

**CITY OF FLORENCE, KENTUCKY**

***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

**Year Ended June 30, 2011**

Prepared by:  
Linda J. Chapman  
Finance Director



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

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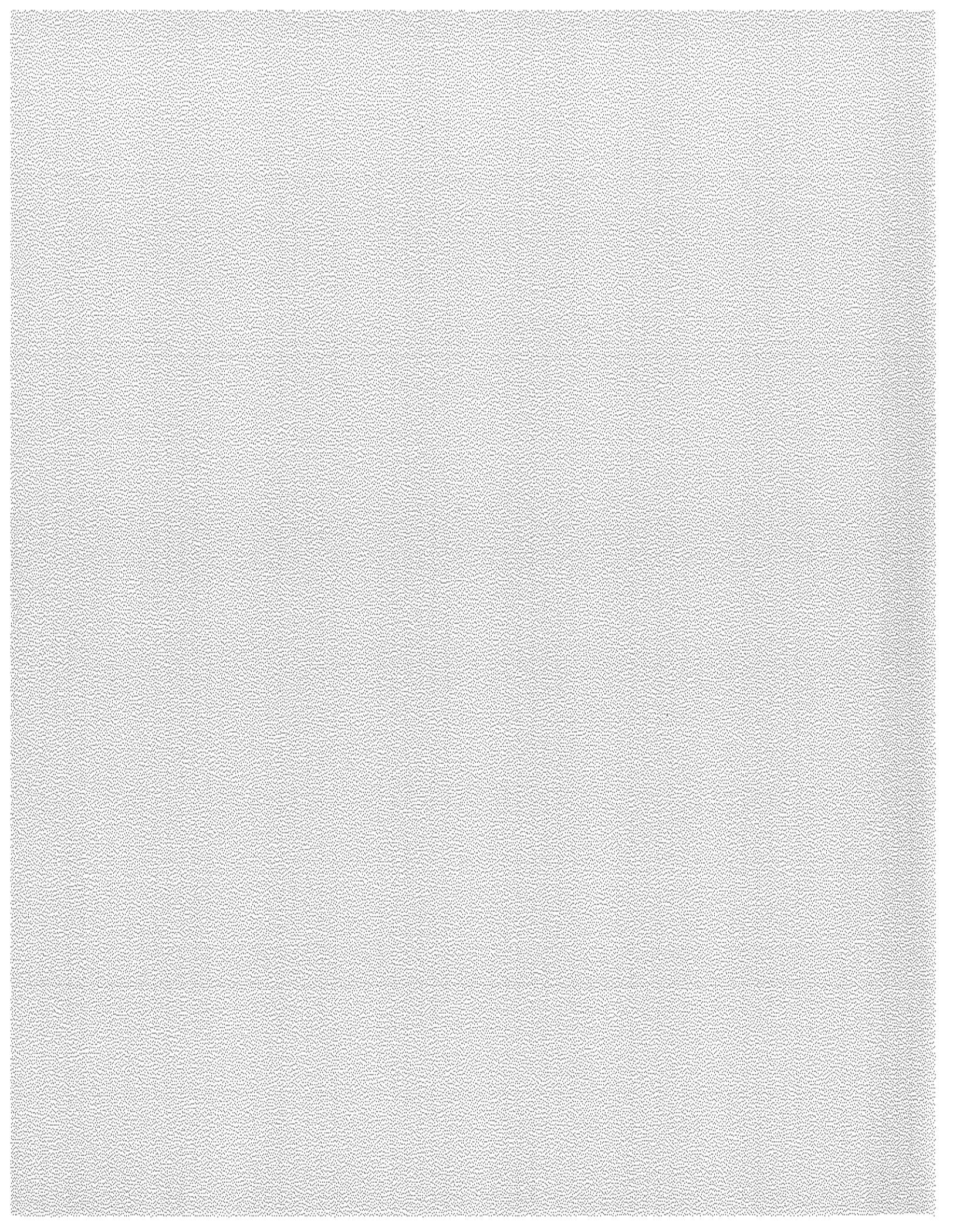
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**INTRODUCTORY SECTION**



OFFICE OF THE CITY COORDINATOR

September 19, 2011

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, 2011.

This report consists of management's representations concerning the finances of the City of Florence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Florence has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Florence's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Florence's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Florence's financial statements have been audited by Rankin, Rankin and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Florence for the fiscal year ended June 30, 2011, 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, 2011, 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 10.6 square miles and serves an estimated population of 29,951. 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 2014 with the Mayor to take office January 1, 2015. The next election for City Council will be held in 2012 with the Council to take office on January 1, 2013.

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. In addition to these activities, the governing body is responsible for funding the Volunteer Firemen Retirement Fund; therefore, these activities are included in the reporting entity.

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. However, the City is not immune from the national economic realities and that brings with it many unknowns for the current fiscal year.

The City has continued to experience some growth and development in light of the economic downturn. Total construction costs in the City for the past year were just under \$38 million. The City of Florence is the 8th largest city in the state and home to an estimated 29,951 residents.

The redevelopment of Mall Road remains an important economic development priority for the City. The City has been successful in securing funding for this project from the Commonwealth of Kentucky. Phase II of the reconstruction project has been started and will be completed in the fall of 2011.

In addition, Phase II of the Industrial Road reconstruction project has started and will be completed next year. This will provide better and much improved access into the southern side of the City for business traffic to the industrial park. The South Airfield Road project has also commenced and is scheduled for completion in approximately eighteen months. This will improve the flow of traffic in the Houston Road corridor.

The City has also completed numerous sidewalk, street improvements, storm water, sanitary sewer and water improvements throughout areas of the City. The World of Golf redevelopment is now complete. The resulted in in the complex becoming a 21<sup>st</sup> century family and community focused recreational destination.

During the current year, the City has begun construction of a Senior Citizen Center. Grant funding has been secured to provide financing for a portion of the costs of the project. In addition, the City has hired a firm to develop design renderings for the development of a new Fire Substation on Woodspoint Drive.

Long-term financial planning. The city has implemented a three-year budget plan. The three-year budget plan serves as a basis for a rolling three-year strategic plan for the City. This plan will carry out the City's vision as adopted by the City Council. The City implemented increases in the water and sewer rates for the operations and maintenance and capital needs to maintain and improve the lines. There are built in annual increases that take effect every April 1st.

The City is continuing to explore the possibility of developing new parks and adding amenities to existing parks. After the completion of the projects mentioned in the paragraphs above, there are no large construction projects planned.

The unassigned fund balance in the general fund is 55.25% 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, 2010. This was the seventh 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 legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the departments of Finance and Administration. Each member of both departments has my sincere appreciation for the contribution made in the preparation of this report. Credit must also be given to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Florence's finances.

Respectfully submitted,



Richard J. Lunnemann  
City Coordinator

**CITY OF FLORENCE, KENTUCKY**

***LIST OF PRINCIPAL OFFICIALS***

**June 30, 2011**

**Mayor**

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Diane E. Whalen

**Council Members**

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Mike Apgar

Larry Brown

Mel D. Carroll

Julie A. Metzger-Aubuchon

David A. Osborne

Gary Winn

**Staff**

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City Coordinator - Richard J. Lunnemann

City Clerk - Joe A. Cristofield

Finance Director - Linda J. Chapman

City Attorney - Hugh O. Skees

City Engineer - William R. Viox

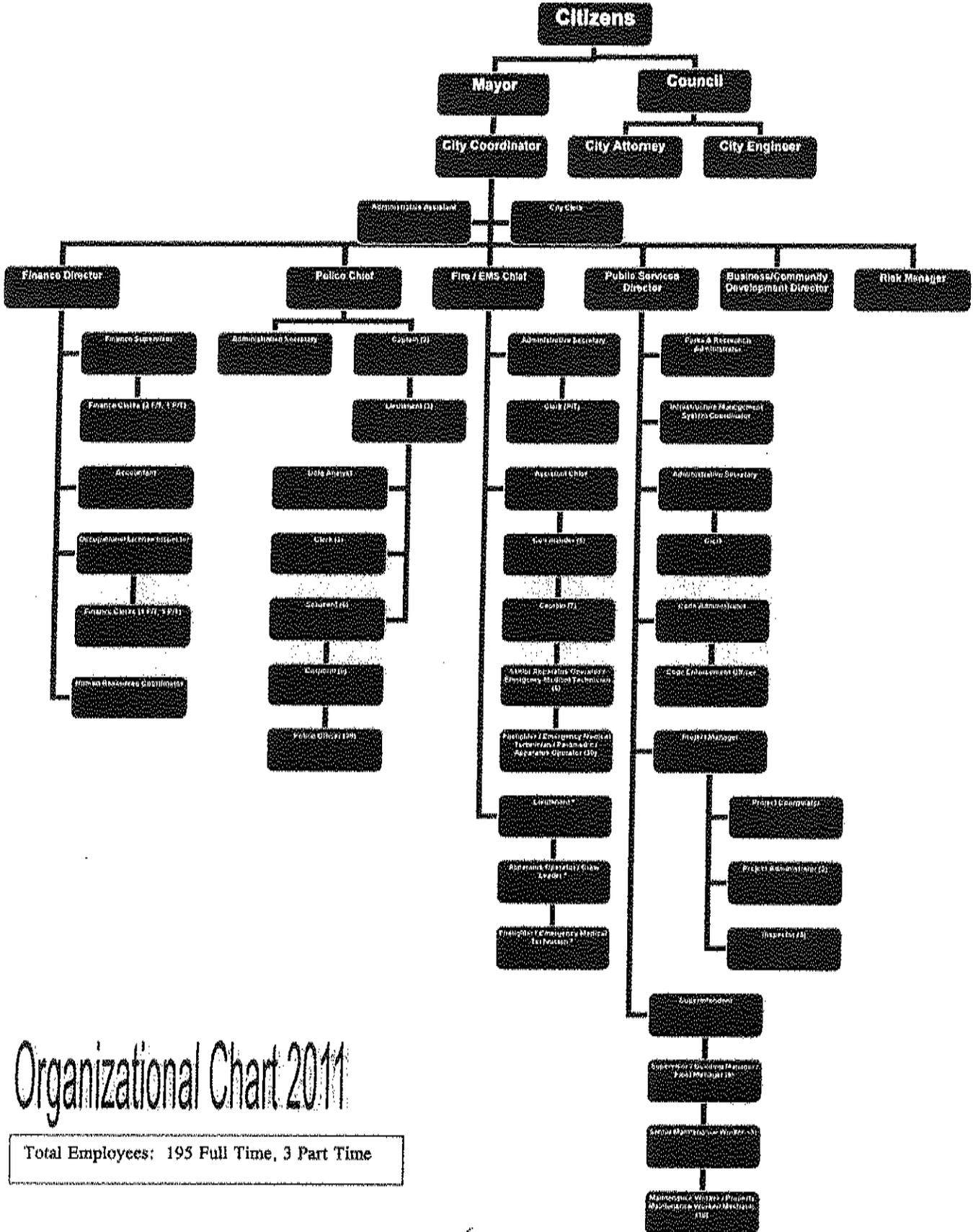
Director of Public Services - Robert W. Townsend

Chief of Police - Thomas E. Szurlinski

ABC Administrator - Karen Releford

Fire/E.M.S. Chief - Marc A. Muench

SECTION VIII – ORGANIZATIONAL CHART



Organizational Chart 2011

Total Employees: 195 Full Time, 3 Part Time

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

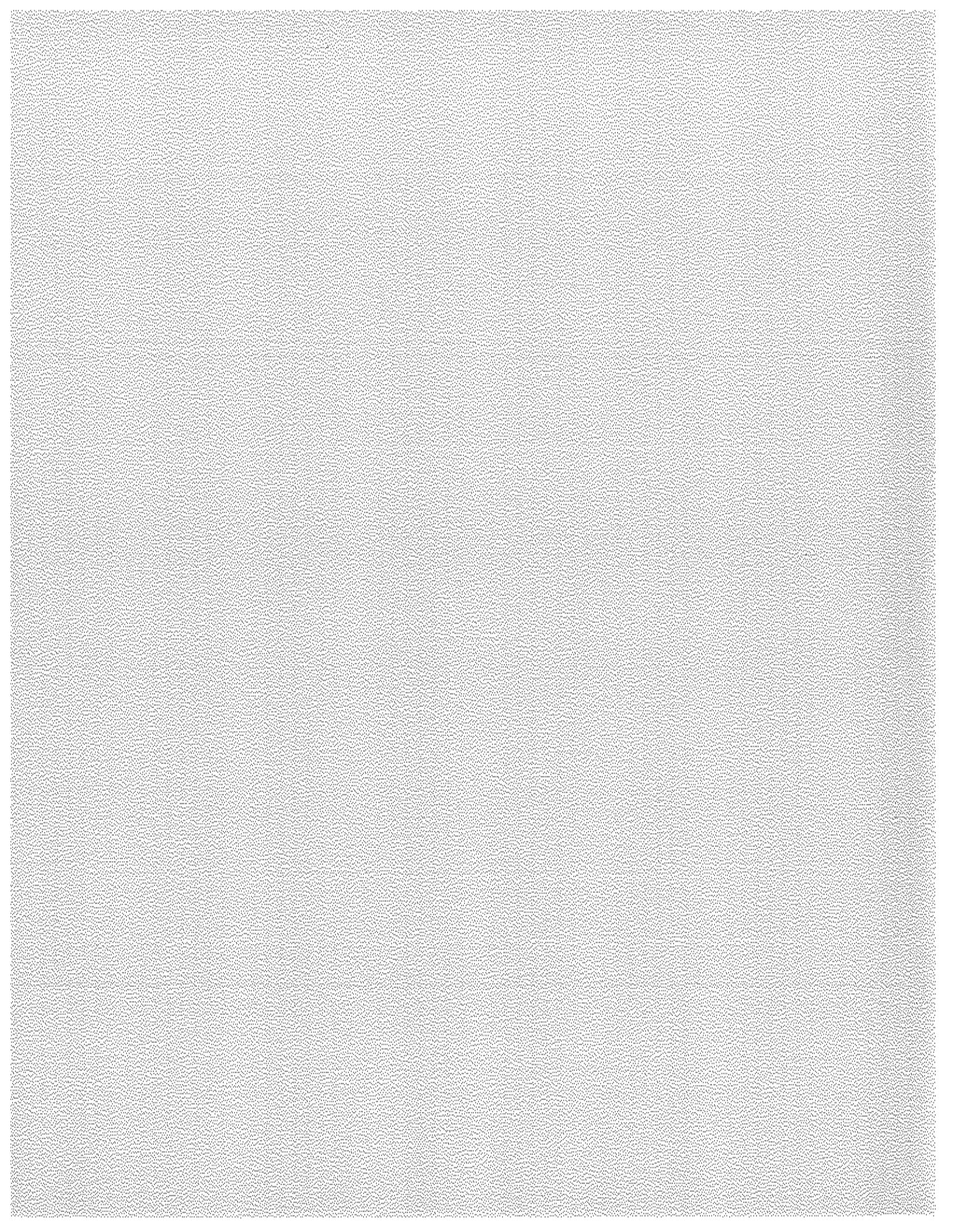


President

Executive Director

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**FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2011, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 23 and 53 through 54 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

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Kentucky's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**RANKIN, RANKIN & COMPANY**

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

**Ft. Wright, Kentucky  
September 8, 2011**

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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, 2011. 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 \$133,427,729 (net assets). Of this amount, \$53,673,997 (unrestricted net assets) 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 \$36,874,021. This was an increase of \$3,045,242 comparison to the prior year. The increase was mainly the result of the City's general operating fund.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,742,931, or 59.34% of total general fund expenditures, transfers and other expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These two statements report the City's net assets and changes in them.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases and decreases in net assets are one 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities, from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration. The business-type activities include the City's water and sewer service operations and the golf course operations.

