



Comprehensive Annual Financial Report

**Year Ended:
June 30, 2019**

City of Florence

www.florence-ky.gov

8100 Ewing Blvd, 41042



CITY OF FLORENCE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

Prepared by:
Linda J. Chapman
CFO/HR

CITY OF FLORENCE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

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INTRODUCTORY SECTION

OFFICE OF THE FINANCE DIRECTOR

October 11, 2019

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, 2019.

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, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and

Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Florence's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Florence, founded in 1830, is located in the northern most part of the state, situated in Boone County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Florence currently occupies a land area of 10.4 square miles and serves an estimated population of 32,460. The City of Florence is empowered to levy numerous sources of revenue including its major sources payroll tax, business license tax, insurance premiums tax and a property tax on both real and personal properties. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Florence operates under the Mayor/Council form of government. Legislative authority is vested in the City Council, consisting of six City Council members. The Mayor is the executive authority. The City Council is responsible, among other things for passing ordinances, adopting the budget and appointing members to various boards. The Mayor approves the hiring of all full time employees. The City Coordinator reports directly to the Mayor and is responsible for carrying out policies and ordinances of the City Council and is responsible for the development of short and long range planning, capital improvement programs and running the day-to-day operations of the city. The City Council is elected on a non-partisan basis. The Mayor serves based upon a 4-year term and the City Council serve based upon a 2-year term. The next election for the Office of Mayor will be held in 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 2019 that will carry over into fiscal year 2020. Past fiscal year 2020 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 \$75.8 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 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 175.35% 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, 2018. This was the sixteenth 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, 2019

Mayor

Diane E. Whalen

Council Members

Mel D. Carroll

Duane Froelicher

Jason Kelly Huff

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

Staff

City Coordinator - Joshua R. Wice

City Clerk - Nancy Zeilman

CFO/HR - Linda J. Chapman

City Attorney - Hugh O. Skees

City Engineer - William R. Viox

Director of Public Services - Robert E. Hall

Chief of Police - 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

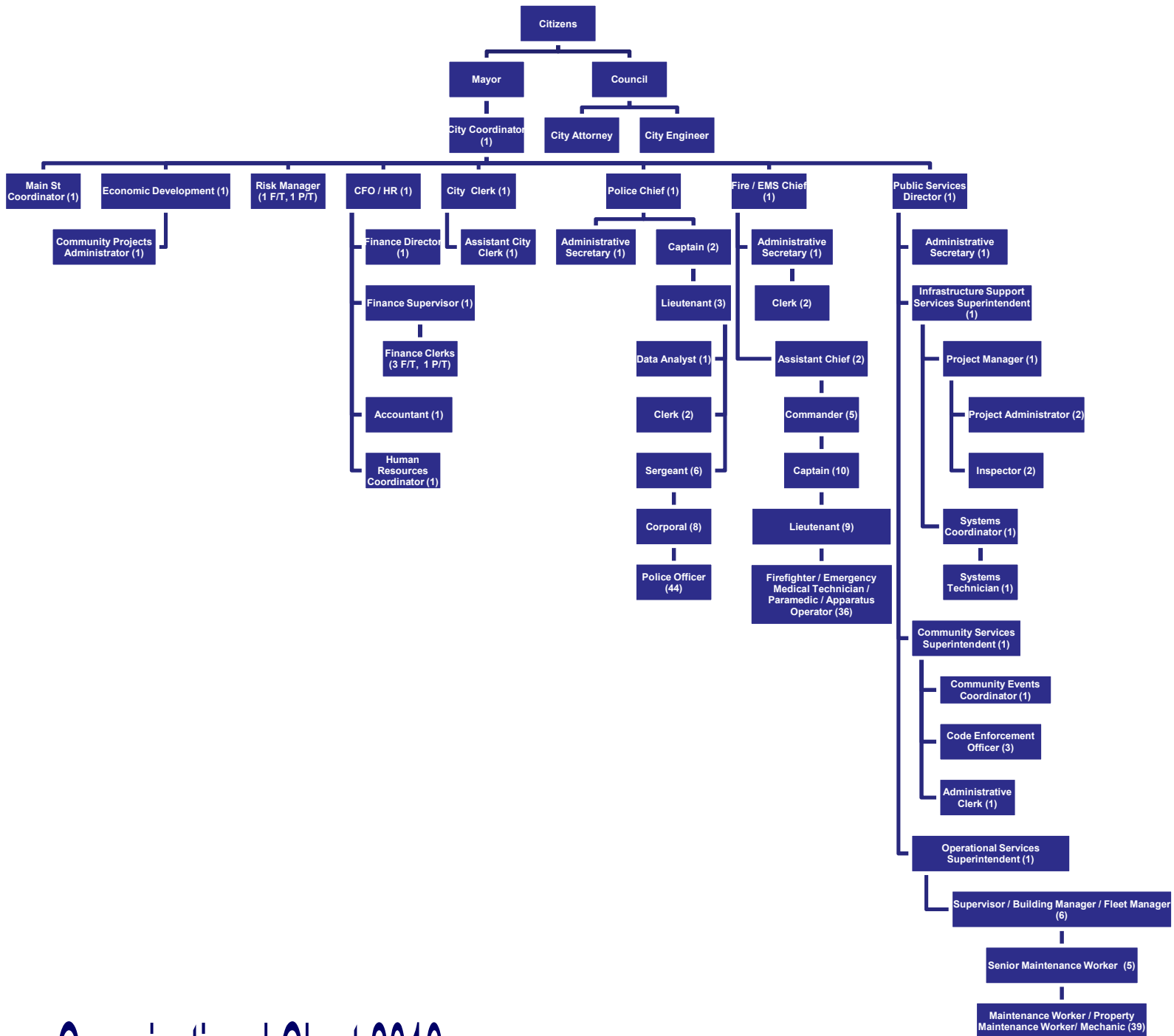
**City of Florence
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



Organizational Chart 2019

Total Employees: 215 Full Time
2 Part Time

Revised:
3/29/2019

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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, 2019, 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, 2019, 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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Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 10, 2019 on our consideration of the City of Florence, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 10, 2019

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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, 2019. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-4 in this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$180,157,681 (net position). Of this amount, \$77,046,624 (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 \$100,914,584. This was an increase of \$6,112,158 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 \$68,119,456, or 187.38% 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 \$180,157,681 at the close of the most recent year.

The largest portion of the City's net position (57.23 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, 2019 and 2018 net position changed as follows amounts in thousands):

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 119,260	\$ 113,652	\$ 9,793	\$ 9,616	\$ 129,053	\$ 123,268
Capital assets, net	89,391	86,922	29,092	30,048	118,483	116,970
Total assets	<u>208,651</u>	<u>200,574</u>	<u>38,885</u>	<u>39,664</u>	<u>247,536</u>	<u>240,238</u>
Total deferred outflows of resources	<u>21,092</u>	<u>21,360</u>	<u>1,284</u>	<u>1,456</u>	<u>22,376</u>	<u>22,816</u>
Other liabilities	4,322	4,479	964	1,285	5,286	5,764
Long-term liabilities	<u>73,715</u>	<u>68,739</u>	<u>5,027</u>	<u>5,320</u>	<u>78,742</u>	<u>74,059</u>
Total liabilities	<u>78,037</u>	<u>73,218</u>	<u>5,991</u>	<u>6,605</u>	<u>84,028</u>	<u>79,823</u>
Total deferred inflows of resources	<u>5,312</u>	<u>3,334</u>	<u>414</u>	<u>339</u>	<u>5,726</u>	<u>3,673</u>
Net position:						
Net Investment in capital assets	75,075	71,532	28,036	28,798	103,111	100,330
Unrestricted	<u>71,318</u>	<u>73,850</u>	<u>5,728</u>	<u>5,377</u>	<u>77,046</u>	<u>79,227</u>
Total net position	<u>\$ 146,393</u>	<u>\$ 145,382</u>	<u>\$ 33,764</u>	<u>\$ 34,175</u>	<u>\$ 180,157</u>	<u>\$ 179,557</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 0.33 or \$600,317 during the current fiscal year. The increase was mainly attributed to \$3.1 million of growth in the revenue line items of the governmental activities outpacing the growth in operating and contractual expenses of \$2.1 million in governmental activities. This growth was slightly offset by \$411,000 in losses by the business-type activities.

The city was required to adopt GASB Statement 68, "Accounting and Financial reporting for Pensions, an amendment of GASB Statement No. 27" during fiscal year 2015 and GASB Statement 75, "Accounting and Financial reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. As a result of those adoptions, the City has experienced an increase in deferred outflows and inflows as well as long-term liabilities with the increase of the pension and OPEB liability in the current year.

Changes in Net Position

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues:				
Program revenues:				
Charges for services	\$ 5,897,009	\$ 5,649,010	\$ 9,413,425	\$ 9,380,674
Operating grants and contributions	389,269	708,361	-	-
Capital grants	1,014,892	984,013	7,932	467,811
General revenues:				
Taxes	34,306,575	34,781,923	-	-
Other	2,459,706	1,323,362	144,610	105,755
Total revenues	<u>44,067,451</u>	<u>43,446,669</u>	<u>9,565,967</u>	<u>9,954,240</u>
Expenses:				
Administration	5,118,921	4,520,114	-	-
Police	12,516,794	10,708,189	-	-
Fire	12,145,151	9,737,520	-	-
Public services	12,702,867	11,828,031	-	-
Interest on long-term debt	472,035	484,822	50,814	52,065
Loss on disposal of assets	-	-	-	-
Water and sewer services	-	-	8,825,063	8,898,793
Golf Course	-	-	1,201,456	1,216,792
Total expenses	<u>42,955,768</u>	<u>37,278,676</u>	<u>10,077,333</u>	<u>10,167,650</u>
Increase in net position before transfers and other expenses	1,111,683	6,167,993	(511,366)	(213,410)
Transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>
Increase in net position	1,011,683	6,067,993	(411,366)	(113,410)
Prior period adjustment	-	(9,154,714)	-	(768,604)
Net position - July 1	<u>145,381,982</u>	<u>148,468,703</u>	<u>34,175,382</u>	<u>35,057,396</u>
Net position - June 30	<u>\$ 146,393,665</u>	<u>\$ 145,381,982</u>	<u>\$ 33,764,016</u>	<u>\$ 34,175,382</u>

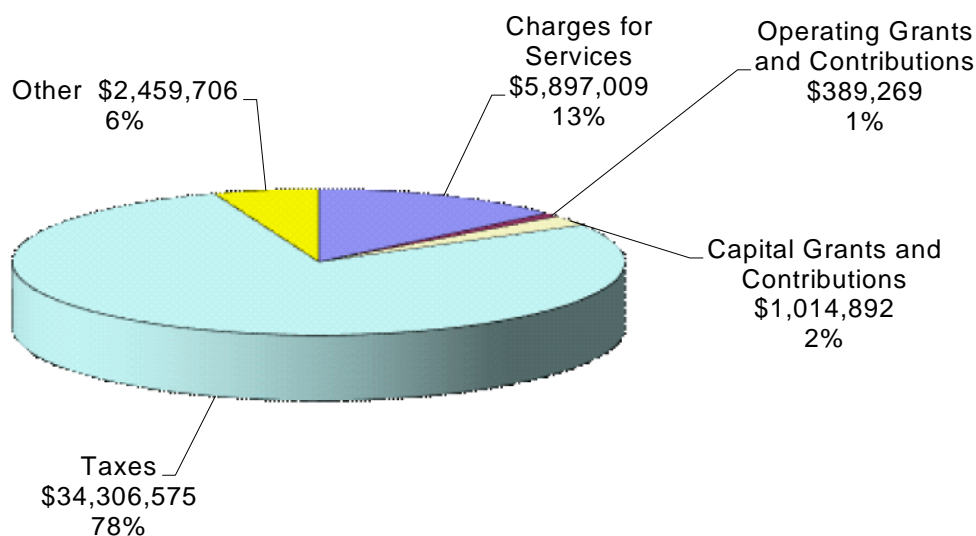
Governmental activities. Governmental activities increased the City's net position by \$1,011,683, thereby accounting for 0.69% of the total increase in net position. Key elements of this increase are as follows:

- Taxes actually decreased .3 million from fiscal year 2018. The payroll tax position increased by \$996,000 during 2019 as a result of improved economic conditions and increased economic development. In addition, the City also experienced an increase in 2018 with occupational license fees increasing by \$211,500. The insurance premium tax experienced a decrease in 2019 of \$1.4 million as a result of the decrease in the collection rate of 8% to 5%. The City's property tax revenues decreased despite an improvement in assessed values, an increased amount of tangible property and new developments added to the tax roll. The property tax revenue decreased by \$88,000 due to the timing of collections. Economic development in fiscal year 2019 is ongoing with several projects in various stages. Some of those projects will be finished and should

be on the tax rolls for the 2019 taxes. The City has not raised the real property tax rate since 2008.

