5.40%

Legal Debt Margin Calculation for Fiscal Year 2018

Taxable assessed value	\$ 290,324
Debt limit(10% for total taxable assessed value)	<u>29,032</u>
Debt applicable to limit:	
General obligation bonds	15,670
Less: amount set aside for repayment general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>15,670</u>
Legal debt margin	<u>\$ 13,362</u>

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

CITY OF FLORENCE, KENTUCKY

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Sewer and Water Revenue Bonds						Coverage
	Sewer/Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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%	
2017	\$ 8,666,172	\$ 8,038,066	\$ 628,106	\$ 215,000	\$ 30,323	256%	
2018	\$ 8,384,213	\$ 8,898,793	\$ (514,580)	\$ 220,000	\$ 27,170	-208%	

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

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
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	\$ 1,560,026,928	\$ 50,181	36.3	5.6%
2015	31,888	\$ 1,659,866,064	\$ 52,053	36.8	5.5%
2016	31,888	\$ 2,168,320,224	\$ 67,998	N/A	5.5%
2017	32,460	N/A	N/A	N/A	5.0%
2018	32,460	N/A	N/A	N/A	3.9%

(1) Census Bureau and Kentucky State Data Center

(2) Data USA

(3) Bureau of Labor Statistics Data and Kentucky State Data Center

CITY OF FLORENCE, KENTUCKY

Principal Employers

Current Year and Nine Years Ago

	2018			2009		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
<u>Taxpayer</u>						
Robert Bosch Automotive	\$ 1,330,397	1	7.11%	N/A	1	0.00%
St. Elizabeth Healthcare	\$ 1,082,842	2	5.78%	N/A	2	0.00%
Boone County Board of Ed	\$ 879,445	3	4.69%	N/A	3	0.00%
Meritor Heavy Vehicle	\$ 480,232	4	2.56%	N/A	4	0.00%
Department of Treasury	\$ 402,793	5	2.15%	N/A	5	0.00%
St. Elizabeth Physicians	\$ 339,722	7	1.81%	N/A	7	0.00%
Sweco	\$ 364,421	6	1.95%	N/A	6	0.00%
Walmart	\$ 304,990	8	1.63%	N/A	8	0.00%
Eagle Manufacturing	\$ 302,224	9	1.61%	N/A	9	0.00%
City of Florence	\$ 266,113	10	1.42%	N/A	10	0.00%
TOTAL	<u>5,753,179</u>		<u>30.71%</u>			<u>-</u>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration:										
Mayor's office	4	4	4	4	4	4	4	5	5	5
Finance	10	10	10	10	10	10	10	8	8	8
Human resources	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Information technology	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public services:										
Professional	19	19	19	19	19	19	19	19	20	20
Maintenance	21	21	21	21	21	21	21	21	21	22
Police:										
Sworn	61	61	61	61	61	61	64	64	64	64
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	51	51	51	51	51	57	57	60	63	63
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 June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Physical arrests	1,870	2,617	2,431	2,542	2,571	2,563	2,736	2,501	2,017	2,364
Traffic violations	7,770	6,729	6,385	4,664	4,487	7,790	5,188	5,768	5,854	6,478
Parking violations	391	307	513	224	120	162	93	114	143	90
Fire:										
Number of calls answered:										
Fire	2,641	2,381	2,486	2,367	2,416	2,511	2,492	2,496	3,461	3,658
Ambulance	5,703	5,772	6,091	6,364	6,380	6,283	6,819	6,982	7,796	8,267
Inspections	1,657	2,032	2,255	1,945	2,005	2,186	2,575	2,527	2,097	1,426
Highways and streets:										
Street resurfacing(lane miles)	6.60	7.05	7.62	8.44	9.11	9.11	8.48	8.48	10.36	10.36
Water:										
New connections	53	45	45	50	42	27	46	35	26	25
Water main breaks	61	24	55	37	62	31	34	30	32	54
Average daily consumption (thousands of gallons)	2,969	2,839	3,055	3,090	3,035	3,021	2,995	2,945	2,996	3,185

Source: Various city departments

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

Function	Fiscal Year June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	4	4	4	4	4
Highways and streets:										
Streets(miles)	159	160	168	168	169	169	169	169	169	169
Streetlights	1,134	1,134	1,977	1,977	2,103	2,103	2,103	2,103	2,111	2,111
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	135	200	145	145	149	150	150	146	146	147
Fire hydrants	1,122	1,259	1,520	1,520	1,583	1,598	1,598	1,605	1,605	1,621
Maximum daily capacity (thousands of gallons)	4,805	4,000	4,550	4,810	4,809	4,595	4,183	4,120	3,840	3,773
Sewer:										
Contained sanitary/storm sewers (miles)	241	278	286	286	278	276	274	274	274	200

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, 2018, 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 11, 2018.

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 & Company".

**Ft. Wright, Kentucky
September 11, 2018**