

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND  
WATER AND WASTEWATER DEPARTMENTS  
FINANCIAL STATEMENTS  
JUNE 30, 2014 and 2013**



**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Florence, Alabama Electricity, Gas, and Water and Wastewater Departments

We have audited the accompanying financial statements of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama and do not purport to, and do not, present fairly the financial position of the City of Florence, Alabama, as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Change in Accounting Principle**

As discussed in Note 14 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress on pages 3 through 14 and pages 44 through 47 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules 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. Such 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 supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.



The Watkins Johnsey Professional Group, P.C.  
Florence, Alabama  
November 5, 2014

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2014**

**FINANCIAL HIGHLIGHTS**

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$2.2 million or 3%; Gas increased \$.7 million or 2%; Water and Wastewater increased \$2.1 million or 3%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.6 million or 4%; Gas increased \$.3 million or 1%; Water and Wastewater increased \$8.4 million or 8%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$3.1 million or 3%; Gas increased \$1.0 million or 6%; Water and Wastewater decreased \$.4 million or 2%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$4.7 million or 4%; Gas increased \$1.6 million or 10%; Water and Wastewater increased \$.6 million or 4%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$150,100 or 48%; Gas decreased about \$29,000 or 17%; Water and Wastewater decreased about \$2,800 or 25%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$1,200 or .3%; Gas had no nonoperating expenses in FY 2013 or 2014; Water and Wastewater decreased \$433,000 or 17%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Florence Utilities is accounted for through three separate enterprise funds – Electricity, Natural Gas, and Water and Wastewater. This annual report contains the financial statements of each of these funds.

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of Florence Utilities report information about Florence Utilities using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of each fund's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Florence Utilities' creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of Florence Utilities, and assessing the liquidity and financial flexibility of Florence Utilities.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of Florence Utilities' operations over the past year and can be used to determine whether Florence Utilities has successfully recovered all of its costs through its user fees and other charges, profitability, and credit worthiness.

The other required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about Florence Utilities cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities; and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

## FINANCIAL ANALYSIS OF FLORENCE UTILITIES

One of the most important questions asked about Florence Utilities' finances is "Is Florence Utilities, as a whole, better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position report information about Florence Utilities' activities in a way that will help answer this question. These two statements report the net position of each fund and the changes in them. You can think of each fund's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors need to be considered, such as the changes in economic conditions, weather, customer growth, and regulatory and legislative mandates.

### Electricity Department

The Electricity Department's net position increased from last year by \$2,187,122 or about 3%. The summaries below focus on the Electricity Department's net position and changes in net position during the years presented.

#### Electricity Department Statements of Net Position

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 40,339,754	\$ 38,231,275	\$ 2,108,479	5.52%
Capital Assets, Net	77,349,662	74,716,020	2,633,642	3.52%
Other Noncurrent Assets	11,243,642	13,913,245	(2,669,603)	-19.19%
<b>Total Assets</b>	<b>\$ 128,933,058</b>	<b>\$ 126,860,540</b>	<b>\$ 2,072,518</b>	<b>1.63%</b>
Current Liabilities	\$ 26,713,303	\$ 25,992,422	\$ 720,881	2.77%
Noncurrent Liabilities	17,446,722	18,282,207	(835,485)	-4.57%
<b>Total Liabilities</b>	<b>\$ 44,160,025</b>	<b>\$ 44,274,629</b>	<b>\$ (114,604)</b>	<b>-0.26%</b>
Net Investment in Capital Assets	\$ 70,523,632	\$ 69,757,586	\$ 766,046	1.10%
Restricted for Debt Service	981,628	979,952	1,676	0.17%
Unrestricted	13,267,773	11,848,373	1,419,400	11.98%
<b>Total Net Position</b>	<b>\$ 84,773,033</b>	<b>\$ 82,585,911</b>	<b>\$ 2,187,122</b>	<b>2.65%</b>

Changes in the Electricity Department's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses, and Changes in Fund Net Position for the years presented.

As the table below indicates, operating revenues increased approximately \$3.1 million or about 3% from FY 2013. During FY 2014, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. The Electricity Department experienced an approximate 3% increase in kilowatt-hours sold in FY 2014 compared to FY 2013. Consequently, the cost of sales increased also. The large decrease in nonoperating revenues is due to a nonrecurring sale of scrap in FY 2013 for \$150,000. The Electricity Department continues to experience very low interest revenues caused by very low interest rates. The Electricity Department experienced a decrease in nonoperating expenses, primarily debt expense, by \$1,202 or about .3%.

Electricity Department  
Statements of Revenues, Expenses, and Changes in Fund Net Position

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 123,872,164</u>	<u>\$ 120,747,245</u>	<u>\$ 3,124,919</u>	<u>2.59%</u>
Operating Expenses				
Cost of Sales	\$ 98,841,170	\$ 94,529,545	\$ 4,311,625	4.56%
Operations	9,068,833	9,036,452	32,381	0.36%
Maintenance	5,510,894	5,320,332	190,562	3.58%
Depreciation	4,775,924	4,628,512	147,412	3.18%
Taxes and Tax Equivalents	3,275,364	3,209,637	65,727	2.05%
Total Operating Expenses	<u>\$ 121,472,185</u>	<u>\$ 116,724,478</u>	<u>\$ 4,747,707</u>	<u>4.07%</u>
Operating Income	<u>\$ 2,399,979</u>	<u>\$ 4,022,767</u>	<u>\$ (1,622,788)</u>	<u>-40.34%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 162,669	\$ 312,757	\$ (150,088)	-47.99%
Nonoperating Expenses	(375,526)	(376,728)	1,202	-0.32%
Total Nonoperating Revenues (Exp)	<u>\$ (212,857)</u>	<u>\$ (63,971)</u>	<u>\$ (148,886)</u>	<u>-232.74%</u>
Change in Net Position	\$ 2,187,122	\$ 3,958,796	\$ (1,771,674)	-44.75%
Total Net Position - Beginning	<u>82,585,911</u>	<u>78,627,115</u>	<u>3,958,796</u>	<u>5.03%</u>
Total Net Position - Ending	<u>\$ 84,773,033</u>	<u>\$ 82,585,911</u>	<u>\$ 2,187,122</u>	<u>2.65%</u>

Gas Department

The Gas Department's net position increased from last year by \$652,236 or about 2%. The summaries below focus on the Gas Department's net position and changes in net position during the years presented.

