

**CITY OF FLORENCE, KENTUCKY**

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

**Year Ended June 30, 2020**

Prepared by:  
Linda J. Chapman  
CFO/HR

# CITY OF FLORENCE, KENTUCKY

## *COMPREHENSIVE ANNUAL FINANCIAL REPORT*

Year Ended June 30, 2020

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## INTRODUCTORY SECTION



OFFICE OF THE FINANCE DIRECTOR

October 15, 2020

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, 2020.

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 Van Gorder, Walker 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, 2020, 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, 2020, 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 32,479. 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 2022 with the Mayor to take office January 1, 2023. The next election for City Council will be held in 2020 with the Council to take office on January 1, 2021.

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 2020 that will carry over into fiscal year 2021. Past fiscal year 2021 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 \$80.1 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 and has substantially completed the Rosetta, Kentaboo Park and Nature Park reservation house and Event Center 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 are no large construction projects planned.

#### Relevant Financial Policies

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

The unassigned fund balance in the general fund is 173.85% 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, 2019. This was the seventeenth 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, 2020

### **Mayor**

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Diane E. Whalen

### **Council Members**

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Mel D. Carroll

Duane Froelicher

Jason Kelly Huff

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

### **Staff**

---

City Coordinator - Joshua R. Wice

City Clerk - Melissa Kramer

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 - Tom A. Grau

Fire/E.M.S. Chief - Scott T. Knoll



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, 2019**

*Christopher P. Morill*

Executive Director/CEO



# Organizational Chart 2020

Total Employees: 217 Full Time  
2 Part Time

Revised:  
5/1/2020

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**FINANCIAL SECTION**



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

## **INDEPENDENT AUDITOR'S REPORT**

**To the Honorable Mayor and  
Members of the Council of the  
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 the City of Florence, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion 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 opinion.

#### ***-Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### **-Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-24, and the major fund budgetary comparison, pension, and OPEB disclosure schedules on pages 63-70 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.

### **-Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Florence, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining schedules for the minor funds on pages 71-75 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 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 the City of Florence, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
October 12, 2020



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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, 2020. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent year by \$180,815,082 (net position). Of this amount \$75,769,277 (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 \$108,853,068. This was an increase of \$7,938,484 in comparison to the prior year. The increase was a combination of the City's general operating fund, infrastructure fund and municipal aid fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$72,285,015, or 193.53 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 \$180,815,082 at the close of the most recent year.

The largest portion of the City's net position (58.09 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, 2020 and 2019 net position changed as follows amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 127,160	\$ 119,260	\$ 10,286	\$ 9,793	\$ 137,446	\$ 129,053
Capital assets, net	90,843	89,391	28,275	29,092	119,118	118,483
Total assets	<u>218,003</u>	<u>208,651</u>	<u>38,561</u>	<u>38,885</u>	<u>256,564</u>	<u>247,536</u>
Total deferred outflows of resources	17,948	21,092	1,280	1,284	19,228	22,376
Other liabilities	4,197	4,322	999	964	5,196	5,286
Long-term liabilities	79,179	73,715	5,304	5,027	84,483	78,742
Total liabilities	<u>83,376</u>	<u>78,037</u>	<u>6,303</u>	<u>5,991</u>	<u>89,679</u>	<u>84,028</u>
Total deferred inflows of resources	4,911	5,312	387	414	5,298	5,726
Net position:						
Net Investment in capital assets	77,627	75,075	27,419	28,036	105,046	103,111
Unrestricted	70,038	71,318	5,731	5,728	75,769	77,046
Total net position	<u>\$ 147,665</u>	<u>\$ 146,393</u>	<u>\$ 33,150</u>	<u>\$ 33,764</u>	<u>\$ 180,815</u>	<u>\$ 180,157</u>

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

Net position of the City increased 0.36% or \$657,401 during the current fiscal year. The increase was mainly attributed to \$2.5 million of growth in the revenue line items of the governmental activities outpacing the growth in operating and contractual expenses. This growth was slightly offset by \$613,000 in losses by the business-type activities. The increase in revenues was due to the CARES Act funding received in the amount of \$2.3 million to offset COVID expenditures. The water and sewer fund was affected somewhat by COVID 19 but also by the year-end adjustments for GASB 68 and 75. The golf course was closed down for almost two months due to COVID 19.

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 a decrease in deferred outflows and inflows for the current year. However, an overall increase in the pensions liability for both funds and a slight increase in OPEB liability in the general fund and a slight decrease in the water and sewer fund in the current year.

## Changes in Net Position

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 6,456,220	\$ 5,897,009	\$ 9,664,054	\$ 9,413,425
Operating grants and contributions	3,123,850	389,269	-	-
Capital grants	599,603	1,014,892	-	7,932
General revenues:				
Taxes	34,412,416	34,306,575	-	-
Other	1,948,275	2,459,706	117,608	144,610
Total revenues	<u>46,540,364</u>	<u>44,067,451</u>	<u>9,781,662</u>	<u>9,565,967</u>
Expenses:				
Administration	5,872,256	5,118,921	-	-
Police	13,166,767	12,516,794	-	-
Fire	13,080,120	12,145,151	-	-
Public services	12,610,314	12,702,867	-	-
Interest on long-term debt	440,036	472,035	-	50,814
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	9,380,901	8,825,063
Golf Course	-	-	1,114,231	1,201,456
Total expenses	<u>45,169,493</u>	<u>42,955,768</u>	<u>10,495,132</u>	<u>10,077,333</u>
Increase in net position before transfers and other expenses	1,370,871	1,111,683	(713,470)	(511,366)
Transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>
Increase in net position	1,270,871	1,011,683	(613,470)	(411,366)
Net position - July 1	<u>146,393,665</u>	<u>145,381,982</u>	<u>33,764,016</u>	<u>34,175,382</u>
Net position - June 30	<u>\$ 147,664,536</u>	<u>\$ 146,393,665</u>	<u>\$ 33,150,546</u>	<u>\$ 33,764,016</u>

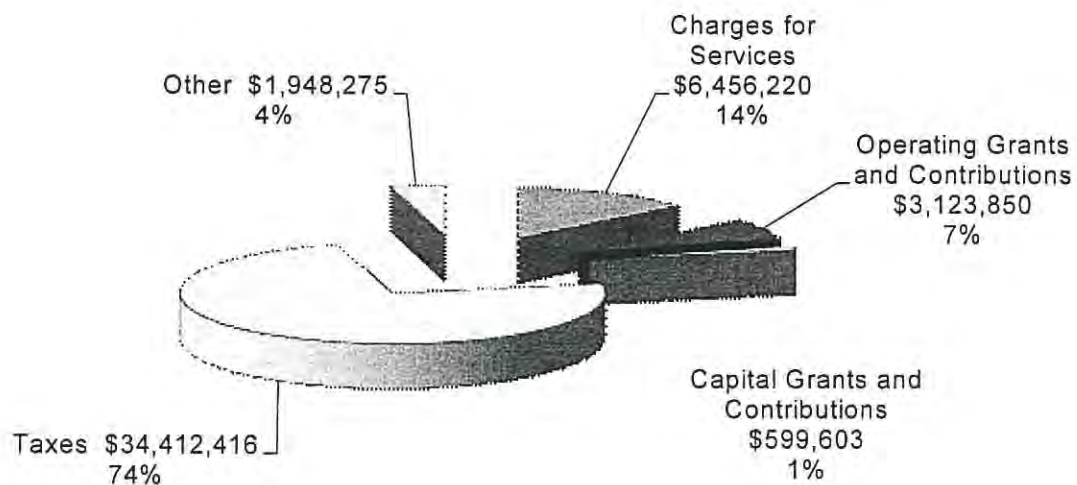
**Governmental activities.** Governmental activities increased the City's net position by \$1.27 million, thereby accounting for 100% of the total increase in net position for the year of \$657,000. Key elements of this increase are as follows:

- Taxes actually increased 106,000 from fiscal year 2019 due to property taxes. The payroll tax position decreased by \$54,000 during 2020 as a result of implications of COVID 19 and workers being laid off from work. This undid the previous increases from improved economic conditions and increased economic development. In addition, the City also experienced a decrease in 2020 with occupational license fees decreasing by \$176,000 due to COVID 19. The insurance premium tax experienced a decrease in 2020 of \$197,000 as a result of the decrease in the collection rate of 8% to 5%. The City's property tax revenues did increase as a result of 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 \$602,000 due to the timing of

collections. Economic development in fiscal year 2020 is ongoing with several projects in various stages. Some of those projects will be finished and should be on the tax rolls for the 2020 taxes. The City has not raised the real property tax rate since 2008.

- Grant revenue increased overall by \$2.32 million. The capital grants decreased by \$446,000 as a result of the grants for various road and sidewalk projects coming to an end. Operating grants increased due to the Federal funding received from the CARES Act for COVID 19 relief. These funds received were in the amount of \$20.3 million and assisted in paying for first responders wages and pension costs.
- There was an increase of \$2.2 million for net governmental activities as a result of various infrastructure long-term projects and capital projects such as Rosetta, the Kentaboo Park, Tanners garage facility and the Event Center starting during fiscal years 2019 and continuing thru fiscal year 2020. These projects have ended or will be ending during the 2021 fiscal year. There were overall increases to personnel costs and benefit costs in both types of activities. Some of the increase 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 also had 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.

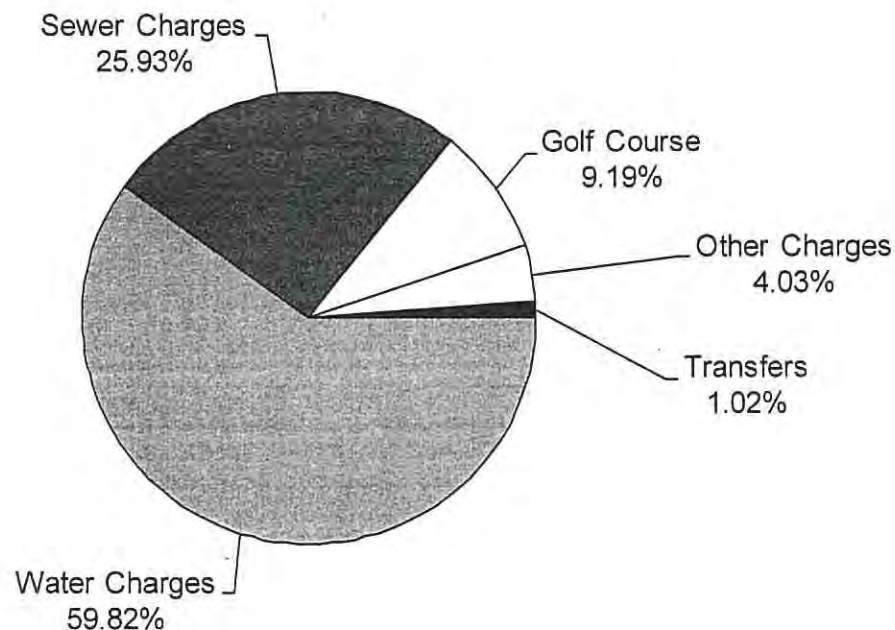
#### Revenues by Source - Governmental Type Activities



**Business-type activities.** Business-type activities decreased the City's net position by \$613,470, accounting for 1.81 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 loss for the year of \$503,525. The net loss was attributable to a decrease in the prior year capital grant in the amount of \$467,811. While the revenues increased slightly by \$376,000 due to rate increases and the expenses increased by \$462,000, therefore resulting in the net loss for the year. Depreciation expense increased by \$45,000 due to infrastructure projects.
- The golf course fund showed a net loss for the year of \$109,945 as a result of operations. The loss was slightly more than the prior year due to a decrease in revenues of \$125,000 due to being shut down as a result of COVID 19 for several months. The flip side of the shutdown was a decrease in expenses of \$90,000. However, the decrease in expenses were not enough to produce net income during the year. In addition, an operating transfer was made during the year because 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 \$108,853,068, an increase of \$7,935,484 in comparison with the prior year. Approximately 66.41 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 \$72,285,015 while total fund balance was \$80,072,621. 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 193.53 percent of total general fund expenditures and transfers, while total fund balance represents 214.38 percent of that same amount.