- Grant revenue decreased by \$288,000 as a result of the grants for various road and sidewalk projects coming to an end. Operating grants declined also due to a decrease in the JAG grant funds.
- There was an increase of \$3.6 million for net governmental activities as a result of various infrastructure long-term projects and capital projects such as Rosetta, the Kentaboo Park and the Nature Park starting during fiscal years 2017 and 2018 and continuing thru fiscal year 2019. These projects will be ending during the 2020 fiscal year. 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.
- As mentioned in the bullet point above, the City was required to adopt GASB Statement 75. As a result of the adoption the City needed to record a prior period adjustment in the amount of \$9,154,714 which was the major contributing factor to the overall decrease in net position for fiscal year 2018. The adjustment negated the overall increase of \$6,067,993 from operations and resulted in a decline in net position of \$3,086,721.

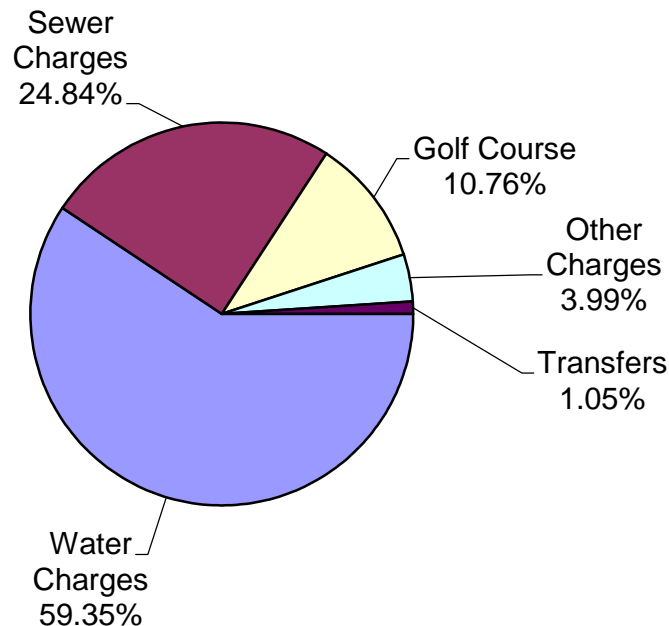
Revenues by Source - Governmental Type Activities



Business-type activities. Business-type activities decreased the City's net position by \$411,366, accounting for 13.2 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 \$339,526. 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 \$5,000 and the expenses decrease by \$74,000, it was not enough to offset the loss of the capital contribution infusion. Depreciation expense increased by \$102,000 due to infrastructure projects.
- In addition, the City needed to adopt GASB 75 which added additional entries for expenditures related to postemployment benefits other than pension. The City has recorded the additional expenditures and OPEB liability related to the adoption of that statement. As a result of the adoption the City needed to record a prior period adjustment in the amount of \$768,604 which was the major contributing factor to the overall decrease in net position for fiscal year 2018. The adjustment negated the net income of \$2,913 from operations and resulted in the overall decrease of in net position of \$765,691 for the water and sewer fund for the fiscal year.
- The golf course fund showed a net loss for the year of \$71,840 as a result of operations. The loss was slightly less than the prior year due to an increase in revenues of \$27,000 and the decrease in expenses of \$15,000. However, those factors 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 \$100,914,584, an increase of \$6,112,158 in comparison with the prior year. Approximately 67.51 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 \$68,119,456 while total fund balance was \$75,845,996. 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 187.38 percent of total general fund expenditures and transfers, while total fund balance represents 208.63 percent of that same amount.

The fund balance of the City's general fund increased by \$2,494,108 during the current fiscal year. Key factors in this growth are as follows:

- Payroll taxes and occupational licenses made a recovery and produced results 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.
- Several major construction projects were started at the end of fiscal year 2018 and in fiscal year 2019 and continued into the current fiscal year that decreased the amount of the excess at year-end.
- Operating expenditures are continuing to increase as a result of higher wages, benefit costs and additional personnel in the fire and police departments.

The municipal aid road/LGEA fund has a total fund balance of \$1,850,007, 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 \$19,854,361. The fund balance increased during fiscal year 2019 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 \$13,845 as a result of increased

expenditures for the purchase of items to make the police department more efficient. The aquatic center fund had a fund balance increase of \$343 after a transfer in from the General Fund of \$200,000. This was offset by an decrease in expenditures and capital costs and a slight increase in revenues that provided a small excess.

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 \$5,099,640 and those for the golf course operations amounted to \$628,287. The decline in net position for the water and sewer fund was \$339,526 due to the adjustments for the adoptions of GASB 68 and GASB 75. The net loss in the golf course fund was \$71,840. 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 2018 budget for projects that were started but not completed by June 30, 2018. Salaries and benefits were adjusted for the addition of an assistant city clerk and a temporary/part-time position. Additional increase were added for system security issues, additional computer license fees and an extension to the social media contract. All beginning fund balance amounts were adjusted to reflect the ending balances from the June 30, 2018 audit report.

The second amendment adjusted General Fund revenues for increases in payroll taxes and EMS fees due to trend lines and actual results. There was an adjustment to expenditures to add funds for utility increases and workers compensation premiums due to additional personnel in the fire department. The snow removal line item was increased by \$55,000 for additional salt costs. Water purchases were increased by \$300,000 due to a 3% rate increase passed on to the City by the Boone–Florence Water Commission. The health and dental claim line was increased by \$1.45 million 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 payroll tax and occupation license fees resulted

in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$2,826,987. This was due to the growth in the revenue for the above mentioned categories as well as interest income. Actual expenditures and transfers came in \$8,673,686 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 \$2,494,108 greater than what was budgeted.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-term Debt

At year-end, the City had \$15,730,000 in outstanding bonds compared to \$17,045,000 last year. That is a decrease of \$1,315,000 or 7.71 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Bonds payable						
Obligations						
(backed by						
fee revenues) \$	-	\$ -	\$ 1,155,000	\$ 1,375,000	\$ 1,155,000	\$ 1,375,000
Bonds payable						
(backed by city)	14,575,000	15,670,000	-	-	14,575,000	15,670,000
Totals	\$ 14,575,000	\$ 15,670,000	\$ 1,155,000	\$ 1,375,000	\$ 15,730,000	\$ 17,045,000

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, 2019, the overall capital assets amounted to \$262 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 \$7.0 million, or 2.73 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	
	2019	2018	2019	2018
Not being depreciated:				
Land	\$ 11,287,329	\$ 11,071,529	\$ 4,785,542	\$ 4,785,542
Construction in progress	6,707,625	4,001,701	19,452	61,180
Other capital assets being depreciated:				
Improvements	21,543,513	21,765,186	616,231	616,231
Water and sewer system	-	-	49,776,915	48,894,881
Infrastructure	120,817,065	119,111,166	-	-
Buildings	24,117,845	23,338,855	4,200,497	4,200,497
Computer upgrade	-	-	-	-
Water meters	-	-	1,649,264	1,649,264
Machinery and equipment	5,730,554	5,434,358	2,038,453	2,072,216
Vehicles	7,747,244	6,892,296	1,509,994	1,604,075
Subtotal	<u>197,951,175</u>	<u>191,615,091</u>	<u>64,596,348</u>	<u>63,883,886</u>
Accumulated depreciation	<u>(108,560,133)</u>	<u>(104,693,079)</u>	<u>(35,504,524)</u>	<u>(33,835,752)</u>
TOTALS	<u>\$ 89,391,042</u>	<u>\$ 86,922,012</u>	<u>\$ 29,091,824</u>	<u>\$ 30,048,134</u>

This year's major additions included:

Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 371,937

Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 1,280,536

Improvements and street projects paid for with state grant funds
and general fund revenues. 2,064,311
\$ 3,716,784

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming budget brings with it a continuing conservative approach for the revenue amounts. The City of Florence has experienced economic growth during the last two years and seems to have had a slight recovery in the areas of property tax, payroll tax, occupational license fees and insurance premium taxes during the current fiscal year. The City has been successful in dealing with budget realities in a positive manner to remain financially sound. The budget for the 2020 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2019. It is anticipated that property tax revenue will remain constant with the level experienced during the prior fiscal year and that Council will not adopt a property tax increase for the tenth year in a

row. The City expects slight growth in the core revenue line items. The City did cut the insurance premium tax rate from 8% to 5% effective July 1, 2018. This has resulted in a decline in this line item of approximately \$1.5 million. The City has taken an extremely conservative approach to our expenditures to be able to continually provide the highest level of service for the residents. The City will once again reinforce the philosophy about only purchasing that which is deemed to be a necessity. The City will experience some growth with due to a few development projects in the beginning stages. The rising cost of all types of insurance, including liability, workers compensation, and health and dental continues to be an annual struggle. In addition, health care reform costs, state mandated retirement contributions and rising utility costs are continuing to increase the annual growth of the City's expenditures. The City is constantly looking for ways to operate the departments more efficiently and effectively. In addition, some changes have been made to the employee benefits to assist in curtailing personnel cost increases in the future.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

A handwritten signature in blue ink, appearing to read "L.J. Chapman", with a stylized flourish at the end.

Linda J. Chapman CPA
CFO/HR

CITY OF FLORENCE, KENTUCKY

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 99,270,545	\$ 7,498,806	\$ 106,769,351
Investments	12,374,675	-	12,374,675
Receivables:			
Property taxes	66,832	-	66,832
Intergovernmental	141,241	-	141,241
Accrued interest	102,190	-	102,190
Accounts	6,456,761	1,345,650	7,802,411
Internal balances	16,687	(16,687)	-
Inventories	163,231	272,518	435,749
Prepays	662,965	71,074	734,039
Restricted cash and cash equivalents	5,526	621,505	627,031
Capital assets(net of accumulated depreciation)			
Land	11,287,329	4,785,542	16,072,871
Construction in progress	6,707,625	19,454	6,727,079
Systems	-	20,431,477	20,431,477
Improvements	9,568,019	49,353	9,617,372
Infrastructure	46,831,952	-	46,831,952
Buildings	11,667,411	2,778,274	14,445,685
Machinery and equipment	1,354,177	-	1,354,177
Water meters	-	431,412	431,412
Vehicles	1,974,529	596,312	2,570,841
Total assets	<u>208,651,695</u>	<u>38,884,690</u>	<u>247,536,385</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	258,927	99,265	358,192
Deferred outflows from net pension liability	15,040,067	887,584	15,927,651
Deferred outflows from net OPEB liability	5,792,997	297,653	6,090,650
Total deferred outflows of resources	<u>21,091,991</u>	<u>1,284,502</u>	<u>22,376,493</u>
LIABILITIES			
Accounts payable	1,276,384	421,333	1,697,717
Accrued liabilities	702,079	150,996	853,075
Accrued interest payable	82,713	11,192	93,905
Unearned revenue	90,794	-	90,794
Customer deposits	-	114,817	114,817
Non-current liabilities:			
Due in one year	2,170,000	266,234	2,436,234
Due in more than on year	13,164,710	930,000	14,094,710
Net pension liability	46,783,769	3,171,863	49,955,632
Net OPEB liability	13,767,090	924,643	14,691,733
Total liabilities	<u>78,037,539</u>	<u>5,991,078</u>	<u>84,028,617</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from net pension liability	2,470,667	238,674	2,709,341
Deferred inflows from net OPEB liability	2,841,815	175,423	3,017,238
Total deferred inflows	<u>5,312,482</u>	<u>414,097</u>	<u>5,726,579</u>
NET POSITION			
Net investment in capital assets	75,074,968	28,036,089	103,111,057
Unrestricted	71,318,697	5,727,927	77,046,624
Total net position	<u>\$ 146,393,665</u>	<u>\$ 33,764,016</u>	<u>\$ 180,157,681</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, 2019