Gas Department  
Statements of Net Position

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 14,102,049	\$ 13,512,539	\$ 589,510	4.36%
Capital Assets, Net	31,170,225	30,891,576	278,649	0.90%
Total Assets	<u>\$ 45,272,274</u>	<u>\$ 44,404,115</u>	<u>\$ 868,159</u>	<u>1.96%</u>
Current Liabilities	\$ 1,462,214	\$ 1,259,557	\$ 202,657	16.09%
Noncurrent Liabilities	324,742	311,476	13,266	4.26%
Total Liabilities	<u>\$ 1,786,956</u>	<u>\$ 1,571,033</u>	<u>\$ 215,923</u>	<u>13.74%</u>
Net Investment in Capital Assets	\$ 31,170,225	\$ 30,891,576	\$ 278,649	0.90%
Unrestricted	12,315,093	11,941,506	373,587	3.13%
Total Net Position	<u>\$ 43,485,318</u>	<u>\$ 42,833,082</u>	<u>\$ 652,236</u>	<u>1.52%</u>

Changes in the Gas Department's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses, and Changes in Fund Net Position for the years presented.

As the following table indicates, operating revenues increased approximately \$1.0 million or about 6% from FY 2013. The last general rate change was effective June 2014. The Gas Department experienced an approximate 10.4% increase in overall sales volume in FY 2014 compared to FY 2013. Cost of sales increased by \$1,591,041 or about 20% due to increased sales volume. The Gas Department experienced a decrease in nonoperating revenues of \$29,037 or about 17%. The Gas Department did not have nonoperating expenses in FY 2013 or FY 2014.



Gas Department  
Statements of Revenues, Expenses, and Changes in Fund Net Position

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 17,750,840</u>	<u>\$ 16,715,581</u>	<u>\$ 1,035,259</u>	<u>6.19%</u>
Operating Expenses				
Cost of Sales	\$ 9,748,755	\$ 8,157,714	\$ 1,591,041	19.50%
Operations	2,879,775	3,002,805	(123,030)	-4.10%
Maintenance	1,663,162	1,558,528	104,634	6.71%
Depreciation and Amortization	1,454,272	1,396,039	58,233	4.17%
Taxes and Tax Equivalents	1,490,014	1,517,295	(27,281)	-1.80%
Total Operating Expenses	<u>\$ 17,235,978</u>	<u>\$ 15,632,381</u>	<u>\$ 1,603,597</u>	<u>10.26%</u>
Operating Income	<u>\$ 514,862</u>	<u>\$ 1,083,200</u>	<u>\$ (568,338)</u>	<u>-52.47%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 137,374	\$ 166,411	\$ (29,037)	-17.45%
Total Nonoperating Revenues (Exp)	<u>\$ 137,374</u>	<u>\$ 166,411</u>	<u>\$ (29,037)</u>	<u>-17.45%</u>
Change in Net Position	\$ 652,236	\$ 1,249,611	\$ (597,375)	-47.80%
Total Net Position - Beginning	<u>42,833,082</u>	<u>41,583,471</u>	<u>1,249,611</u>	<u>3.01%</u>
Total Net Position - Ending	<u><u>\$ 43,485,318</u></u>	<u><u>\$ 42,833,082</u></u>	<u><u>\$ 652,236</u></u>	<u><u>1.52%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,069,211 or about 3%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department  
Statements of Net Position

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 9,692,877	\$ 8,632,160	\$ 1,060,717	12.29%
Capital Assets, Net	114,703,932	106,314,361	8,389,571	7.89%
Other Noncurrent Assets	9,949,561	19,377,898	(9,428,337)	-48.66%
Total Assets	<u>\$ 134,346,370</u>	<u>\$ 134,324,419</u>	<u>\$ 21,951</u>	<u>0.02%</u>
Current Liabilities	\$ 6,707,639	\$ 5,916,266	\$ 791,373	13.38%
Noncurrent Liabilities	54,700,376	57,539,009	(2,838,633)	-4.93%
Total Liabilities	<u>\$ 61,408,015</u>	<u>\$ 63,455,275</u>	<u>\$ (2,047,260)</u>	<u>-3.23%</u>
Net Investment in Capital Assets	\$ 61,892,552	\$ 60,281,407	\$ 1,611,145	2.67%
Restricted for Debt Service	3,620,455	3,497,004	123,451	3.53%
Unrestricted	7,425,348	7,090,733	334,615	4.72%
Total Net Position	<u>\$ 72,938,355</u>	<u>\$ 70,869,144</u>	<u>\$ 2,069,211</u>	<u>2.92%</u>

Changes in the Water and Wastewater Department's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses, and Changes in Fund Net Position for the years presented.

As the following table indicates, operating revenues decreased approximately \$.4 million or about 2% from FY 2013 revenues. The decrease in operating revenues was largely due to the summer weather being wetter than normal. Operating expenses increased by \$.6 million or about 4%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$2,764 or 25%. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$433,029 or 17% primarily due to nonrecurring retirements of capital assets that were not fully depreciated in FY 2013.