The fund balance of the City's general fund increased by \$4,226,625 during the current fiscal year. Key factors in this growth are as follows:

- Payroll taxes remained steady despite the pandemic for the June 30 quarter and produced results slightly stronger than originally anticipated
- Insurance premium tax experienced a steady decrease due to a rate decrease in the tax assessed from 8% to 5% effective July 1, 2018
- 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.
- Due to COVID 19 the CARES Act provided \$2.3 million to cover the salaries and pension expenditures of first responders in the General fund.
- Several major construction projects were started at the end of fiscal year 2019 and in fiscal year 2020 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 \$2,088,319, 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 revenues outpacing the actual expenditures incurred during the fiscal year. The infrastructure fund had a total fund balance of \$23,356,963. The fund balance increased during fiscal year 2020 with a transfer of \$1.5 million that was made for future infrastructure projects. In addition, the

apportionment of 15% of payroll taxes outpaced the actual expenditures. The asset forfeiture fund had a decrease in fund balance of \$73,684 as a result of increased expenditures for the purchase of items to make the police department more efficient. Due to COVID 19 there was also a decrease in revenues since the drug task slowed down its activity from march thru June. The aquatic center fund had a fund balance increase of \$44,629 after a transfer in from the General Fund of \$200,000. As a result of COVID 19 the decision was made to not open the pool season in May 2020. Since the aquatic center is not a money maker, this saved on expenditures across the board which resulted in the excess this year.

*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 \$5,052,686 and those for the golf course operations amounted to \$678,927. The decline in net position for the water and sewer fund was \$503,525 due to the adjustments for the adoptions of GASB 68 and GASB 75. The net loss in the golf course fund was \$209,945. 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 2019 budget for projects that were started but not completed by June 30, 2019. An additional amount of \$850,000 was added to complete the renovation of the police department. The City performed a study and decided to move forward to add directional signage to the campus and buildings in the amount of \$100,000. Street repairs in the Infrastructure Fund were increased by \$200,000 for a carryover street project. All beginning fund balance amounts were adjusted to reflect the ending balances from the June 30, 2019 audit report.

The second amendment adjusted General Fund revenues for increases in storm water charges and code enforcement penalties based on trend lines and actual results. Based on the delay of the annual occupational license due date being pushed from April 15 to July 15 due to COVID 19, the revenue line item was decreased by \$800,000. There was an adjustment to expenditures in the Fire department for an increase in unscheduled overtime for \$169,500 and to vehicle maintenance in the amount of \$47,000. The health and dental claim line was increased by \$500,000 due to an extremely high claim year.

All of the general fund department's actual results came in under the final budgeted amounts. All departments were under budget in the salaries, pension costs and health insurance line items. Travel and training, community relations and supply reductions in each department also contributed to lower than budgeted amounts. Motor fuel costs 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 decreases in insurance premium tax revenues. The property tax, payroll tax and occupation license fees resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$5,192,549. This was due to the growth in the revenue for the above mentioned categories as well as interest income. But mostly this excess was the result of the CARES Act funding received in the amount of \$2.3 million. This was an unexpected grant that was not budgeted. Actual expenditures and transfers came in \$7,295,012 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. As a result of 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 \$12,487,561 greater than what was budgeted.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Long-term Debt

At year-end, the City had \$14,385,000 in outstanding bonds compared to \$15,730,000 last year. That is a decrease of \$1,345,000 or 9.35 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Bonds payable Obligations (backed by fee revenues) \$	-	-	\$ 930,000	\$ 1,155,000	\$ 930,000	\$ 1,155,000
Bonds payable (backed by city)	13,455,000	14,575,000	-	-	13,455,000	14,575,000
Totals	\$ 13,455,000	\$ 14,575,000	\$ 930,000	\$ 1,155,000	\$ 14,385,000	\$ 15,730,000

Additional detailed 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, 2020, the overall capital assets amounted to \$268 million. This amount represents capital assets that include land, water and sewer systems, equipment, vehicles, buildings, park facilities, roads and sidewalks. This represents a net increase of \$6.0 million, or 2.29 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	
	2020	2019	2020	2019
Not being depreciated:				
Land	\$ 11,380,931	\$ 11,287,329	\$ 4,785,542	\$ 4,785,542
Construction in progress	2,308,955	6,707,627	428,143	19,452
Other capital assets being depreciated:				
Improvements	27,421,932	21,543,511	616,231	616,231
Water and sewer system	-	-	50,248,408	49,776,915
Infrastructure	120,955,847	120,817,065	-	-
Buildings	26,492,598	24,117,844	4,121,448	4,200,497
Computer upgrade	-	-	-	-
Water meters	-	-	1,649,263	1,649,264
Machinery and equipment	6,369,107	5,730,553	2,126,355	2,038,453
Vehicles	8,439,294	7,747,244	1,680,699	1,509,994
Subtotal	<u>203,368,664</u>	<u>197,951,173</u>	<u>65,656,089</u>	<u>64,596,348</u>
Accumulated depreciation	<u>(112,525,192)</u>	<u>(108,560,134)</u>	<u>(37,380,526)</u>	<u>(35,504,524)</u>
TOTALS	<u>\$ 90,843,472</u>	<u>\$ 89,391,039</u>	<u>\$ 28,275,563</u>	<u>\$ 29,091,824</u>

This year's major additions included:

**Business-type activities:**

Water and sewer system improvements paid for with system revenues \$ 899,636

**Governmental-type activities:**

The purchase of equipment and vehicles with general fund revenues. 1,555,810

Improvements and street projects paid for with state grant funds  
and general fund revenues. 1,955,206  
\$ 4,410,652

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. However, in March of 2020, a pandemic has ensued for COVID19 and will be affecting the budget moving forward for a couple of years. The budget for the 2021 fiscal year calls for decreases in core revenues across the board. Property tax assessments and rates will remain consistent but there is an expectation

that there will be an increase in delinquencies. With businesses being shut down and when open having limited capacity with social distancing has diminished revenues and employed personnel. This will result in the reduced collection of occupational license fees and payroll taxes. With people being out of work, laid off and furloughed, the City anticipates there will be a reduction in the amounts and types of insurance policies that have been carried in previous years. This will result in the reduction of insurance premium fees that will be collected. The interest rate drops that have been enacted will further reduce the interest rate revenues in all funds. It is anticipated that Council will not adopt a property tax increase for the eleventh year in a row. The City did cut the insurance premium tax rate from 8% to 5% effective July 1, 2018. 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. However, that will be overshadowed by the results of the COVID 19 pandemic. 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.



Linda J. Chapman CPA  
CFO/HR

# CITY OF FLORENCE, KENTUCKY

## Statement of Net Position

June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 104,994,204	\$ 7,903,681	\$ 112,897,885
Investments	12,425,008	-	12,425,008
Receivables:			
Property taxes	81,111	-	81,111
Intergovernmental	2,448,920	-	2,448,920
Accrued interest	85,348	-	85,348
Accounts	6,194,010	1,482,093	7,676,103
Internal balances	15,469	(15,469)	-
Inventories	180,701	235,750	416,451
Prepays	723,705	71,860	795,565
Restricted cash and cash equivalents	11,716	607,827	619,543
Capital assets (net of accumulated depreciation)			
Land	11,380,931	4,785,542	16,166,473
Construction in progress	2,308,955	428,142	2,737,097
Systems	-	19,454,745	19,454,745
Improvements	13,930,893	13,858	13,944,751
Infrastructure	46,183,274	-	46,183,274
Buildings	13,211,744	2,644,257	15,856,001
Machinery and equipment	1,635,978	-	1,635,978
Water meters	-	362,524	362,524
Vehicles	2,191,695	586,496	2,778,191
Total assets	<u>218,003,662</u>	<u>38,561,306</u>	<u>256,564,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	238,402	73,369	311,771
Deferred outflows from net pension liability	11,944,334	832,548	12,776,882
Deferred outflows from net OPEB liability	5,765,269	374,014	6,139,283
Total deferred outflows of resources	<u>17,948,005</u>	<u>1,279,931</u>	<u>19,227,936</u>
<b>LIABILITIES</b>			
Accounts payable	1,090,462	418,724	1,509,186
Accrued liabilities	775,881	180,988	956,869
Accrued interest payable	78,525	9,561	88,086
Unearned revenue	82,039	-	82,039
Customer deposits	-	107,863	107,863
Non-current liabilities:			
Due in one year	2,170,000	282,476	2,452,476
Due in more than one year	12,130,337	700,000	12,830,337
Net pension liability	53,093,249	3,715,379	56,808,628
Net OPEB liability	13,955,119	888,539	14,843,658
Total liabilities	<u>83,375,612</u>	<u>6,303,530</u>	<u>89,679,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from net pension liability	1,103,460	76,413	1,179,873
Deferred inflows from net OPEB liability	3,808,059	310,748	4,118,807
Total deferred inflows	<u>4,911,519</u>	<u>387,161</u>	<u>5,298,680</u>
<b>NET POSITION</b>			
Net investment in capital assets	77,626,872	27,418,933	105,045,805
Unrestricted	70,037,664	5,731,613	75,769,277
Total net position	<u>\$ 147,664,536</u>	<u>\$ 33,150,546</u>	<u>\$ 180,815,082</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, 2020

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	\$ 5,872,256	\$ 837,558	\$ 26,607	\$ -	\$ (5,008,091)	\$ -	\$ (5,008,091)
Police	13,166,767	10,325	1,553,830	-	(11,602,612)	-	(11,602,612)
Fire	13,080,120	4,165,914	1,540,312	-	(7,373,894)	-	(7,373,894)
Public services	12,610,314	1,442,423	3,101	599,603	(10,565,187)	-	(10,565,187)
Interest on long-term debt	440,036	-	-	-	(440,036)	-	(440,036)
Total governmental activities	45,169,493	6,456,220	3,123,850	599,603	(34,989,820)	-	(34,989,820)
Business-type activities:							
Water and sewer service	9,380,901	8,766,276	-	-	-	(614,625)	(614,625)
Golf course	1,114,231	897,778	-	-	-	(216,453)	(216,453)
Total business-type activities	10,495,132	9,664,054	-	-	-	(831,078)	(831,078)
Total primary government	\$ 55,664,625	\$ 16,120,274	\$ 3,123,850	\$ 599,603	(34,989,820)	(831,078)	(35,820,898)
General revenues:							
Property taxes, levied for general purposes					8,342,890	-	8,342,890
Public service taxes					510,914	-	510,914
Taxes, levied for bank deposits					306,525	-	306,525
Payroll license tax					19,674,388	-	19,674,388
Gross receipts license					2,589,960	-	2,589,960
Insurance premium tax					2,987,739	-	2,987,739
Other					150,116	-	150,116
Uses of property					179,621	-	179,621
Interest					1,341,539	117,608	1,459,147
Miscellaneous					276,999	-	276,999
Transfers					(100,000)	100,000	-
Total general revenues and special items					36,260,691	217,608	36,478,299
Change in net position					1,270,871	(613,470)	657,401
Net position-beginning					146,393,665	33,764,016	180,157,681
Net position-ending					\$ 147,664,536	\$ 33,150,546	\$ 180,815,082