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	\$ 5,118,921	\$ 873,527	\$ 31,938	\$ -	\$ (4,213,456)	\$ -	\$ (4,213,456)
Police	12,516,794	13,710	337,658	21,371	(12,144,055)	-	(12,144,055)
Fire	12,145,151	3,668,751	-	341,518	(8,134,882)	-	(8,134,882)
Public services	12,702,867	1,341,021	19,673	652,003	(10,690,170)	-	(10,690,170)
Interest on long-term debt	472,035	-	-	-	(472,035)	-	(472,035)
Total governmental activities	42,955,768	5,897,009	389,269	1,014,892	(35,654,598)	-	(35,654,598)
Business-type activities:							
Water and sewer service	8,875,877	8,389,947	-	7,932	-	(477,998)	(477,998)
Golf course	1,201,456	1,023,478	-	-	-	(177,978)	(177,978)
Total business-type activities	10,077,333	9,413,425	-	7,932	-	(655,976)	(655,976)
Total primary government	\$ 53,033,101	\$ 15,310,434	\$ 389,269	\$ 1,022,824	(35,654,598)	(655,976)	(36,310,574)
General revenues:							
Property taxes, levied for general purposes					7,740,873	-	7,740,873
Public service taxes					577,902	-	577,902
Taxes, levied for bank deposits					308,792	-	308,792
Payroll license tax					19,728,618	-	19,728,618
Gross receipts license					2,765,864	-	2,765,864
Insurance premium tax					3,184,526	-	3,184,526
Other					137,643	-	137,643
Uses of property					279,637	-	279,637
Interest					1,644,383	-	1,644,383
Miscellaneous					398,043	144,610	542,653
Transfers					(100,000)	100,000	-
Total general revenues and special items					36,666,281	244,610	36,910,891
Change in net position					1,011,683	(411,366)	600,317
Net position-beginning					145,381,982	34,175,382	179,557,364
Net position-ending					\$ 146,393,665	\$ 33,764,016	\$ 180,157,681

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

CITY OF FLORENCE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 58,199,514	\$ 19,774,130	\$ 5,116,913	\$ 83,090,557
Investments	12,374,675	-	-	12,374,675
Inventories	63,575	-	99,656	163,231
Receivables:				
Property taxes	66,832	-	-	66,832
Intergovernmental	74,993	-	66,248	141,241
Accrued interest	102,190	-	-	102,190
Accounts	6,240,860	-	-	6,240,860
Prepays	662,965	-	-	662,965
Due from other funds	-	238,921	-	238,921
Restricted assets:				
Cash	5,526	-	-	5,526
Total assets	\$ 77,791,130	\$ 20,013,051	\$ 5,282,817	\$ 103,086,998
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 863,195	\$ 158,690	\$ 68,590	\$ 1,090,475
Accrued liabilities	702,079	-	-	702,079
Due to other funds	222,234	-	-	222,234
Unearned revenue	81,555	-	-	81,555
Total liabilities	1,869,063	158,690	68,590	2,096,343
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	66,832	-	-	66,832
Unavailable revenue-employee receivable	9,239	-	-	9,239
Total deferred inflows of resources	76,071	-	-	76,071
Fund balances:				
Nonspendable:				
Inventories	63,575	-	99,656	163,231
Prepays	662,965	-	-	662,965
Restricted:				
Street resurfacing	-	-	1,750,351	1,750,351
Committed to:				
Economic stabilization	5,000,000	-	-	5,000,000
Equipment replacement	2,000,000	-	-	2,000,000
Assigned to:				
Infrastructure	-	19,854,361	-	19,854,361
Law enforcement	-	-	457,137	457,137
Aquatic center	-	-	2,907,083	2,907,083
Unassigned:	68,119,456	-	-	68,119,456
Total fund balances	75,845,996	19,854,361	5,214,227	100,914,584
Total liabilities and fund balances	\$ 77,791,130	\$ 20,013,051	\$ 5,282,817	\$ 103,086,998
Total governmental fund balances				\$ 100,914,584
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 \$108,560,134.				89,391,042
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				66,832
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.				16,209,980
Contributions subsequent to net pension liability measurement date				2,784,098
Contributions subsequent to net OPEB liability measurement date				1,120,327
Net pension liability outflows carried as deferred charges				12,255,969
Net pension liability inflows carried as deferred charges				(2,470,667)
Net OPEB liability outflows carried as deferred charges				4,672,670
Net OPEB liability inflows carried as deferred charges				(2,841,815)
Accrued interest payable on long-term debt				(82,713)
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.				258,927
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				(759,710)
Net pension liability				(46,783,769)
Net OPEB liability				(13,767,090)
Bonds and leases payable				(14,575,000)
Net position of governmental activities				\$ 146,393,665

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, 2019

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,618,876	\$ -	\$ -	\$ 8,618,876
Licenses and permits	22,827,730	2,988,921	-	25,816,651
Intergovernmental	783,587	-	620,574	1,404,161
Fines and forfeitures	294,218	-	-	294,218
Charges for services	4,769,927	475,000	357,864	5,602,791
Uses of property	-	-	279,637	279,637
Interest	1,353,433	222,375	68,575	1,644,383
Miscellaneous	199,216	-	573	199,789
Total revenues	<u>38,846,987</u>	<u>3,686,296</u>	<u>1,327,223</u>	<u>43,860,506</u>
EXPENDITURES				
Current:				
Administration	3,012,521	-	-	3,012,521
Police	8,600,814	-	300,855	8,901,669
Fire	9,276,106	-	-	9,276,106
Public services	11,996,839	1,784,707	1,134,907	14,916,453
Debt service:				
Principal	1,095,000	-	-	1,095,000
Interest	446,599	-	-	446,599
Total expenditures	<u>34,427,879</u>	<u>1,784,707</u>	<u>1,435,762</u>	<u>37,648,348</u>
Excess(deficiency) of revenues over(under) expenditures	<u>4,419,108</u>	<u>1,901,589</u>	<u>(108,539)</u>	<u>6,212,158</u>
OTHER FINANCING SOURCES(USES)				
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>2,494,108</u>	<u>3,401,589</u>	<u>216,461</u>	<u>6,112,158</u>
Fund balances - beginning	<u>73,351,888</u>	<u>16,452,772</u>	<u>4,997,766</u>	<u>94,802,426</u>
Fund balances - ending	<u>\$ 75,845,996</u>	<u>\$ 19,854,361</u>	<u>\$ 5,214,227</u>	<u>\$ 100,914,584</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, 2019**

Net change in fund balances-total governmental funds	\$ 6,112,158
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	8,516,855
Depreciation expense	(5,905,358)
Change due to fixed asset retirements	85,391
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.	66,832
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.	(8,700,556)
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.	1,095,000
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.	(4,911)
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.	(212,406)
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.	(20,797)
Change in net position of governmental activities	\$ 1,011,683

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, 2019

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,905,366	\$ 593,440	\$ 7,498,806	\$ 16,179,988
Accounts receivable	1,345,650	-	1,345,650	215,901
Inventories	155,489	117,029	272,518	-
Prepays	66,537	4,537	71,074	-
Total current assets	8,473,042	715,006	9,188,048	16,395,889
Noncurrent assets:				
Restricted cash and cash equivalents	621,505	-	621,505	-
Capital assets (net of accumulated depreciation)				
Construction in progress	19,454	-	19,454	-
Land	-	4,785,542	4,785,542	-
Improvements	-	49,353	49,353	-
Systems and equipment	20,325,162	106,315	20,431,477	-
Water meters	431,412	-	431,412	-
Building	1,066	2,777,208	2,778,274	-
Vehicles	596,312	-	596,312	-
Total noncurrent assets	21,994,911	7,718,418	29,713,329	-
Total assets	30,467,953	8,433,424	38,901,377	16,395,889
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	99,265	-	99,265	-
Deferred outflows related to pension liability	887,584	-	887,584	-
Deferred outflows related to OPEB liability	297,653	-	297,653	-
Total deferred outflows of resources	1,284,502	-	1,284,502	-
LIABILITIES				
Current liabilities:				
Accounts payable	388,285	33,048	421,333	185,909
Accrued liabilities	97,325	53,671	150,996	-
Compensated absences	41,234	-	41,234	-
Accrued interest payable	11,192	-	11,192	-
Due to other funds	16,687	-	16,687	-
Customer deposits	114,817	-	114,817	-
Bonds payable-current	225,000	-	225,000	-
Total current liabilities	894,540	86,719	981,259	185,909
Noncurrent liabilities:				
Net pension liability	3,171,863	-	3,171,863	-
Net OPEB liability	924,643	-	924,643	-
Revenue bonds payable	930,000	-	930,000	-
Total noncurrent liabilities	5,026,506	-	5,026,506	-
Total liabilities	5,921,046	86,719	6,007,765	185,909
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	238,674	-	238,674	-
Deferred inflows related to OPEB liability	175,423	-	175,423	-
Total deferred inflows	414,097	-	414,097	-
NET POSITION				
Net investments in capital assets	20,317,671	7,718,418	28,036,089	-
Unrestricted	5,099,640	628,287	5,727,927	16,209,980
Total net position	\$ 25,417,311	\$ 8,346,705	\$ 33,764,016	\$ 16,209,980

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, 2019

	Business-type Activities-Enterprise Funds			Governmental Activities
	Water and Sewer Service	Golf Course	Totals Current Year	Health and Dental
OPERATING REVENUES				
Charges for sales and services:				
Water fees	\$ 5,646,538	\$ -	\$ 5,646,538	\$ -
Sewer charges	2,363,449	-	2,363,449	-
Penalties	88,064	-	88,064	-
Tap in fees	137,925	-	137,925	-
Meter installations	48,411	-	48,411	-
Other service charges	97,664	-	97,664	-
Golf course revenues	-	1,023,478	1,023,478	-
Other services	-	-	-	3,287,116
Miscellaneous	7,896	-	7,896	-
Total operating revenues	8,389,947	1,023,478	9,413,425	3,287,116
OPERATING EXPENSES				
Cost of sales and services	7,069,181	970,163	8,039,344	3,499,522
Loss on disposal of property	1,226	-	1,226	-
Depreciation	1,754,656	231,293	1,985,949	-
Total operating expenses	8,825,063	1,201,456	10,026,519	3,499,522
NET OPERATING INCOME(LOSS)	(435,116)	(177,978)	(613,094)	(212,406)
NON-OPERATING REVENUES				
Interest income	138,472	6,138	144,610	198,254
Interest expense	(50,814)	-	(50,814)	-
Total non-operating income	87,658	6,138	93,796	198,254
Income before contributions and transfers	(347,458)	(171,840)	(519,298)	(14,152)
Capital contributions - grant	7,932	-	7,932	-
Transfers	-	100,000	100,000	-
NET INCOME(LOSS)	(339,526)	(71,840)	(411,366)	(14,152)
NET POSITION-BEGINNING OF YEAR	25,756,837	8,418,545	34,175,382	16,224,132
NET POSITION-END OF YEAR	\$ 25,417,311	\$ 8,346,705	\$ 33,764,016	\$ 16,209,980