Water and Wastewater Department  
Statements of Revenues, Expenses, and Changes in Fund Net Position

	FY 2014	Restated FY 2013	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 18,418,797	\$ 18,784,696	\$ (365,899)	-1.95%
Operating Expenses				
Water Treatment and Pumping	\$ 2,875,811	\$ 2,707,180	\$ 168,631	6.23%
Sewage Disposal	2,270,622	2,162,646	107,976	4.99%
Transmission and Distribution	1,387,053	1,277,071	109,982	8.61%
Accounting and Collections	980,305	1,058,064	(77,759)	-7.35%
Administrative and General	1,824,139	1,855,677	(31,538)	-1.70%
Depreciation	3,335,619	3,049,453	286,166	9.38%
Taxes and Tax Equivalents	1,609,253	1,622,099	(12,846)	-0.79%
Total Operating Expenses	<u>\$ 14,282,802</u>	<u>\$ 13,732,190</u>	<u>\$ 550,612</u>	<u>4.01%</u>
Operating Income	<u>\$ 4,135,995</u>	<u>\$ 5,052,506</u>	<u>\$ (916,511)</u>	<u>-18.14%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 8,410	\$ 11,174	\$ (2,764)	-24.74%
Nonoperating Expenses	(2,075,194)	(2,508,223)	433,029	-17.26%
Total Nonoperating Revenues (Exp)	<u>\$ (2,066,784)</u>	<u>\$ (2,497,049)</u>	<u>\$ 430,265</u>	<u>-17.23%</u>
Change in Net Position	\$ 2,069,211	\$ 2,555,457	\$ (486,246)	-19.03%
Total Net Position - Beginning	<u>70,869,144</u>	<u>68,313,687</u>	<u>2,555,457</u>	<u>3.74%</u>
Total Net Position - Ending	<u><u>\$ 72,938,355</u></u>	<u><u>\$ 70,869,144</u></u>	<u><u>\$ 2,069,211</u></u>	<u><u>2.92%</u></u>

**BUDGETARY HIGHLIGHTS**

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2014 original budgets for the Gas and Water and Wastewater Departments were adopted on June 4, 2013. The original budget for the Electricity Department was adopted on September 3, 2013. The budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 1, 2013. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Required Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Budget and Actual (GAAP Budgetary Basis)  
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 121,732,000	\$ 123,872,164	\$ 2,140,164	1.76%
Operating Expenses	120,274,100	121,472,185	(1,198,085)	-1.00%
Operating Income	\$ 1,457,900	\$ 2,399,979	\$ 942,079	64.62%
Nonoperating Revenues (Expenses)	(173,800)	(212,857)	(39,057)	-22.47%
Change in Net Position	<u>\$ 1,284,100</u>	<u>\$ 2,187,122</u>	<u>\$ 903,022</u>	<u>70.32%</u>

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$903,022. This is approximately 1% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the cost of sales of electricity accounted for most of the budget operating expenses variance amount. The remaining total variance is due to smaller variances, both positive and negative, over a large number of accounts.

Gas Department

Gas Department  
Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Budget and Actual (GAAP Budgetary Basis)  
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 17,246,700	\$ 17,750,840	\$ 504,140	2.92%
Operating Expenses	17,063,100	17,235,978	(172,878)	-1.01%
Operating Income	\$ 183,600	\$ 514,862	\$ 331,262	180.43%
Nonoperating Revenues (Expenses)	162,500	137,374	(25,126)	-15.46%
Change in Net Position	<u>\$ 346,100</u>	<u>\$ 652,236</u>	<u>\$ 306,136</u>	<u>88.45%</u>

The Gas Department exceeded the budgeted Change in Net Position by \$306,136, or approximately 2% of budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, the total variance is accounted for by a combination of positive and negative variances. The large variance in budgeted operating revenues was largely offset by the variance in cost of sales.

Water and Wastewater Department

Water and Wastewater Department  
 Schedule of Revenues, Expenses, and Changes in Fund Net Position  
 Budget and Actual (GAAP Budgetary Basis)  
 For the Year Ended June 30, 2014

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 19,382,800	\$ 18,418,797	\$ (964,003)	-4.97%
Operating Expenses	14,291,150	14,282,802	8,348	0.06%
Operating Income	\$ 5,091,650	\$ 4,135,995	\$ (955,655)	-18.77%
Nonoperating Revenues (Expenses)	(2,241,300)	(2,066,784)	174,516	7.79%
Change in Net Position	\$ 2,850,350	\$ 2,069,211	\$ (781,139)	-27.41%

The Water and Wastewater Department did not meet the budgeted Change in Net Position by \$781,139. This represents about 4% of final budgeted operating revenues. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances are water sales, sewage disposal expense, depreciation expense, and interest expense.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At the end of FY 2014, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets. Information that is more detailed is presented for each department in the supplementary schedules section.

Electricity Department

Electricity Department  
 Capital Assets, Net  
 FY 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 156,353,379	\$ 153,615,233	\$ 2,738,146	1.78%
Construction in Progress	4,260,295	1,257,177	3,003,118	238.88%
Less: Accumulated Depreciation	(83,264,012)	(80,156,390)	(3,107,622)	3.88%
Net Utility Plant	\$ 77,349,662	\$ 74,716,020	\$ 2,633,642	3.52%

As the above table shows, the Electricity Department experienced a 3.52% increase in net utility plant. In FY 2014, the Department spent approximately \$2.6 million of warrant proceeds on capital projects authorized in the warrant documents. The Department plans to finance capital expenditures in FY 2015 through cash generated from current operations, cash reserves, and the remaining proceeds from warrants issued in FY 2013.