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



**CITY OF FLORENCE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,853,117	\$ 23,418,886	\$ 5,290,177	\$ 88,562,180
Investments	12,425,008	-	-	12,425,008
Inventories	63,901	-	116,800	180,701
Receivables:				
Property taxes	81,111	-	-	81,111
Intergovernmental	2,398,949	-	49,971	2,448,920
Accrued interest	85,348	-	-	85,348
Accounts	6,194,010	-	-	6,194,010
Prepays	723,705	-	-	723,705
Due from other funds	48,727	-	-	48,727
Restricted assets:				
Cash	11,716	-	-	11,716
<b>Total assets</b>	<b>\$ 81,885,592</b>	<b>\$ 23,418,886</b>	<b>\$ 5,456,948</b>	<b>\$ 110,761,426</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 865,001	\$ 29,569	\$ 33,464	\$ 928,034
Accrued liabilities	775,881	-	-	775,881
Due to other funds	-	32,354	-	32,354
Unearned revenue	82,039	-	-	82,039
<b>Total liabilities</b>	<b>1,722,921</b>	<b>61,923</b>	<b>33,464</b>	<b>1,818,308</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	81,111	-	-	81,111
Unavailable revenue-employee receivable	8,939	-	-	8,939
<b>Total deferred inflows of resources</b>	<b>90,050</b>	<b>-</b>	<b>-</b>	<b>90,050</b>
<b>Fund balances:</b>				
Nonspendable:				
Inventories	63,901	-	116,800	180,701
Prepays	723,705	-	-	723,705
Restricted:				
Street resurfacing	-	-	1,971,519	1,971,519
Committed to:				
Economic stabilization	5,000,000	-	-	5,000,000
Equipment replacement	2,000,000	-	-	2,000,000
Assigned to:				
Infrastructure	-	23,356,963	-	23,356,963
Law enforcement	-	-	383,453	383,453
Aquatic center	-	-	2,951,712	2,951,712
Unassigned:	72,285,015	-	-	72,285,015
<b>Total fund balances</b>	<b>80,072,621</b>	<b>23,356,963</b>	<b>5,423,484</b>	<b>108,853,068</b>
<b>Total liabilities and fund balances</b>	<b>\$ 81,885,592</b>	<b>\$ 23,418,886</b>	<b>\$ 5,456,948</b>	<b>\$ 110,761,426</b>
<b>Total governmental fund balances</b>				<b>\$ 108,853,068</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$112,525,192.				90,843,470
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				90,050
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.				16,268,692
Net pension liability outflows carried as deferred charges				11,944,334
Net pension liability inflows carried as deferred charges				(1,103,460)
Net OPEB liability outflows carried as deferred charges				5,765,269
Net OPEB liability inflows carried as deferred charges				(3,808,059)
Accrued interest payable on long-term debt				(78,525)
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.				238,402
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				(845,337)
Net pension liability				(53,093,249)
Net OPEB liability				(13,955,119)
Bonds and leases payable				(13,455,000)
<b>Net position of governmental activities</b>				<b>\$ 147,664,536</b>

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



**CITY OF FLORENCE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 9,146,050	\$ -	\$ -	\$ 9,146,050
Licenses and permits	22,434,557	2,967,646	-	25,402,203
Intergovernmental	3,123,850	-	599,603	3,723,453
Fines and forfeitures	288,054	-	-	288,054
Charges for services	5,446,248	485,000	236,918	6,168,166
Uses of property	-	-	179,621	179,621
Interest	1,043,968	238,324	59,247	1,341,539
Miscellaneous	94,822	-	974	95,796
Total revenues	<u>41,577,549</u>	<u>3,690,970</u>	<u>1,076,363</u>	<u>46,344,882</u>
<b>EXPENDITURES</b>				
Current:				
Administration	3,670,785	-	-	3,670,785
Police	8,853,892	-	258,496	9,112,388
Fire	8,769,731	-	-	8,769,731
Public services	12,587,817	1,688,368	933,610	15,209,795
Debt service:				
Principal	1,120,000	-	-	1,120,000
Interest	423,699	-	-	423,699
Total expenditures	<u>35,425,924</u>	<u>1,688,368</u>	<u>1,192,106</u>	<u>38,306,398</u>
Excess(deficiency) of revenues over(under) expenditures	<u>6,151,625</u>	<u>2,002,602</u>	<u>(115,743)</u>	<u>8,038,484</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers in	-	1,500,000	325,000	1,825,000
Transfers out	(1,925,000)	-	-	(1,925,000)
Total other financing sources and uses	<u>(1,925,000)</u>	<u>1,500,000</u>	<u>325,000</u>	<u>(100,000)</u>
Net change in fund balances	<u>4,226,625</u>	<u>3,502,602</u>	<u>209,257</u>	<u>7,938,484</u>
Fund balances - beginning	<u>75,845,996</u>	<u>19,854,361</u>	<u>5,214,227</u>	<u>100,914,584</u>
Fund balances - ending	<u>\$ 80,072,621</u>	<u>\$ 23,356,963</u>	<u>\$ 5,423,484</u>	<u>\$ 108,853,068</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, 2020**

Net change in fund balances-total governmental funds	\$ 7,938,484
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	7,858,311
Depreciation expense	(6,023,735)
Change due to fixed asset retirements	(382,148)
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.	23,218
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.	(9,220,006)
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.	1,120,000
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.	4,188
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.	172,264 (113,553)
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.	(85,627)
Change in net position of governmental activities	\$ 1,270,871

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, 2020**

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 7,265,621	\$ 638,060	\$ 7,903,681	\$ 16,432,024
Accounts receivable	1,482,093	-	1,482,093	-
Inventories	122,860	112,890	235,750	-
Prepays	67,323	4,537	71,860	-
Total current assets	8,937,897	755,487	9,693,384	16,432,024
Noncurrent assets:				
Restricted cash and cash equivalents	607,827	-	607,827	-
Capital assets (net of accumulated depreciation)				
Construction in progress	428,142	-	428,142	-
Land	-	4,785,542	4,785,542	-
Improvements	-	13,858	13,858	-
Systems and equipment	19,340,059	114,686	19,454,745	-
Water meters	362,524	-	362,524	-
Building	510	2,643,747	2,644,257	-
Vehicles	586,496	-	586,496	-
Total noncurrent assets	21,325,558	7,557,833	28,883,391	-
Total assets	30,263,455	8,313,320	38,576,775	16,432,024
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding debt	73,369	-	73,369	-
Deferred outflows related to pension liability	832,548	-	832,548	-
Deferred outflows related to OPEB liability	374,014	-	374,014	-
Total deferred outflows of resources	1,279,931	-	1,279,931	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	400,817	17,907	418,724	162,428
Accrued liabilities	122,335	58,653	180,988	-
Compensated absences	52,476	-	52,476	-
Accrued interest payable	9,561	-	9,561	-
Due to other funds	15,469	-	15,469	904
Customer deposits	107,863	-	107,863	-
Bonds payable-current	230,000	-	230,000	-
Total current liabilities	938,521	76,560	1,015,081	163,332
Noncurrent liabilities:				
Net pension liability	3,715,379	-	3,715,379	-
Net OPEB liability	888,539	-	888,539	-
Revenue bonds payable	700,000	-	700,000	-
Total noncurrent liabilities	5,303,918	-	5,303,918	-
Total liabilities	6,242,439	76,560	6,318,999	163,332
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	76,413	-	76,413	-
Deferred inflows related to OPEB liability	310,748	-	310,748	-
Total deferred inflows	387,161	-	387,161	-
<b>NET POSITION</b>				
Net investments in capital assets	19,861,100	7,557,833	27,418,933	-
Unrestricted	5,052,686	678,927	5,731,613	16,268,692
Total net position	\$ 24,913,786	\$ 8,236,760	\$ 33,150,546	\$ 16,268,692

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, 2020**

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water fees	\$ 5,840,974	\$ -	\$ 5,840,974	\$ -
Sewer charges	2,531,458	-	2,531,458	-
Penalties	72,265	-	72,265	-
Tap in fees	175,200	-	175,200	-
Meter installations	53,393	-	53,393	-
Other service charges	68,386	-	68,386	-
Golf course revenues	-	897,778	897,778	-
Other services	-	-	-	2,978,177
Miscellaneous	24,600	-	24,600	-
Total operating revenues	8,766,276	897,778	9,664,054	2,978,177
<b>OPERATING EXPENSES</b>				
Cost of sales and services	7,530,869	879,677	8,410,546	3,091,730
Loss on disposal of property	2,616	-	2,616	-
Depreciation	1,799,933	234,554	2,034,487	-
Total operating expenses	9,333,418	1,114,231	10,447,649	3,091,730
<b>NET OPERATING INCOME(LOSS)</b>	(567,142)	(216,453)	(783,595)	(113,553)
<b>NON-OPERATING REVENUES</b>				
Interest income	111,100	6,508	117,608	172,265
Interest expense	(47,483)	-	(47,483)	-
Total non-operating income	63,617	6,508	70,125	172,265
Income before contributions and transfers	(503,525)	(209,945)	(713,470)	58,712
Transfers	-	100,000	100,000	-
<b>NET INCOME(LOSS)</b>	(503,525)	(109,945)	(613,470)	58,712
<b>NET POSITION-BEGINNING OF YEAR</b>	25,417,311	8,346,705	33,764,016	16,209,980
<b>NET POSITION-END OF YEAR</b>	\$ 24,913,786	\$ 8,236,760	\$ 33,150,546	\$ 16,268,692

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, 2020

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
Cash flows from operating activities:				
Cash received from customers	\$ 8,629,832	\$ 897,778	\$ 9,527,610	\$ 113,297
Collections from other funds	-	-	-	2,864,880
Cash paid to suppliers	(4,413,631)	(535,190)	(4,948,821)	(2,898,407)
Cash paid to employees	(2,537,192)	(350,507)	(2,887,699)	-
Net cash from(used by) operating activities	1,679,009	12,081	1,691,090	79,770
Cash flows from noncapital financing activities:				
Transfer from other funds	-	100,000	100,000	-
Net cash from(used by) noncapital financing activities	-	100,000	100,000	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,146,871)	(73,970)	(1,220,841)	-
Transfers to Bond Fund	(8,869)	-	(8,869)	-
Interest paid on capital debt	(49,114)	-	(49,114)	-
Principal paid on debt	(225,000)	-	(225,000)	-
Net cash from(used by) financing activities	(1,429,854)	(73,970)	(1,503,824)	-
Cash flows from investing activities:				
Interest income	111,100	6,508	117,608	172,265
Net cash provided by investing activities	111,100	6,508	117,608	172,265
Net increase(decrease) in cash	360,255	44,619	404,874	252,035
Cash at beginning of year	6,905,366	593,441	7,498,807	16,179,989
Cash at end of year	\$ 7,265,621	\$ 638,060	\$ 7,903,681	\$ 16,432,024
Reconciliation of operating income to net cash used by operating activities:				
Operating income(loss)	\$ (567,142)	\$ (216,453)	\$ (783,595)	\$ (113,553)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Depreciation expense	1,799,933	234,554	2,034,487	-
Loss on disposal of assets	2,616	-	2,616	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	(136,444)	-	(136,444)	215,901
Decrease(increase) in prepaid expenses	(787)	-	(787)	-
Decrease(increase) in inventory	32,629	4,139	36,768	-
Increase(decrease) in accounts payable	12,531	(15,141)	(2,610)	(23,482)
Increase(decrease) in accrued liabilities	36,253	4,982	41,235	-
Increase(decrease) in pension liability	543,516	-	543,516	-
Increase(decrease) in OPEB liability	(35,924)	-	(35,924)	-
Increase(decrease) in due to other funds	(1,218)	-	(1,218)	904
Increase(decrease) in customer deposits	(6,954)	-	(6,954)	-
Net cash used by operating activities	\$ 1,679,009	\$ 12,081	\$ 1,691,090	\$ 79,770
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.