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, 2019

	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	\$ 8,818,648	\$ 1,022,441	\$ 9,841,089	\$ 242,868
Collections from other funds	-	-	-	2,828,347
Cash paid to suppliers	(5,638,335)	(640,967)	(6,279,302)	(3,479,903)
Cash paid to employees	(1,849,468)	(320,204)	(2,169,672)	-
Net cash from(used by) operating activities	1,330,845	61,270	1,392,115	(408,688)
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	(564,714)	-	(564,714)	-
Capital contributions - grant	7,932	-	7,932	-
Transfers to Bond Fund	(171,646)	-	(171,646)	-
Interest paid on capital debt	(52,409)	-	(52,409)	-
Principal paid on debt	(220,000)	-	(220,000)	-
Net cash from(used by) financing activities	(1,000,837)	-	(1,000,837)	-
Cash flows from investing activities:				
Interest income	138,472	6,138	144,610	198,254
Net cash provided by investing activities	138,472	6,138	144,610	198,254
Net increase(decrease) in cash	468,480	167,408	635,888	(210,434)
Cash at beginning of year	6,436,886	426,032	6,862,918	16,390,422
Cash at end of year	\$ 6,905,366	\$ 593,440	\$ 7,498,806	\$ 16,179,988
Reconciliation of operating income to net cash used by operating activities:				
Operating income(loss)	\$ (435,116)	\$ (177,978)	\$ (613,094)	\$ (212,406)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Depreciation expense	1,754,656	231,293	1,985,949	-
Loss on disposal of assets	1,226	-	1,226	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	428,701	1,036	429,737	-
Decrease(increase) in prepaid expenses	(4,597)	-	(4,597)	-
Decrease(increase) in inventory	669	7,874	8,543	-
Increase(decrease) in accounts payable	(259,055)	(7,451)	(266,506)	-
Increase(decrease) in accrued liabilities	(32,810)	6,497	(26,313)	-
Increase(decrease) in pension liability	(13,656)	-	(13,656)	-
Increase(decrease) in OPEB liability	(55,257)	-	(55,257)	-
Increase(decrease) in due to other funds	(13,576)	-	(13,576)	-
Increase(decrease) in customer deposits	(40,340)	-	(40,340)	-
Net cash used by operating activities	\$ 1,330,845	\$ 61,271	\$ 1,392,116	\$ (212,406)
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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019 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 \$2,654,598,718 and tangible tax assessments were \$416,072,481.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019 are recorded as prepaid items. These prepaids are amortized over the contract period.

Capital Assets

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as 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, 2019

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, 2019

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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the City had the following recurring fair value measurements:

		Quoted Prices in Active Markets for Identical assets	Significant Other Observable Inputs	Significant Observable Inputs
	June 30, 2019	Level 1	Level 2	Level 3
Cash	\$ 106,769,351	\$ 106,769,351	\$ -	\$ -
Mutual Funds	627,031	627,031		
Government obligations	500,030	-	500,030	-
Municipal bonds	11,874,645	-	11,874,645	-
Total fair value	\$ 119,771,057	\$ 107,396,382	\$ 12,374,675	\$ -

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, 2019, 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, 2019, 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

City had custodial credit risk at June 30, 2019 in the amount of \$13,797,635 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, 2019 was as follows:

	Balance June 30, 2018	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2019
Governmental activities:					
Not being depreciated:					
Land	\$ 11,071,529	\$ 215,800	\$ -	\$ -	\$ 11,287,329
Construction in progress	4,001,701	4,024,493	(1,270,809)	(47,760)	6,707,625
Subtotal	15,073,230	4,240,293	(1,270,809)	(47,760)	17,994,954
Other capital assets:					
Improvements	21,765,186	844,836	84,668	(1,151,177)	21,543,513
Infrastructure	119,111,166	1,691,213	411,151	(396,465)	120,817,065
Buildings	23,338,855	-	778,990	-	24,117,845
Machinery and equipment	5,434,358	459,977	-	(163,781)	5,730,554
Vehicles	6,892,296	1,280,536	(20,827)	(404,761)	7,747,244
Subtotal	176,541,861	4,276,562	1,253,982	(2,116,184)	179,956,221
Accumulated depreciation:					
Improvements	11,468,235	1,658,436	-	(1,151,177)	11,975,494
Infrastructure	71,891,746	2,434,210	8,407	(349,250)	73,985,113
Buildings	11,666,585	783,849	-	-	12,450,434
Machinery and equipment	4,133,544	401,053	4,909	(163,129)	4,376,377
Vehicles	5,532,969	627,810	(20,827)	(367,237)	5,772,715
Subtotal	104,693,079	5,905,358	(7,511)	(2,030,793)	108,560,133
Net other assets	71,848,782	(1,628,796)	1,261,493	(85,391)	71,396,088
Net capital assets	\$ 86,922,012	\$ 2,611,497	\$ (9,316)	\$ (133,151)	\$ 89,391,042

*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 2,551,686
Public services	2,729,685
Fire	295,108
Police	328,879
Total governmental activities depreciation expense	\$ <u>5,905,358</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

	Balance June 30, 2018	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2019
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	61,180	468,371	(510,097)	-	19,454
Subtotal	<u>4,846,722</u>	<u>468,371</u>	<u>(510,097)</u>	<u>-</u>	<u>4,804,996</u>
Other capital assets:					
Water and sewer system	48,894,881	371,937	510,097	-	49,776,915
Improvements	616,231	-	-	-	616,231
Buildings	4,200,497	-	-	-	4,200,497
Vehicles	1,604,075	87,830	20,827	(202,737)	1,509,995
Water meters	1,649,264	-	-	-	1,649,264
Machinery and equipment	2,072,216	104,947	-	(138,712)	2,038,451
Subtotal	<u>59,037,164</u>	<u>564,714</u>	<u>530,924</u>	<u>(341,449)</u>	<u>59,791,353</u>
Accumulated depreciation:					
Water and sewer system	28,258,840	1,444,349	2,218	-	29,705,407
Improvements	528,961	37,917	-	-	566,878
Buildings	1,288,206	134,018	-	-	1,422,224
Vehicles	928,415	167,176	20,827	(202,737)	913,681
Water meters	1,146,380	71,470	-	-	1,217,850
Machinery and equipment	1,684,950	131,021	-	(137,486)	1,678,485
Subtotal	<u>33,835,752</u>	<u>1,985,951</u>	<u>23,045</u>	<u>(340,223)</u>	<u>35,504,525</u>
Net other assets	<u>25,201,412</u>	<u>(1,421,237)</u>	<u>507,879</u>	<u>(1,226)</u>	<u>24,286,828</u>
Net assets	\$ <u>30,048,134</u>	\$ <u>(952,866)</u>	\$ <u>(2,218)</u>	\$ <u>(1,226)</u>	\$ <u>29,091,824</u>

*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,754,657
Golf Course	231,294
Total proprietary activities depreciation expense	\$ <u>1,985,951</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Aquatic center and skate park projects(Series 2010)	2.00-3.875%	\$ 4,750,000
Land-Series 2011 refunding	2.00-3.375%	2,455,000
Land-Series 2012 refunding	2.00-3.80%	1,955,000
General obligation refunding bonds(Series 2015)	1.00-2.50%	4,205,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	1,210,000
		<u>\$ 14,575,000</u>
Proprietary Fund Debt		
Water and Sewer System	1.45-2.50%	<u>\$ 1,155,000</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The following is a schedule of future debt service requirements to maturity at June 30, 2019 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2019, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2011 GO Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 275,000	\$ 156,625	\$ 135,000	\$ 67,506
2021	280,000	148,644	140,000	64,756
2022	295,000	140,019	140,000	61,956
2023	300,000	131,094	150,000	58,775
2024	310,000	121,944	150,000	55,213
2025-2029	1,700,000	451,949	805,000	212,632
2030-2034	1,590,000	135,164	935,000	79,841
Total Debt Service	\$ 4,750,000	\$ 1,285,439	\$ 2,455,000	\$ 600,679

Fiscal Year June 30,	2008B GO Bonds		2015 GO Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 115,000	\$ 46,085	\$ 490,000	\$ 89,650
2021	120,000	42,060	500,000	79,850
2022	120,000	37,860	510,000	69,850
2023	125,000	33,420	515,000	59,650
2024	135,000	28,795	530,000	55,350
2025-2028	595,000	60,800	1,660,000	72,825
Total Debt Service	\$ 1,210,000	\$ 249,020	\$ 4,205,000	\$ 427,175

Fiscal Year June 30,	2012 GO Bonds	
	Principal	Interest
2020	\$ 105,000	\$ 63,833
2021	105,000	60,945
2022	110,000	57,720
2023	110,000	54,420
2024	115,000	51,045
2025-2029	640,000	199,740
2030-2034	770,000	75,080
Total Debt Service	\$ 1,955,000	\$ 562,783

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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The City's proprietary fund debt service requirements to maturity at June 30, 2019 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2020	\$ 225,000	\$ 20,754
2021	230,000	17,455
2022	225,000	13,539
2023	235,000	8,644
2024	240,000	3,000
Total Debt Service	\$ 1,155,000	\$ 63,392

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, 2019 the bonds outstanding were \$1,840,000.

Changes in Governmental-Type Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2018	Additions	Retirements	June 30, 2019	Amounts Due Within One Year
Compensated absences	\$ 738,913	\$ 1,082,104	\$ (1,061,307)	\$ 759,710	\$ 1,050,000
Bonds payable:					
Series 2008B	1,320,000	-	(110,000)	1,210,000	115,000
Series 2010	5,015,000	-	(265,000)	4,750,000	275,000
Series 2011	2,590,000	-	(135,000)	2,455,000	135,000
Series 2012	2,055,000	-	(100,000)	1,955,000	105,000
Series 2015	4,690,000	-	(485,000)	4,205,000	490,000
Totals	\$ 16,408,913	\$ 1,082,104	\$ (2,156,307)	\$ 15,334,710	\$ 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 \$266,234 for business-type activities.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Changes in Business-Type Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Retired	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 1,375,000	\$ -	\$ (220,000)	\$ 1,155,000	\$ 225,000
Compensated absences	53,362	75,292	(87,420)	41,234	41,234
	<u>\$ 1,663,860</u>	<u>\$ 75,292</u>	<u>\$ (307,420)</u>	<u>\$ 1,196,234</u>	<u>\$ 266,234</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 or service or a member with 25 years of service, may retire with no reduction in benefits. In addition, a member, age 60, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions - For the year ended June 30, 2019, 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, 2019, participating employers contributed 21.48% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2019 was 21.48% 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
NOTES TO FINANCIAL STATEMENTS
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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 \$979,899 for the year ended June 30, 2019.

Hazardous Contributions - For the year ended June 30, 2019, 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, 2019, participating employers contributed 35.34% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2019 was 35.34% 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

CITY OF FLORENCE, KENTUCKY
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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 \$3,205,745 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$10,937,457 for its proportionate share of the net pension liability for non-hazardous and \$39,018,175 for hazardous. The City's net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.18 percent for non-hazardous and 1.61 percent for hazardous.