Gas Department

Gas Department  
Capital Assets, Net  
FY 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 54,829,398	\$ 53,208,002	\$ 1,621,396	3.05%
Acquisition Adjustment (net of amortization)	179,463	190,125	(10,662)	-5.61%
Construction in Progress	104,418	69,191	35,227	50.91%
Less: Accumulated Depreciation	(23,943,054)	(22,575,742)	(1,367,312)	6.06%
Net Utility Plant	<u>\$ 31,170,225</u>	<u>\$ 30,891,576</u>	<u>\$ 278,649</u>	<u>0.90%</u>

As the above table shows, the Gas Department increased net utility plant by .90%. The Department plans to finance capital expenditures in FY 2015 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department  
Capital Assets, Net  
FY 2014

	FY 2014	FY 2013	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 157,132,064	\$ 154,490,212	\$ 2,641,852	1.71%
Construction in Progress	10,758,933	1,647,994	9,110,939	552.85%
Less: Accumulated Depreciation	(53,187,065)	(49,823,845)	(3,363,220)	6.75%
Net Utility Plant	<u>\$ 114,703,932</u>	<u>\$ 106,314,361</u>	<u>\$ 8,389,571</u>	<u>7.89%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 7.89%. In FY 2014, the Department spent a significant amount on capital improvements. At year-end, there were several large projects in progress. In FY 2014, the Department spent about \$9.5 million of Series 2011 Revenue Warrants' proceeds on approved capital projects. The Department spent about \$1 million of proceeds from the 2013 SRF warrants. The Department plans to finance capital expenditures in FY 2015 with cash reserves, cash generated from current operations, various grants, the proceeds from the Water and Sewer Revenue Warrants, Series 2011, and the proceeds from the Water and Sewer Revenue Warrants, SRF Series 2013.

## Long-term Debt

During FY 2014, the Electricity and Water & Wastewater Departments had outstanding warrants. The amount and discussion of these issues are discussed more fully in the notes to financial statements. The Gas Department did not have any outstanding warrants during FY 2014.

### Electricity Department

The Electricity Department has two warrant issues as described in the notes to financial statements, outstanding at year-end. The first is the Electric Revenue Refunding Warrants, Series 2009, with interest rates ranging from 1.50% to 3.65%. It was issued with an underlying rating of A1 and AA- by Moody's and Standard & Poor's, respectively. The Electric Revenue Warrants, Series 2013, were issued in March 2013. Their interest rates range from 1.75% to 4.00%. It was issued with an underlying rating of Aa2 and AA-/ Stable by Moody's and Standard & Poor's, respectively. These issues require that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2014, the Electricity Department exceeded that requirement at about 9.19 times. The Department does not anticipate issuing new debt in FY 2015.

### Gas Department

The Gas Department did not have any outstanding debt issues in FY 2014. The Department does not have any plans to issue any new debt in FY 2015.

### Water and Wastewater Department

The Water and Wastewater Department has eight warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2006, interest rate 3.25%, (2) Water and Sewer Revenue Warrants, SRF Series 2007, interest rate 3.5%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-A, interest rate 2.61%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate 2.57%, (6) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, (7) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, and (8) Water and Sewer Revenue Warrants, SRF Series 2013-DWSRF-DL, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter. The SRF warrants are issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The SRF series warrants are financing massive renovations of portions of our water and wastewater systems. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue. At year-end, approximately \$5.4 million of the proceeds of the 2011 issue remain available.

The Department issued Water and Sewer Revenue Warrant, SRF Series 2013-DWSRF-DL for \$5.825 million in FY 2014. At year-end, approximately \$4.8 million of the proceeds remain available. The Department does not anticipate issuing new debt in FY 2015.

The 2011 issue requires that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2014, the Water and Wastewater Department exceeded that requirement at about 1.35 times.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The geographic area served by Florence Utilities is facing a slightly decreasing economic environment. The Florence MSA's unemployment rate for August 2014 was 7.4% as compared to 6.3% for August 2013. The State of Alabama's unemployment rates were 6.9% for August 2014 and 6.3% for August 2013. In FY 2014, Hillshire Brands announced the closing of its plant in Florence, one of our larger customers in all services. In addition to the economic environment, the weather is an important factor in determining utility sales. Although it is impossible to predict the weather in the upcoming year, sales in kilowatt-hours for FY 2015 through September 2014 for electricity have increased from the same period last year by 2.4%. Sales in dekatherms to commercial and industrial natural gas customers for the period from July 2014 through September 2014, as compared to sales for the same period in the previous fiscal year, have decreased approximately 5.7%. FY 2015 sales revenues from water and wastewater operations through September 2014 have increased 8.7% over the same period in FY 2014, largely due to our rate increase.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2015 budgets on July 15, 2014. The City Council adopted the Electricity Department's FY 2015 budget on October 1, 2014. There have not been any budget amendments for FY 2015 at this point.

The City's power contract with TVA provides for a Total Monthly Fuel Cost Adjustment (TMFCA) on sales to its distributors. Florence Utilities passes any rate increases or decreases caused by TVA action on to its customers.

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate change in June 2014. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

On June 17, 2014, the City Council approved a rate increase for the Water and Wastewater Department, effective July 1, 2014. The new rate ordinance includes a provision to increase the water and sewer rates annually based upon increase in Consumer Price Index, subject to certain restrictions. The ordinance is available for review on the City's website at [www.florenceutilities.com](http://www.florenceutilities.com) along with some prior rate ordinances.

## CONTACTING FLORENCE UTILITIES FINANCIAL MANAGER

This financial report is designed to provide the Electricity Department's, Gas Department's, and Water and Wastewater Department's ratepayers and creditors with a general overview of their finances and to demonstrate Florence Utilities' accountability for the money it receives. A limited number of prior years' audited financial statements are available online at the Florence Utilities website at [www.florenceutilities.com](http://www.florenceutilities.com) and the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board. If you have questions about this report or need additional financial information, contact the Controller of Utilities, Florence Utilities, P.O. Box 877, Florence, AL 35631.