The government-wide financial statements include not only the City of Florence itself (known as the primary government), but also the City of Florence Municipal Properties Corporation for which the City is financially accountable.

The government-wide financial statements can be found on pages 24 and 25 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council establishes many other funds with specific sources of revenue to help it control and manage money for particular purposes (i.e., Aquatic Center Fund) or to show that it is meeting legal responsibilities for grant and restricted funds (i.e., Municipal Aid Fund and Asset Forfeiture Fund). All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Florence maintains four individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes in fund balances for the general fund which is

considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 26-28 of this report.

*Proprietary funds.* The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer service operations and the golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health and dental costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the water and sewer service and the golf course operations, both of which are considered major funds of the City of Florence. Since there is only one internal service fund, separate information is provided.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Florence's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32 and 33 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 34-52 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 53-59 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$133,427,729 at the close of the most recent year.

The largest portion of the City's net assets (59.46 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, 2011 and 2010 net assets changed as follows (amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 50,660	\$ 45,614	\$ 8,883	\$ 7,943	\$ 59,543	\$ 53,557
Capital assets, net	74,985	69,776	30,458	27,849	105,443	97,625
Total assets	<u>125,645</u>	<u>115,390</u>	<u>39,341</u>	<u>35,792</u>	<u>164,986</u>	<u>151,182</u>
Other liabilities	2,415	1,295	934	2,331	3,349	3,626
Long-term liabilities	23,451	23,994	4,758	4,658	28,209	28,652
Total liabilities	<u>25,866</u>	<u>25,289</u>	<u>5,692</u>	<u>6,989</u>	<u>31,558</u>	<u>32,278</u>
Net assets:						
Invested in capital assets, net of debt	53,100	47,198	26,174	22,638	79,274	69,836
Restricted	-	-	479	265	479	265
Unrestricted	46,679	42,903	6,995	5,900	53,674	48,803
Total net assets	<u>\$ 99,779</u>	<u>\$ 90,101</u>	<u>\$ 33,648</u>	<u>\$ 28,803</u>	<u>\$ 133,427</u>	<u>\$ 118,904</u>

An additional portion of the City's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$53,673,997) may be used to meet the government's ongoing obligations to its citizens and creditors.

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

Net assets of the City increased 12.19% or \$14.5 million during the current fiscal year. The increase was mainly attributed to the growth in the revenue line items outpacing the growth in operating and contractual expenses.

Changes in Net Assets

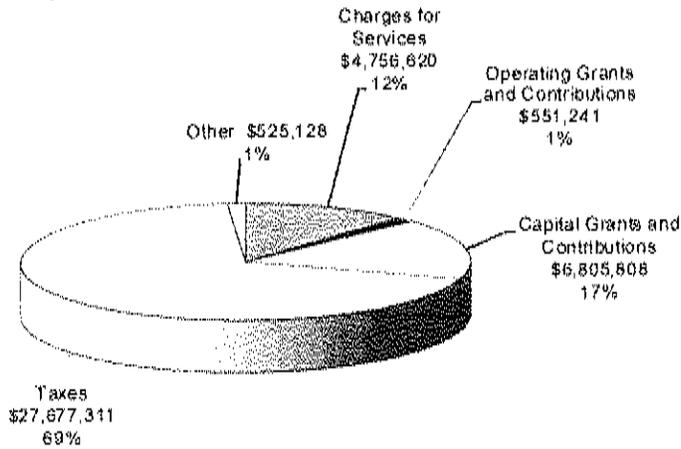
	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Revenues:				
Program revenues:				
Charges for services	\$ 4,756,620	\$ 4,607,569	\$ 8,793,182	\$ 8,173,872
Operating grants and contributions	551,241	807,784	-	-
Capital grants	6,805,808	2,500,755	-	-
General revenues:				
Taxes	27,677,311	27,309,265	-	-
Other	525,128	526,724	53,355	48,541
Total revenues	<u>40,316,108</u>	<u>35,752,097</u>	<u>8,846,537</u>	<u>8,222,413</u>
Expenses:				
Administration	3,249,819	3,422,943	-	-
Police	8,944,266	6,435,795	-	-
Fire	5,386,078	6,594,725	-	-
Public services	7,086,658	7,571,990	-	-
Interest on long-term debt	1,426,457	1,089,589	260,206	279,483
Loss on disposal of assets	-	-	9,774	47,497
Water and sewer services	-	-	7,502,680	7,227,255
Golf Course	-	-	763,283	575,433
Total expenses	<u>26,093,278</u>	<u>25,115,042</u>	<u>8,535,843</u>	<u>8,129,668</u>
Increase in net assets before transfers and other expenses	14,222,830	10,637,055	310,694	92,745
Capital contributions	-	-	-	1,773,143
Transfers	<u>(4,545,335)</u>	<u>(4,528,985)</u>	<u>4,535,180</u>	<u>1,128,985</u>
Increase in net assets	9,677,495	6,108,070	4,845,874	2,994,873
Net assets - July 1	<u>90,101,616</u>	<u>83,993,546</u>	<u>28,802,744</u>	<u>25,807,871</u>
Net assets - June 30	<u>\$ 99,779,111</u>	<u>\$ 90,101,616</u>	<u>\$ 33,648,618</u>	<u>\$ 28,802,744</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$9.7 million, thereby accounting for 67% of the total growth in net assets. Key elements of this growth are as follows:

- Taxes increased by \$368,000 despite the current economic conditions that are affecting all governmental entities. Occupational license fees decreased as a result of the economy. Payroll taxes and insurance premium increased slightly during FY 2011 as a result of the third and fourth quarters showing some economic growth in the area. The City realized a slight decrease in property tax revenues due to declining assessed values and no raising of the tax rate for the second straight year in a row Capital grant revenue increased significantly due to the funding received for the Mall Road reconstruction project.

- There was an increase in expenses for governmental activities due to the increase in wages and benefit costs. Additional expenses were incurred for capital projects during the year due to various projects and grant received.

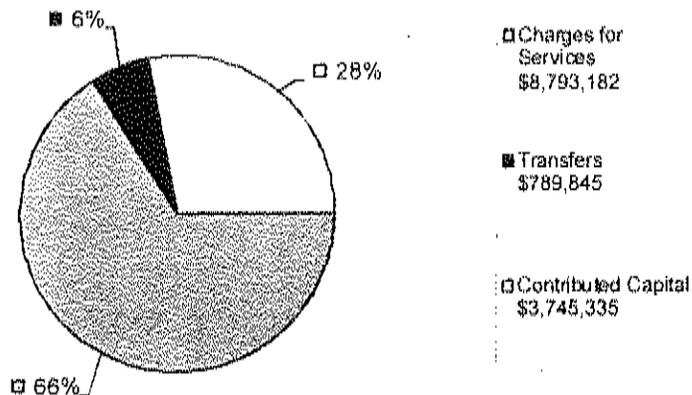
Revenues by Source - Governmental Type Activities



**Business-type activities.** Business-type activities increased the City's net assets by \$4.8 million, accounting for 33% percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- In reviewing the net (expense)/revenue, the water and sewer sales and service function showed net income for the year of \$507,200. The income was attributable to operations due to a four percent increase in rates implemented on April 1, 2011.
- The golf course fund showed a net income for the year of \$4,338,674 as a result of operations, capital contributions and a transfer in from the City's general fund to cover amounts owed for debt service. The source of the capital contribution is a new clubhouse facility that is being built for the golf course for which the funding is coming from the City's general fund. The new facility is opened in February 2011. In addition, an operating transfer was made during the year as a result of the ongoing construction affecting the facility.

### 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 \$36,874,021, an increase of \$3,045,242 in comparison with the prior year. Approximately 58.96 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 \$21,742,931 while total fund balance was \$34,937,147. 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 59.34 percent of total general fund expenditures and transfers, while total fund balance represents 95.36 percent of that same amount.

The fund balance of the City's general fund increased by \$3,030,932 during the current fiscal year. Key factors in this growth are as follows:

- Cost cutting measures enacted to offset a slowdown in revenue. Several full-time personnel positions have not been filled.
- Payroll tax revenues made a recovery and produced results stronger than originally anticipated
- The City enacted payroll and insurance premium tax increases on July 1, 2007 that were part of a long-range plan to enable the City to build reserves for several years
- Several capital improvement projects amounting to approximately \$6,440,000 were scheduled to be completed by June 30 and were delayed until FY 2012.

The municipal aid road/LGEA fund has a total fund balance of \$475,631, 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 street resurfacing projects not being completed by the end of the year. The asset forfeiture fund had decrease in fund balance of \$84,249 due to the construction of a shooting range. The aquatic center fund had a fund balance decrease of \$47,786 as a result of an increase in repairs and maintenance, capital replacement costs and utility costs during the fiscal year.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer service fund at the end of the year amounted to \$6,170,310 and those for the golf course operations amounted to \$824,818. The total growth in net assets for both funds was \$507,200 and \$4,338,674, respectively. 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 increase 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, the first amendment increased the grant revenue line items for amounts carried over from the 2010 budget for projects that were not completed and for grants that were awarded after the first of the year. Several line items were adjusted to reflect the refunding of the 2002A GO bonds. Capital line items were adjusted to include additional carryover amounts from the 2010 budget for projects that were started but not completed by June 30, 2010. In addition, changes were made to all beginning fund balance amounts to reflect the ending balances from the prior June 30.

The second amendment basically adjusted some of the General Fund revenues to more closely reflect anticipated revised projections. In addition, the amendment deferred a few of the grant projects and their associated expenditures that were not going to be started in FY 2011 back to FY 2012. The revenues and expenses for the World of Golf fund were also adjusted due to the fact that the facility was closed during the its redevelopment.

All of the general fund department's actual results came in under the final budgeted amounts. All departments were under budget in the salaries 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 were exceeded in all of the departments due to the increase in the costs. The overall philosophy implemented in the previous year to only make necessary purchases contributed to lower expenditures across the City.

The current year budget relied on the expectation of a moderate increase in property taxes and relatively flat revenues for occupational licenses and payroll and insurance premium taxes. The actual results showed minimal increases in property taxes and moderate increases in payroll taxes. The insurance premiums tax had a minimal decrease and occupational license fees remained consistent with that of the previous year. Final budgeted revenue categories exceeded final actual revenue amounts by \$5,026,151 as a result of the City not finishing capital projects associated with grant awards; the mall Road construction project for \$13.0 million was the main contributor to this difference. Actual expenditures and transfers came in \$11,542,585 under the budget amounts for the same reason mentioned above for capital projects not being completed by June 30. As a result of the net capital improvements not being completed and the cost reduction measures enacted, the City ended the year with a fund balance that was \$6,516,434 greater than what was budgeted.

## DEBT AND CAPITAL ASSET ADMINISTRATION

### Long-term Debt

At year-end, the City had \$27,005,000 in outstanding bonds compared to \$28,045,000 last year. That is a decrease of \$1,040,000 or 3.74 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 2,645,000	\$ 2,805,000	\$ 2,645,000	\$ 2,805,000
Bonds payable (backed by city)	22,350,000	22,940,000	2,010,000	2,300,000	24,360,000	25,240,000
<b>Totals</b>	<b>\$ 22,350,000</b>	<b>\$ 22,940,000</b>	<b>\$ 4,655,000</b>	<b>\$ 5,105,000</b>	<b>\$ 27,005,000</b>	<b>\$ 28,045,000</b>

Additional information on the City's long-term debt can be found in Note E on pages 43-46 of this report.

### Capital Assets

At June 30, 2011, the capital assets amounted to \$205 million invested in capital assets which include land, water and sewer systems, equipment, vehicles, buildings, park facilities, roads and sidewalks. This represents a net increase of \$11.5 million, or 5.9 percent, over last year due to the investment in street projects, storm water projects, golf clubhouse facility 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	
	2011	2010	2011	2010
Not being depreciated:				
Land	\$ 10,602,492	\$ 10,602,492	\$ 4,785,542	\$ 4,785,542
Construction in progress	8,427,924	1,118,740	-	1,119,393
Other capital assets being depreciated:				
Improvements	15,823,859	15,347,071	585,777	122,918
Water and sewer system Infrastructure	91,316,412	91,800,227	-	-
Buildings	17,057,893	16,917,226	4,200,497	393,338
Computer upgrade	-	-	56,396	56,396
Water meters	-	-	604,325	478,796
Machinery and equipment	3,160,476	2,807,156	1,680,328	1,124,116
Vehicles	6,018,671	6,406,424	1,191,834	1,050,660
Subtotal	<u>152,407,727</u>	<u>144,999,336</u>	<u>53,257,690</u>	<u>48,470,906</u>
Accumulated depreciation	<u>(77,422,664)</u>	<u>(75,222,568)</u>	<u>(22,798,532)</u>	<u>(21,542,149)</u>
TOTALS	\$ <u>74,985,063</u>	\$ <u>69,776,768</u>	\$ <u>30,459,158</u>	\$ <u>26,928,757</u>

This year's major additions included:

**Business-type activities:**

Water and sewer system improvements paid for with system revenues	\$ 813,244
Clubhouse facility for the golf course paid with capital contributions	3,745,000

**Governmental-type activities:**

The purchase of equipment and vehicles with general fund revenues.	2,234,000
Improvements and street projects paid for with state grants funds and general fund revenues including donated assets.	<u>6,805,808</u>
	\$ <u>13,598,052</u>

Additional information on the City's capital assets can be found in Note D on pages 41-42 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The upcoming budget brings with it many unknowns due to the economy. The City of Florence is experiencing slowing economic growth. The City has been successful in dealing with budget realities in a positive manner to remain financially sound. The budget for the 2012 fiscal year calls for core revenues remaining consistent with actual results for fiscal year 2011. 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 third year in a row. The City expects virtually little growth in the remainder of the core revenue line items. The City has taken an extremely conservative approach to our expenditures to be able to continually provide the highest level of service for the residents. The City will once again not fill any positions that were not filled during the past year and reinforce the philosophy about only purchasing that which is deemed to be a necessity. The anticipated slow growth in the community is expected to continue until the economic situation turns around over the next couple of years. 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 motor fuel and utility costs are continuing to increase the annual growth of the City's expenditures. The City is constantly looking for ways to operate the departments more efficiently and effectively. In addition, some changes have been made to the employee benefits to assist in curtailing personnel cost increases in the future.