For the year ended June 30, 2019, the City recognized pension expense of \$1,869,671 for non-hazardous and \$7,990,857 for hazardous. At June 30, 2019, the City reported deferred outflows or 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	\$ 3,358,480	\$ 113,672	\$ 103,457	\$ 46,429
Change in assumptions	4,912,277	-	309,983	-
Net difference between projected and actual earnings on pension plan investments	1,807,326	2,340,547	147,494	185,526
Changes in proportion and difference between City contributions and proportionate share of contributions	2,177,888	16,449	115,224	6,718
City contributions subsequent to the measurement date	2,784,098	-	211,425	-
Total	\$ 15,040,069	\$ 2,470,668	\$ 887,583	\$ 238,673

The \$2,784,098 and \$211,425 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

CITY OF FLORENCE, KENTUCKY
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June 30, 2019

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
2019	\$ 6,238,624	\$ 471,582	\$ 556,465	\$ 209,435	\$ 251,777	\$ 67,985	\$ 6,789,375
2020	3,472,484	471,582	556,465	209,435	251,777	67,985	3,598,514
2021	594,052	471,582	452,216	51,916	135,731	56,322	69,794
2022	295,386	471,581	90,277	113,555	36,873	46,381	(234,897)
2023	-	-	-	-	-	-	-
Totals	<u>\$ 10,600,546</u>	<u>\$ 1,886,327</u>	<u>\$ 1,655,423</u>	<u>\$ 584,341</u>	<u>\$ 676,158</u>	<u>\$ 238,673</u>	<u>\$ 10,222,786</u>

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected return on system assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report submitted April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, or a fundamental change in the market that alters expected returns in future years. The target

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate – The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The discount rate used to measure the total pension liability for the system was 6.25% for both, nonhazardous and hazardous. The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous (\$ thousands):

CERS	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Non-hazardous-Per 2018 CAFR	\$ 7,667,063	\$ 6,090,305	\$ 4,769,257
Florence Proportionate Share	\$ 13,769	\$ 10,937	\$ 8,565
		0.18%	
Hazardous-Per 2018 CAFR	\$ 3,030,168	\$ 2,418,457	\$ 1,912,763
Florence Proportionate Share	\$ 48,887	\$ 39,018	\$ 30,859
		1.61%	

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:

<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 2018 was \$13.38 for non-hazardous and \$20.07 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.

CITY OF FLORENCE, KENTUCKY
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June 30, 2019

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, 2018) 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, 2019, the City reported a liability of \$3,188,425 for its proportionate share of the net OPEB liability for non-hazardous and \$11,503,308 for hazardous. The City's net OPEB liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.18 percent for non-hazardous and 1.61 percent for hazardous.

For the year ended June 30, 2019, the City recognized OPEB expense of \$433,521 for non-hazardous and \$2,094,427 for hazardous. At June 30, 2018, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	General		Water and Sewer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,549,344	\$ -	\$ 107,755
Change in assumptions	3,982,159	36,697	184,665	2,136
Net difference between projected and actual earnings on pension plan investments	-	1,249,525	-	63,690
Changes in proportion and difference between City contributions and proportionate share of contributions	690,511	6,249	43,400	1,843
City contributions subsequent to the measurement date	1,120,327	-	69,587	-
Total	\$ 5,792,997	\$ 2,841,815	\$ 297,652	\$ 175,424

The \$1,120,327 and \$69,587 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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 June 30	General Hazardous		General Non-Hazardous		Water and Sewer Non-Hazardous		Net Outflows (Inflows)
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	
2019	\$ 1,158,959	\$ 644,873	\$ 105,352	\$ 90,597	\$ 43,031	\$ 37,004	\$ 892,593
2020	1,158,959	644,873	105,352	90,597	43,031	37,004	892,593
2021	1,159,959	644,873	105,352	90,597	43,031	37,004	257,647
2022	636,426	477,709	105,352	90,597	43,031	37,004	(145,803)
2023	-	-	105,352	51,614	43,031	21,082	(1,016)
Thereafter	-	-	31,607	15,485	12,910	6,326	(12,518)
Totals	<u>\$ 4,114,303</u>	<u>\$ 2,412,328</u>	<u>\$ 558,367</u>	<u>\$ 429,487</u>	<u>\$ 228,065</u>	<u>\$ 175,424</u>	<u>\$ 1,883,496</u>

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

In January 2017, the Investment Committee chair appointed a special subcommittee to review asset allocation for each individual system to determine the level of risk based on liquidity and cash flow need. The subcommittee worked for six months with the Systems' consultants and actuaries and in July 2017, the Board approved new asset allocations. The new assets allocation, at its highest level, allocates 45.0% of system assets to equity risk, 30.0% to credit risk and 25.0% to diversifying strategies (real return, real estate, private equity and absolute return). These new allocations should reduce the public equity exposure by roughly 16.0% in favor of fixed income. The committee also reviewed the capital market assumptions from eight leading investment and/or consulting firms, e.g., JP Morgan, PIMCO, RVK, Goldman Sachs, and Blackrock. The

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

assumptions from these firms were compared to asset allocations where the resulting portfolio returns were averaged to produce an estimated return for each system. As a result, the Committee recommended lowering the assumed rate of return from 7.5% to 6.25%. This was approved by the Board in July 2017. The Board recognizes its fiduciary duty to not only invest funds in compliance with the prudent Person Rule but to also manage the funds while recognizing the long-term nature of the investments. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate – The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rates of 5.85% for non-hazardous and 5.97% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2018. 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 (4.85%) or one percentage point higher (6.85%) than the current rate for non-hazardous and one percentage point lower (4.97%) or one percentage point higher (6.97%) than the current rate for hazardous:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

	1% Decrease 4.85% Non-hazardous 4.97% hazardous	Current 5.85% Non-hazardous 5.97% Hazardous	1% Increase 6.85% Non-hazardous 6.97% Hazardous
CERS			
Florence Proportionate Share	\$ 4,141,253	\$ 3,188,425 0.18%	\$ 2,376,790
Florence Proportionate Share	\$ 15,990,164	\$ 11,503,308 1.61%	\$ 7,911,462

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.

CERS	1% Decrease	Healthcare Trend Rate	1% Increase
Florence Proportionate Share	\$ 2,373,814	\$ 3,188,425 0.18%	\$ 4,148,617
Florence Proportionate Share	\$ 7,834,308	\$ 11,503,308 1.61%	\$ 16,047,517

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.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 Funds(s)	Payable Fund(s)	Amount
General	Water and sewer	\$ 16,687
Infrastructure	General	(238,921)
	Total	\$ (222,234)

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

Transfers in/out	Amount
General Municipal aid/LGEA	\$ 125,000
General Aquatic Center	200,000
General Infrastructure Fund	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, 2019, 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.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 \$185,909 reported in the fund at June 30, 2019, 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:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>June 30,</u>
2016-2017	\$ 114,643	\$ 2,531,922	\$ 2,472,919	\$ 173,646
2017-2018	\$ 173,646	\$ 2,415,122	\$ 2,422,478	\$ 166,290
2018-2019	\$ 166,290	\$ 2,676,670	\$ 2,657,051	\$ 185,909

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2019, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE M – TAX ABATEMENTS

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

The Florence Business Growth and Development Program is a city initiative focused on offering payroll tax reductions for those businesses that are willing to locate in specific outlined areas in the City limits. The City partners with the Kentucky Business Investment Program (KBI) and Kentucky Jobs Development Act (KJDA) state initiatives that incentivize companies to locate and create jobs and investments in the State of Kentucky. Each agreement has specific quantitative targets that must be achieved in the form of new jobs created or payroll wages created. The Applicant for each incentive program must generate a new minimum payroll and achieve that payroll to receive the 50% rebate of payroll tax. The City agreements listed below are valid for a five-year period.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The City had the following tax abatement agreements in effect during fiscal year 2019:

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Relocation	50%	\$ 12,060
Relocation	50%	8,210
Relocation	50%	36,766
Expansion	50%	1,169
Relocation	50%	27,898
	Total	<u>\$ 86,103</u>

NOTE N – COMMITMENTS

At June 30, 2019, the City had the following commitments with respect to the following projects:

Projects	Commitments
Nature Park	\$ 645,000
Kentaboo Park	615,000
Mall Road Turn Lane Extension	116,000
Government Center Renovations	125,000
Total	<u>\$ 1,501,000</u>

NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – Implemented in FY 2019, no material effect on the City.

Statement No. 88 – *Certain Disclosures Related to Debt* – Implemented in FY 2019, no material effect on the City.

NOTE P – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

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

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

Statement No. 90 – *Majority Equity Interests* – Implementation in 2020

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

NOTE Q – DATE OF MANAGEMENT’S REVIEW

Management has evaluated events through October 10, 2019, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2019 through October 10, 2019 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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 65,402,464	\$ 73,351,888	\$ 73,351,888	\$ -
Resources (inflows):				
Taxes:				
Property	7,600,000	7,600,000	7,732,182	132,182
Franchise	520,000	520,000	577,902	57,902
Bank deposit	215,000	215,000	308,792	93,792
Licenses and permits:				
Payroll license fees	15,500,000	16,500,000	16,739,697	239,697
Gross receipts license fees	2,400,000	2,400,000	2,765,864	365,864
Insurance	2,550,000	2,550,000	3,184,526	634,526
Other	121,000	121,000	137,643	16,643
Intergovernmental	703,000	713,000	783,587	70,587
Fines and forfeitures	193,000	193,000	294,218	101,218
Charges for services	4,260,000	4,460,000	4,769,927	309,927
Interest	650,000	650,000	1,353,433	703,433
Miscellaneous	98,000	98,000	199,216	101,216
Amounts available for appropriation	<u>100,212,464</u>	<u>109,371,888</u>	<u>112,198,875</u>	<u>2,826,987</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,354,650	1,398,050	1,290,398	107,652
Contractual	1,010,500	1,086,000	975,658	110,342
Operating/Maintenance	538,250	538,250	509,257	28,993
Capital outlay	289,850	428,290	237,208	191,082
Total administration	<u>3,193,250</u>	<u>3,450,590</u>	<u>3,012,521</u>	<u>438,069</u>
Police:				
Personnel	8,341,000	8,341,000	7,811,727	529,273
Contractual	50,000	50,000	50,077	(77)
Operating/Maintenance	467,100	467,100	371,394	95,706
Capital outlay	378,750	388,750	367,616	21,134
Total police	<u>9,236,850</u>	<u>9,246,850</u>	<u>8,600,814</u>	<u>646,036</u>
Fire:				
Personnel	7,695,600	7,730,600	7,644,585	86,015
Contractual	103,000	138,000	134,456	3,544
Operating/Maintenance	466,500	503,500	520,257	(16,757)
Capital outlay	1,040,000	1,040,000	976,808	63,192
Total fire	<u>9,305,100</u>	<u>9,412,100</u>	<u>9,276,106</u>	<u>135,994</u>

(Continued)

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2019

(Continued)

Public services:				
Personnel	\$ 4,076,000	\$ 4,076,000	\$ 3,730,851	\$ 345,149
Contractual	445,000	445,000	433,553	11,447
Operating/Maintenance	1,213,500	1,248,500	1,254,912	(6,412)
Capital outlay	<u>5,904,500</u>	<u>13,681,000</u>	<u>6,577,523</u>	<u>7,103,477</u>
Total public services	<u>11,639,000</u>	<u>19,450,500</u>	<u>11,996,839</u>	<u>7,453,661</u>
Debt service:				
Principal	1,095,000	1,095,000	1,095,000	-
Interest	<u>446,525</u>	<u>446,525</u>	<u>446,599</u>	<u>(74)</u>
Total debt service	<u>1,541,525</u>	<u>1,541,525</u>	<u>1,541,599</u>	<u>(74)</u>
Other financing uses:				
Special revenue	1,825,000	1,825,000	1,825,000	-
Enterprise fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
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>36,840,725</u>	<u>45,026,565</u>	<u>36,352,879</u>	<u>8,673,686</u>
Budgetary fund balance, June 30	<u>\$ 63,371,739</u>	<u>\$ 64,345,323</u>	<u>\$ 75,845,996</u>	<u>\$ 11,500,673</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, 2019

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$	15,293,176	\$ 16,452,772	\$ 16,452,772	\$ -
Resources (inflows):					
Licenses and permits		2,400,000	2,400,000	2,988,921	588,921
Charges for services		475,000	475,000	475,000	-
Interest		135,000	135,000	222,375	87,375
Transfer In		1,500,000	1,500,000	1,500,000	-
Amounts available for appropriation		<u>19,803,176</u>	<u>20,962,772</u>	<u>21,639,068</u>	<u>676,296</u>
Charges to appropriations (outflows):					
Current:					
Public services		<u>1,855,000</u>	<u>1,855,000</u>	<u>1,784,707</u>	<u>70,293</u>
Total		<u>1,855,000</u>	<u>1,855,000</u>	<u>1,784,707</u>	<u>70,293</u>
Budgetary fund balances, June 30	\$	<u><u>17,948,176</u></u>	<u><u>19,107,772</u></u>	<u><u>19,854,361</u></u>	<u><u>746,589</u></u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - PENSION
For the Year Ended June 30, 2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Non-hazardous:						
Contractually required contribution	\$ 542,560	\$ 512,059	\$ 500,021	\$ 570,792	\$ 650,762	\$ 739,941
Contributions in relation to the contractually required contribution	542,560	512,059	500,021	570,792	650,762	739,941
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702	\$ 4,494,213	\$ 4,561,907
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%
Hazardous:						
Contractually required contribution	\$ 1,517,590	\$ 1,538,155	\$ 1,573,840	\$ 1,776,181	\$ 1,994,132	\$ 2,255,582
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
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138
Contributions as a percentage of covered payroll	21.77%	20.73%	20.26%	21.71%	22.20%	24.86%