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**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
STATEMENTS OF NET POSITION  
JUNE 30, 2014 and 2013**

<b>ASSETS</b>	<u>2014</u>	<u>Restated 2013</u>
Current assets:		
Cash and cash equivalents	\$ 18,031,573	\$ 16,459,058
Accounts receivable (net)	13,017,763	12,934,147
Accrued interest receivable	1,473	2,304
Inventories	1,646,232	1,712,333
Prepaid expenses	<u>7,642,713</u>	<u>7,123,433</u>
Total current assets	<u>\$ 40,339,754</u>	<u>\$ 38,231,275</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 4,478,098	\$ 7,059,968
Capital assets:		
Utility plant in service (at cost)	156,353,379	153,615,233
Construction in progress	4,260,295	1,257,177
Less: accumulated depreciation	83,264,012	80,156,390
Receivables from customers for conservation loans	<u>6,765,544</u>	<u>6,853,277</u>
Total noncurrent assets	<u>\$ 88,593,304</u>	<u>\$ 88,629,265</u>
Total assets	<u><u>\$ 128,933,058</u></u>	<u><u>\$ 126,860,540</u></u>

<b>LIABILITIES</b>	<b>2014</b>	<b>Restated 2013</b>
	<u>2014</u>	<u>Restated 2013</u>
Current liabilities:		
Accounts payable	\$ 17,612,585	\$ 16,970,161
Retainage payable	219,615	113,523
Customer deposits	6,963,490	7,029,111
Compensated absences	619,915	621,716
Accrued taxes and expenses	536,288	507,619
Deferred interest income-TVA DEU program		7,175
	<u>25,951,893</u>	<u>25,249,305</u>
Total current liabilities	\$ 25,951,893	\$ 25,249,305
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 765,000	\$ 745,000
Unamortized debt premium (discount)	(4,359)	(4,359)
Unamortized deferred loss on early retirement of debt	(26,397)	(26,397)
Accrued interest	27,166	28,873
	<u>761,410</u>	<u>743,117</u>
Total liabilities payable from restricted assets	\$ 761,410	\$ 743,117
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 9,680,000	\$ 10,445,000
Unamortized debt premium (discount)	(13,320)	(17,679)
Unamortized deferred loss on early retirement of debt	(105,590)	(131,988)
Advances from TVA for conservation loans	6,955,761	7,054,301
Compensated absences	929,871	932,573
	<u>17,446,722</u>	<u>18,282,207</u>
Total noncurrent liabilities	\$ 17,446,722	\$ 18,282,207
Total liabilities	<u>\$ 44,160,025</u>	<u>\$ 44,274,629</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 70,523,632	\$ 69,757,586
Restricted for debt service	981,628	979,952
Unrestricted	13,267,773	11,848,373
	<u>84,773,033</u>	<u>82,585,911</u>
Total net position	\$ 84,773,033	\$ 82,585,911
Total liabilities and net position	<u>\$ 128,933,058</u>	<u>\$ 126,860,540</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<b>2014</b>	<b>Restated 2013</b>
Operating revenues:		
Electric sales:		
<i>Residential</i>	\$ 65,166,034	\$ 63,175,468
<i>Small commercial</i>	12,790,311	12,267,600
<i>Large commercial</i>	40,607,942	40,075,098
<i>Public street and highway lighting</i>	2,228,496	2,213,655
Forfeited discounts	1,128,948	1,093,825
Rents from electric property	1,307,616	1,282,398
Other operating revenues	642,817	639,201
Total operating revenues	\$ 123,872,164	\$ 120,747,245
Operating expenses:		
Costs of sales	\$ 98,841,170	\$ 94,529,545
Operations	9,068,833	9,036,452
Maintenance	5,510,894	5,320,332
Depreciation	4,775,924	4,628,512
Taxes and tax equivalents	3,275,364	3,209,637
Total operating expenses	\$ 121,472,185	\$ 116,724,478
Operating income	\$ 2,399,979	\$ 4,022,767
Nonoperating revenues (expenses):		
Interest revenues	\$ 20,457	\$ 38,947
Merchandising revenues (net of costs)	103,848	106,082
Miscellaneous nonoperating income	13,749	2,611
Gain on disposition of assets	24,615	165,117
Interest expense	(344,770)	(233,606)
Debt issuance costs expense		(112,008)
Amortization of debt related costs	(30,756)	(31,114)
Total nonoperating revenues (expenses)	\$ (212,857)	\$ (63,971)
Change in net position	\$ 2,187,122	\$ 3,958,796
Total net position—beginning	82,585,911	78,627,115
Total net position—ending	\$ 84,773,033	\$ 82,585,911

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 123,906,145	\$ 120,008,353
Receipts from interfund services provided	2,281,981	2,483,750
Payments to suppliers	(104,428,664)	(100,781,841)
Payments to employees for services and benefits—exclusive of capitalized costs	(10,847,236)	(10,261,797)
Payments for interfund services used	<u>(3,105,218)</u>	<u>(3,008,837)</u>
Net cash provided by operating activities	<u>\$ 7,807,008</u>	<u>\$ 8,439,628</u>
Cash flows from noncapital financing activities:		
Change in receivables from customers for conservation loans	\$ 87,733	\$ 105,010
Change in advances from TVA for conservation loans	(98,540)	(72,347)
Deferred TVA DEU program (net)	<u>25,000</u>	<u>25,000</u>
Net cash provided (used) by noncapital financing activities	<u>\$ (10,807)</u>	<u>\$ 57,663</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (7,516,654)	\$ (6,395,050)
Proceeds from disposition of assets	279,509	165,117
Removal costs of retirements of capital assets	(500,918)	(573,650)
Salvage value of retirements of capital assets	2,696	5,171
Proceeds from capital debt		6,350,000
Principal paid on capital debt	(745,000)	(730,000)
Interest paid on capital debt	(346,477)	(219,698)
Payment of debt premium and issuance costs	<u>(105,989)</u>	<u>(105,989)</u>
Net cash used for capital and related financing activities	<u>\$ (8,826,844)</u>	<u>\$ (1,504,099)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 21,288</u>	<u>\$ 40,424</u>
Net cash provided by investing activities	<u>\$ 21,288</u>	<u>\$ 40,424</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,009,355)	\$ 7,033,616
Balances—beginning of the year	<u>23,519,026</u>	<u>16,485,410</u>
Balances—end of the year	<u><u>\$ 22,509,671</u></u>	<u><u>\$ 23,519,026</u></u>
<i>Classified as:</i>		
Current assets	\$ 18,031,573	\$ 16,459,058
Restricted assets	<u>4,478,098</u>	<u>7,059,968</u>
Totals	<u><u>\$ 22,509,671</u></u>	<u><u>\$ 23,519,026</u></u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013  
(Continued)**