**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 meeting the operational



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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, 2020

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, 2020 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 \$2,759,961,039 and tangible tax assessments were \$375,622,801.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

*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, 2020 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 \$5,000 with a useful life in excess of two years. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

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

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



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

*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 an other financing source 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 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.



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

*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 unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

### 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. The General Fund and Water and Sewer Fund resources are used to liquidate these liabilities.

### 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. The General Fund and Water and Sewer Fund resources are used to liquidate these liabilities.



*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.

**NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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



**CITY OF FLORENCE, KENTUCKY**  
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June 30, 2020

**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 fair market value at the end of the year; Level 3 inputs are significant unobservable inputs.

As of June 30, 2020, the City had the following recurring fair value measurements:

		Quoted Prices in		
		Active Markets for	Significant Other	Significant
		Identical assets	Observable Inputs	Observable Inputs
	June 30, 2020	Level 1	Level 2	Level 3
Cash	\$ 112,897,885	\$ 112,897,885	\$ -	\$ -
Mutual Funds	562,068	562,068		
Government obligations	619,543	-	619,543	-
Municipal bonds	11,862,940	-	11,862,940	-
Total fair value	\$ 125,942,436	\$ 113,459,953	\$ 12,482,483	\$ -

*Interest rate risk.* In accordance with the City's investment policy, interest rate risk is controlled thru maturity diversification 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, 2020, the City's investment in mutual funds, government obligations and municipal bonds were rated Aaa by Moody's and AAAM by Standard & Poor's.

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

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, 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 OF FLORENCE, KENTUCKY**  
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City had custodial credit risk at June 30, 2020 in the amount of \$12,888,444 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, 2020 was as follows:

	Balance June 30, 2019	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2020
Governmental activities:					
Not being depreciated:					
Land	\$ 11,287,329	\$ 93,602	\$ -	\$ -	\$ 11,380,931
Construction in progress	6,707,625	4,169,939	(7,927,622)	(640,987)	2,308,955
Subtotal	17,994,954	4,263,541	(7,927,622)	(640,987)	13,689,886
Other capital assets:					
Improvements	21,543,513	721,520	5,156,899	-	27,421,932
Infrastructure	120,817,065	1,955,206	291,844	(2,108,268)	120,955,847
Buildings	24,117,845	-	2,429,753	(55,000)	26,492,598
Machinery and equipment	5,730,554	676,548	49,128	(87,123)	6,369,107
Vehicles	7,747,244	879,262	(1)	(187,211)	8,439,294
Subtotal	182,329,139	4,232,536	7,927,623	(2,437,602)	189,678,778
Accumulated depreciation:					
Improvements	11,975,494	1,515,544	-	-	13,491,038
Infrastructure	73,985,113	2,511,965	1,829	(1,726,333)	74,772,574
Buildings	12,450,434	885,417	2	(55,000)	13,280,853
Machinery and equipment	4,376,377	443,661	214	(87,123)	4,733,129
Vehicles	5,772,715	667,148	(5,054)	(187,211)	6,247,598
Subtotal	108,594,922	6,023,735	(3,009)	(7,927,624)	112,525,192
Net other assets	73,734,217	(1,791,199)	7,930,632	5,490,022	77,153,586
Net capital assets	\$ 91,729,171	\$ 2,472,342	\$ 3,010	\$ 4,849,035	\$ 90,843,472

\*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 105,000
Police	331,639
Fire	305,558
Public services	5,281,538
Total governmental activities depreciation expense	\$ 6,023,735

**CITY OF FLORENCE, KENTUCKY**  
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The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2019	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2020
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	19,454	428,143	-	(19,453)	428,144
Subtotal	<u>4,804,996</u>	<u>428,143</u>	<u>-</u>	<u>(19,453)</u>	<u>5,213,686</u>
Other capital assets:					
Water and sewer system	49,776,915	471,493	-	-	50,248,408
Improvements	616,231	-	-	-	616,231
Buildings	4,200,497	-	-	(79,048)	4,121,449
Vehicles	1,509,995	170,705	-	-	1,680,700
Water meters	1,649,264	-	-	-	1,649,264
Machinery and equipment	2,038,451	169,954	-	(82,053)	2,126,352
Subtotal	<u>59,791,353</u>	<u>812,152</u>	<u>-</u>	<u>(161,101)</u>	<u>60,442,404</u>
Accumulated depreciation:					
Water and sewer system	29,705,407	1,485,599	-	-	31,191,006
Improvements	566,878	35,495	-	-	602,373
Buildings	1,422,224	134,018	-	(79,048)	1,477,194
Vehicles	913,681	180,523	-	-	1,094,204
Water meters	1,217,850	68,888	-	-	1,286,738
Machinery and equipment	1,678,485	129,964	-	(79,437)	1,729,012
Subtotal	<u>35,504,525</u>	<u>2,034,487</u>	<u>-</u>	<u>(158,485)</u>	<u>37,380,527</u>
Net other assets	<u>24,286,828</u>	<u>(1,222,335)</u>	<u>-</u>	<u>(2,616)</u>	<u>23,061,877</u>
Net assets	\$ <u>29,091,824</u>	\$ <u>(794,192)</u>	\$ <u>-</u>	\$ <u>(22,069)</u>	\$ <u>28,275,563</u>

\*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,799,933
Golf Course	234,554
Total proprietary activities depreciation expense	\$ <u>2,034,487</u>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE E-LONG-TERM DEBT**

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, 2020, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Fund Debt		
Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 4,475,000
Land-Series 2011 refunding	2.00-3.375%	2,320,000
Land-Series 2012 refunding	2.00-3.80%	1,850,000
General obligation refunding bonds(Series 2015)	1.00-2.50%	3,715,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	<u>1,095,000</u>
		\$ <u><u>13,455,000</u></u>
Proprietary Fund Debt		
Water and Sewer System	1.45-2.50%	\$ <u><u>930,000</u></u>



**CITY OF FLORENCE, KENTUCKY**  
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The following is a schedule of future debt service requirements to maturity at June 30, 2020 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2020, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
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	310,000	121,944	150,000	55,213
2025	320,000	112,294	155,000	51,397
2026-2030	1,755,000	393,280	825,000	189,054
2031-2034	1,215,000	71,539	760,000	52,022
Total Debt Service	\$ 4,475,000	\$ 1,118,814	\$ 2,320,000	\$ 533,173

Fiscal Year June 30,	2008B GO Bonds		2015 GO Bonds	
	Principal	Interest	Principal	Interest
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	135,000	28,795	530,000	49,350
2025	140,000	23,800	540,000	38,088
2026-2028	455,000	37,000	1,120,000	40,738
Total Debt Service	\$ 1,095,000	\$ 202,935	\$ 3,715,000	\$ 337,526

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2021	\$ 105,000	\$ 60,945
2022	110,000	57,720
2023	110,000	54,420
2024	115,000	51,045
2025	120,000	47,520
2026-2030	660,000	178,470
2031-2034	630,000	48,830
Total Debt Service	\$ 1,850,000	\$ 498,950

**CITY OF FLORENCE, KENTUCKY**  
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The City's proprietary fund debt service requirements to maturity at June 30, 2020 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2021	\$ 230,000	\$ 17,455
2022	225,000	13,539
2023	235,000	8,644
2024	240,000	3,000
2025	-	-
Total Debt Service	\$ 930,000	\$ 42,638

*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, 2020 the bonds outstanding were \$1,720,000.

*Changes in Governmental-Type Long-Term Liabilities*

During the year ended June 30, 2020, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2019	Additions	Retirements	June 30, 2020	Amounts Due Within One Year
Compensated absences	\$ 759,710	\$ 1,026,727	\$ (941,100)	\$ 845,337	\$ 1,025,000
Bonds payable:					
Series 2008B	1,210,000	-	(115,000)	1,095,000	120,000
Series 2010	4,750,000	-	(275,000)	4,475,000	280,000
Series 2011	2,455,000	-	(135,000)	2,320,000	140,000
Series 2012	1,955,000	-	(105,000)	1,850,000	105,000
Series 2015	4,205,000	-	(490,000)	3,715,000	500,000
Totals	\$ 15,334,710	\$ 1,026,727	\$ (2,061,100)	\$ 14,300,337	\$ 2,170,000

Compensated absences are liquidated by the general fund.

The government-wide statement of net position includes \$2,170,000 of long-term liabilities due within one year for governmental activities and \$282,476 for business-type activities.



**CITY OF FLORENCE, KENTUCKY**  
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*Changes in Business-Type Long-Term Liabilities*

Long-term liability activity for business-type activities for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Retired	Balance June 30, 2020	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 1,155,000	\$ -	\$ (225,000)	\$ 930,000	\$ 230,000
Compensated absences	41,234	78,299	(67,057)	52,476	52,476
	<u>\$ 1,196,234</u>	<u>\$ 78,299</u>	<u>\$ (292,057)</u>	<u>\$ 982,476</u>	<u>\$ 282,476</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 cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.



**CITY OF FLORENCE, KENTUCKY**  
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*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 of 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, 2020, 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, 2020, participating employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2020 was 24.06% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health



**CITY OF FLORENCE, KENTUCKY**  
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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 \$1,107,263 for the year ended June 30, 2020.

*Hazardous Contributions* - For the year ended June 30, 2020, 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, 2020, participating employers contributed 39.58% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2020 was 39.58% 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 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

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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 \$3,607,601 for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$12,896,142 for its proportionate share of the net pension liability for non-hazardous and \$43,912,486 for hazardous. The City's net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.1833 percent for non-hazardous and 1.589 percent for hazardous.