Funds have been identified in the budget for a park improvement project that will include provisions for a senior citizens center. A community development block grant was awarded during FY 2010 to help defray some of the costs. The construction of a new fire substation is also included in the budgeted projects. All of the above mentioned projects are in very early phases of production and are expected to be completed by the end of FY 2012. The Council continues to follow a rolling three year strategic plan and monitor the economic conditions to maintain a conservative approach to the City's finances.

The redevelopment of Mall Road remains an important economic development priority for the City. State funding in the amount of \$13.0 million was secured for this project as part of the State's road plan. This is an important economic development and transportation reconstruction project as over the last two years, more than \$30 million has been spent on private construction and redevelopment along the Mall Road corridor. The project is expected to be completed this fall.

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

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

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



Richard J. Lunnemann  
City Coordinator



Linda J. Chapman  
Finance Director

# CITY OF FLORENCE, KENTUCKY

## Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 37,452,391	\$ 6,200,007	\$ 43,652,398
Investments	6,307,247	-	6,307,247
Receivables:			
Property taxes	174,364	-	174,364
Intergovernmental	1,100,581	-	1,100,581
Accrued interest	75,407	-	75,407
Accounts	4,720,831	1,603,752	6,324,583
Due from other funds	18,698	(18,698)	-
Inventories	122,456	205,897	328,353
Prepays	194,466	36,802	231,268
Deferred charges	465,179	375,358	840,537
Restricted cash and cash equivalents	-	478,975	478,975
Performance bonds	28,352	-	28,352
Capital assets(net of accumulated depreciation)			
Land	10,602,492	4,785,542	15,388,034
Construction in progress	8,427,924	-	8,427,924
Systems	-	20,787,045	20,787,045
Computer upgrade	-	4,094	4,094
Improvements	11,221,141	467,780	11,688,921
Infrastructure	31,742,461	-	31,742,461
Buildings	10,412,831	3,866,377	14,279,208
Machinery and equipment	774,535	-	774,535
Water meters	-	291,485	291,485
Vehicles	1,803,679	256,835	2,060,514
Total assets	<u>125,645,035</u>	<u>39,341,251</u>	<u>164,986,286</u>
<b>LIABILITIES</b>			
Accounts payable	1,312,548	401,581	1,714,129
Accrued liabilities	983,796	165,875	1,149,671
Accrued interest payable	115,376	71,278	186,654
Unearned revenue	2,935	-	2,935
Customer deposits	-	296,136	296,136
General obligation bonds payable - current	1,195,000	305,000	1,500,000
Revenue bonds payable - current	-	165,000	165,000
Compensated absences - current	800,000	85,000	885,000
Compensated absences	301,269	17,763	319,032
General obligation bonds payable	21,155,000	1,705,000	22,860,000
Revenue bonds payable	-	2,480,000	2,480,000
Total liabilities	<u>25,865,924</u>	<u>5,692,633</u>	<u>31,558,557</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	53,100,242	26,174,515	79,274,757
Restricted for debt service	-	478,975	478,975
Unrestricted	46,678,869	6,995,128	53,673,997
Total net assets	<u>\$ 99,779,111</u>	<u>\$ 33,648,618</u>	<u>\$ 133,427,729</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, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 3,249,819	\$ 877,500	\$ 47,665	\$ -	\$ (2,324,654)	\$ -	\$ (2,324,654)
Police	8,944,266	30,267	276,902	23,103	(8,613,994)	-	(8,613,994)
Fire	5,386,078	2,754,481	203,226	-	(2,428,371)	-	(2,428,371)
Public services	7,086,658	1,094,372	23,448	6,782,705	813,867	-	813,867
Interest on long-term debt	1,426,457	-	-	-	(1,426,457)	-	(1,426,457)
Total governmental activities	26,093,278	4,756,620	551,241	6,805,808	(13,979,609)	-	(13,979,609)
Business-type activities:							
Water and sewer service	8,083,907	7,616,290	-	-	-	467,617	467,617
Golf course	709,275	919,553	-	-	-	(210,278)	(210,278)
Total business-type activities	8,793,182	8,535,843	-	-	-	257,339	(210,278)
Total primary government	\$ 34,886,460	\$ 13,292,463	\$ 551,241	\$ 6,805,808	(13,979,609)	257,339	(13,722,270)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,193,892	-	7,193,892
Public service taxes					554,987	-	554,987
Taxes, levied for bank deposits					206,908	-	206,908
Payroll license tax					14,077,419	-	14,077,419
Gross receipts license					1,963,691	-	1,963,691
Insurance premium tax					3,578,837	-	3,578,837
Other					101,577	-	101,577
Uses of property					88,942	-	88,942
Interest					292,243	53,355	345,598
Miscellaneous					143,943	-	143,943
Transfers					(4,545,335)	4,535,180	(10,155)
Total general revenues and special items					23,657,104	4,568,535	28,245,639
Change in net assets					9,677,495	4,845,874	14,523,369
Net assets-beginning					90,101,616	28,802,744	118,904,360
Net assets-ending				\$	99,779,111	33,648,618	133,427,729

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,607,520	\$ 1,940,035	\$ 26,547,555
Investments	6,307,247	-	6,307,247
Inventories	59,750	62,706	122,456
Receivables:			
Property taxes	174,364	-	174,364
Intergovernmental	1,054,681	45,900	1,100,581
Accrued interest	75,407	-	75,407
Accounts	4,716,470	4,361	4,720,831
Prepays	194,466	-	194,466
Due from other funds	18,108	590	18,698
Restricted assets:			
Performance bonds	28,352	-	28,352
<b>Total assets</b>	<b>\$ 37,236,365</b>	<b>\$ 2,053,592</b>	<b>\$ 39,289,957</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,194,792	\$ 116,718	\$ 1,311,510
Accrued liabilities	898,486	-	898,486
Deferred revenue	205,940	-	205,940
<b>Total liabilities</b>	<b>2,299,218</b>	<b>116,718</b>	<b>2,415,936</b>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Inventories	59,750	62,706	122,456
Prepays	194,466	-	194,466
<b>Restricted:</b>			
Street resurfacing	-	412,925	412,925
<b>Committed to:</b>			
Economic stabilization	4,500,000	-	4,500,000
Equipment replacement	2,000,000	-	2,000,000
<b>Assigned to:</b>			
Capital projects	6,440,000	-	6,440,000
Law enforcement	-	234,118	234,118
Aquatic center	-	1,227,125	1,227,125
Unassigned:	21,742,931	-	21,742,931
<b>Total fund balances</b>	<b>34,937,147</b>	<b>1,936,874</b>	<b>36,874,021</b>
<b>Total liabilities and fund balances</b>	<b>\$ 37,236,365</b>	<b>\$ 2,053,592</b>	<b>\$ 39,289,957</b>
<b>Total governmental fund balances</b>			<b>\$ 36,874,021</b>
Amounts reported for governmental activities in the statement of net assets 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 \$77,422,664			74,985,063
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			203,004
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.			10,618,489
Accrued interest payable on long-term debt			(115,376)
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.			465,179
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			(1,101,269)
Bonds and leases payable			(22,350,000)
<b>Net assets of governmental activities</b>			<b>\$ 99,779,111</b>

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

**CITY OF FLORENCE, KENTUCKY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 7,984,697	\$ -	\$ 7,984,697
Licenses and permits	19,721,524	-	19,721,524
Intergovernmental	6,836,609	520,440	7,357,049
Fines and forfeitures	253,461	-	253,461
Charges for services	4,137,141	366,018	4,503,159
Uses of property	-	88,942	88,942
Interest	275,512	16,731	292,243
Miscellaneous	143,105	838	143,943
Total revenues	<u>39,352,049</u>	<u>992,969</u>	<u>40,345,018</u>
<b>EXPENDITURES</b>			
Current:			
Administration	2,052,309	-	2,052,309
Police	6,990,521	175,810	7,166,331
Fire	5,724,424	-	5,724,424
Public services	14,620,861	1,127,849	15,748,710
Debt service:			
Principal	1,230,000	-	1,230,000
Interest	1,398,229	-	1,398,229
Refunding bond issuance costs	74,438	-	74,438
Total expenditures	<u>32,090,782</u>	<u>1,303,659</u>	<u>33,394,441</u>
Excess(deficiency) of revenues over(under) expenditures	<u>7,261,267</u>	<u>(310,690)</u>	<u>6,950,577</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers in	-	325,000	325,000
Bond proceeds	6,720,000	-	6,720,000
Transfers out	(4,870,335)	-	(4,870,335)
Payment to refunded bond escrow agent	(6,080,000)	-	(6,080,000)
Total other financing sources and uses	<u>(4,230,335)</u>	<u>325,000</u>	<u>(3,905,335)</u>
Net change in fund balances	3,030,932	14,310	3,045,242
Fund balances - beginning	31,906,215	1,922,564	33,828,779
Fund balances - ending	<u>\$ 34,937,147</u>	<u>\$ 1,936,874</u>	<u>\$ 36,874,021</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, 2011

Net change in fund balances-total governmental funds	\$ 3,045,242
Amounts reported for <i>governmental activities</i> 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	9,634,748
Depreciation expense	(4,235,621)
Change due to fixed asset retirements	(6,707)
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.	(28,910)
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.	(24,114)
The issuance of long-term debt provides current financial resources to governmental funds. This amount is the difference in the treatment of long-term debt.	(6,720,000)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	74,438 7,310,000
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.	(4,114)
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.	680,249
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.	(47,716)
	<u>\$ 9,677,495</u>

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

**CITY OF FLORENCE, KENTUCKY**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

June 30, 2011

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Total Current Year	Activities Health and Dental
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,332,398	\$ 867,609	\$ 6,200,007	\$ 10,904,836
Accounts receivable	1,603,752	-	1,603,752	-
Inventories	155,404	50,493	205,897	-
Prepays	30,688	6,114	36,802	-
Total current assets	<u>7,122,242</u>	<u>924,216</u>	<u>8,046,458</u>	<u>10,904,836</u>
Noncurrent assets:				
Deferred charges	97,448	277,910	375,358	-
Restricted cash and cash equivalents	478,975	-	478,975	-
Capital assets (net of accumulated depreciation)				
Land	-	4,785,542	4,785,542	-
Improvements	-	467,780	467,780	-
Systems and equipment	20,214,276	572,769	20,787,045	-
Computer upgrade	4,094	-	4,094	-
Water meters	291,485	-	291,485	-
Building	21,482	3,844,895	3,866,377	-
Vehicles	256,835	-	256,835	-
Total noncurrent assets	<u>21,364,595</u>	<u>9,948,896</u>	<u>31,313,491</u>	<u>-</u>
Total assets	<u>28,486,837</u>	<u>10,873,112</u>	<u>39,359,949</u>	<u>10,904,836</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	364,831	36,750	401,581	1,037
Accrued liabilities	125,211	40,664	165,875	85,310
Compensated absences	85,000	-	85,000	-
Accrued interest payable	49,294	21,984	71,278	-
Due to other funds	18,698	-	18,698	-
Customer deposits	296,136	-	296,136	-
Bonds payable-current	165,000	305,000	470,000	-
Total current liabilities	<u>1,104,170</u>	<u>404,398</u>	<u>1,508,568</u>	<u>86,347</u>
Noncurrent liabilities:				
Compensated absences	17,763	-	17,763	-
General obligation bonds payable	-	1,705,000	1,705,000	-
Revenue bonds payable	2,480,000	-	2,480,000	-
Total noncurrent liabilities	<u>2,497,763</u>	<u>1,705,000</u>	<u>4,202,763</u>	<u>-</u>
Total liabilities	<u>3,601,933</u>	<u>2,109,398</u>	<u>5,711,331</u>	<u>86,347</u>
<b>NET ASSETS</b>				
Invested in capital, net of related debt	18,235,619	7,938,896	26,174,515	-
Restricted for:				
Debt service	478,975	-	478,975	-
Unrestricted	6,170,310	824,818	6,995,128	10,818,489
Total net assets	<u>\$ 24,884,904</u>	<u>\$ 8,763,714</u>	<u>\$ 33,648,618</u>	<u>\$ 10,818,489</u>

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

**CITY OF FLORENCE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Activities
	Sewer Service	Course	Current Year	Health and Dental
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water fees	\$ 5,379,423	\$ -	\$ 5,379,423	\$ -
Sewer charges	2,334,449	-	2,334,449	-
Penalties	117,092	-	117,092	-
Tap in fees	82,827	-	82,827	-
Meter installations	44,123	-	44,123	-
Other service charges	42,850	-	42,850	-
Golf course revenues	-	709,275	709,275	-
Other services	-	-	-	2,604,092
Miscellaneous	83,143	-	83,143	39,675
Total operating revenues	<u>8,083,907</u>	<u>709,275</u>	<u>8,793,182</u>	<u>2,643,767</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	6,241,875	616,921	6,858,796	1,963,517
Depreciation	1,260,705	146,362	1,407,067	-
Total operating expenses	<u>7,502,580</u>	<u>763,283</u>	<u>8,265,863</u>	<u>1,963,517</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>581,327</u>	<u>(54,008)</u>	<u>527,319</u>	<u>680,250</u>
<b>NON-OPERATING REVENUES</b>				
Interest income	49,738	3,617	53,355	81,765
Loss on disposal of assets	-	(9,774)	(9,774)	-
Interest expense	(113,710)	(146,496)	(260,206)	-
Total non-operating income	<u>(63,972)</u>	<u>(152,853)</u>	<u>(216,625)</u>	<u>81,765</u>
Capital contributions	-	3,745,335	3,745,335	-
Transfers	(10,155)	800,000	789,845	-
<b>NET INCOME</b>	<u>507,200</u>	<u>4,338,674</u>	<u>4,845,874</u>	<u>762,015</u>
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>24,377,704</u>	<u>4,425,040</u>	<u>28,802,744</u>	<u>10,056,474</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 24,884,904</u>	<u>\$ 8,763,714</u>	<u>\$ 33,648,618</u>	<u>\$ 10,818,489</u>