	<u>2014</u>	<u>2013</u>
<i>Reconciliation of operating income to net cash provided (used)</i>		
<i>by operating activities:</i>		
Operating income	\$ 2,399,979	\$ 4,022,767
Adjustments to reconcile operating income to net cash provided (used)		
<i>by operating activities:</i>		
Depreciation	\$ 5,126,341	\$ 4,949,037
Income from merchandising revenues (net of costs)	103,848	106,082
Miscellaneous nonoperating income	13,749	2,611
Change in assets and liabilities:		
Receivables (net)	(83,616)	(847,586)
Inventories	66,101	(56,975)
Prepaid expenses	(519,280)	965,894
Accounts and other payables	699,886	(702,202)
	<u>\$ 5,407,029</u>	<u>\$ 4,416,861</u>
Total adjustments		
	<u>\$ 7,807,008</u>	<u>\$ 8,439,628</u>
Net cash provided by operating activities		

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
STATEMENTS OF NET POSITION  
JUNE 30, 2014 and 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 12,167,777	\$ 11,554,051
Accounts receivable (net)	760,894	970,686
Accrued interest receivable	739	
Inventories	1,131,583	968,033
Prepaid expenses	41,056	19,769
	<hr/>	<hr/>
Total current assets	\$ 14,102,049	\$ 13,512,539
Noncurrent assets:		
Capital assets:		
Utility plant in service (at cost)	\$ 54,829,398	\$ 53,208,002
Acquisition adjustment (net of amortization)	179,463	190,125
Construction in progress	104,418	69,191
Less: accumulated depreciation	23,943,054	22,575,742
	<hr/>	<hr/>
Total noncurrent assets	\$ 31,170,225	\$ 30,891,576
Total assets	<u>\$ 45,272,274</u>	<u>\$ 44,404,115</u>

<b>LIABILITIES</b>	<b>2014</b>	<b>2013</b>
Current liabilities:		
Accounts payable	\$ 1,125,194	\$ 942,251
Compensated absences	216,494	207,651
Accrued taxes and expenses	120,526	109,655
Total current liabilities	<u>\$ 1,462,214</u>	<u>\$ 1,259,557</u>
Noncurrent liabilities:		
Compensated absences	<u>\$ 324,742</u>	<u>\$ 311,476</u>
Total noncurrent liabilities	<u>\$ 324,742</u>	<u>\$ 311,476</u>
Total liabilities	<u>\$ 1,786,956</u>	<u>\$ 1,571,033</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 31,170,225	\$ 30,891,576
Unrestricted	12,315,093	11,941,506
Total net position	<u>\$ 43,485,318</u>	<u>\$ 42,833,082</u>
Total liabilities and net position	<u><u>\$ 45,272,274</u></u>	<u><u>\$ 44,404,115</u></u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.



**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Gas sales:		
<i>Residential</i>	\$ 7,353,302	\$ 7,110,993
<i>Commercial</i>	4,687,374	4,647,957
<i>Industrial</i>	2,983,964	2,796,707
<i>Resale and transportation</i>	2,549,459	1,975,085
Service fees	73,459	84,409
Forfeited discounts	91,847	87,826
Other operating revenues	11,435	12,604
	<u>                    </u>	<u>                    </u>
Total operating revenues	\$ 17,750,840	\$ 16,715,581
Operating expenses:		
Costs of sales	\$ 9,748,755	\$ 8,157,714
Operations	2,879,775	3,002,805
Maintenance	1,663,162	1,558,528
Depreciation	1,443,611	1,385,378
Amortization of acquisition adjustment	10,661	10,661
Taxes and tax equivalents	1,490,014	1,517,295
	<u>                    </u>	<u>                    </u>
Total operating expenses	\$ 17,235,978	\$ 15,632,381
Operating income	<u>          \$ 514,862</u>	<u>          \$ 1,083,200</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 3,499	\$ 12,080
Gain (loss) on disposition of assets	(4,473)	6,800
Miscellaneous nonoperating income	138,348	147,531
	<u>                    </u>	<u>                    </u>
Total nonoperating revenues (expenses)	\$ 137,374	\$ 166,411
Change in net position	\$ 652,236	\$ 1,249,611
Total net position—beginning	<u>42,833,082</u>	<u>41,583,471</u>
Total net position—ending	<u><u>\$ 43,485,318</u></u>	<u><u>\$ 42,833,082</u></u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 18,105,155	\$ 16,613,848
Receipts from interfund services provided	130,913	116,494
Payments to suppliers	(10,658,792)	(8,003,555)
Payments to employees for services and benefits—exclusive of capitalized costs	(2,997,208)	(3,079,230)
Payments for interfund services used	<u>(2,231,708)</u>	<u>(2,460,806)</u>
Net cash provided by operating activities	<u>\$ 2,348,360</u>	<u>\$ 3,186,751</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (1,717,770)	\$ (918,637)
Proceeds from disposition of assets		6,800
Removal costs of retirements of capital assets	<u>(19,624)</u>	<u>(65,320)</u>
Net cash used for capital and related financing activities	<u>\$ (1,737,394)</u>	<u>\$ (977,157)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 2,760</u>	<u>\$ 12,080</u>
Net cash provided by investing activities	<u>\$ 2,760</u>	<u>\$ 12,080</u>
Net increase in cash and cash equivalents	\$ 613,726	\$ 2,221,674
Balances—beginning of the year	<u>11,554,051</u>	<u>9,332,377</u>
Balances—end of the year	<u>\$ 12,167,777</u>	<u>\$ 11,554,051</u>
<i>Classified as:</i>		
Current assets	<u>\$ 12,167,777</u>	<u>\$ 11,554,051</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013  
(Continued)**