For the year ended June 30, 2020, the City recognized pension expense of \$1,548,064 for non-hazardous and \$6,926,232 for hazardous. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 2,110,151	\$ 38,791	\$ 84,865	\$ 15,698
Change in assumptions	5,191,747	-	376,038	-
Net difference between projected and actual earnings on pension plan investments	-	769,474	-	59,894
Changes in proportion and difference between City contributions and proportionate share of contributions	1,270,243	295,195	115,754	821
City contributions subsequent to the measurement date	3,372,193	-	255,891	-
Total	\$ 11,944,334	\$ 1,103,460	\$ 832,548	\$ 76,413



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The \$3,372,193 and \$255,891 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		Net Outflows Inflows
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	
2020	\$ 2,088,739	\$ 210,267	\$ 426,336	\$ 41,606	\$ 172,535	\$ 16,837	\$ 2,418,900
2021	2,088,739	210,267	426,336	41,606	172,534	16,837	2,418,899
2022	2,088,739	210,267	426,336	41,606	172,534	16,837	2,418,899
2023	856,382	159,543	170,535	34,402	59,054	13,922	878,104
2024	-	124,296	-	29,600	-	11,980	(165,876)
Totals	\$ 7,122,599	\$ 914,640	\$ 1,449,543	\$ 188,820	\$ 576,657	\$ 76,413	\$ 7,968,926

*Actuarial Assumptions* – The total pension liability in the June 30, 2019 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 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, 2019 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

*Target Asset Allocation* – The long-term expected rates of return were determined by using a building block method in which the best estimated ranges of expected future real rates of return were develop for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:



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Asset Class	CERS Non-Hazardous		CERS Hazardous	
	Target Allocation	Long-Term Expected	Target Allocation	Long-Term Expected
		Nominal Return		Nominal Return
US Equity	15.75%	4.30%	15.75%	4.30%
Non-US Equity	15.75%	4.80%	15.75%	4.80%
Private Equity	7.00%	6.65%	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%	15.00%	2.60%
Core Bonds	20.50%	1.35%	20.50%	1.35%
Cash equivalent	3.00%	0.20%	3.00%	0.20%
Real Estate	5.00%	4.85%	5.00%	4.85%
Opportunistic	3.00%	2.97%	3.00%	2.97%
Real Return	15.00%	4.10%	15.00%	4.10%
Total	100%		100%	

*Discount Rate* – The single discount rates were based on the expected rate of return on pension investments of 6.25% for each plan. Based on the stated assumptions and the projection of cash flows for each fiscal year ending, the Pension Plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of the projected benefit payments to determine the Total Pension Liability for each plan. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year, as determined by the current funding policy established in Statute, which includes the phase-in provisions from House Bill 362 (passed 2018) that applies to CERS.

*401 (h) Subaccount* – Based on guidance issued by GASB in connection with BASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an Other Post Employment Benefit (OPEB) asset. As a result, the reported pension fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

*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):

**CITY OF FLORENCE, KENTUCKY**  
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		Current	
	1% Decrease	Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
Non-hazardous-Per 2019 CAFR	\$ 8,796,344	\$ 7,033,045	\$ 5,563,352
Florence Proportionate Share	\$ 16,129	\$ 12,896	\$ 10,201
		0.18%	
Hazardous-Per 2019 CAFR	\$ 3,453,489	\$ 2,762,295	\$ 2,195,616
Florence Proportionate Share	\$ 54,900	\$ 43,912	\$ 34,904
		1.59%	

*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.

*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:



**CITY OF FLORENCE, KENTUCKY**  
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<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 2019 was \$13.58 for non-hazardous and \$20.37 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 (25 years as of June 30, 2019) 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, 2020, the City reported a liability of \$3,084,134 for its proportionate share of the net OPEB liability for non-hazardous and \$11,759,524 for hazardous. The City's net OPEB liability was measured as of June 30, 2019, 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 June 30, 2019, the City's proportion was 0.18 percent for non-hazardous and 1.59 percent for hazardous.

For the year ended June 30, 2020, the City recognized OPEB expense of \$97,485 for non-hazardous and \$1,107,373 for hazardous. At June 30, 2019, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:



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	GENERAL		WATER AND SEWER	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
	of Resources	of Resources	of Resources	of Resources
Difference between expected and actual experience	\$ -	\$ 2,850,116	\$ -	\$ 268,093
Change in assumptions	4,203,373	26,611	262,927	1,758
Net difference between projected and actual earnings on OPEB plan investments	-	773,585	-	39,494
Changes in proportion and difference between City contributions and proportionate share of contributions	538,227	157,747	47,976	1,403
City contributions subsequent to the measurement date	1,023,669	-	63,111	-
Total	<u>\$ 5,765,269</u>	<u>\$ 3,808,059</u>	<u>\$ 374,014</u>	<u>\$ 310,748</u>

The \$1,023,669 and \$63,111 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 pension expense as follows:

Year Ended	General Hazardous		General Non-Hazardous		Water and sewer Non-Hazardous		Net Outflows
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Inflows
June 30							
2020	\$ 1,148,368	\$ 655,968	\$ 122,528	\$ 126,419	\$ 49,586	\$ 51,161	\$ 892,593
2021	1,148,368	655,967	122,527	126,420	49,586	51,161	892,593
2022	1,148,368	655,967	122,527	126,420	49,586	51,161	257,647
2023	528,248	655,967	122,527	126,419	49,586	51,161	(145,803)
2024	-	416,328	122,527	126,419	49,586	51,161	(1,016)
Thereafter	-	-	155,612	135,765	62,973	54,943	(12,518)
Totals	<u>\$ 3,973,352</u>	<u>\$ 3,040,197</u>	<u>\$ 768,248</u>	<u>\$ 767,862</u>	<u>\$ 310,903</u>	<u>\$ 310,748</u>	<u>\$ 1,883,496</u>

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



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**NOTES TO FINANCIAL STATEMENTS**  
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Inflation	2.30 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	7.25% for 2019, decreasing to an ultimate rate of 4.05% over a period of thirteen years
Health cost trend rates Post-65	5.1% for 2019, decreasing to an ultimate rate of 4.05% over a period of eleven 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, 2019 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

*Target Asset Allocation* – The long-term expected rates of return were determined by using a building block method in which the best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Insurance Plans	
	Target Allocation	Long-Term Expected Nominal Return
US Equity	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	20.50%	1.35%
Cash equivalent	3.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.56%

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

*Discount Rate* – The single discount rates are based on the expected rate of return on OPEB plan

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. Based on the stated assumptions and the projection of cash flows for each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed 2018) that applies to CERS.

*401 (h) Subaccount* – Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an OPEB asset. As a result, these member contributions and associated investment income are included in the reconciliation of the fiduciary net position.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The discount rates of 5.68% for non-hazardous and 5.69% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2019. 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 (4.68%) or one percentage point higher (6.68%) than the current rate for non-hazardous and one percentage point lower (4.69%) or one percentage point higher (6.69%) than the current rate for hazardous:

	1% Decrease 4.68% Non-hazardous 4.69% hazardous	Current 5.68% Non-hazardous 5.69% Hazardous	1% Increase 6.68% Non-hazardous 6.69% Hazardous
CERS			
Florence Proportionate Share	\$ 4,131,470	\$ 3,084,134 0.18%	\$ 2,221,198
Florence Proportionate Share	\$ 16,406,905	\$ 11,759,524 1.59%	\$ 7,987,200

*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.



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

CERS	1% Decrease	Heathcare Trend Rate	1% Increase
Florence Proportionate Share	\$ 2,293,686	\$ 3,084,134 0.18%	\$ 4,042,645
Florence Proportionate Share	\$ 8,182,454	\$ 11,759,524 1.59%	\$ 16,123,354

*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.

**NOTE K-INTERFUND TRANSACTIONS**

A summary of the interfund account balances is as follows:

Due from/to other Funds Receivable Fund(s)	Payable Fund(s)	Amount
General	Water and sewer	\$ 15,469
Health and dental	General	904
Infrastructure	General	32,354
	Total \$	<u>48,727</u>



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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	200,000
General	Infrastructure Fund	1,500,000
General	Golf Course	100,000
	Total \$	<u>1,925,000</u>

During the year, transfers are used to move general fund resources to provide annual subsidy to the transit fund. For the year ended June 30, 2020, the City made the following annual transfers:

- 1) A transfer of \$125,000 was made from the general fund to the special revenue fund for annual funding amounts for snow removal.
- 2) A transfer of \$200,000 was made from the general fund to the aquatic center for the annual subsidy to support the recreation operations.
- 3) A transfer of \$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 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 \$162,428 reported in the fund at June 30, 2020, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2017-2018	\$ 173,646	\$ 2,415,122	\$ 2,422,478	\$ 166,290
2018-2019	\$ 166,290	\$ 2,676,670	\$ 2,657,051	\$ 185,909
2019-2020	\$ 185,909	\$ 2,256,536	\$ 2,280,017	\$ 162,428

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2020, 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 had no agreements in effect during fiscal year 2020.

**NOTE N – COMMITMENTS**

At June 30, 2020, the City had the following commitments with respect to the following projects:

Projects	Commitments
Tanners Structure	\$ 250,000
Kentaboo Park	650,000
Mall Road Turn Lane Extension	110,000
Government Center Renovations	250,000
Total	\$ 1,260,000

**NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020 – Implemented in FY 2020, no material effect on the City.



**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

Statement No. 90 – *Majority Equity Interests* – Implementation in 2020 – Implemented in FY 2020, no material effect on the City.

**NOTE P – FUTURE ACCOUNTING STANDARDS**

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2022

**NOTE Q – COVID 19 GLOBAL PANDEMIC**

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll, insurance and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. The City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2020-21 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

**NOTE R - CARES ACT FUNDING**

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$2,335,000,000 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these funds as other financial resources and as an accounts receivable at June 30, 2020.

**NOTE S – DATE OF MANAGEMENT'S REVIEW**

Management has evaluated events through October 12, 2020, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2020 through October 12, 2020 disclose.



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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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 63,422,323	\$ 75,845,996	\$ 75,845,996	\$ -
Resources (inflows):				
Taxes:				
Property	7,750,000	7,750,000	8,328,611	578,611
Franchise	520,000	520,000	510,914	(9,086)
Bank deposit	275,000	275,000	306,525	31,525
Licenses and permits:				
Payroll license fees	16,200,000	16,200,000	16,706,742	506,742
Gross receipts license fees	2,500,000	1,700,000	2,589,960	889,960
Insurance	2,700,000	2,700,000	2,987,739	287,739
Other	124,000	124,000	150,116	26,116
Intergovernmental	750,000	750,000	3,123,850	2,373,850
Fines and forfeitures	215,000	270,000	288,054	18,054
Charges for services	4,810,000	4,985,000	5,446,248	461,248
Interest	1,000,000	1,000,000	1,043,968	43,968
Miscellaneous	111,000	111,000	94,822	(16,178)
Amounts available for appropriation	<u>100,377,323</u>	<u>112,230,996</u>	<u>117,423,545</u>	<u>5,192,549</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,571,459	1,571,459	1,558,047	13,412
Contractual	1,107,500	1,107,500	970,324	137,176
Operating/Maintenance	569,000	569,000	539,960	29,040
Capital outlay	553,525	625,525	602,454	23,071
Total administration	<u>3,801,484</u>	<u>3,873,484</u>	<u>3,670,785</u>	<u>202,699</u>
Police:				
Personnel	8,546,000	8,546,000	8,020,943	525,057
Contractual	50,000	50,000	35,383	14,617
Operating/Maintenance	467,100	467,100	355,810	111,290
Capital outlay	486,200	486,200	441,756	44,444
Total police	<u>9,549,300</u>	<u>9,549,300</u>	<u>8,853,892</u>	<u>695,408</u>
Fire:				
Personnel	8,237,600	8,407,100	7,810,874	596,226
Contractual	127,209	127,209	124,467	2,742
Operating/Maintenance	510,500	557,500	514,501	42,999
Capital outlay	303,000	333,000	319,889	13,111
Total fire	<u>9,178,309</u>	<u>9,424,809</u>	<u>8,769,731</u>	<u>655,078</u>

(Continued)



**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2020

(Continued)