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

**CITY OF FLORENCE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Activities
	Sewer	Course	Current Year	Health
	Service			and
				Dental
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 7,929,519	\$ 709,275	\$ 8,638,794	\$ 2,643,767
Cash paid to suppliers	(5,875,498)	(305,940)	(6,181,438)	(1,962,710)
Cash paid to employees	(1,230,472)	(229,602)	(1,460,074)	-
Net cash from(used by) operating activities	<u>823,549</u>	<u>173,733</u>	<u>997,282</u>	<u>681,057</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer from other funds	(10,155)	800,000	789,845	-
Net cash from(used by) noncapital financing activities	<u>(10,155)</u>	<u>800,000</u>	<u>789,845</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(1,168,231)	(3,767,608)	(4,935,839)	-
Capital contributions	-	3,745,335	3,745,335	-
Interest paid on capital debt	(116,769)	(149,668)	(266,437)	-
Principal paid on debt	(160,000)	(290,000)	(450,000)	-
Net cash from(used by) financing activities	<u>(1,445,000)</u>	<u>(461,941)</u>	<u>(1,906,941)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Redemption of investments	8,788	-	8,788	-
Interest income	49,738	3,617	53,355	81,765
Net cash provided by investing activities	<u>58,526</u>	<u>3,617</u>	<u>62,143</u>	<u>81,765</u>
Net increase(decrease) in cash	(573,080)	515,409	(57,671)	762,822
Cash at beginning of year	6,384,453	352,200	6,736,653	10,142,014
Cash at end of year	<u>\$ 5,811,373</u>	<u>\$ 867,609</u>	<u>\$ 6,678,982</u>	<u>\$ 10,904,836</u>
<b>Reconciliation of operating income to net cash used</b>				
by operating activities:				
Operating income(loss)	\$ 581,327	\$ (54,008)	\$ 527,319	\$ 680,250
Adjustments to reconcile operating income				
to net cash provided(used) by				
operating activities:				
Depreciation expense	1,260,705	146,362	1,407,067	-
Changes in assets and liabilities:				
Decrease(Increase) in accounts receivable	(154,388)	-	(154,388)	-
Decrease(Increase) in prepaid expenses	17,137	3,306	20,443	-
Decrease(Increase) in inventory	(237)	17,589	17,352	-
Increase(decrease) in accounts payable	(33,854)	33,486	(368)	(941)
Increase(decrease) in accrued liabilities	64,963	26,998	91,961	2,744
Increase(decrease) in due to other funds	(931,906)	-	(931,906)	(996)
Increase(decrease) in customer deposits	19,802	-	19,802	-
Net cash used by operating activities	<u>\$ 823,549</u>	<u>\$ 173,733</u>	<u>\$ 997,282</u>	<u>\$ 681,057</u>
<b>Noncash investing, capital and financing activities:</b>				
Increase in fair value of investments	-	-	-	-
Borrowing under capital lease	-	-	-	-
Contributions of capital assets from government	-	\$ 3,745,335	-	-

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

**CITY OF FLORENCE, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2011**

	Pension Trusts	Private- Purpose Trust
<b>ASSETS</b>		
Cash and cash equivalents	\$ 159,647	\$ 1,898
Investments, at fair value		
U.S. Government securities	-	-
Total assets	<u>159,647</u>	<u>1,898</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Total liabilities	-	-
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>159,647</u>	<u>1,898</u>
Total net assets	<u>\$ 159,647</u>	<u>\$ 1,898</u>

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

**CITY OF FLORENCE, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	Pension Trusts	Private- Purpose Trust
<b>ADDITIONS</b>		
Contributions		
Employer contributions	\$ 17,869	\$ -
Total contributions	<u>17,869</u>	<u>-</u>
Investment earnings:		
Interest and dividends	<u>4,790</u>	<u>15</u>
Total investment earnings	<u>4,790</u>	<u>15</u>
Total additions	<u>22,659</u>	<u>15</u>
<b>DEDUCTIONS</b>		
Benefits		
Benefits	<u>29,649</u>	<u>-</u>
Total deductions	<u>29,649</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(6,990)	15
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>166,637</u>	<u>1,883</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 159,647</u>	<u>\$ 1,898</u>

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 assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to

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 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.

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

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

not meeting this definition are reported as non-operating revenues and expenses. The City applies all GASB pronouncements and FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The government reports the following proprietary funds:

The water and sewer fund accounts for the activities of the government's water and sewer sales and services to residential and commercial users.

The World of Golf fund is responsible for operations the golf course.

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

Additionally, the City reports two fiduciary funds. The pension trust fund accounts for the activities of the Volunteer Firemen Program. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees. The Cemetery trust fund accounts for the escrowing of certain monies for certain costs.

*Assets, liabilities and net assets or equity*

*Cash and Cash Equivalents*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposits.
3. Banker's acceptance.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

*Investments*

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2011 are recorded at fair value based on quoted market prices.

*Property Tax Receivable*

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

A lien may be placed on the property on January 1. Total real property tax assessments were \$2,419,661,545 and tangible tax assessments were \$279,984,247.

*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, 2011 are recorded as prepaid items.

*Capital Assets*

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

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

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

*Compensated Absences*

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

*Long-Term Obligations*

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

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

*Fund Equity*

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

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 must approve the establishment (and modification or rescinding) of a fund balance commitment.



*Use of Estimates*

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

*Date of Management's Review*

Subsequent events were evaluated through September 8, 2011, which is the date the financial statements were available for review.

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

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

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

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

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

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE C-DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the City had the following investments:

	Fair Value	Weighted Average Maturity(Years)
Certificates of deposit	\$ 6,307,247	0.60
Government obligations	478,975	0.40
Total fair value	\$ 6,786,222	
Portfolio weighted average maturity		0.5

*Interest rate risk.* In accordance with the City's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

*Credit risk.* The City's investment policy 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. As of June 30, 2011, the City's investment in government was rated Aaa by Moody's and AAAM by Standard & Poor's.

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

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2011, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2011 in the amount of \$478,975 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE D-CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Transfers	Retirements/ Deletions	Balance June 30, 2011
Governmental activities:					
Not being depreciated:					
Land	\$ 10,602,492	\$ -	\$ -	\$ -	\$ 10,602,492
Construction in progress	1,118,740	11,238,644	(3,745,335)	184,125	8,427,924
Subtotal	<u>11,721,232</u>	<u>11,238,644</u>	<u>(3,745,335)</u>	<u>184,125</u>	<u>19,030,416</u>
Other capital assets:					
Improvements	15,347,071	462,063	14,725	-	15,823,859
Infrastructure	91,800,227	1,115,929	-	1,599,744	91,316,412
Buildings	16,917,226	140,667	-	-	17,057,893
Machinery and equipment	2,807,156	193,327	188,082	28,089	3,160,476
Vehicles	6,406,424	229,453	(192,652)	424,554	6,018,671
Subtotal	<u>133,278,104</u>	<u>2,141,439</u>	<u>10,155</u>	<u>2,052,387</u>	<u>133,377,311</u>
Accumulated depreciation:					
Improvements	3,829,193	758,800	14,725	-	4,602,718
Infrastructure	59,309,490	1,864,205	-	1,599,744	59,573,951
Buildings	6,081,223	563,839	-	-	6,645,062
Machinery and equipment	1,971,786	254,162	188,082	28,089	2,385,941
Vehicles	4,030,876	794,615	(192,652)	417,847	4,214,992
Subtotal	<u>75,222,568</u>	<u>4,235,621</u>	<u>10,155</u>	<u>2,045,680</u>	<u>77,422,664</u>
Net other assets	<u>58,055,536</u>	<u>(2,094,182)</u>	<u>-</u>	<u>6,707</u>	<u>55,954,647</u>
 Net capital assets	 <u>\$ 69,776,768</u>	 <u>\$ 9,144,462</u>	 <u>\$ (3,745,335)</u>	 <u>\$ 190,832</u>	 <u>\$ 74,985,063</u>

\*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 1,426,760
Police	2,052,275
Fire	253,371
Public services	503,215
Total governmental activities depreciation expense	<u>\$ 4,235,621</u>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

	June 30, 2010	Additions	Adjustment/ Transfers	Deletions	June 30, 2011
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	1,119,393	-	-	1,119,393	-
Subtotal	<u>5,904,935</u>	<u>-</u>	<u>-</u>	<u>1,119,393</u>	<u>4,785,542</u>
Other capital assets:					
Water and sewer system	39,339,747	813,244	-	-	40,152,991
Improvements	122,918	-	492,843	29,984	585,777
Buildings	393,338	1,122,726	2,684,433	-	4,200,497
Vehicles	1,050,660	182,300	(10,155)	30,971	1,191,834
Computer upgrade	56,396	-	-	-	56,396
Water meters	478,796	125,529	-	-	604,325
Machinery and equipment	1,124,116	77,501	568,059	89,348	1,680,328
Subtotal	<u>42,565,971</u>	<u>2,321,300</u>	<u>3,735,180</u>	<u>150,303</u>	<u>48,472,148</u>
Accumulated depreciation:					
Water and sewer system	19,094,789	986,689	-	-	20,081,478
Improvements	112,894	35,087	-	29,984	117,997
Buildings	272,878	61,242	-	-	334,120
Vehicles	882,658	93,468	(10,155)	30,971	935,000
Computer upgrade	41,290	11,012	-	-	52,302
Water meters	212,773	100,067	-	-	312,840
Machinery and equipment	924,867	119,502	-	79,574	964,795
Subtotal	<u>21,542,149</u>	<u>1,407,067</u>	<u>(10,155)</u>	<u>140,529</u>	<u>22,798,532</u>
Net other assets	<u>21,023,822</u>	<u>914,233</u>	<u>3,745,335</u>	<u>9,774</u>	<u>25,673,616</u>
Net assets	\$ <u>26,928,757</u>	\$ <u>914,233</u>	\$ <u>3,745,335</u>	\$ <u>1,129,167</u>	\$ <u>30,459,158</u>

\*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,260,705
Golf Course	<u>146,362</u>
Total proprietary activities depreciation expense	\$ <u>1,407,067</u>

**NOTE E-LONG-TERM DEBT**

*Leases Payable*

Operating Lease

The City leases copier and printing equipment under a noncancelable operating lease. This City did not incur any costs associated with this lease for the year ended June 30, 2011. The future minimum lease payments for this lease are as follows:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

Year Ended June 30	Amount
2012	\$ 28,506
2013	28,506
2014	28,506
2015	28,506
2016	<u>21,380</u>
Totals	<u>\$ 135,404</u>

**Bonds Payable**

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2011, are as follows:

Purpose	Interest Rate	Amount
<b>General Long Term Debt</b>		
Public project refunding bonds(Series 2002B)	3.1-4.1%	\$ 305,000
Aquatic center and skate park projects (Series 2002A)	2.80-5.00%	165,000
Aquatic center and skate park projects(Series 2010)	2.00-3.875%	6,575,000
Land-Series 2003A	1.60-4.85%	3,095,000
Land-Series 2003B	3.50-5.875%	2,665,000
General obligation refunding bonds(Series 2005A)	3.50-4.125%	7,540,000
Public project refunding bonds(Series 2008B)	3.20-4.00%	2,005,000
		<u>\$ 22,350,000</u>
<b>Proprietary Fund Debt</b>		
Water	2.50-4.20%	\$ 2,645,000
Golf Course	4.375%	2,010,000
		<u>\$ 4,655,000</u>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

The following is a schedule of future debt service requirements to maturity at June 30, 2011 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2011, are as follows:

Fiscal Year June 30,	2010 GO Bonds		2002B GO Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 65,000	\$ 196,919	\$ 305,000	\$ 12,505
2013	235,000	193,919	-	-
2014	245,000	189,119	-	-
2015	250,000	184,169	-	-
2016	250,000	179,169	-	-
2017-2021	1,335,000	811,744	-	-
2022-2026	1,555,000	607,281	-	-
2027-2031	1,815,000	330,631	-	-
2032-2033	825,000	32,259	-	-
<b>Total Debt Service</b>	<b>\$ 6,575,000</b>	<b>\$ 2,725,210</b>	<b>\$ 305,000</b>	<b>\$ 12,505</b>

Fiscal Year June 30,	2003A GO Bonds		2003B GO Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 80,000	\$ 139,700	\$ 135,000	\$ 149,746
2013	85,000	136,771	145,000	142,949
2014	85,000	133,605	150,000	134,974
2015	90,000	130,192	65,000	128,739
2016	95,000	126,585	70,000	124,824
2017-2021	530,000	568,802	380,000	561,190
2022-2026	670,000	433,151	510,000	433,547
2027-2031	845,000	254,491	685,000	259,821
2032-2034	615,000	45,712	525,000	47,440
<b>Total Debt Service</b>	<b>\$ 3,095,000</b>	<b>\$ 1,969,009</b>	<b>\$ 2,665,000</b>	<b>\$ 1,983,230</b>

Fiscal Year June 30,	2005A GO Bonds		2008B GO Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 355,000	\$ 295,802	\$ 90,000	\$ 71,855
2013	365,000	282,932	95,000	68,975
2014	375,000	269,701	95,000	65,935
2015	395,000	256,107	95,000	62,895
2016	405,000	241,789	100,000	59,855
2017-2021	2,270,000	968,151	555,000	248,030
2022-2026	2,755,000	477,450	665,000	142,075
2027-2031	620,000	25,575	310,000	18,800
<b>Total Debt Service</b>	<b>\$ 7,540,000</b>	<b>\$ 2,817,507</b>	<b>\$ 2,005,000</b>	<b>\$ 738,420</b>

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

The City's proprietary fund debt service requirements to maturity at June 30, 2011 are as follows:

Fiscal Year June 30,	2003 Water System		2008A Golf Course	
	Principal	Interest	Principal	Interest
2012	\$ 165,000	\$ 96,103	\$ 305,000	\$ 87,938
2013	170,000	90,960	310,000	74,594
2014	175,000	85,439	325,000	61,031
2015	180,000	78,535	340,000	46,812
2016	185,000	73,191	350,000	31,938
2017-2021	1,035,000	256,944	380,000	16,624
2022-2025	735,000	46,781	-	-
<b>Total Debt Service</b>	<b>\$ 2,645,000</b>	<b>\$ 727,953</b>	<b>\$ 2,010,000</b>	<b>\$ 318,937</b>

*Changes in Governmental-Type Long-Term Liabilities*

During the year ended June 30, 2011, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2010	Additions	Retirements	June 30, 2011	Amounts Due Within One Year
Compensated absences	\$ 1,053,552	\$ 793,625	\$ (745,908)	\$ 1,101,269	\$ 800,000
Bonds payable:					
Series 2002A	6,400,000	-	(6,235,000)	165,000	165,000
Series 2002B	600,000	-	(295,000)	305,000	305,000
Series 2003A	3,175,000	-	(80,000)	3,095,000	80,000
Series 2003B	2,795,000	-	(130,000)	2,665,000	135,000
Series 2005A	7,880,000	-	(340,000)	7,540,000	355,000
Series 2008B	2,090,000	-	(85,000)	2,005,000	90,000
Series 2010	-	6,720,000	(145,000)	6,575,000	65,000
<b>Totals</b>	<b>\$ 23,993,552</b>	<b>\$ 7,513,625</b>	<b>\$ (8,055,908)</b>	<b>\$ 23,451,269</b>	<b>\$ 1,995,000</b>

Compensated absences are liquidated by the general fund.