	<u>2014</u>	<u>2013</u>
<i>Reconciliation of operating income to net cash provided (used)</i>		
<i>by operating activities:</i>		
Operating income	\$ 514,862	\$ 1,083,200
Adjustments to reconcile operating income to net cash provided (used)		
<i>by operating activities:</i>		
Depreciation	\$ 1,443,611	\$ 1,385,378
Amortization of acquisition adjustment	10,661	10,661
Miscellaneous nonoperating income	138,348	147,531
Change in assets and liabilities:		
Receivables (net)	209,792	(269,903)
Inventories	(163,550)	587,435
Prepaid expenses	(21,287)	(56)
Accounts and other payables	215,923	242,505
	<u>215,923</u>	<u>242,505</u>
Total adjustments	\$ 1,833,498	\$ 2,103,551
Net cash provided by operating activities	<u>\$ 2,348,360</u>	<u>\$ 3,186,751</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
STATEMENTS OF NET POSITION  
JUNE 30, 2014 and 2013**

<b>ASSETS</b>	<u><b>2014</b></u>	<u><b>Restated 2013</b></u>
Current assets:		
Cash and cash equivalents	\$ 7,295,969	\$ 5,923,045
Accounts receivable (net)	1,570,502	1,898,453
Inventories	598,634	597,280
Prepaid expenses	<u>227,772</u>	<u>213,382</u>
Total current assets	<u>\$ 9,692,877</u>	<u>\$ 8,632,160</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 9,752,565	\$ 19,171,947
Capital assets:		
Utility plant in service (at cost)	157,132,064	154,490,212
Construction in progress	10,758,933	1,647,994
Less: accumulated depreciation	53,187,065	49,823,845
Prepaid debt related costs (net)	<u>196,996</u>	<u>205,951</u>
Total noncurrent assets	<u>\$ 124,653,493</u>	<u>\$ 125,692,259</u>
Total assets	<u><u>\$ 134,346,370</u></u>	<u><u>\$ 134,324,419</u></u>

<b>LIABILITIES</b>	<b>2014</b>	<b>Restated 2013</b>
Current liabilities:		
Accounts payable	\$ 1,162,496	\$ 676,907
Retainage payable on construction contracts	295,983	138,229
Compensated absences	284,999	263,486
Accrued taxes and expenses	293,550	273,526
	<hr/>	<hr/>
Total current liabilities	\$ 2,037,028	\$ 1,352,148
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 3,955,000	\$ 3,810,000
Unamortized debt premium (discount)	2,121	2,121
Unamortized deferred loss on early retirement of debt	(38,097)	(38,097)
Accrued interest	751,587	790,094
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 4,670,611	\$ 4,564,118
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 54,423,125	\$ 57,330,000
Unamortized debt premium (discount)	44,550	46,671
Unamortized deferred loss on early retirement of debt	(194,796)	(232,892)
Compensated absences	427,497	395,230
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 54,700,376	\$ 57,539,009
Total liabilities	<hr/>	<hr/>
	\$ 61,408,015	\$ 63,455,275
<b>NET POSITION</b>		
Net investment in capital assets	\$ 61,892,552	\$ 60,281,407
Restricted for debt service	3,620,455	3,497,004
Unrestricted	7,425,348	7,090,733
	<hr/>	<hr/>
Total net position	\$ 72,938,355	\$ 70,869,144
Total liabilities and net position	<hr/>	<hr/>
	\$ 134,346,370	\$ 134,324,419

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA**  
**WATER AND WASTEWATER DEPARTMENT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<b>2014</b>	<b>Restated 2013</b>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 6,040,488	\$ 6,238,316
<i>Commercial</i>	3,318,484	3,356,199
<i>Resale</i>	1,460,919	1,434,459
Sewer service sales:		
<i>Residential</i>	3,719,846	3,738,252
<i>Commercial</i>	3,586,655	3,583,125
Forfeited discounts	148,033	149,534
Other operating revenues	144,372	284,811
Total operating revenues	\$ 18,418,797	\$ 18,784,696
Operating expenses:		
Water treatment and pumping	\$ 2,875,811	\$ 2,707,180
Sewage disposal	2,270,622	2,162,646
Transmission and distribution	1,387,053	1,277,071
Accounting and collections	980,305	1,058,064
Administrative and general	1,824,139	1,855,677
Depreciation	3,335,619	3,049,453
Taxes and tax equivalents	1,609,253	1,622,099
Total operating expenses	\$ 14,282,802	\$ 13,732,190
Operating income	\$ 4,135,995	\$ 5,052,506
Nonoperating revenues (expenses):		
Interest revenues	\$ 8,410	\$ 11,174
Gain (loss) on disposition of assets	(353)	(341,229)
Interest expense	(2,019,911)	(2,122,064)
Debt issuance costs expense	(10,000)	
Amortization of debt related costs	(44,930)	(44,930)
Total nonoperating revenues (expenses)	\$ (2,066,784)	\$ (2,497,049)
Change in net position	\$ 2,069,211	\$ 2,555,457
Total net position—beginning	70,869,144	68,313,687
Total net position—ending	\$ 72,938,355	\$ 70,869,144