Public services:				
Personnel	\$ 4,194,943	\$ 4,194,943	\$ 3,517,381	\$ 677,562
Contractual	398,000	398,000	391,244	6,756
Operating/Maintenance	1,305,500	1,305,500	1,205,377	100,123
Capital outlay	3,851,000	12,431,000	7,473,815	4,957,185
Total public services	<u>9,749,443</u>	<u>18,329,443</u>	<u>12,587,817</u>	<u>5,741,626</u>
Debt service:				
Principal	1,120,000	1,120,000	1,120,000	-
Interest	423,900	423,900	423,699	201
Total debt service	<u>1,543,900</u>	<u>1,543,900</u>	<u>1,543,699</u>	<u>201</u>
Other financing uses:				
Special revenue	1,825,000	1,825,000	1,825,000	-
Enterprise fund	100,000	100,000	100,000	-
Total other financing uses	<u>1,925,000</u>	<u>1,925,000</u>	<u>1,925,000</u>	<u>-</u>
Total charges to appropriations	<u>35,747,436</u>	<u>44,645,936</u>	<u>37,350,924</u>	<u>7,295,012</u>
Budgetary fund balance, June 30	<u>\$ 64,629,887</u>	<u>\$ 67,585,060</u>	<u>\$ 80,072,621</u>	<u>\$ 12,487,561</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 18,835,277	\$ 19,854,361	\$ 19,854,361	\$ -
Resources (inflows):				
Licenses and permits	2,850,000	2,850,000	2,967,646	117,646
Intergovernmental	370,000	370,000	-	
Charges for services	475,000	475,000	485,000	10,000
Interest	240,000	240,000	238,324	(1,676)
Transfer In	1,500,000	1,500,000	1,500,000	-
Amounts available for appropriation	<u>24,270,277</u>	<u>25,289,361</u>	<u>25,045,331</u>	<u>(244,030)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>2,425,000</u>	<u>2,625,000</u>	<u>1,688,368</u>	<u>936,632</u>
Total	<u>2,425,000</u>	<u>2,625,000</u>	<u>1,688,368</u>	<u>936,632</u>
Budgetary fund balances, June 30	\$ <u>21,845,277</u>	\$ <u>22,664,361</u>	\$ <u>23,356,963</u>	\$ <u>692,602</u>

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF CITY CONTRIBUTIONS - PENSION**  
For the Year Ended June 30, 2020

	2014	2015	2016	2017	2018	2019	2020
<b>Non-hazardous:</b>							
Contractually required contribution	\$ 542,560	\$ 512,059	\$ 500,021	\$ 570,792	\$ 650,762	\$ 739,941	\$ 888,203
Contributions in relation to the contractually required contribution	542,560	512,059	500,021	570,792	650,762	739,941	888,203
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 4,561,907	\$ 4,602,091
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%
<b>Hazardous:</b>							
Contractually required contribution	\$ 1,517,590	\$ 1,538,155	\$ 1,573,840	\$ 1,776,181	\$ 1,994,132	\$ 2,255,582	\$ 2,739,881
Contributions in relation to the contractually required contribution	1,517,590	1,538,155	1,573,840	1,776,181	1,994,132	2,255,582	2,739,881
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 9,073,138	\$ 9,114,707
Contributions as a percentage of covered payroll	21.77%	20.73%	20.26%	21.71%	22.20%	24.86%	30.06%

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, 2020**

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
<b>Non-hazardous:</b>						
City's proportion of the net pension liability	0.17%	0.17%	0.17%	0.17%	0.18%	0.18%
City's proportionate share of the net pension liability	\$ 5,584,305	\$ 7,395,498	\$ 8,311,160	\$ 9,838,181	\$ 10,937,457	\$ 12,896,142
City's covered payroll	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702	\$ 4,494,213	\$ 4,561,907
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.42%	184.14%	206.44%	240.44%	243.37%	282.69%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%	55.5%	53.3%	53.3%	50.5%
<b>Hazardous:</b>						
City's proportion of the net pension liability	1.38%	1.45%	1.45%	1.47%	1.61%	1.59%
City's proportionate share of the net pension liability	\$ 16,541,007	\$ 22,231,240	\$ 25,127,410	\$ 32,940,862	\$ 39,018,175	\$ 43,912,486
City's covered payroll	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138
City's proportionate share of the net pension liability as a percentage of its covered payroll	237.28%	299.61%	323.46%	402.63%	434.38%	483.98%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	60.0%	54.0%	49.8%	49.3%	46.6%

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, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Non-hazardous:				
Contractually required contribution	\$ 193,537	\$ 211,228	\$ 239,956	\$ 219,060
Contributions in relation to the contractually required contribution	193,537	211,228	239,956	219,060
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <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	\$ 4,561,907	\$ 4,602,091
Contributions as a percentage of covered payroll	4.73%	4.70%	5.26%	4.76%
Hazardous:				
Contractually required contribution	\$ 764,960	\$ 839,871	\$ 949,958	\$ 867,720
Contributions in relation to the contractually required contribution	764,960	839,871	949,958	867,720
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <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	\$ 9,073,138	\$ 9,114,707
Contributions as a percentage of covered payroll	9.35%	9.35%	10.47%	9.52%

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, 2020

	June 30, 2017	June 30, 2018	June 30, 2019
Non-hazardous:			
City's proportion of the net OPEB liability	0.17%	0.18%	0.18%
City's proportionate share of the net OPEB liability	\$ 3,378,963	\$ 3,188,425	\$ 3,084,134
City's covered payroll	\$ 4,091,702	\$ 4,491,213	\$ 4,561,907
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.58%	70.99%	67.61%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%	57.6%	60.4%
Hazardous:			
City's proportion of the net OPEB liability	1.47%	1.61%	1.59%
City's proportionate share of the net OPEB liability	\$ 12,171,573	\$ 11,503,308	\$ 11,759,524
City's covered payroll	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	148.77%	128.06%	129.61%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%	64.2%	64.4%

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



<b>CITY OF FLORENCE, KENTUCKY</b> <b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b> <b>June 30, 2020</b>
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*Pension*

*Valuation dates.* Actuarially determined contribution rates are calculated as of July 1<sup>st</sup> 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, 2019 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, 2019. Specifically, the total Pension liability as of June 30, 2019 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 1<sup>st</sup> 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, 2019 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, 2019. Specifically, the total OPEB liability as of June 30, 2019 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, 2020

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,936,162	\$ 383,453	\$ 2,970,562	\$ 5,290,177
Intergovernmental receivable	49,971	-	-	49,971
Inventory	116,800	-	-	116,800
Total assets	<u>\$ 2,102,933</u>	<u>\$ 383,453</u>	<u>\$ 2,970,562</u>	<u>\$ 5,456,948</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 14,614	\$ -	\$ 18,850	\$ 33,464
Due to other funds	-	-	-	-
Total liabilities	<u>14,614</u>	<u>-</u>	<u>18,850</u>	<u>33,464</u>
Fund balances:				
Nonspendable:				
Inventories	116,800	-	-	116,800
Assigned to:				
Special revenue fund	<u>1,971,519</u>	<u>383,453</u>	<u>2,951,712</u>	<u>5,306,684</u>
Total fund balances	<u>2,088,319</u>	<u>383,453</u>	<u>2,951,712</u>	<u>5,423,484</u>
Total liabilities and fund balances	<u>\$ 2,102,933</u>	<u>\$ 383,453</u>	<u>\$ 2,970,562</u>	<u>\$ 5,456,948</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, 2020

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
REVENUES				
Intergovernmental	\$ 599,603	\$ -	\$ -	\$ 599,603
Charges for services	-	-	236,918	236,918
Uses of property	-	179,621	-	179,621
Interest	20,610	5,191	33,446	59,247
Miscellaneous	-	-	974	974
Total revenues	620,213	184,812	271,338	1,076,363
EXPENDITURES				
Current:				
Police	-	258,496	-	258,496
Public Services	506,901	-	426,709	933,610
Total expenditures	506,901	258,496	426,709	1,192,106
Excess(deficiency) of revenues over(under) expenditures	113,312	(73,684)	(155,371)	(115,743)
OTHER FINANCING SOURCES				
Transfers in	125,000	-	200,000	325,000
Total other financing sources	125,000	-	200,000	325,000
Net change in fund balances	238,312	(73,684)	44,629	209,257
Fund balances - beginning	1,850,007	457,137	2,907,083	5,214,227
Fund balances - ending	\$ 2,088,319	\$ 383,453	\$ 2,951,712	\$ 5,423,484

**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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 1,711,844	\$ 1,850,007	\$ 1,850,007	\$ -
Resources (inflows):				
Intergovernmental	608,000	608,000	599,603	(8,397)
Interest	20,000	20,000	20,610	610
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>2,464,844</u>	<u>2,603,007</u>	<u>2,595,220</u>	<u>(7,787)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>780,200</u>	<u>780,200</u>	<u>506,901</u>	<u>273,299</u>
Total	<u>780,200</u>	<u>780,200</u>	<u>506,901</u>	<u>273,299</u>
Budgetary fund balances, June 30	\$ <u>1,684,644</u>	\$ <u>1,822,807</u>	\$ <u>2,088,319</u>	\$ <u>265,512</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 260,282	\$ 457,137	\$ 457,137	\$ -
Resources (inflows):				
Uses of property	175,000	175,000	179,621	4,621
Interest	7,000	7,000	5,191	(1,809)
Amounts available for appropriation	<u>442,282</u>	<u>639,137</u>	<u>641,949</u>	<u>2,812</u>
Charges to appropriations (outflows):				
Current:				
Police	<u>436,200</u>	<u>436,200</u>	<u>258,496</u>	<u>177,704</u>
Total	<u>436,200</u>	<u>436,200</u>	<u>258,496</u>	<u>177,704</u>
Budgetary fund balances, June 30	<u>\$ 6,082</u>	<u>\$ 202,937</u>	<u>\$ 383,453</u>	<u>\$ 180,516</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 2,840,140	\$ 2,907,431	\$ 2,907,083	\$ (348)
Resources (inflows):				
Memberships	50,000	50,000	5,361	(44,639)
Daily Admissions	255,000	255,000	198,168	(56,832)
Programs	20,000	20,000	13,093	(6,907)
Concessions	11,500	11,500	19,143	7,643
Locker Rental	1,200	1,200	1,153	(47)
Interest	30,000	30,000	33,446	3,446
Miscellaneous	1,800	1,800	974	(826)
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>3,409,640</u>	<u>3,476,931</u>	<u>3,378,421</u>	<u>(98,510)</u>
Charges to appropriations (outflows):				
Public services				
Management contract	330,000	330,000	226,585	103,415
Utilities	84,700	84,700	55,491	29,209
Repairs and maintenance	50,000	50,000	47,445	2,555
Supplies	2,000	2,000	1,853	147
Bank service charges	5,000	5,000	4,322	678
Miscellaneous	3,200	3,200	2,178	1,022
Capital	90,000	90,000	88,835	1,165
Total	<u>564,900</u>	<u>564,900</u>	<u>426,709</u>	<u>138,191</u>
Budgetary fund balances, June 30	\$ <u>2,844,740</u>	\$ <u>2,912,031</u>	\$ <u>2,951,712</u>	\$ <u>39,681</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.