The government-wide statement of net assets includes \$1,995,000 of long-term liabilities due within one year for governmental activities and \$555,000 for business-type activities.

*Changes in Business-Type Long-Term Liabilities*

Long-term liability activity for business-type activities for the year ended June 30, 2011 was as follows:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

	Balance June 30, 2010	Additions	Retired	Balance June 30, 2011	Amounts Due Within One Year
Bonds payable-water	\$ 2,805,000	\$ -	\$ (160,000)	\$ 2,645,000	\$ 165,000
Compensated absences	88,422	101,366	(87,025)	102,763	85,000
Bonds payable-golf course	2,300,000	-	(290,000)	2,010,000	305,000
	<u>\$ 5,193,422</u>	<u>\$ 101,366</u>	<u>\$ (537,025)</u>	<u>\$ 4,757,763</u>	<u>\$ 555,000</u>

**NOTE F-CLAIMS AND JUDGMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**NOTE G-EMPLOYEE RETIREMENT SYSTEM**

*Summary of Significant Accounting Policies*

**Basis of Accounting.** The plan's financial statements are prepared using the accrual basis of accounting.

**Method Used to Value Investments.** Investments are reported at fair value.

*Plan Description*

The City maintains a single employer, defined benefit pension plan, the Volunteer Firemen Retirement Fund.

The plan issues separate financial statements, which may be obtained by request from the City of Florence, Kentucky.

The Volunteer Firemen Retirement Fund provides retirement and death benefits. A participant may receive retirement benefits at age 60. Benefits vest after 10 years of service. The retirement benefit equals \$10 times the number of years of service completed before January 1, 1989 and \$20 times the number of years of service completed after January 1, 1989.

The payroll for employees covered by the Volunteer Firemen Retirement Fund was \$0.

The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes for the Volunteer Firemen Retirement Fund.

Annual pension costs for the Volunteer Firemen Retirement Fund at June 30, 2011 was \$17,869, which consisted of past service cost contribution of \$17,869.

The City's annual pension cost and net pension obligation to the Volunteer Firemen Retirement Fund:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

	Volunteer Firemen Retirement Fund
Annual required contribution	\$ 17,869
Interest on net pension obligation	-
Adjustment for difference settled by next actuarial valuation date	-
Annual pension cost	17,869
Contributions made	17,869
Increase in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	\$ -

No future employees are eligible to participate in the plan. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits for the Volunteer Firemen's Retirement Fund are provided for by actuarially determined calculations for annuities. Members are vested and retirement is available upon completion of 20 years of service.

There are no investments that represent 5% or more of the net assets of the Volunteer Firemen's Retirement Fund at June 30, 2011.

*Employer Contributions*

Year Ended June 30,	Volunteer Firemen's Annual Required Contribution	Past Service Contributions Made	Percentage Contributed	Net Pension Obligation
2009	\$ 18,166	\$ 18,166	100%	\$ -
2010	\$ 18,166	\$ 18,166	100%	\$ -
2011	\$ 17,869	\$ 17,869	100%	\$ -

*Funding Progress*

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
<u>Volunteer Firemen's</u>						
2008	\$ 217,639	\$ 309,353	\$ 91,714	70.35%	\$ N/A	N/A
2006	\$ 170,896	\$ 283,215	\$ 112,319	60.34%	\$ N/A	N/A
2004	\$ 147,518	\$ 282,884	\$ 135,366	52.15%	\$ N/A	N/A

The information presented in this note was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

	Volunteer Firemen's
	----- July 1, 2008
Valuation date	July 1, 2008
Actuarial cost method	Individual aggregate
Amortization method	Level percent closed
Remaining amortization period	20 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increases*	N/A
*Includes inflation at	0%

This plan is in the process of being closed out and as a result no actuarial study was done this year.

*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 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.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. 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. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2011, all plan members were required to contribute 5% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. 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, 2011, participating employers contributed 16.93% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2011 was 16.93% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

Hazardous Contributions - For the year ended June 30, 2011, all plan members were required to contribute 8% of their annual creditable compensation. Any plan members that entered the retirement plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. 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, 2011, participating employers contributed 33.25% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2011 was 33.25% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed by the City for the current and previous two years are as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2011	\$ 2,805,424	100%
2010	\$ 2,764,681	100%
2009	\$ 2,399,673	100%

*Medical Insurance Plan*

The CERS provides post-retirement healthcare benefits to eligible members and dependents, under a cost-sharing multiple employer defined benefit plan. Medical benefits are offered to members who have retired from service or disability. The post-retirement healthcare is financed through member contributions and state appropriations.

**NOTE H-DEFERRED COMPENSATION PLAN**

Employees of the City of Florence may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by ICMA and Kentucky Public Employees' Deferred Compensation Plan.

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2011

**NOTE I-CONTINGENT LIABILITIES**

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

**NOTE J-INTERFUND TRANSACTIONS**

A summary of the interfund account balances is as follows:

Due from/to other Funds			Amount
<u>Receivable Funds(s)</u>	<u>Payable Fund(s)</u>		
Asset forfeiture	General	\$	590
General	Water and sewer		18,108
Total		\$	<u>18,698</u>

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

Transfers in/out			Amount
<u>Transfer out</u>	<u>Transfer in</u>		
General	Municipal aid/LGEA		125,000
General	Aquatic center		200,000
General	Golf course		4,545,335
Total		\$	<u>4,870,335</u>

**NOTE K-RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its department heads. All risk for general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in this program and certain other medical insurance programs offered by the City. Under this program, the first \$50,000 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 \$85,310 reported in the fund at June 30, 2011, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior

**CITY OF FLORENCE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2008-2009	\$ 50,238	\$ 2,170,362	\$ 2,118,108	\$ 102,492
2009-2010	\$ 102,492	\$ 1,754,402	\$ 1,774,328	\$ 82,566
2010-2011	\$ 82,566	\$ 1,966,261	\$ 1,963,517	\$ 85,310

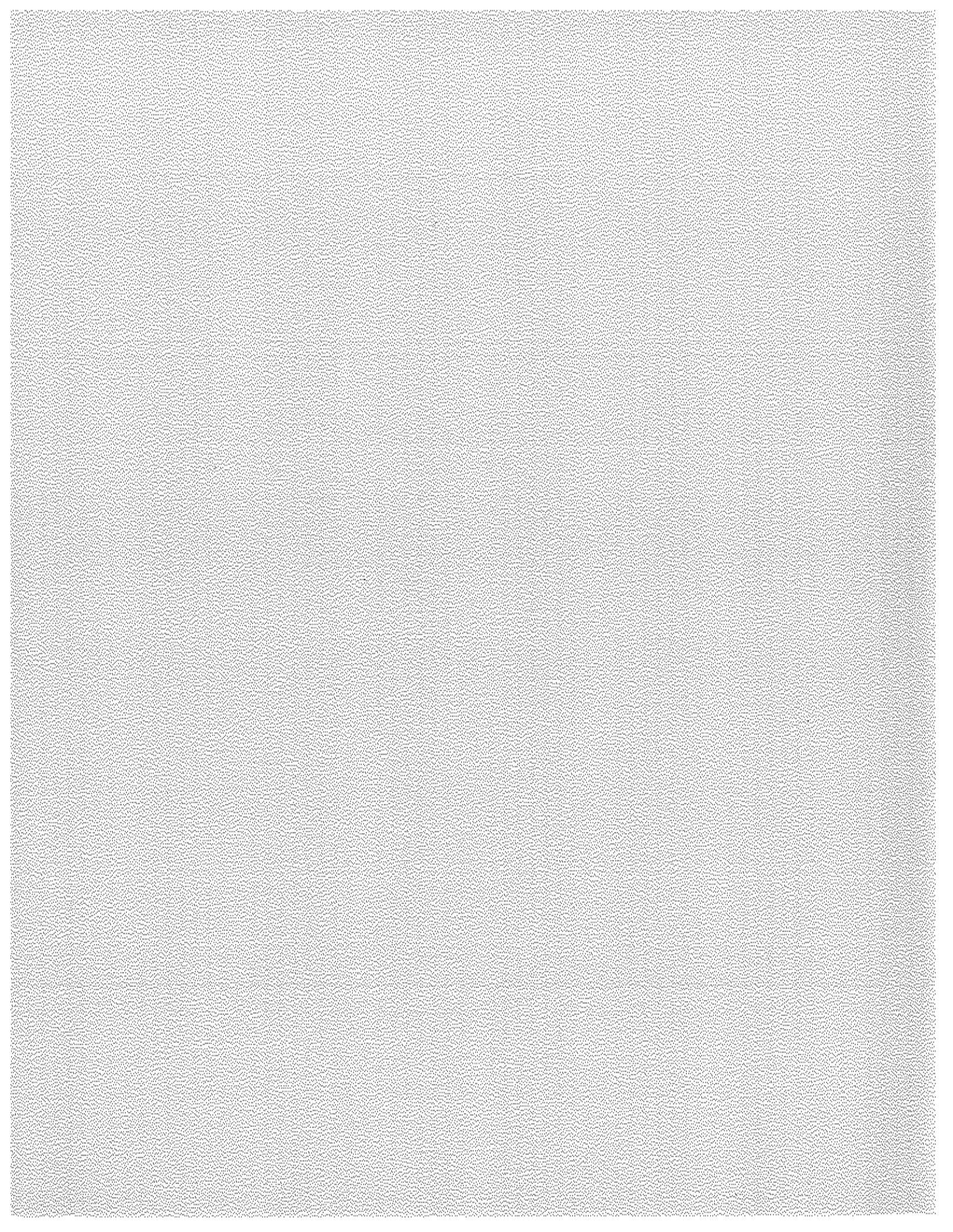
The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2011, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE L – COMMITMENTS**

At June 30, 2011, the City had the following commitments with respect to the following projects:

Projects	Commitments
Mall Road Reconstruction	\$6,500,000
World of Golf	\$450,000
Fire Substation	\$2,500,000
US 42 Turn Lane	\$590,000
Senior Citizen Center	\$2,900,000

**REQUIRED SUPPLEMENTARY  
INFORMATION**



**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 21,969,953	\$ 31,906,215	\$ 31,906,215	\$ -
Resources (inflows):				
Taxes:				
Property	7,100,000	7,100,000	7,222,802	122,802
Franchise	250,000	525,000	554,987	29,987
Bank deposit	200,000	200,000	206,908	6,908
Licenses and permits:				
Payroll license fees	12,800,000	13,800,000	14,077,419	277,419
Gross receipts license fees	1,800,000	1,800,000	1,963,691	163,691
Insurance	3,750,000	3,450,000	3,578,837	128,837
Other	95,000	95,000	101,577	6,577
Intergovernmental	1,691,400	12,978,400	6,836,609	(6,141,791)
Fines and forfeitures	159,500	169,500	253,461	83,961
Charges for services	4,130,300	4,130,300	4,137,141	6,841
Interest	70,000	70,000	275,512	205,512
Miscellaneous	70,000	60,000	143,105	83,105
Other financing sources:				
Boond proceeds	-	6,720,000	6,720,000	-
Amounts available for appropriation	<u>54,066,153</u>	<u>83,004,415</u>	<u>77,978,264</u>	<u>(5,026,151)</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	1,224,000	1,224,000	924,047	299,953
Contractual	766,000	766,000	605,066	160,934
Operating/Maintenance	418,000	418,000	369,622	48,378
Capital outlay	152,600	282,600	153,574	129,026
Total administration	<u>2,560,600</u>	<u>2,690,600</u>	<u>2,052,309</u>	<u>638,291</u>
Police:				
Personnel	6,685,100	6,685,100	6,128,801	556,299
Contractual	191,425	191,425	181,905	9,520
Operating/Maintenance	413,700	413,700	391,159	22,541
Capital outlay	262,300	306,300	288,656	17,644
Total police	<u>7,552,525</u>	<u>7,596,525</u>	<u>6,990,521</u>	<u>606,004</u>
Fire:				
Personnel	5,367,450	5,367,450	4,993,375	374,075
Contractual	339,625	339,625	313,371	26,254
Operating/Maintenance	430,000	430,000	394,703	35,297
Capital outlay	204,000	49,000	22,975	26,025
Total fire	<u>6,341,075</u>	<u>6,186,075</u>	<u>5,724,424</u>	<u>461,651</u>
Public services:				
Personnel	3,037,000	3,037,000	2,882,513	154,487
Contractual	403,500	403,500	391,618	11,882
Operating/Maintenance	975,000	975,000	993,405	(18,405)
Capital outlay	4,052,300	24,247,800	10,353,325	13,894,475
Total public services	<u>8,467,800</u>	<u>28,663,300</u>	<u>14,620,861</u>	<u>14,042,439</u>