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, 2019

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>
Non-hazardous:					
City's proportion of the net pension liability	0.17%	0.17%	0.17%	0.17%	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
City's covered payroll	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702	\$ 4,494,213
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%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%	55.5%	53.3%	53.3%
Hazardous:					
City's proportion of the net pension liability	1.38%	1.45%	1.45%	1.47%	1.61%
City's proportionate share of the net pension liability	\$ 16,541,007	\$ 22,231,240	\$ 25,127,410	\$ 32,940,862	\$ 39,018,175
City's covered payroll	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397	\$ 8,982,577
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%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	60.0%	54.0%	49.8%	49.3%

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, 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Non-hazardous:			
Contractually required contribution	\$ 193,537	\$ 211,228	\$ 239,956
Contributions in relation to the contractually required contribution	193,537	211,228	239,956
Contribution deficiency (excess)	\$ <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
Contributions as a percentage of covered payroll	4.73%	4.70%	5.26%
Hazardous:			
Contractually required contribution	\$ 764,960	\$ 839,871	\$ 949,958
Contributions in relation to the contractually required contribution	764,960	839,871	949,958
Contribution deficiency (excess)	\$ <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
Contributions as a percentage of covered payroll	9.35%	9.35%	10.47%

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, 2019

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Non-hazardous:		
City's proportion of the net OPEB liability	0.17%	0.18%
City's proportionate share of the net OPEB liability	\$ 3,378,963	\$ 3,188,425
City's covered payroll	\$ 4,091,702	\$ 4,491,213
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.58%	70.99%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%	57.6%
Hazardous:		
City's proportion of the net OPEB liability	1.47%	1.61%
City's proportionate share of the net OPEB liability	\$ 12,171,573	\$ 11,503,308
City's covered payroll	\$ 8,181,397	\$ 8,982,577
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	148.77%	128.06%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%	64.2%

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

CITY OF FLORENCE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Pension

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

Changes in benefit terms. There were no benefit changes reported in the June 30, 2018 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, 2018. Specifically, the total Pension liability as of June 30, 2018 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

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

OPEB

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

Changes in benefit terms. There were no benefit changes reported in the June 30, 2018 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, 2018. Specifically, the total OPEB liability as of June 30, 2018 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, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
ASSETS				
Cash and cash equivalents	\$ 1,704,139	\$ 458,713	\$ 2,954,061	\$ 5,116,913
Intergovernmental receivable	59,345	6,903	-	66,248
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Inventory	99,656	-	-	99,656
Total assets	<u>\$ 1,863,140</u>	<u>\$ 465,616</u>	<u>\$ 2,954,061</u>	<u>\$ 5,282,817</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,133	\$ 8,479	\$ 46,978	\$ 68,590
Due to other funds	-	-	-	-
Total liabilities	<u>13,133</u>	<u>8,479</u>	<u>46,978</u>	<u>68,590</u>
Fund balances:				
Nonspendable:				
Inventories	99,656	-	-	99,656
Assigned to:				
Special revenue fund	1,750,351	457,137	2,907,083	5,114,571
Total fund balances	<u>1,850,007</u>	<u>457,137</u>	<u>2,907,083</u>	<u>5,214,227</u>
Total liabilities and fund balances	<u>\$ 1,863,140</u>	<u>\$ 465,616</u>	<u>\$ 2,954,061</u>	<u>\$ 5,282,817</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, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
REVENUES				
Intergovernmental	\$ 620,574	\$ -	\$ -	\$ 620,574
Charges for services	-	-	357,864	357,864
Uses of property	-	279,637	-	279,637
Interest	22,984	7,373	38,218	68,575
Miscellaneous	-	-	573	573
Total revenues	643,558	287,010	396,655	1,327,223
EXPENDITURES				
Current:				
Police	-	300,855	-	300,855
Public Services	538,595	-	596,312	1,134,907
Total expenditures	538,595	300,855	596,312	1,435,762
Excess(deficiency) of revenues over(under) expenditures	104,963	(13,845)	(199,657)	(108,539)
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	229,963	(13,845)	343	216,461
Fund balances - beginning	1,620,044	470,982	2,906,740	4,997,766
Fund balances - ending	\$ 1,850,007	\$ 457,137	\$ 2,907,083	\$ 5,214,227

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 1,414,751	\$ 1,620,044	\$ 1,620,044	\$ -
Resources (inflows):				
Intergovernmental	580,000	580,000	620,574	40,574
Interest	12,000	12,000	22,984	10,984
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	2,131,751	2,337,044	2,388,602	51,558
Charges to appropriations (outflows):				
Current:				
Public services	625,200	680,200	538,595	141,605
Total	625,200	680,200	538,595	141,605
Budgetary fund balances, June 30	\$ 1,506,551	\$ 1,656,844	\$ 1,850,007	\$ 193,163

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, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 284,232	\$ 470,982	\$ 470,982	\$ -
Resources (inflows):				
Uses of property	100,000	100,000	279,637	179,637
Interest	5,500	5,500	7,373	1,873
Amounts available for appropriation	<u>389,732</u>	<u>576,482</u>	<u>757,992</u>	<u>181,510</u>
Charges to appropriations (outflows):				
Current:				
Police	316,200	316,200	300,855	15,345
Total	<u>316,200</u>	<u>316,200</u>	<u>300,855</u>	<u>15,345</u>
Budgetary fund balances, June 30	\$ <u><u>73,532</u></u>	\$ <u><u>260,282</u></u>	\$ <u><u>457,137</u></u>	\$ <u><u>196,855</u></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, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 2,771,627	\$ 2,906,740	\$ 2,906,740	\$ -
Resources (inflows):				
Memberships	45,000	45,000	54,317	9,317
Daily Admissions	235,000	235,000	264,235	29,235
Programs	20,000	20,000	20,145	145
Concessions	9,000	9,000	17,642	8,642
Locker Rental	800	800	1,525	725
Interest	20,000	20,000	38,218	18,218
Miscellaneous	500	500	573	73
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>3,301,927</u>	<u>3,437,040</u>	<u>3,503,395</u>	<u>66,355</u>
Charges to appropriations (outflows):				
Public services				
Management contract	325,000	325,000	332,500	(7,500)
Utilities	87,700	87,700	100,479	(12,779)
Repairs and maintenance	50,000	50,000	48,695	1,305
Supplies	2,000	2,000	1,693	307
Bank service charges	7,000	7,000	5,460	1,540
Miscellaneous	5,200	5,200	5,094	106
Capital	120,000	120,000	102,391	17,609
Total	<u>596,900</u>	<u>596,900</u>	<u>596,312</u>	<u>588</u>
Budgetary fund balances, June 30	<u>\$ 2,705,027</u>	<u>\$ 2,840,140</u>	<u>\$ 2,907,083</u>	<u>\$ 66,943</u>

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STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends	77
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	84
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	89
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.	
Demographic and Economic Information	94
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	96
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.	

CITY OF FLORENCE, KENTUCKY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES										
Invested in capital assets	\$ 47,198	\$ 53,100	\$ 59,316	\$ 59,736	\$ 61,572	\$ 63,468	\$ 66,566	\$ 67,635	\$ 71,532	\$ 75,075
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	42,903	46,679	53,466	63,305	70,967	62,295	66,999	80,834	73,850	71,319
Total governmental activities net assets	\$ 90,101	\$ 99,779	\$ 112,782	\$ 123,041	\$ 132,539	\$ 125,763	\$ 133,565	\$ 148,469	\$ 145,382	\$ 146,394
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets	22,638	26,175	26,659	26,695	26,833	27,496	27,328	27,522	28,798	28,036
Restricted	265	479	248	248	248	-	-	-	-	-
Unrestricted	5,900	6,995	7,279	8,050	8,678	6,949	7,210	7,535	5,377	5,728
Total business-type activities net assets	\$ 28,803	\$ 33,649	\$ 34,186	\$ 34,993	\$ 35,759	\$ 34,445	\$ 34,538	\$ 35,057	\$ 34,175	\$ 33,764
PRIMARY GOVERNMENT										
Invested in capital assets	69,836	79,275	85,975	86,431	88,405	90,964	93,894	95,157	100,330	103,111
Restricted	265	479	248	248	248	-	-	-	-	-
Unrestricted	48,803	53,674	60,745	71,355	79,645	69,244	74,209	88,369	79,227	77,047
Total primary government net assets	\$ 118,904	\$ 133,428	\$ 146,968	\$ 158,034	\$ 168,298	\$ 160,208	\$ 168,103	\$ 183,526	\$ 179,557	\$ 180,158

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
Expenses	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Administration	\$ 3,423	\$ 3,249	\$ 3,298	\$ 4,034	\$ 3,417	\$ 3,698	\$ 3,346	\$ 4,042	\$ 4,520	\$ 5,119
Police	6,436	8,944	6,969	7,303	7,147	8,462	11,431	8,582	10,708	12,517
Fire	6,595	5,386	6,431	6,136	6,042	5,940	8,728	8,736	9,738	12,145
Public services	7,572	7,087	8,226	8,316	9,387	6,657	8,158	6,503	11,828	12,703
Interest on long-term debt	1,089	1,426	1,497	755	709	768	1,110	503	484	472
Total governmental activities	25,115	26,092	26,421	26,544	26,702	25,525	32,773	28,366	37,278	42,956
Business-type activities:										
Water and sewer service	7,346	7,616	7,727	7,571	7,694	7,847	8,336	8,094	8,951	8,876
Golf course	784	920	1,303	1,312	1,355	1,335	1,274	1,255	1,217	1,201
Total business-type activities	8,130	8,536	9,030	8,883	9,049	9,182	9,610	9,349	10,168	10,077
Total primary government expense	\$ 33,245	\$ 34,628	\$ 35,451	\$ 35,427	\$ 35,751	\$ 34,707	\$ 42,383	\$ 37,715	\$ 47,446	\$ 53,033
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 939	\$ 877	\$ 887	\$ 784	\$ 790	\$ 817	\$ 738	\$ 842	\$ 871	\$ 873
Fire	2,586	2,754	2,658	2,791	2,540	2,887	3,167	3,346	3,542	3,669
Public services	1,065	1,094	1,102	999	1,051	1,021	1,151	1,112	1,204	1,341
Other activities	17	30	16	10	22	9	7	10	31	14
Operating grants and contributions	808	551	546	2,132	688	1,037	1,032	911	708	389
Capital grants and contributions	2,501	6,806	5,027	734	1,114	2,558	2,238	2,523	984	1,015
Total governmental activities program revenues	7,916	12,112	10,236	7,450	6,205	8,329	8,333	8,744	7,340	7,301
Business-type activities:										
Charges for services:										
Water and sewer service	7,586	8,084	8,179	8,361	8,466	8,548	8,456	8,666	8,384	8,390
Golf course	588	709	1,250	1,206	1,226	1,155	1,112	1,034	997	1,023
Capital grants and contributions	-	-	-	-	-	-	-	-	468	8
Total business-type activities program revenues	8,174	8,793	9,429	9,567	9,692	9,703	9,568	9,700	9,849	9,421
Total primary government program revenues	\$ 16,090	\$ 20,905	\$ 19,665	\$ 17,017	\$ 15,897	\$ 18,032	\$ 17,901	\$ 18,444	\$ 17,189	\$ 16,722
Net (expense)/revenue										
Governmental activities:	\$ (17,199)	\$ (13,980)	\$ (16,185)	\$ (19,094)	\$ (20,497)	\$ (17,196)	\$ (24,440)	\$ (19,622)	\$ (29,938)	\$ (35,655)
Business-type activities:	44	257	399	684	643	521	(42)	351	(319)	(656)
Total primary government, net expense	\$ (17,155)	\$ (13,723)	\$ (15,786)	\$ (18,410)	\$ (19,854)	\$ (16,675)	\$ (24,482)	\$ (19,271)	\$ (30,257)	\$ (36,311)