<b>CONTENTS</b>	<b>PAGE</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GOVERNMENTAL ACTIVITIES										
Invested in capital assets	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572	\$ 63,468	\$ 66,566	\$ 67,635	\$ 71,532	\$ 75,075	\$ 77,627
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	46,679	53,466	63,305	70,967	62,295	66,999	80,834	73,850	71,319	70,038
Total governmental activities net assets	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539	\$ 125,763	\$ 133,565	\$ 148,469	\$ 145,382	\$ 146,394	\$ 147,665
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets	26,175	26,659	26,695	26,833	27,496	27,328	27,522	28,798	28,036	27,419
Restricted	479	248	248	248	-	-	-	-	-	-
Unrestricted	6,995	7,279	8,050	8,678	6,949	7,210	7,535	5,377	5,728	5,731
Total business-type activities net assets	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759	\$ 34,445	\$ 34,538	\$ 35,057	\$ 34,175	\$ 33,764	\$ 33,150
PRIMARY GOVERNMENT										
Invested in capital assets	79,275	85,975	86,431	88,405	90,964	93,894	95,157	100,330	103,111	105,046
Restricted	479	248	248	248	-	-	-	-	-	-
Unrestricted	53,674	60,745	71,355	79,645	69,244	74,209	88,369	79,227	77,047	75,769
Total primary government net assets	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298	\$ 160,208	\$ 168,103	\$ 183,526	\$ 179,557	\$ 180,158	\$ 180,815

# CITY OF FLORENCE, KENTUCKY

## Changes in Net Position

### Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
Expenses	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Administration	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417	\$ 3,698	\$ 3,346	\$ 4,042	\$ 4,520	\$ 5,119	\$ 5,872
Police	8,944	6,969	7,303	7,147	8,462	11,431	8,582	10,708	12,517	13,167
Fire	5,386	6,431	6,136	6,042	5,940	8,728	8,736	9,738	12,145	13,080
Public services	7,087	8,226	8,316	9,387	6,657	8,158	6,503	11,828	12,703	12,610
Interest on long-term debt	1,426	1,497	755	709	768	1,110	503	484	472	440
Total governmental activities	26,092	26,421	26,544	26,702	25,525	32,773	28,366	37,278	42,956	45,169
Business-type activities:										
Water and sewer service	7,616	7,727	7,571	7,694	7,847	8,336	8,094	8,951	8,876	9,381
Golf course	920	1,303	1,312	1,355	1,335	1,274	1,255	1,217	1,201	1,114
Total business-type activities	8,536	9,030	8,883	9,049	9,182	9,610	9,349	10,168	10,077	10,495
Total primary government expense	\$ 34,628	\$ 35,451	\$ 35,427	\$ 35,751	\$ 34,707	\$ 42,383	\$ 37,715	\$ 47,446	\$ 53,033	\$ 55,664
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 877	\$ 887	\$ 784	\$ 790	\$ 817	\$ 738	\$ 842	\$ 871	\$ 873	\$ 837
Fire	2,754	2,658	2,791	2,540	2,887	3,167	3,346	3,542	3,669	4,166
Public services	1,094	1,102	999	1,051	1,021	1,151	1,112	1,204	1,341	1,442
Other activities	30	16	10	22	9	7	10	31	14	10
Operating grants and contributions	551	546	2,132	688	1,037	1,032	911	708	389	3,124
Capital grants and contributions	6,806	5,027	734	1,114	2,558	2,238	2,523	984	1,015	600
Total governmental activities program revenues	12,112	10,236	7,450	6,205	8,329	8,333	8,744	7,340	7,301	10,179
Business-type activities:										
Charges for services:										
Water and sewer service	8,084	8,179	8,361	8,466	8,548	8,456	8,666	8,384	8,390	8,766
Golf course	709	1,250	1,206	1,226	1,155	1,112	1,034	997	1,023	898
Capital grants and contributions	-	-	-	-	-	-	-	468	8	-
Total business-type activities program revenues	8,793	9,429	9,567	9,692	9,703	9,568	9,700	9,849	9,421	9,664
Total primary government program revenues	\$ 20,905	\$ 19,665	\$ 17,017	\$ 15,897	\$ 18,032	\$ 17,901	\$ 18,444	\$ 17,189	\$ 16,722	\$ 19,843
Net (expense)/revenue										
Governmental activities:	\$ (13,980)	\$ (16,185)	\$ (19,094)	\$ (20,497)	\$ (17,196)	\$ (24,440)	\$ (19,622)	\$ (29,938)	\$ (35,655)	\$ (34,990)
Business-type activities:	257	399	684	643	521	(42)	351	(319)	(656)	(831)
Total primary government, net expense	\$ (13,723)	\$ (15,786)	\$ (18,410)	\$ (19,854)	\$ (16,675)	\$ (24,482)	\$ (19,271)	\$ (30,257)	\$ (36,311)	\$ (35,821)

(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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 7,194	\$ 7,197	\$ 6,999	\$ 6,982	\$ 7,328	\$ 7,446	\$ 7,476	\$ 7,878	\$ 7,741	\$ 8,343
Public service taxes	555	521	521	562	525	526	510	607	578	511
Taxes, levied for bank deposits	207	194	183	209	185	206	220	263	309	306
Payroll license	14,077	14,912	14,872	15,119	15,831	16,413	17,940	18,731	19,729	19,674
Gross receipts license	1,964	2,158	2,235	2,099	2,250	2,380	2,399	2,554	2,766	2,590
Insurance premium	3,579	3,751	4,098	4,275	4,467	4,266	4,583	4,615	3,184	2,988
Other	101	105	126	89	113	124	148	134	138	150
Uses of property	89	40	116	98	95	101	163	127	280	180
Interest	292	291	177	540	292	770	505	1,011	1,644	1,341
Miscellaneous	144	120	125	121	122	110	681	185	398	277
Transfers	(4,545)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Total governmental activities	<u>23,657</u>	<u>29,189</u>	<u>29,352</u>	<u>29,994</u>	<u>31,108</u>	<u>32,242</u>	<u>34,525</u>	<u>36,005</u>	<u>36,667</u>	<u>36,260</u>
Business-type activities										
Investment earnings	54	38	22	23	24	35	68	106	144	118
Capital contributions	3,745	-	-	-	-	-	-	-	-	-
Transfers	789	100	100	100	100	100	100	100	100	100
Total business-type activities	<u>4,588</u>	<u>138</u>	<u>122</u>	<u>123</u>	<u>124</u>	<u>135</u>	<u>168</u>	<u>206</u>	<u>244</u>	<u>218</u>
Total primary government	<u>\$ 28,245</u>	<u>\$ 29,327</u>	<u>\$ 29,474</u>	<u>\$ 30,117</u>	<u>\$ 31,232</u>	<u>\$ 32,377</u>	<u>\$ 34,693</u>	<u>\$ 36,211</u>	<u>\$ 36,911</u>	<u>\$ 36,478</u>
<b>Change in net assets</b>										
Governmental activities	\$ 7,472	\$ 10,095	\$ 8,855	\$ 12,798	\$ 31,108	\$ 7,802	\$ 14,903	\$ 6,067	\$ 1,012	\$ 1,270
Business-type activities	4,987	822	765	644	124	93	519	(113)	(412)	(613)
Total primary government	<u>\$ 12,459</u>	<u>\$ 10,917</u>	<u>\$ 9,620</u>	<u>\$ 13,442</u>	<u>\$ 31,232</u>	<u>\$ 7,895</u>	<u>\$ 15,422</u>	<u>\$ 5,954</u>	<u>\$ 600</u>	<u>\$ 657</u>



**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
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
2019	\$ 7,732,182	\$ 577,902	\$ 308,792	\$ 19,726,618	\$ 2,765,864	\$ 3,184,526
2020	\$ 8,328,611	\$ 510,914	\$ 306,525	\$ 19,674,388	\$ 2,589,960	\$ 2,987,739

# CITY OF FLORENCE, KENTUCKY

## Fund balances of Governmental Funds

### Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>GENERAL FUND</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	254	483	490	472	548	605	647	734	726	787
Committed to	6,500	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Assigned to	6,440	3,290	3,590	-	-	-	-	-	-	-
Unassigned	21,743	29,320	34,929	42,362	49,065	55,741	64,471	65,618	68,120	72,285
Total general fund	<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>	<u>\$ 75,846</u>	<u>\$ 80,072</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	63	68	71	71	87	74	66	60	100	117
Restricted	413	508	599	895	1,136	1,030	1,264	1,560	1,750	1,971
Assigned to	1,461	1,924	3,973	6,612	8,863	10,970	14,722	19,830	23,218	3,335
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 25,068</u>	<u>\$ 5,423</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>REVENUES</b>										
Taxes	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884	\$ 7,958	\$ 8,089	\$ 8,152	\$ 8,690	\$ 8,619	\$ 9,146
Licenses and permits	19,721	20,926	21,332	21,582	22,662	23,183	25,070	26,034	25,817	25,402
Intergovernmental	7,357	5,573	2,866	1,802	3,595	3,270	3,434	1,692	1,404	3,723
Fines and forfeitures	253	264	247	198	253	227	217	361	294	288
Charges for services	4,503	4,399	4,363	4,206	4,480	4,837	5,093	5,288	5,603	6,168
Uses of property	89	40	116	98	96	101	163	127	279	180
Interest	292	229	177	509	406	769	505	843	1,644	1,341
Miscellaneous	144	120	85	121	111	110	681	185	200	96
Total revenues	40,344	39,247	36,893	36,400	39,561	40,586	43,315	43,220	43,860	46,344
<b>EXPENDITURES</b>										
Current:										
Administration	2,052	2,606	2,630	2,402	2,502	2,356	2,548	2,787	3,012	3,671
Police	7,166	7,125	7,506	7,469	7,636	7,340	7,683	8,551	8,902	9,112
Fire	5,725	6,242	6,042	6,188	7,327	6,992	7,283	8,121	9,276	8,770
Public services	15,749	15,073	9,844	11,771	11,103	13,530	11,406	15,497	14,916	15,210
Economic development	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,230	1,195	1,000	1,020	1,060	1,045	1,060	1,065	1,095	1,095
Interest	1,398	1,263	711	690	553	502	485	467	447	448
Cost of issuance	74	114	-	-	74	-	-	-	-	-
Total expenditures	33,394	33,618	27,733	29,540	30,255	31,765	30,465	36,488	37,648	38,306
Excess(deficiency) of revenues over(under) expenditures	6,950	5,629	9,160	6,860	9,306	8,821	12,850	6,732	6,212	8,038

(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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>OTHER FINANCING SOURCES(USES)</b>										
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	325	988	1,325	1,825	1,825	3,825	1,825	3,325	1,825	1,825
Transfers out	(4,870)	(1,425)	(2,425)	(1,925)	(1,925)	(3,925)	(1,925)	(3,425)	(1,925)	(1,925)
Total other financing sources and uses	(3,905)	90	(1,100)	(100)	(21)	(100)	(100)	(100)	(100)	(100)
Net change in fund balances	\$ 3,045	\$ 5,719	\$ 8,060	\$ 6,760	\$ 9,285	\$ 8,721	\$ 12,750	\$ 6,632	\$ 6,112	\$ 7,938
Debt service as a percentage of noncapital expenditures	10.37%	11.40%	11.40%	7.28%	7.76%	6.67%	5.79%	5.71%	5.59%	5.07%

(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>
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
2019	\$	7,732	\$ 578	\$ 309	\$ 8,619
2020	\$	8,328	\$ 511	\$ 306	\$ 9,145

# 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			
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
2019	\$ 1,074,055,327	\$ 1,580,543,391	\$ 416,072,481	\$ 83,584,800	\$ 2,987,086,399	\$ 2.46
2020	\$ 1,215,538,158	\$ 1,632,965,781	\$ 375,622,801	\$ 88,542,900	\$ 3,135,583,840	\$ 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	
2011	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.160	\$ 0.190	\$ 0.500	\$ 4.330
2012	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.160	\$ 0.190	\$ 0.500	\$ 4.330
2013	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.160	\$ 0.190	\$ 0.510	\$ 4.360
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	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2019	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.390
2020	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.180	\$ 0.213	\$ 0.510	\$ 4.383