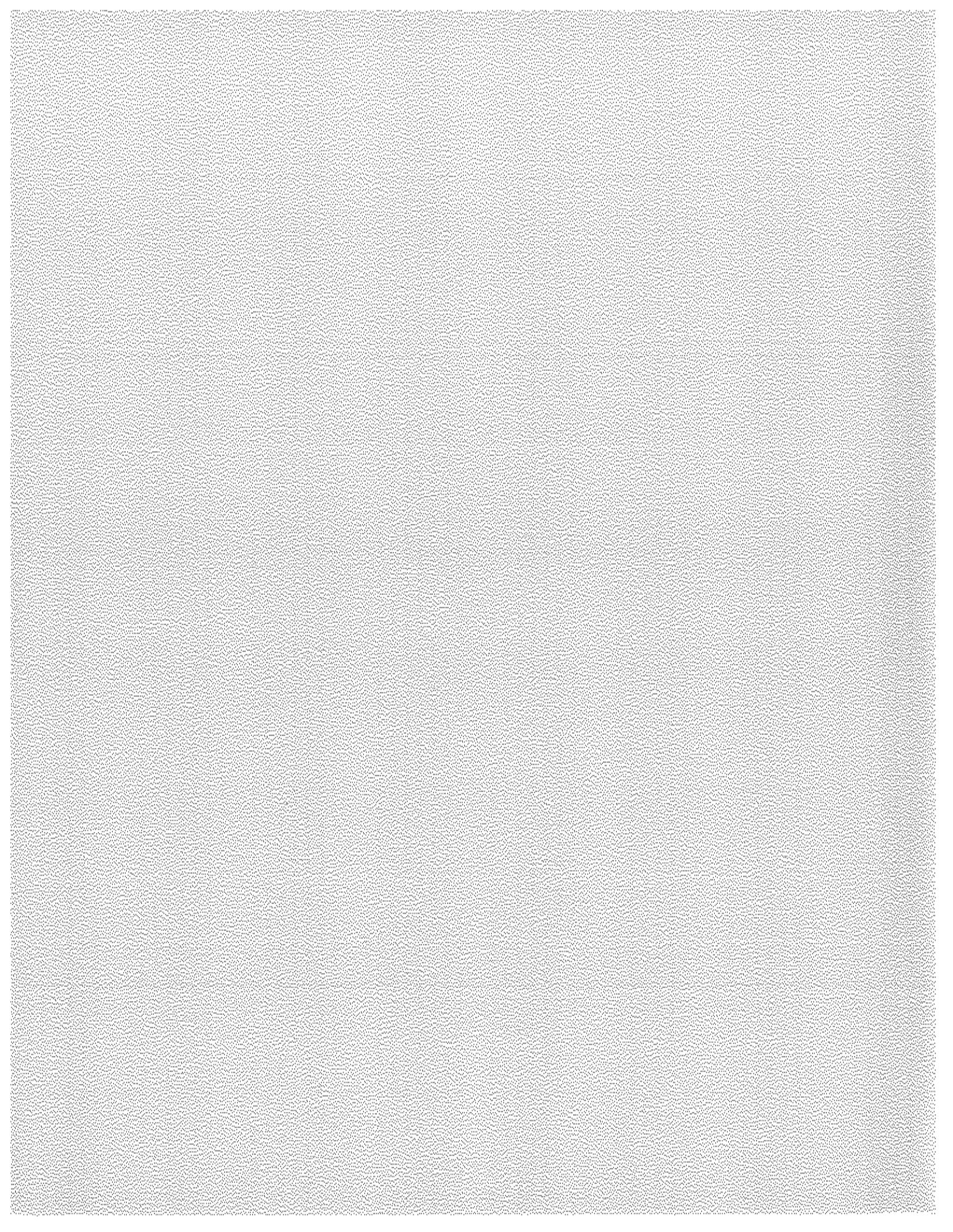
**CITY OF FLORENCE, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL-GENERAL FUND**

For the Year Ended June 30, 2010

(Continued)

Debt service:				
Principal	1,085,000	1,075,000	1,230,000	(155,000)
Interest	1,016,339	1,270,989	1,398,229	(127,240)
Refunding bond issuance costs	-	76,213	74,438	1,775
Total debt service	<u>2,101,339</u>	<u>2,422,202</u>	<u>2,702,667</u>	<u>(280,465)</u>
Other financing uses:				
Special revenue	325,000	325,000	325,000	-
Enterprise fund	300,000	300,000	4,545,335	(4,245,335)
Payment to refunded bond escrow agen	-	6,400,000	6,080,000	320,000
Total transfers out	<u>625,000</u>	<u>7,025,000</u>	<u>10,950,335</u>	<u>(3,925,335)</u>
Total charges to appropriations	<u>27,648,339</u>	<u>54,583,702</u>	<u>43,041,117</u>	<u>11,542,585</u>
Budgetary fund balance, June 30	<u>\$ 26,437,814</u>	<u>\$ 28,420,713</u>	<u>\$ 34,937,147</u>	<u>\$ 6,516,434</u>

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**



**CITY OF FLORENCE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 416,820	\$ 234,836	\$ 1,288,379	\$ 1,940,035
Intergovernmental receivable	45,900	-	-	45,900
Due from other funds	-	590	-	590
Accounts receivable	-	-	4,361	4,361
Inventory	62,706	-	-	62,706
<b>Total assets</b>	<b>\$ 525,426</b>	<b>\$ 235,426</b>	<b>\$ 1,292,740</b>	<b>\$ 2,053,592</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 49,795	\$ 1,308	\$ 65,615	\$ 116,718
<b>Total liabilities</b>	<b>49,795</b>	<b>1,308</b>	<b>65,615</b>	<b>116,718</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventories	62,706	-	-	62,706
<b>Assigned to:</b>				
Special revenue fund	412,925	234,118	1,227,125	1,874,168
<b>Total fund balances</b>	<b>475,631</b>	<b>234,118</b>	<b>1,227,125</b>	<b>1,936,874</b>
<b>Total liabilities and fund balances</b>	<b>\$ 525,426</b>	<b>\$ 235,426</b>	<b>\$ 1,292,740</b>	<b>\$ 2,053,592</b>

**CITY OF FLORENCE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2011**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
<b>REVENUES</b>				
Intergovernmental	\$ 520,440	\$ -	\$ -	\$ 520,440
Charges for services	-	-	366,018	366,018
Uses of property	-	88,942	-	88,942
Interest	3,647	2,619	10,465	16,731
Miscellaneous	-	-	838	838
Total revenues	<u>524,087</u>	<u>91,561</u>	<u>377,321</u>	<u>992,969</u>
<b>EXPENDITURES</b>				
Current:				
Police	-	175,810	-	175,810
Public Services	<u>502,742</u>	<u>-</u>	<u>625,107</u>	<u>1,127,849</u>
Total expenditures	<u>502,742</u>	<u>175,810</u>	<u>625,107</u>	<u>1,303,659</u>
Excess (deficiency) of revenues over(under) expenditures	<u>21,345</u>	<u>(84,249)</u>	<u>(247,786)</u>	<u>(310,690)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	125,000	-	200,000	325,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>125,000</u>	<u>-</u>	<u>200,000</u>	<u>325,000</u>
Net change in fund balances	146,345	(84,249)	(47,786)	14,310
Fund balances - beginning	<u>329,286</u>	<u>318,367</u>	<u>1,274,911</u>	<u>1,922,564</u>
Fund balances - ending	<u>\$ 475,631</u>	<u>\$ 234,118</u>	<u>\$ 1,227,125</u>	<u>\$ 1,936,874</u>

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL-MUNICIPAL AID FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 270,261	\$ 329,286	\$ 329,286	\$ -
Resources (inflows):				
Intergovernmental	432,700	432,700	520,440	87,740
Interest	1,500	1,500	3,647	2,147
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>829,461</u>	<u>888,486</u>	<u>978,373</u>	<u>89,887</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>545,000</u>	<u>570,000</u>	<u>502,742</u>	<u>67,258</u>
Total	<u>545,000</u>	<u>570,000</u>	<u>502,742</u>	<u>67,258</u>
Budgetary fund balances, June 30	\$ <u><u>284,461</u></u>	\$ <u><u>318,486</u></u>	\$ <u><u>475,631</u></u>	\$ <u><u>157,145</u></u>

**CITY OF FLORENCE, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL-ASSET FORFEITURE FUND**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 154,433	\$ 318,367	\$ 318,367	\$ -
Resources (inflows):				
Uses of property	25,000	25,000	88,942	63,942
Interest	2,500	2,500	2,619	119
Amounts available for appropriation	<u>181,933</u>	<u>345,867</u>	<u>409,928</u>	<u>64,061</u>
Charges to appropriations (outflows):				
Current:				
Police	40,150	169,250	175,810	(6,560)
Total	<u>40,150</u>	<u>169,250</u>	<u>175,810</u>	<u>(6,560)</u>
Budgetary fund balances, June 30	\$ <u>141,783</u>	\$ <u>176,617</u>	\$ <u>234,118</u>	\$ <u>57,501</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,183,163	\$ 1,274,911	\$ 1,274,911	\$ -
Resources (inflows):				
Memberships	60,000	60,000	59,313	(687)
Daily Admissions	250,000	250,000	270,455	20,455
Programs	15,000	15,000	19,060	4,060
Concessions	15,000	15,000	15,908	908
Locker Rental	1,000	1,000	1,282	282
Interest	4,000	4,000	10,465	6,465
Miscellaneous	500	500	838	338
Other financing sources:				
Transfer in	200,000	200,000	200,000	-
Amounts available for appropriation	<u>1,728,663</u>	<u>1,820,411</u>	<u>1,852,232</u>	<u>31,821</u>
Charges to appropriations (outflows):				
Public services				
Management contract	390,000	390,000	383,000	7,000
Utilities	94,700	144,700	159,872	(15,172)
Repairs and maintenance	50,000	50,000	50,362	(362)
Supplies	1,500	1,500	1,416	84
Bank service charges	6,000	6,000	5,281	719
Miscellaneous	4,250	4,250	4,179	71
Capital	50,000	50,000	20,997	29,003
Total	<u>596,450</u>	<u>646,450</u>	<u>625,107</u>	<u>21,343</u>
Budgetary fund balances, June 30	\$ <u>1,132,213</u>	\$ <u>1,173,961</u>	\$ <u>1,227,125</u>	\$ <u>53,164</u>

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## STATISTICAL SECTION

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

<b>CONTENTS</b>	<b>PAGE</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	61
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	69
<b>Debt Capacity</b> 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.	73
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	78
<b>Operating Information</b> 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.	80

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. The text then moves on to describe the various methods used to collect and analyze data, highlighting the need for consistency and objectivity in the process. The author also addresses the challenges of data collection and analysis, such as missing data and measurement errors, and provides strategies to overcome these challenges. The final part of the document discusses the implications of the findings for policy and practice, and offers recommendations for future research.

**CITY OF FLORENCE, KENTUCKY**

**Net Assets by Component**

**Last Nine Fiscal Years**

(accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>GOVERNMENTAL ACTIVITIES</b>									
Invested in capital assets, net of related debt	\$ 9,996	\$ 12,118	\$ 69,125	\$ 69,947	\$ 69,825	\$ 69,163	\$ 48,629	\$ 47,198	\$ 53,100
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	6,267	10,434	13,218	15,061	18,543	28,011	35,364	42,903	46,679
Total governmental activities net assets	\$ 16,263	\$ 22,552	\$ 82,343	\$ 85,008	\$ 88,368	\$ 97,174	\$ 83,993	\$ 90,101	\$ 99,779
<b>BUSINESS-TYPE ACTIVITIES</b>									
Invested in capital assets, net of related debt	18,259	17,542	18,613	18,711	19,096	19,508	19,651	22,638	26,175
Restricted	440	261	265	463	266	469	473	265	479
Unrestricted	5,069	6,408	5,548	5,713	5,860	5,387	5,684	5,900	6,995
Total business-type activities net assets	\$ 23,768	\$ 24,211	\$ 24,426	\$ 24,887	\$ 25,222	\$ 25,364	\$ 25,808	\$ 28,803	\$ 33,649
<b>PRIMARY GOVERNMENT</b>									
Invested in capital assets, net of related debt	28,255	29,660	87,738	88,658	88,921	88,671	68,280	69,836	79,275
Restricted	440	261	265	463	266	469	473	265	479
Unrestricted	11,336	16,842	18,766	20,774	24,403	33,398	41,048	48,803	53,674
Total primary government net assets	\$ 40,031	\$ 46,763	\$ 106,769	\$ 109,895	\$ 113,590	\$ 122,538	\$ 109,801	\$ 118,904	\$ 133,428