(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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Taxes:										
Property taxes, levied for										
general purposes	\$ 7,341	\$ 7,194	\$ 7,197	\$ 6,999	\$ 6,982	\$ 7,328	\$ 7,446	\$ 7,476	\$ 7,878	\$ 7,741
Public service taxes	579	555	521	521	562	525	526	510	607	578
Taxes, levied for bank deposits	211	207	194	183	209	185	206	220	263	309
Payroll license	13,373	14,077	14,912	14,872	15,119	15,831	16,413	17,940	18,731	19,729
Gross receipts license	2,048	1,964	2,158	2,235	2,099	2,250	2,380	2,399	2,554	2,766
Insurance premium	3,659	3,579	3,751	4,098	4,275	4,467	4,266	4,583	4,615	3,184
Other	97	101	105	126	89	113	124	148	134	138
Uses of property	45	89	40	116	98	95	101	163	127	280
Interest	351	292	291	177	540	292	770	505	1,011	1,644
Miscellaneous	132	144	120	125	121	122	110	681	185	398
Transfers	(4,529)	(4,545)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Total governmental activities	<u>23,307</u>	<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>
Business-type activities										
Investment earnings	48	54	38	22	23	24	35	68	106	144
Capital contributions	1,773	3,745	-	-	-	-	-	-	-	-
Transfers	1,129	789	100	100	100	100	100	100	100	100
Total business-type activities	<u>2,950</u>	<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>
Total primary government	<u>\$ 26,257</u>	<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>
Change in net assets										
Governmental activities	\$ 9,327	\$ 7,472	\$ 10,095	\$ 8,855	\$ 12,798	\$ 31,108	\$ 7,802	\$ 14,903	\$ 6,067	\$ 1,012
Business-type activities	<u>3,207</u>	<u>4,987</u>	<u>822</u>	<u>765</u>	<u>644</u>	<u>124</u>	<u>93</u>	<u>519</u>	<u>(113)</u>	<u>(412)</u>
Total primary government	<u>\$ 12,534</u>	<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>

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
2010	\$ 7,357,458	\$ 578,970	\$ 211,568	\$ 13,114,839	\$ 2,047,911	\$ 3,658,788
2011	\$ 7,222,802	\$ 554,987	\$ 206,908	\$ 13,373,239	\$ 1,963,691	\$ 3,578,837
2012	\$ 6,980,878	\$ 521,460	\$ 193,658	\$ 14,077,419	\$ 2,157,586	\$ 3,751,078
2013	\$ 7,003,025	\$ 420,742	\$ 183,325	\$ 14,912,330	\$ 2,235,304	\$ 4,098,294
2014	\$ 7,112,868	\$ 562,203	\$ 209,289	\$ 14,871,599	\$ 2,098,956	\$ 4,274,919
2015	\$ 7,248,021	\$ 525,169	\$ 185,114	\$ 15,119,231	\$ 2,250,520	\$ 4,467,479
2016	\$ 7,356,483	\$ 526,387	\$ 206,365	\$ 16,412,440	\$ 2,380,422	\$ 4,265,760
2017	\$ 7,422,594	\$ 509,760	\$ 220,124	\$ 17,940,093	\$ 2,399,296	\$ 4,582,660
2018	\$ 7,820,248	\$ 606,610	\$ 263,130	\$ 18,730,631	\$ 2,554,307	\$ 4,615,303
2019	\$ 7,732,182	\$ 577,902	\$ 308,792	\$ 19,726,618	\$ 2,765,864	\$ 3,184,526

CITY OF FLORENCE, KENTUCKY

Fund balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
GENERAL FUND										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	395	254	483	490	472	548	605	647	734	726
Committed to	5,500	6,500	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Assigned to	8,505	6,440	3,290	3,590	-	-	-	-	-	-
Unassigned	17,506	21,743	29,320	34,929	42,362	49,065	55,741	64,471	65,618	68,120
Total general fund	\$ <u>31,906</u>	\$ <u>34,937</u>	\$ <u>40,093</u>	\$ <u>46,009</u>	\$ <u>49,834</u>	\$ <u>56,613</u>	\$ <u>63,346</u>	\$ <u>72,118</u>	\$ <u>73,352</u>	\$ <u>75,846</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	63	63	68	71	71	87	74	66	60	100
Restricted	266	413	508	599	895	1,136	1,030	1,264	1,560	1,750
Assigned to	1,593	1,461	1,924	3,973	6,612	8,863	10,970	14,722	19,830	23,218
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ <u>1,922</u>	\$ <u>1,937</u>	\$ <u>2,500</u>	\$ <u>4,643</u>	\$ <u>7,578</u>	\$ <u>10,086</u>	\$ <u>12,074</u>	\$ <u>16,052</u>	\$ <u>21,450</u>	\$ <u>25,068</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Taxes	\$ 8,148	\$ 7,985	\$ 7,696	\$ 7,707	\$ 7,884	\$ 7,958	\$ 8,089	\$ 8,152	\$ 8,690	\$ 8,619
Licenses and permits	19,177	19,721	20,926	21,332	21,582	22,662	23,183	25,070	26,034	25,817
Intergovernmental	3,308	7,357	5,573	2,866	1,802	3,595	3,270	3,434	1,692	1,404
Fines and forfeitures	278	253	264	247	198	253	227	217	361	294
Charges for services	4,329	4,503	4,399	4,363	4,206	4,480	4,837	5,093	5,288	5,603
Uses of property	45	89	40	116	98	96	101	163	127	279
Interest	351	292	229	177	509	406	769	505	843	1,644
Miscellaneous	132	144	120	85	121	111	110	681	185	200
Total revenues	<u>35,768</u>	<u>40,344</u>	<u>39,247</u>	<u>36,893</u>	<u>36,400</u>	<u>39,561</u>	<u>40,586</u>	<u>43,315</u>	<u>43,220</u>	<u>43,860</u>
EXPENDITURES										
Current:										
Administration	2,532	2,052	2,606	2,630	2,402	2,502	2,356	2,548	2,787	3,012
Police	7,326	7,166	7,125	7,506	7,469	7,636	7,340	7,683	8,551	8,902
Fire	6,915	5,725	6,242	6,042	6,188	7,327	6,992	7,283	8,121	9,276
Public services	8,781	15,749	15,073	9,844	11,771	11,103	13,530	11,406	15,497	14,916
Economic development	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,055	1,230	1,195	1,000	1,020	1,060	1,045	1,060	1,065	1,095
Interest	1,057	1,398	1,263	711	690	553	502	485	467	447
Cost of issuance	-	74	114	-	-	74	-	-	-	-
Total expenditures	<u>27,666</u>	<u>33,394</u>	<u>33,618</u>	<u>27,733</u>	<u>29,540</u>	<u>30,255</u>	<u>31,765</u>	<u>30,465</u>	<u>36,488</u>	<u>37,648</u>
Excess(deficiency) of revenues over(under) expenditures	<u>8,102</u>	<u>6,950</u>	<u>5,629</u>	<u>9,160</u>	<u>6,860</u>	<u>9,306</u>	<u>8,821</u>	<u>12,850</u>	<u>6,732</u>	<u>6,212</u>

(continued)

CITY OF FLORENCE, KENTUCKY

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
OTHER FINANCING SOURCES(USES)										
Refunding bonds issued	-	6,720	5,640	-	-	6,250	-	-	-	-
Bond discount	-	-	(93)	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(6,080)	(5,020)	-	-	(6,171)	-	-	-	-
Transfers in	9,023	325	988	1,325	1,825	1,825	3,825	1,825	3,325	1,825
Transfers out	(13,552)	(4,870)	(1,425)	(2,425)	(1,925)	(1,925)	(3,925)	(1,925)	(3,425)	(1,925)
Total other financing sources and uses	(4,529)	(3,905)	90	(1,100)	(100)	(21)	(100)	(100)	(100)	(100)
Net change in fund balances	\$ 3,573	\$ 3,045	\$ 5,719	\$ 8,060	\$ 6,760	\$ 9,285	\$ 8,721	\$ 12,750	\$ 6,632	\$ 6,112
Debt service as a percentage of noncapital expenditures	15.47%	10.37%	11.40%	11.40%	7.28%	7.76%	6.67%	5.79%	5.71%	5.59%

(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>
2010	\$	7,357	\$ 579	\$ 211	\$ 8,147
2011	\$	7,223	\$ 555	\$ 207	\$ 7,985
2012	\$	6,981	\$ 521	\$ 193	\$ 7,695
2013	\$	7,003	\$ 521	\$ 183	\$ 7,707
2014	\$	7,113	\$ 562	\$ 209	\$ 7,884
2015	\$	7,248	\$ 525	\$ 185	\$ 7,958
2016	\$	7,357	\$ 526	\$ 206	\$ 8,089
2017	\$	7,423	\$ 510	\$ 220	\$ 8,153
2018	\$	7,820	\$ 607	\$ 263	\$ 8,690
2019	\$	7,732	\$ 578	\$ 309	\$ 8,619

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			
2010	\$ 1,010,120,162	\$ 1,425,270,095	\$ 307,487,386	\$ 59,446,800	\$ 2,683,430,843	\$ 2.46
2011	\$ 1,023,395,608	\$ 1,396,265,937	\$ 279,984,247	\$ 62,715,700	\$ 2,636,930,092	\$ 2.46
2012	\$ 1,028,965,182	\$ 1,354,470,062	\$ 318,225,739	\$ 64,668,000	\$ 2,636,992,983	\$ 2.46
2013	\$ 1,142,856,422	\$ 1,292,878,730	\$ 303,628,112	\$ 67,354,000	\$ 2,672,009,264	\$ 2.46
2014	\$ 1,099,827,227	\$ 1,364,905,691	\$ 310,617,351	\$ 72,792,000	\$ 2,702,558,269	\$ 2.46
2015	\$ 1,167,812,275	\$ 1,321,557,354	\$ 358,457,842	\$ 74,880,000	\$ 2,772,947,471	\$ 2.46
2016	\$ 1,130,225,380	\$ 1,416,310,940	\$ 372,591,995	\$ 82,040,150	\$ 2,837,088,165	\$ 2.46
2017	\$ 1,116,788,389	\$ 1,478,581,450	\$ 413,566,187	\$ 79,187,400	\$ 2,929,748,626	\$ 2.46
2018	\$ 1,050,419,962	\$ 1,544,170,780	\$ 390,044,245	\$ 81,396,400	\$ 2,903,238,587	\$ 2.46
2019	\$ 1,074,055,327	\$ 1,580,543,391	\$ 416,072,481	\$ 83,584,800	\$ 2,987,086,399	\$ 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		
2010	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.160	\$ 0.190	\$ 0.500	\$	4.330
2011	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.160	\$ 0.190	\$ 0.500	\$	4.330
2012	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.160	\$ 0.190	\$ 0.510	\$	4.360
2013	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.400
2014	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.400
2015	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.400
2016	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.400
2017	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.400
2018	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.390
2019	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.180	\$ 0.190	\$ 0.520	\$	4.390