(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, 2020

	2020			2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
<u>Taxpayer</u>						
General Growth	\$ 76,700,000	1	2.44%	\$ 102,769,030	1	3.90%
New Plan Property Holding	34,785,735	2	1.11%	44,354,405	2	1.68%
Turfway Park, LLC				30,450,000	3	1.15%
Vantiv	32,689,258	3	1.04%			
ARC Whamsne	26,000,000	4	0.83%			
Star Wetherington	23,894,000	5	0.76%			
Robert Bosch Automotive	21,601,000	6	0.69%			
Costco	20,000,000	7	0.64%			
Trellises Kentucky	19,410,000	8	0.62%			
Fifth Third Bank	18,877,551	9	0.60%	18,078,777	6	0.68%
COI Kentucky Industrial	18,700,000	10	0.60%			
Meijer Stores				17,196,060	7	0.65%
Wal-Mart Real Estate				22,721,000	4	0.86%
Cabot Turfway, Inc				22,000,000	5	0.83%
AP/AIM CVG Airport, LLC				16,000,000	8	0.61%
M-1, LLC				15,800,691	9	0.60%
Cayton Development LLC				15,193,947	10	0.58%
TOTAL	\$ <u>292,657,544</u>		<u>9.33%</u>	\$ <u>304,563,910</u>		<u>11.54%</u>

**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
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%	\$	14,776	\$ 7,847,061 100%
2019	\$	8,090,585	\$	7,843,669	\$	(126,263)	98%	\$	14,967	\$ 7,858,636 97%
2020	\$	8,397,170	\$	8,313,644	\$	(149,762)	99%	\$	-	\$ 8,313,644 99%



# 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		
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
2019	\$ 14,575,000	\$ -	\$ -	\$ -	\$ 1,155,000	\$ -	\$ -	\$ 15,730,000	\$ 485
2020	\$ 13,455,000	\$ -	\$ -	\$ -	\$ 930,000	\$ -	\$ -	\$ 14,385,000	\$ 443

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**

Fiscal Year	General Obligations Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita (2)
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
2019	\$ 14,575,000	\$ -	\$ 14,575,000	0.49%	\$ 449
2020	\$ 13,455,000	\$ -	\$ 13,455,000	0.43%	\$ 414

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, 2020

<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	\$ 40,592,175	24.90%	\$ 10,107,452
Subtotal, overlapping debt			10,107,452
City of Florence direct debt			13,455,000
Total direct and overlapping			\$ 23,562,452

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259	\$ 277,295	\$ 283,709	\$ 292,975	\$ 290,324	\$ 298,708	\$ 313,558
Total net debt applicable to limit	24,360	23,480	22,170	20,825	19,520	18,175	16,735	15,670	14,575	14,575
Legal debt margin	239,333	240,219	245,031	249,434	257,775	265,534	276,240	274,654	284,133	298,983
Total net debt applicable to the limit as a percentage of debt limit	9.24%	8.90%	8.30%	7.71%	7.04%	6.41%	5.71%	5.40%	4.88%	4.65%

### Legal Debt Margin Calculation for Fiscal Year 2018

Taxable assessed value	\$ 313,558
Debt limit(10% for total taxable assessed value)	31,356
Debt applicable to limit:	
General obligation bonds	13,455
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	13,455
Legal debt margin	\$ 17,901

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			
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%		
2019	\$ 8,389,947	\$ 8,825,063	\$ (435,116)	\$ 220,000	\$ 24,918	-178%		
2020	\$ 8,766,276	\$ 9,333,418	\$ (567,142)	\$ 225,000	\$ 20,754	-231%		

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)
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	37.0	5.5%
2017	32,460	\$ 1,967,140,920	\$ 60,602	37.3	5.5%
2018	32,460	\$ 2,111,295,780	\$ 65,043	37.1	5.0%
2019	32,460	N/A	N/A	N/A	3.9%
2020	32,479	N/A	N/A	N/A	4.2%

(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

	2020			2011		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
<u>Taxpayer</u>						
St. Elizabeth Healthcare	\$ 1,132,108	1	5.75%	N/A	1	0.00%
Boone County Board of Ed	\$ 939,507	2	4.77%	N/A	2	0.00%
Robert Bosch Automotive	\$ 917,457	3	4.66%	N/A	3	0.00%
Meritor Heavy Vehicle	\$ 485,020	4	2.46%	N/A	4	0.00%
Sweco	\$ 456,169	5	2.32%	N/A	5	0.00%
St. Elizabeth Physicians	\$ 427,725	7	2.17%	N/A	7	0.00%
Department of Treasury	\$ 391,418	6	1.99%	N/A	6	0.00%
Atlas Air Inc	\$ 385,629	8	1.96%	N/A	8	0.00%
Automotive Steering	\$ 371,041	9	1.88%	N/A	9	0.00%
Walmart	\$ 306,528	10	1.56%	N/A	10	0.00%
TOTAL	<u>\$ 5,812,602</u>		<u>29.52%</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration:										
Mayor's office	4	4	4	4	4	5	5	5	8	8
Finance	10	10	10	10	10	8	8	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	20	20	19	20
Maintenance	21	21	21	21	21	21	21	22	22	22
Police:										
Sworn	61	61	61	61	64	64	64	64	64	64
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	51	51	51	57	57	60	63	63	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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Physical arrests	2,431	2,542	2,571	2,563	2,736	2,501	2,017	2,364	2,127	1,732
Traffic violations	6,385	4,664	4,487	7,790	5,188	5,768	5,854	6,478	5,274	2,288
Parking violations	513	224	120	162	93	114	143	90	121	116
Fire:										
Number of calls answered:										
Fire	2,486	2,367	2,416	2,511	2,492	2,496	3,461	3,658	3,869	3,767
Ambulance	6,091	6,364	6,380	6,283	6,819	6,982	7,796	8,267	8,531	8,212
Inspections	2,255	1,945	2,005	2,186	2,575	2,527	2,097	1,426	1,442	1,054
Highways and streets:										
Street resurfacing(lane miles)	7.62	8.44	9.11	9.11	8.48	8.48	10.36	10.36	10.36	7.60
Water:										
New connections	45	50	42	27	46	35	26	25	32	41
Water main breaks	55	37	62	31	34	30	32	54	52	56
Average daily consumption (thousands of gallons)	3,055	3,090	3,035	3,021	2,995	2,945	2,996	3,185	3,007	3,010

Source: Various city departments

# CITY OF FLORENCE, KENTUCKY

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	4	4	4	4	4	4	4
Highways and streets:										
Streets(miles)	168	168	169	169	169	169	169	169	173	173
Streetlights	1,977	1,977	2,103	2,103	2,103	2,103	2,111	2,115	2,115	2,115
Culture and recreation:										
Parks	9	9	9	9	9	9	9	9	9	12
Parks acreage	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	172.0
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	145	145	149	150	150	146	146	147	151	147
Fire hydrants	1,520	1,520	1,583	1,598	1,598	1,605	1,605	1,621	1,632	1,632
Maximum daily capacity (thousands of gallons)	4,550	4,810	4,809	4,595	4,183	4,120	3,840	3,773	3,310	4,169
Sewer:										
Contained sanitary/storm sewers (miles)	286	286	278	276	274	274	274	200	201	196

Source: Various city departments

**SINGLE AUDIT SECTION**



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

**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***

**To the Honorable Mayor and  
Members of Council of  
City of Florence, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Florence, Kentucky as of June 30, 2020 and the related notes to the financial statements which collectively comprise the City of Florence, Kentucky's financial statements, and have issued our report thereon dated October 12, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Florence, Kentucky's internal control over financial reporting (internal control) as a basis for designing 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 City of Florence, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Van Gorder, Walker & Co., Inc.  
Certified Public Accountants

### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
October 12, 2020

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**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Honorable Mayor and  
Members of Council of  
City of Florence, Kentucky**

**Report on Compliance for Each Major Program**

We have audited the City of Florence, Kentucky's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Kentucky's major federal programs for the year ended June 30, 2020. City of Florence, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

The City of Florence, Kentucky's management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.

**Auditor's Responsibility**

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

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



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

In our opinion, the City of Florence, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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

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

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

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

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
October 12, 2020

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<b>CITY OF FLORENCE, KENTUCKY</b> <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> <b>Year Ended June 30, 2020</b>
---

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Contract Number	Expenditures
<b>U.S. Department of Justice</b>			
Law Enforcement Assistance - Narcotics and Dangerous Drugs Laboratory Analysis	16.001	Direct	\$ 16,175
Organized Crime Drug Enforcement Task Force	16.111	Direct	3,466
Justice Assistance Grant	16.804	Direct	3,316
Equitable Sharing Program	16.922	Direct	174,408
Total U.S. Department of Justice			197,365
<b>U.S. Department of Transportation</b>			
<b>Highway Safety Cluster</b>			
National Priority Safety Programs	20.616	M5HVE-19-06	28,760
<i>Passed through the Commonwealth of Kentucky Transportation Cabinet</i>		M5VHE-20-07	
Total U.S. Department of Transportation			28,760
<b>U.S. Department of the Treasury</b>			
Coronavirus Relief Funds for States	21.019	C102	2,335,449
<i>Passed through the Commonwealth of Kentucky Department for Local Government</i>			
Total U.S. Department of Treasury			2,335,449
<b>U.S. Department of Health &amp; Human Services</b>			
Public Health & Social Services Emergency Fund	93.003	Direct	45,390
Total U.S. Department of Health & Human Services			45,390
Total Federal Financial Assistance			\$ 2,606,964



**CITY OF FLORENCE, KENTUCKY****Notes to the Schedule of Expenditures of Federal Awards****June 30, 2020****NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Florence, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**NOTE B – DE MINIMUS INDIRECT COST RATE**

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

<b>CITY OF FLORENCE, KENTUCKY</b> <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> <b>Year Ended June 30, 2020</b>
--

### I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- |  |                   |                            |
|--|-------------------|----------------------------|
| • Material weakness(es) identified?    | <u>      </u> Yes | <u>  x  </u> No            |
| • Significant deficiencies identified? | <u>      </u> Yes | <u>  x  </u> None reported |

Noncompliance material to financial statements noted

       Yes        x   No

#### *Federal Awards*

Internal Control Over Major Programs:

- |  |                   |                            |
|--|-------------------|----------------------------|
| • Material weakness(es) identified?    | <u>      </u> Yes | <u>  x  </u> No            |
| • Significant deficiencies identified? | <u>      </u> Yes | <u>  x  </u> None reported |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200. 516(a)

       Yes        x   No

Identification of major programs:  
Federal Program or Cluster

CFDA Number

-----  
Coronavirus Relief Funds for States  
Passed Through the Commonwealth of Kentucky  
Department for Local Government

-----  
21.019

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

       Yes        X   No

### II. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported

### III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported

**CITY OF FLORENCE, KENTUCKY**

**Schedule of Prior Year Audit Findings and Questioned Costs**

**Year Ended June 30, 2019**

NO 2 CFR 200 (UNIFORM GUIDANCE) AUDIT IN FISCAL YEAR 2019

NO PRIOR YEAR AUDIT FINDINGS