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

# CITY OF FLORENCE, KENTUCKY

## Changes in Net Assets

### Last Nine Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities:</b>									
Administration	\$ 2,574	\$ 2,904	\$ 4,204	\$ 3,051	\$ 3,315	\$ 3,150	\$ 3,405	\$ 3,423	\$ 3,24
Police	4,594	5,094	5,211	5,470	5,556	6,338	6,994	6,436	8,94
Fire	3,865	3,937	3,932	4,619	4,796	5,449	5,559	6,595	5,38
Public services	3,044	4,150	5,923	6,182	6,907	8,429	8,443	7,572	7,08
Parks and recreation	237	628	645	195	-	-	-	-	-
Economic development	-	-	454	353	517	412	908	-	-
Other agencies	855	790	791	800	830	813	-	-	-
Interest on long-term debt	1,110	1,303	1,916	1,228	1,133	1,211	1,101	1,089	1,42
Total governmental activities	<u>16,279</u>	<u>18,806</u>	<u>23,076</u>	<u>21,898</u>	<u>23,054</u>	<u>25,802</u>	<u>26,410</u>	<u>25,115</u>	<u>26,09</u>
<b>Business-type activities:</b>									
Water and sewer service	6,531	6,676	6,769	6,825	6,828	7,340	7,214	7,346	8,08
Golf course	1,081	1,038	1,021	942	855	905	860	784	70
Total business-type activities	<u>7,612</u>	<u>7,714</u>	<u>7,790</u>	<u>7,767</u>	<u>7,683</u>	<u>8,245</u>	<u>8,074</u>	<u>8,130</u>	<u>8,79</u>
Total primary government expense	<u>\$ 23,891</u>	<u>\$ 26,520</u>	<u>\$ 30,866</u>	<u>\$ 29,665</u>	<u>\$ 30,737</u>	<u>\$ 34,047</u>	<u>\$ 34,484</u>	<u>\$ 33,245</u>	<u>\$ 34,88</u>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
Charges for services:									
Administration	\$ 440	\$ 826	\$ 610	\$ 560	\$ 582	\$ 668	\$ 691	\$ 939	\$ 87
Fire	1,630	1,697	2,028	2,181	2,344	2,504	2,758	2,586	2,75
Public services	-	44	397	820	834	1,068	1,098	1,065	1,09
Parks and recreation	141	480	429	-	-	-	-	-	-
Other activities	29	73	23	19	20	20	18	17	3
Operating grants and contributions	320	481	417	439	473	602	640	808	55
Capital grants and contributions	940	1,475	591	581	1,332	667	1,890	2,501	6,80
Total governmental activities program revenues	<u>3,500</u>	<u>5,076</u>	<u>4,495</u>	<u>4,600</u>	<u>5,585</u>	<u>5,529</u>	<u>7,085</u>	<u>7,916</u>	<u>12,11</u>
<b>Business-type activities:</b>									
Charges for services:									
Water and sewer service	6,082	6,910	6,751	6,920	6,642	7,120	7,106	7,586	7,61
Golf course	1,027	1,076	1,007	996	945	850	753	588	92
Capital grants and contributions	-	-	-	-	50	80	-	-	-
Total business-type activities program revenues	<u>7,109</u>	<u>7,986</u>	<u>7,758</u>	<u>7,916</u>	<u>7,637</u>	<u>8,050</u>	<u>7,859</u>	<u>8,174</u>	<u>8,53</u>
Total primary government program revenues	<u>\$ 10,609</u>	<u>\$ 13,062</u>	<u>\$ 12,253</u>	<u>\$ 12,516</u>	<u>\$ 13,222</u>	<u>\$ 13,579</u>	<u>\$ 14,944</u>	<u>\$ 16,090</u>	<u>\$ 20,64</u>
Net (expense)/revenue									
Governmental activities:	\$ (12,779)	\$ (13,730)	\$ (18,581)	\$ (17,298)	\$ (17,489)	\$ (20,273)	\$ (19,325)	\$ (17,199)	\$ (13,98
Business-type activities:	(503)	272	(32)	149	(46)	(195)	(215)	44	25
Total primary government, net expense	<u>\$ (13,282)</u>	<u>\$ (13,458)</u>	<u>\$ (18,613)</u>	<u>\$ (17,149)</u>	<u>\$ (17,535)</u>	<u>\$ (20,468)</u>	<u>\$ (19,540)</u>	<u>\$ (17,155)</u>	<u>\$ (13,72</u>

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

(continues)

# CITY OF FLORENCE, KENTUCKY

## Changes in Net Assets Last Nine Fiscal Years (accrual basis of accounting) (amounts expressed in thousands)

(continued)

### General Revenues and Other Changes in Net Asset

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Taxes:									
Property taxes, levied for general purposes	\$ 4,495	\$ 4,960	\$ 4,961	\$ 6,003	\$ 6,085	\$ 7,057	\$ 7,258	\$ 7,341	\$ 7,115
Public service taxes	260	483	502	614	515	562	544	579	511
Taxes, levied for bank deposits	109	113	140	141	170	181	184	211	211
Payroll license	6,904	7,242	7,594	7,748	7,931	13,114	13,115	13,373	14,011
Gross receipts license	1,809	1,888	1,880	1,766	1,749	2,183	1,944	2,048	1,961
Insurance premium	2,582	2,811	2,970	2,683	2,897	4,150	4,050	3,659	3,511
Other	258	83	121	104	97	106	103	97	101
Grants and contributions not restricted to program	56	28	-	-	-	-	-	-	-
Uses of property	-	55	112	110	218	176	373	45	111
Interest	121	122	289	564	922	868	531	351	211
Miscellaneous	138	2,333	1,657	330	310	227	4,331	132	111
Transfers	(1,209)	(100)	(119)	(100)	(65)	454	(500)	(4,529)	(4,511)
Total governmental activities	<u>15,523</u>	<u>20,018</u>	<u>20,107</u>	<u>19,963</u>	<u>20,829</u>	<u>29,078</u>	<u>31,933</u>	<u>23,307</u>	<u>23,611</u>
Business-type activities									
Investment earnings	75	70	128	212	316	249	122	48	111
Capital contributions	-	-	-	-	-	-	-	1,773	4,511
Transfers	1,209	100	119	100	65	125	500	1,129	1,111
Total business-type activities	<u>1,284</u>	<u>170</u>	<u>247</u>	<u>312</u>	<u>381</u>	<u>374</u>	<u>622</u>	<u>2,950</u>	<u>4,511</u>
Total primary government	<u>\$ 16,807</u>	<u>\$ 20,188</u>	<u>\$ 20,354</u>	<u>\$ 20,275</u>	<u>\$ 21,210</u>	<u>\$ 29,452</u>	<u>\$ 32,555</u>	<u>\$ 26,257</u>	<u>\$ 28,211</u>
<b>Change in net assets</b>									
Governmental activities	\$ 2,744	\$ 6,288	\$ 1,526	\$ 2,665	\$ 3,360	\$ 8,805	\$ 12,608	\$ 6,108	\$ 9,611
Business-type activities	781	442	215	461	335	179	407	2,994	4,811
Total primary government	<u>\$ 3,525</u>	<u>\$ 6,730</u>	<u>\$ 1,741</u>	<u>\$ 3,126</u>	<u>\$ 3,695</u>	<u>\$ 8,984</u>	<u>\$ 13,015</u>	<u>\$ 9,102</u>	<u>\$ 14,511</u>

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

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

Fiscal Year	Property Tax	Franchise Tax	Bank Deposit Tax	Payroll License Tax	Gross Receipts Tax	Insurance Premium Tax
2002	\$ 4,149,079	\$ 383,025	\$ 93,064	\$ 6,692,728	\$ 1,400,757	\$ 2,447,822
2003	4,495,638	259,951	108,950	6,904,557	1,808,557	2,582,230
2004	4,959,912	482,696	112,616	7,242,431	1,888,439	2,811,348
2005	4,961,142	502,243	139,615	7,594,271	1,879,672	2,969,919
2006	6,002,673	613,920	140,671	7,748,070	1,765,618	2,683,571
2007	6,085,225	514,693	170,188	7,931,480	1,749,035	2,897,067
2008	7,057,274	561,658	180,793	13,114,397	2,182,703	4,150,090
2009	7,258,039	543,546	184,469	13,114,839	1,944,202	4,050,644
2010	7,357,458	578,970	211,568	13,373,239	2,047,911	3,658,788
2011	7,222,802	554,987	206,908	14,077,419	1,963,691	3,578,837

**CITY OF FLORENCE, KENTUCKY**

**Fund balances of Governmental Funds**

**Last Nine Fiscal Years**

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

Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>GENERAL FUND</b>									
Reserved	\$ 244	\$ 484	\$ 418	\$ 521	\$ 496	\$ 551	\$ 434	\$ -	\$ -
Unreserved	5,155	5,359	6,709	7,728	8,127	15,802	19,235	-	-
Nonspendable	-	-	-	-	-	-	-	395	254
Committed to	-	-	-	-	-	-	-	5,500	6,500
Assigned to	-	-	-	-	-	-	-	8,505	6,440
Unassigned	-	-	-	-	-	-	-	17,506	21,743
<b>Total general fund</b>	<b>\$ 5,399</b>	<b>\$ 5,843</b>	<b>\$ 7,127</b>	<b>\$ 8,249</b>	<b>\$ 8,623</b>	<b>\$ 16,353</b>	<b>\$ 19,669</b>	<b>\$ 31,906</b>	<b>\$ 34,937</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>									
Reserved	\$ -	\$ -	\$ 43	\$ 55	\$ 57	\$ 46	\$ 101	\$ -	\$ -
Unreserved, reported in:									
Special revenue funds	864	2,194	1,172	1,351	6,750	7,531	10,486	-	-
Capital projects funds	508	2,492	3,028	3,398	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	63	63
Restricted	-	-	-	-	-	-	-	266	413
Assigned to	-	-	-	-	-	-	-	1,593	1,461
<b>Total all other governmental funds</b>	<b>\$ 1,372</b>	<b>\$ 4,686</b>	<b>\$ 4,243</b>	<b>\$ 4,804</b>	<b>\$ 6,807</b>	<b>\$ 7,577</b>	<b>\$ 10,587</b>	<b>\$ 1,922</b>	<b>\$ 1,937</b>

Note: information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

**CITY OF FLORENCE, KENTUCKY**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>									
Taxes	\$ 4,765	\$ 5,352	\$ 5,553	\$ 6,571	\$ 6,997	\$ 7,817	\$ 7,927	\$ 8,148	\$ 7,985
Licenses and permits	11,563	12,025	12,565	12,301	12,675	19,553	19,212	19,177	19,721
Intergovernmental	1,316	1,792	1,008	1,020	1,805	1,269	2,530	3,308	7,357
Fines and forfeitures	83	166	143	134	157	241	219	278	253
Charges for services	2,015	2,778	3,344	3,425	3,623	4,020	4,336	4,329	4,503
Uses of property	141	247	112	110	218	176	373	45	89
Interest	121	122	271	496	748	708	458	351	292
Miscellaneous	283	2,333	1,657	410	475	136	109	132	144
Total revenues	<u>20,277</u>	<u>24,815</u>	<u>24,653</u>	<u>24,467</u>	<u>26,698</u>	<u>33,920</u>	<u>35,164</u>	<u>35,768</u>	<u>40,344</u>
<b>EXPENDITURES</b>									
Current:									
Administration	2,098	2,275	3,737	2,534	2,578	2,438	2,377	2,532	2,052
Police	4,392	4,893	5,394	5,708	6,073	6,595	7,289	7,326	7,166
Fire	3,712	3,830	4,425	4,893	5,638	5,464	5,615	6,915	5,725
Public services	2,890	3,836	5,016	5,697	6,517	7,533	8,200	8,781	15,749
Parks and recreation	212	603	865	292	-	-	-	-	-
Economic development	-	-	796	354	518	412	2,539	-	-
Other agencies	854	790	791	800	830	812	-	-	-
Capital outlay	10,473	10,303	302	58	-	-	-	-	-
Debt service:									
Principal	576	873	1,112	1,096	1,259	1,401	1,224	1,055	1,230
Interest	1,110	1,340	2,135	1,253	1,202	1,289	1,094	1,057	1,398
Cost of issuance	-	-	-	-	-	-	-	-	74
Total expenditures	<u>26,317</u>	<u>28,743</u>	<u>24,573</u>	<u>22,685</u>	<u>24,615</u>	<u>25,944</u>	<u>28,338</u>	<u>27,666</u>	<u>33,394</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(6,040)</u>	<u>(3,928)</u>	<u>80</u>	<u>1,782</u>	<u>2,083</u>	<u>7,976</u>	<u>6,826</u>	<u>8,102</u>	<u>6,950</u>

(continued)

**CITY OF FLORENCE, KENTUCKY**  
**Changes in Fund Balances of Governmental Funds**

**Last Nine Fiscal Years**

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>OTHER FINANCING SOURCES/(USES)</b>									
Refunding bonds issued	-	7,085	9,070	-	-	2,255	-	-	6,720
Lease proceeds	-	700	-	-	360	-	-	-	-
Payment to refunded bond escrow agent	-	-	(8,190)	-	-	(2,185)	-	-	(6,080)
Transfers in	4,911	5,454	4,356	5,123	10,010	6,859	9,675	9,023	325
Transfers out	(6,120)	(5,554)	(4,475)	(5,223)	(10,075)	(6,405)	(10,175)	(13,552)	(4,870)
Total other financing sources and uses	(1,209)	7,685	761	(100)	295	524	(500)	(4,529)	(3,905)
Net change in fund balances	<u>\$ (7,249)</u>	<u>\$ 3,757</u>	<u>\$ 841</u>	<u>\$ 1,682</u>	<u>\$ 2,378</u>	<u>\$ 8,500</u>	<u>\$ 6,326</u>	<u>\$ 3,573</u>	<u>\$ 3,045</u>
Debt service as a percentage of noncapital expenditures	<u>10.64%</u>	<u>12.00%</u>	<u>15.00%</u>	<u>11.90%</u>	<u>12.95%</u>	<u>12.74%</u>	<u>15.47%</u>	<u>10.37%</u>	<u>11.40%</u>

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003. (continued)

**CITY OF FLORENCE, KENTUCKY**

**Governmental Activities Tax Revenues By Source**

**Last Ten Fiscal Years**

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

(continued)

Fiscal Year	Property Tax		Franchise Tax		Bank Deposit Tax		Total
	Tax	\$	Tax	\$	Tax	\$	
2002	\$	4,149	\$	383	\$	93	\$ 4,625
2003		4,496		260		109	4,865
2004		4,960		483		113	5,556
2005		4,961		502		140	5,603
2006		5,817		614		141	6,572
2007		6,312		515		170	6,997
2008		7,074		562		181	7,817
2009		7,199		543		184	7,926
2010		7,357		579		211	8,147
2011		7,223		555		207	7,985

**CITY OF FLORENCE, KENTUCKY**  
**Assessed Value of Taxable Property**  
 Last Ten Fiscal Years

Fiscal Year	Real Property			Personal Property	Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property					
2002	\$ 537,121,656	\$ 856,880,268	\$ 230,309,751	\$ 30,820,000	\$ 1,593,491,675	2.37	
2003	579,350,766	903,850,968	229,774,245	31,945,600	1,681,030,379	2.35	
2004	675,126,725	999,437,572	208,379,552	35,028,000	1,847,915,849	2.25	
2005	731,789,280	1,070,193,910	250,457,191	35,700,000	2,016,740,381	2.24	
2006	801,001,216	1,131,885,454	215,743,147	36,092,000	2,112,537,817	2.38	
2007	873,986,533	1,208,132,976	246,316,002	42,012,600	2,286,422,911	2.46	
2008	933,390,668	1,384,907,492	320,548,655	48,732,800	2,590,114,015	2.53	
2009	994,782,905	1,429,745,754	333,536,812	54,133,600	2,703,931,871	2.46	
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	

**CITY OF FLORENCE, KENTUCKY**

**Property Tax Rates (1)**

**Direct and Overlapping (2) Governments**

Last Ten Fiscal Years

Fiscal Year	City of Florence	Overlapping Rates				Total Direct and Overlapping Rates
		Boone County	Extension Services	Health	Library	
2002	\$ 2,370	\$ 0.950	\$ 0.190	\$ 0.200	\$ 0.520	\$ 4,230
2003	2,350	0.950	0.170	0.200	0.620	4,290
2004	2,250	0.950	0.170	0.200	0.720	4,290
2005	2,240	0.950	0.170	0.200	0.870	4,430
2006	2,380	0.950	0.180	0.200	0.720	4,430
2007	2,460	0.990	0.190	0.200	0.720	4,560
2008	2,530	0.990	0.190	0.200	0.680	4,590
2009	2,460	1.020	0.160	0.190	0.500	4,330
2010	2,460	1.020	0.160	0.190	0.500	4,330
2011	2,460	1.020	0.160	0.190	0.500	4,330