(1) Per \$1000 assessed valuation

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

CITY OF FLORENCE, KENTUCKY

Principal Property Taxpayers

June 30, 2019

	2019			2010		
	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	2.57%	\$ 102,769,030	1	3.82%
New Plan Property Holding	34,785,735	2	1.16%	48,722,735	2	1.82%
Turfway Park, LLC				30,450,000	3	1.13%
Vantiv	32,689,258	3	1.09%			
Fifth Third Bank	26,240,674	4	0.88%			
Dixie Highway, LLC	26,000,000	5	0.87%			
Star Wetherington	23,894,000	6	0.80%			
Robert Bosch Automotive	21,601,000	7	0.72%			
Costco	20,000,000	8	0.67%			
Trellises Kentucky	19,410,000	9	0.65%	18,060,000	7	0.67%
COI Kentucky Industrial	18,700,000	10	0.63%			
Bluegrass RHP				18,000,000	8	0.67%
Wal-Mart Real Estate				22,721,000	4	0.85%
Cabot Turfway, Inc				22,000,000	5	0.82%
AP/AIM CVG Airport, LLC				18,360,000	6	0.68%
IBM Credit Corp				16,940,929	9	0.63%
Cayton Development LLC				15,236,662	10	0.57%
TOTAL	\$ <u>300,020,667</u>		<u>10.04%</u>	\$ <u>313,260,356</u>		<u>11.66%</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
2010	\$	7,401,426	\$	7,209,530	\$	(125,730)	99%	\$ 185,723	\$ 7,395,253	100%
2011	\$	7,244,508	\$	7,193,319	\$	(125,186)	99%	\$ 35,275	\$ 7,228,594	100%
2012	\$	7,190,106	\$	7,015,187	\$	(115,734)	99%	\$ 160,567	\$ 7,175,754	100%
2013	\$	7,094,090	\$	7,042,131	\$	(121,914)	99%	\$ 26,035	\$ 7,068,166	100%
2014	\$	7,180,243	\$	7,110,763	\$	(125,342)	99%	\$ 55,165	\$ 7,165,928	100%
2015	\$	7,274,130	\$	7,102,792	\$	(128,458)	99%	\$ 37,135	\$ 7,139,927	98%
2016	\$	7,433,766	\$	7,405,441	\$	(130,094)	99%	\$ 3,386	\$ 7,405,441	100%
2017	\$	7,823,820	\$	7,554,189	\$	(131,595)	97%	\$ 20,435	\$ 7,574,624	97%
2018	\$	7,864,044	\$	7,832,285	\$	(138,033)	99%	\$ 14,776	\$ 7,847,061	100%
2019	\$	8,090,585	\$	7,843,669	\$	(126,263)	98%	\$ -	\$ 7,843,669	97%

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		
2010	\$ 22,940,000	\$ -	\$ -	\$ -	\$ 2,805,000	\$ 2,300,000	\$ -	\$ 28,045,000	\$ 988
2011	\$ 22,350,000	\$ -	\$ -	\$ -	\$ 2,645,000	\$ 2,010,000	\$ -	\$ 27,005,000	\$ 902
2012	\$ 21,775,000	\$ -	\$ -	\$ -	\$ 2,640,000	\$ 1,705,000	\$ -	\$ 26,120,000	\$ 846
2013	\$ 20,775,000	\$ -	\$ -	\$ -	\$ 2,430,000	\$ 1,395,000	\$ -	\$ 24,600,000	\$ 791
2014	\$ 19,755,000	\$ -	\$ -	\$ -	\$ 2,230,000	\$ 1,070,000	\$ -	\$ 23,055,000	\$ 742
2015	\$ 18,790,000	\$ -	\$ -	\$ -	\$ 2,020,000	\$ 730,000	\$ -	\$ 21,540,000	\$ 675
2016	\$ 17,795,000	\$ -	\$ -	\$ -	\$ 1,810,000	\$ 380,000	\$ -	\$ 19,985,000	\$ 627
2017	\$ 16,735,000	\$ -	\$ -	\$ -	\$ 1,595,000	\$ -	\$ -	\$ 18,330,000	\$ 565
2018	\$ 15,670,000	\$ -	\$ -	\$ -	\$ 1,375,000	\$ -	\$ -	\$ 17,045,000	\$ 525
2019	\$ 14,575,000	\$ -	\$ -	\$ -	\$ 1,155,000	\$ -	\$ -	\$ 15,730,000	\$ 485

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

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

(2) Public Properties Bonds

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

Fiscal Year	General Obligations Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita (2)
2010	\$ 25,240,000	\$ -	\$ 25,240,000	0.94%	\$ 889
2011	\$ 24,360,000	\$ -	\$ 24,360,000	0.92%	\$ 813
2012	\$ 23,480,000	\$ -	\$ 23,480,000	0.89%	\$ 765
2013	\$ 22,170,000	\$ -	\$ 22,170,000	0.83%	\$ 713
2014	\$ 20,825,000	\$ -	\$ 20,825,000	0.77%	\$ 670
2015	\$ 19,520,000	\$ -	\$ 19,520,000	0.70%	\$ 612
2016	\$ 18,175,000	\$ -	\$ 18,175,000	0.64%	\$ 570
2017	\$ 16,735,000	\$ -	\$ 16,735,000	0.64%	\$ 516
2018	\$ 15,670,000	\$ -	\$ 15,670,000	0.54%	\$ 483
2019	\$ 14,575,000	\$ -	\$ 14,575,000	0.49%	\$ 449

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, 2019

<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	\$ 38,412,221	25.70%	\$ 10,140,826
Subtotal, overlapping debt			10,140,826
City of Florence direct debt			14,575,000
Total direct and overlapping			\$ 24,715,826

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 268,343	\$ 263,693	\$ 263,699	\$ 267,201	\$ 270,259	\$ 277,295	\$ 283,709	\$ 292,975	\$ 290,324	\$ 298,708
Total net debt applicable to limit	25,240	24,360	23,480	22,170	20,825	19,520	18,175	16,735	15,670	14,575
Legal debt margin	243,103	239,333	240,219	245,031	249,434	257,775	265,534	276,240	274,654	284,133
Total net debt applicable to the limit as a percentage of debt limit	9.41%	9.24%	8.90%	8.30%	7.71%	7.04%	6.41%	5.71%	5.40%	4.88%

Legal Debt Margin Calculation for Fiscal Year 2018

Taxable assessed value	\$ 298,708
Debt limit(10% for total taxable assessed value)	29,871
Debt applicable to limit:	
General obligation bonds	14,575
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	14,575
Legal debt margin	\$ 15,296

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			
2010	\$	7,586,055	\$	7,227,255	\$	358,800	\$	155,000	\$	103,029	139%
2011	\$	8,083,907	\$	7,502,580	\$	581,327	\$	160,000	\$	101,943	222%
2012	\$	8,179,081	\$	7,635,066	\$	544,015	\$	165,000	\$	96,112	208%
2013	\$	8,361,515	\$	7,493,012	\$	868,503	\$	210,000	\$	38,499	349%
2014	\$	8,466,355	\$	7,601,386	\$	864,969	\$	200,000	\$	44,508	354%
2015	\$	8,548,161	\$	7,733,558	\$	814,603	\$	210,000	\$	34,928	333%
2016	\$	8,455,603	\$	8,363,162	\$	92,441	\$	210,000	\$	33,405	38%
2017	\$	8,666,172	\$	8,038,066	\$	628,106	\$	215,000	\$	30,323	256%
2018	\$	8,384,213	\$	8,898,793	\$	(514,580)	\$	220,000	\$	27,170	-208%
2019	\$	8,389,947	\$	8,825,063	\$	(435,116)	\$	220,000	\$	24,918	-178%

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)
2010	28,381	\$ 1,374,860,783	\$ 48,443	34.9	9.7%
2011	29,951	\$ 1,474,907,044	\$ 49,244	35.7	9.1%
2012	30,687	\$ 1,522,228,635	\$ 49,605	35.2	7.1%
2013	31,088	\$ 1,560,026,928	\$ 50,181	36.5	6.9%
2014	31,088	\$ 1,560,026,928	\$ 50,181	36.3	5.6%
2015	31,888	\$ 1,659,866,064	\$ 52,053	36.8	5.5%
2016	31,888	\$ 2,168,320,224	\$ 67,998	37.0	5.5%
2017	32,460	\$ 1,967,140,920	\$ 60,602	37.3	5.5%
2018	32,460	N/A	N/A	N/A	5.0%
2019	32,460	N/A	N/A	N/A	3.9%

(1) Census Bureau and Kentucky State Data Center

(2) Data USA

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

CITY OF FLORENCE, KENTUCKY

Principal Employers

Current Year and Nine Years Ago

	2019			2010		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
<u>Taxpayer</u>						
Robert Bosch Automotive	\$ 1,276,982	1	5.67%	N/A	1	0.00%
St. Elizabeth Healthcare	\$ 1,114,313	2	4.95%	N/A	2	0.00%
Boone County Board of Ed	\$ 904,237	3	4.02%	N/A	3	0.00%
Meritor Heavy Vehicle	\$ 499,370	4	2.22%	N/A	4	0.00%
Sweco	\$ 450,082	5	2.00%	N/A	5	0.00%
St. Elizabeth Physicians	\$ 426,050	7	1.89%	N/A	7	0.00%
Department of Treasury	\$ 361,806	6	1.60%	N/A	6	0.00%
Eagle Manufacturing	\$ 343,269	8	1.53%	N/A	8	0.00%
Walmart	\$ 326,749	9	1.45%	N/A	9	0.00%
City of Florence	<u>\$ 278,104</u>	10	<u>1.24%</u>	<u>N/A</u>	10	<u>0.00%</u>
TOTAL	<u>\$ 5,980,962</u>		<u>26.57%</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration:										
Mayor's office	4	4	4	4	4	4	5	5	5	8
Finance	10	10	10	10	10	10	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	19	20	20	19
Maintenance	21	21	21	21	21	21	21	21	22	22
Police:										
Sworn	61	61	61	61	61	64	64	64	64	64
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	51	51	51	51	57	57	60	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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Physical arrests	2,617	2,431	2,542	2,571	2,563	2,736	2,501	2,017	2,364	2,127
Traffic violations	6,729	6,385	4,664	4,487	7,790	5,188	5,768	5,854	6,478	5,274
Parking violations	307	513	224	120	162	93	114	143	90	121
Fire:										
Number of calls answered:										
Fire	2,381	2,486	2,367	2,416	2,511	2,492	2,496	3,461	3,658	3,869
Ambulance	5,772	6,091	6,364	6,380	6,283	6,819	6,982	7,796	8,267	8,531
Inspections	2,032	2,255	1,945	2,005	2,186	2,575	2,527	2,097	1,426	1,442
Highways and streets:										
Street resurfacing(lane miles)	7.05	7.62	8.44	9.11	9.11	8.48	8.48	10.36	10.36	10.36
Water:										
New connections	45	45	50	42	27	46	35	26	25	32
Water main breaks	24	55	37	62	31	34	30	32	54	52
Average daily consumption (thousands of gallons)	2,839	3,055	3,090	3,035	3,021	2,995	2,945	2,996	3,185	3,007

Source: Various city departments

CITY OF FLORENCE, KENTUCKY

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	34	34	34	34	34	34	34	34	34
Fire:										
Fire stations	3	3	3	3	4	4	4	4	4	4
Highways and streets:										
Streets(miles)	160	168	168	169	169	169	169	169	169	173
Streetlights	1,134	1,977	1,977	2,103	2,103	2,103	2,103	2,111	2,115	2,115
Culture and recreation:										
Parks	9	9	9	9	9	9	9	9	9	9
Parks acreage	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Ball fields	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Water:										
Water mains	200	145	145	149	150	150	146	146	147	151
Fire hydrants	1,259	1,520	1,520	1,583	1,598	1,598	1,605	1,605	1,621	1,632
Maximum daily capacity (thousands of gallons)	4,000	4,550	4,810	4,809	4,595	4,183	4,120	3,840	3,773	3,310
Sewer:										
Contained sanitary/storm sewers (miles)	278	286	286	278	276	274	274	274	200	201

Source: Various city departments



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

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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, 2019 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 10, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 10, 2019

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