(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, 2011

Taxpayer	2011			2002		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
General Growth	\$ 102,769,030	1	3.90%	\$		
New Plan Property Holding	44,354,405	2	1.68%			
Turfway Park, LLC	30,450,000	3	1.15%			
Wal-Mart Real Estate	22,721,000	4	0.86%			
Cabot Turfway Ridge 14 LLC	22,000,000	5	0.83%			
Trellises Kentucky	18,078,777	6	0.68%			
Meijer Stores	17,196,060	7	0.65%			
AP/AIM CVG Airport LLC	16,000,000	8	0.61%			
M-1 LLC	15,800,691	9	0.60%			
Cayton Development LLC	15,193,947	10	0.58%			
Western and Southern Life				61,902,900	1	4.00%
B & J Development				23,161,000	2	1.50%
PHL-OPCO, LP				18,640,590	3	1.20%
Corporex Key Partnership				15,932,000	4	1.03%
Meijer Inc				15,769,000	5	1.02%
Equitable Life Assurance Society				15,750,000	6	1.02%
Rockwell International Corp.				10,700,000	7	0.69%
Beam Associates LTD				10,000,000	8	0.65%
Fichtel & Sachs Industries				9,700,000	9	0.63%
Big Florence Plaza				8,915,000	10	0.58%
<b>TOTAL</b>	<b>\$ 304,563,910</b>		<b>11.54%</b>	<b>\$ 190,470,490</b>		<b>12.32%</b>

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

Fiscal Year	Total Tax Levy		Current Tax Collections		Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years		Total Collections to Date	
							Amount	Percentage of Collection	Amount	Percentage of Collection
2002	\$ 3,943,576	\$ 3,873,474	\$ -	97%	\$ 68,811	\$ 3,942,285	100%			
2003	\$ 4,119,564	\$ 4,014,871	\$ -	99%	\$ 102,849	\$ 4,117,720	100%			
2004	\$ 4,657,551	\$ 4,615,257	\$ -	97%	\$ 32,390	\$ 4,647,647	100%			
2005	\$ 5,009,338	\$ 4,991,729	\$ -	97%	\$ 12,164	\$ 5,003,893	100%			
2006	\$ 5,563,550	\$ 5,452,279	\$ -	98%	\$ 106,161	\$ 5,558,440	100%			
2007	\$ 6,354,149	\$ 6,182,681	\$ (102,692)	99%	\$ 157,864	\$ 6,340,545	100%			
2008	\$ 7,246,063	\$ 7,125,485	\$ (117,326)	99%	\$ 105,244	\$ 7,230,729	100%			
2009	\$ 7,463,379	\$ 7,280,815	\$ (117,795)	99%	\$ 165,156	\$ 7,445,971	100%			
2010	\$ 7,401,426	\$ 7,209,530	\$ (125,730)	99%	\$ 148,739	\$ 7,358,269	99%			
2011	\$ 7,244,508	\$ 7,193,319	\$ (125,186)	99%	\$ -	\$ 7,193,319	99%			

**CITY OF FLORENCE, KENTUCKY**

**Ratios of Outstanding Debt by Type**

Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities				Business-Type Activities						Total		Personal Income (%)
	General		Public		Water Bonds	Sewer Bonds	Capital Leases	Properties/Bonds	Properties/GO Bonds	Capital Leases	Primary Government		
	Obligations	Properties Bonds	Properties Bonds	Capital Leases									
2002	\$ 10,000,000	\$ 11,665,000	\$ 890,000	\$ 681,637	\$ -	\$ -	\$ 4,050,000	\$ 31,294	\$ 27,317,931	2.94%			
2003	\$ 9,775,000	\$ 11,430,000	\$ 615,000	\$ 613,077	\$ -	\$ -	\$ 3,860,000	\$ 11,352	\$ 26,304,429	3.66%			
2004	\$ 16,500,000	\$ 11,190,000	-	\$ 1,087,656	\$ 3,670,000	\$ -	\$ 3,660,000	\$ 12,588	\$ 36,120,244	3.41%			
2005	\$ 24,910,000	\$ 2,740,000	-	\$ 895,470	\$ 3,535,000	\$ -	\$ 3,450,000	\$ 36,804	\$ 35,567,274	6.97%			
2006	\$ 24,280,000	\$ 2,470,000	-	\$ 698,970	\$ 3,395,000	\$ -	\$ 3,230,000	\$ 83,270	\$ 34,157,240	6.39%			
2007	\$ 23,640,000	\$ 2,185,000	-	\$ 724,598	\$ 3,255,000	\$ -	\$ 3,000,000	\$ 63,063	\$ 32,867,661	5.71%			
2008	\$ 25,000,000	\$ -	-	\$ 218,630	\$ 3,110,000	\$ -	\$ 2,885,000	\$ 41,791	\$ 31,255,421	5.14%			
2009	\$ 23,995,000	\$ -	-	\$ -	\$ 2,960,000	\$ -	\$ 2,580,000	\$ 24,534	\$ 29,559,534	3.96%			
2010	\$ 22,940,000	\$ -	-	\$ -	\$ 2,805,000	\$ -	\$ 2,300,000	\$ -	\$ 28,045,000	N/A			
2011	\$ 22,350,000	\$ -	-	\$ -	\$ 2,645,000	\$ -	\$ 2,010,000	\$ -	\$ 27,005,000	N/A			

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 79 for personal income and population data.

**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	Personal Income(2)
2002	\$ 10,000,000	\$ -	\$ 10,000,000	0.63%	1.34%
2003	\$ 9,775,000	\$ -	\$ 9,775,000	0.58%	1.27%
2004	\$ 16,500,000	\$ -	\$ 16,500,000	0.89%	3.18%
2005	\$ 24,910,000	\$ -	\$ 24,910,000	1.23%	4.47%
2006	\$ 24,280,000	\$ -	\$ 24,280,000	1.15%	4.06%
2007	\$ 23,640,000	\$ -	\$ 23,640,000	1.15%	3.70%
2008	\$ 25,000,000	\$ -	\$ 25,000,000	0.96%	3.17%
2009	\$ 26,575,000	\$ -	\$ 26,575,000	0.98%	2.24%
2010	\$ 25,240,000	\$ -	\$ 25,240,000	0.94%	N/A
2011	\$ 24,360,000	\$ -	\$ 24,360,000	0.92%	N/A

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 70 for property value data.

(2) Population data can be found in the Schedule of Demographic and economic Statistics on Page 79.

**CITY OF FLORENCE, KENTUCKY**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2011**

<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	\$ 45,994,629	26.40%	\$ 12,142,582
Subtotal, overlapping debt			<u>12,142,582</u>
City of Florence direct debt			<u>24,360,000</u>
Total direct and overlapping			<u>\$ 36,502,582</u>

Source: Kentucky Local Debt Report

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Florence. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

**CITY OF FLORENCE, KENTUCKY**

**Legal Debt Margin Information**

Last Ten Fiscal Years

(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 166,396	\$ 175,300	\$ 192,843	\$ 212,859	\$ 215,163	\$ 228,642	\$ 259,011	\$ 270,393	\$ 268,343	\$ 263,693
Total net debt applicable to limit	10,000	9,775	16,500	24,910	24,280	23,640	25,000	26,575	25,240	24,360
Legal debt margin	156,396	165,525	176,343	187,949	190,253	205,002	234,011	243,818	243,103	239,333
Total net debt applicable to the limit as a percentage of debt limit	6.01%	5.58%	8.56%	11.70%	11.28%	10.34%	9.65%	9.83%	9.41%	9.24%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Taxable assessed value	\$ 2,636,930
Debt limit(10% for total taxable assessed value)	263,693
Debt applicable to limit:	
General obligation bonds	24,360
Less: amount set aside for repayment general obligation debt	-
Total net debt applicable to limit	24,360
Legal debt margin	\$ 239,333

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	
2002	\$ 3,745,986	\$ 4,822,710	\$ (1,076,724)	\$ 265,000	\$ 57,350	-334%
2003	4,915,652	5,570,682	(655,030)	275,000 <sup>1</sup>	42,328	-206%
2004	5,963,020	5,595,307	367,713	615,000 <sup>2</sup>	45,816	56%
2005	6,122,206	5,668,050	454,156	135,000	118,580	179%
2006	6,294,875	5,687,170	607,705	140,000	119,648	234%
2007	6,440,730	5,694,721	746,009	140,000	116,147	291%
2008	7,120,380	6,088,773	1,031,607	150,000	112,585	393%
2009	7,106,429	5,915,803	1,190,626	150,000	108,898	460%
2010	7,586,055	7,227,255	358,800	155,000	103,029	139%
2011	8,083,907	7,502,580	581,327	160,000	101,943	222%

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Sewer and water charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

<sup>1</sup> Sewer bonds were defeased and water bonds were issued. Principal payments were made on both issues this year.

<sup>2</sup> Water bond issued were less than the sewer bonds that were defeased.

**CITY OF FLORENCE, KENTUCKY****Demographic and Economic Statistics**

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
2002	24,119	\$ 886,662,678	\$ 36,762	35.2	3.5%
2003	24,438	\$ 902,641,968	\$ 36,936	34.4	4.4%
2004	24,801	\$ 883,163,610	\$ 35,610	32.9	4.2%
2005	25,443	\$ 933,732,657	\$ 36,699	34.7	4.6%
2006	26,188	\$ 1,034,033,180	\$ 39,485	33.1	4.0%
2007	26,710	\$ 1,053,762,920	\$ 39,452	33.1	4.5%
2008	27,281	\$ 1,122,558,588	\$ 41,148	34.1	5.4%
2009	27,745	\$ 1,183,712,680	\$ 42,664	34.2	9.7%
2010	28,381	N/A	N/A	34.9	9.7%
2011	29,951	N/A	N/A	N/A	9.1%

(1) Census Bureau and Kentucky State Data Center

(2) Tri-County Economic Development Corporation

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

**CITY OF FLORENCE, KENTUCKY**

**Principal Employers**

Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boone County Board of Education	2,400	1	19.50%	N/A	1	0.00%
Schwan's Food Mfg.	1,100	2	8.94%	N/A	2	0.00%
St. Elizabeth Hospital	1,050	3	8.54%	N/A	3	0.00%
ZF Groups of Companies	682	4	5.54%	N/A	4	0.00%
ArvinMeritor, Inc.	490	5	3.98%	N/A	5	0.00%
Staples Direct	400	6	3.25%	N/A	6	0.00%
KECO Industries	360	7	2.93%	N/A	7	0.00%
Mubea	300	8	2.44%	N/A	8	0.00%
Loreal	300	9	2.44%	N/A	9	0.00%
City of Florence	200	10	1.63%	N/A	10	0.00%
<b>TOTAL</b>	<b>7,282</b>		<b>51.38%</b>	<b>0</b>		<b>-</b>

Source: Tri-County Economic Development Corporation

Note: Information not available for all ten years due to the City not adopting GASB 34 until FY 2003.

**CITY OF FLORENCE, KENTUCKY**  
**Full-time Equivalent Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration:										
Mayor's office	2	2	3	3	4	4	4	4	4	4
Finance	10	10	10	10	10	9	10	10	10	10
Human resources	2	2	3	3	2	2	N/A	N/A	N/A	N/A
Information technology	2	2	2	2	3	3	4	N/A	N/A	N/A
Public services:										
Professional	9	10	17	18	19	19	19	19	19	19
Maintenance	19	19	20	21	19	21	21	21	21	21
Police:										
Sworn	53	53	53	53	54	58	61	61	61	61
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	38	38	38	38	50	50	51	51	51	51
Civilian	1	1	1	1	1	1	1	1	1	1
Parks and recreation:	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Water and sewer administration	N/A	N/A	2	2	2	2	2	2	2	2
Water	N/A	N/A	11	11	11	11	11	11	11	11
Sewer	N/A	N/A	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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police:</b>										
Physical arrests	755	675	1,030	1,053	1,699	1,569	2,213	1,870	2,617	2,431
Traffic violations	1,990	2,124	4,209	6,163	6,304	6,204	11,471	7,770	6,729	6,385
Parking violations	N/A	N/A	85	438	341	352	450	391	307	513
<b>Fire:</b>										
Number of calls answered:										
Fire	1,914	1,741	1,856	2,030	2,186	2,215	2,498	2,641	2,381	2,486
Ambulance	3,653	3,699	3,913	4,177	4,827	5,249	5,682	5,703	5,772	6,091
Inspections	793	966	864	856	1,928	1,752	1,549	1,657	2,032	2,255
<b>Highways and streets:</b>										
Street resurfacing(lane miles)	2.70	4.50	2.20	2.80	2.60	4.76	5.13	6.60	7.05	7.62
<b>Water:</b>										
New connections	274	252	213	226	216	135	100	53	45	45
Water main breaks	45	59	50	82	78	38	78	61	24	55
Average daily consumption (thousands of gallons)	2,860	2,915	2,767	2,926	2,856	2,909	3,229	2,969	2,839	3,055

Source: Various city departments

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	34	34	34	34	34	34	34	34	34
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and streets:										
Streets(miles)	133	136	141	143	144	159	159	159	160	168
Streetslights	1,408	1,493	1,561	1,582	1,589	1,597	1,134	1,134	1,134	1,977
Culture and recreation:										
Parks	6	9	9	9	9	9	9	9	9	9
Parks acreage	94.1	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5	163.5
Swimming pools	0	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	119	120	123	124	125	126	132	135	200	145
Fire hydrants	1,096	1,152	1,259	1,271	1,289	1,302	1,062	1,122	1,259	1,520
Maximum daily capacity (thousands of gallons)	4,200	4,011	4,095	4,714	4,751	3,944	4,791	4,805	4,000	4,550
Sewer:										
Contained sanitary/storm sewers (miles)	246	252	257	264	268	271	231	241	278	286

Source: Various city departments



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Florence, Kentucky as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 8, 2011. 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.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the City of Florence, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Kentucky's internal control over financial reporting.

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.

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

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*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**RANKIN, RANKIN & COMPANY**

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

**Ft. Wright, Kentucky  
September 8, 2011**