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 18,349,951	\$ 18,423,258
Receipts from interfund services provided	201,615	150,185
Payments to suppliers	(2,904,172)	(3,814,391)
Payments to employees for services and benefits—exclusive of capitalized costs	(4,412,354)	(4,290,886)
Payments for interfund services used	<u>(2,705,611)</u>	<u>(2,814,386)</u>
Net cash provided by operating activities	<u>\$ 8,529,429</u>	<u>\$ 7,653,780</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (11,754,004)	\$ (7,937,516)
Net proceeds from capital debt	1,048,125	1,118,157
Principal paid on capital debt	(3,810,000)	(3,675,000)
Interest paid on capital debt	(2,058,418)	(2,159,218)
Payment of debt issuance costs	<u>(10,000)</u>	<u></u>
Net cash used for capital and related financing activities	<u>\$ (16,584,297)</u>	<u>\$ (12,653,577)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 8,410</u>	<u>\$ 13,082</u>
Net cash provided by investing activities	<u>\$ 8,410</u>	<u>\$ 13,082</u>
Net decrease in cash and cash equivalents	\$ (8,046,458)	\$ (4,986,715)
Balances—beginning of the year	<u>25,094,992</u>	<u>30,081,707</u>
Balances—end of the year	<u>\$ 17,048,534</u>	<u>\$ 25,094,992</u>
<u>Classified as:</u>		
Current assets	\$ 7,295,969	\$ 5,923,045
Restricted assets	<u>9,752,565</u>	<u>19,171,947</u>
Totals	<u>\$ 17,048,534</u>	<u>\$ 25,094,992</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013  
(Continued)**

	<u>2014</u>	<u>2013</u>
<i>Reconciliation of operating income to net cash provided (used)</i>		
<i>by operating activities:</i>		
Operating income	\$ 4,135,995	\$ 5,052,506
Adjustments to reconcile operating income to net cash provided (used)		
<i>by operating activities:</i>		
Depreciation	\$ 3,364,080	\$ 3,049,453
Change in assets and liabilities:		
Receivables (net)	327,951	(47,114)
Inventories	(1,354)	(18,047)
Prepaid expenses	(14,390)	(23,348)
Accounts and other payables	717,147	(359,670)
	<u>4,393,434</u>	<u>2,601,274</u>
Total adjustments	\$	\$
	<u>8,529,429</u>	<u>7,653,780</u>
Net cash provided by operating activities	<u>\$ 8,529,429</u>	<u>\$ 7,653,780</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.



**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Florence Utilities (the “Utilities”) are comprised of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama. The Utilities provide electricity, natural gas, water and wastewater services to the City of Florence (the “City”) and various areas of Lauderdale County. The financial statements of the Utilities have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

***Basis of Accounting and Financial Statement Presentation:***

These three (3) enterprise funds are included as blended component units in the financial statements of the City of Florence, Alabama. The Department managers supervise the daily operations of providing services to citizens and are accountable to the Mayor and City Council. Financial statements are presented for each department. The footnotes are presented separately for each department, where applicable, and jointly for areas where common descriptions exist.

The City and all related departments have adopted the provisions of GASB Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position or balance sheet, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows. It requires the classification of net position into three components—net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- ◆ Net investment in capital assets—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- ◆ Restricted net position—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- ◆ Unrestricted net position—This component of net position consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In addition, the Statement requires the reporting of capital contributions as a change in net position, the presentation of the Statement of Cash Flows using the direct method, and the inclusion of Management’s Discussion and Analysis (MD&A) that provides an analysis of the Utilities’ overall financial position and results of operations.

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The financial statements of the Utilities are prepared primarily on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, with the exception of the accounting for unbilled revenues. The Utilities do not accrue any unbilled revenue from the dates of the most recent meter readings to the statement of net position date. However, revenues are recorded through the complete billing cycle that could include revenues subsequent to the year-end. This policy has been consistently followed and is an accepted accounting treatment followed by public utility systems.

***Accounts Receivable—Trade:***

The Electricity department acts as billing and collection agent for other City departments and other county utilities.

***Inventories:***

Inventories are presented at the lower of average cost or market on a first-in, first-out basis and are expensed when used. Inventories consist primarily of materials and supplies held for consumption or construction projects.

***Debt Premiums, Discounts, and Issuance Costs:***

Debt premiums and discounts are deferred and amortized over the term of the related debt using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount. Debt issuance costs are expensed when incurred.

***Deferred Loss on Early Retirement of Debt:***

The loss on early retirement of debt is deferred and amortized, using the straight-line method, over the original remaining life of the old debt or the life of the new debt, whichever is less. Bonds and warrants payable are reported net of the unamortized deferred loss on early retirement of debt.

***Prepaid Expenses:***

Payments made to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amounts and reflecting the expenses in the year in which they are consumed.

***Cash and Cash Equivalents:***

For purposes of the statement of cash flows, the Utilities consider all currency, demand deposits, certificates of deposit, and money market accounts with financial institutions and short-term U. S. Government securities to be cash equivalents.

***Revenues and Expenses:***

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Utilities. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Net Position:***

Net position represents the difference between assets and liabilities. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restriction imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the Utilities' policy to use restricted resources first, then unrestricted resources as they are needed. The Utilities have restricted net position relative to those resources necessary to comply with various covenants of bond financing agreements.

***Compensated Absences:***

The Utilities accrue its liability for earned but unpaid compensated absences costs. The City's annual leave policy provides for a minimum of five (5) days and a maximum of twenty-one (21) days (Electricity department employees-maximum of twenty-six (26) days) of annual leave to all regular full-time employees, depending on years of service and date of hire and has been accrued as a liability at the current rate of pay. The sick leave policy provides that all regular full-time employees earn sick leave at the rate of one and one-quarter (1.25) days per month of employment. Sick leave accumulates automatically without limit. After fifteen (15) years of continuous service, accumulated sick leave is accrued as a liability at a rate of one (1) day out of every five (5) days at the current rate of pay. Upon separation of employment for employees with fifteen (15) or more years of service, the City deposits the employee's sick leave accrual into a Post-Employment Health Plan (PEHP) account. This monetary benefit is non-taxable to the employee; however, its use is restricted to fund future health insurance premiums. In addition to the sick leave, the Utilities currently contribute \$25 per month per employee into a separate PEHP account. The use of these funds is restricted to allowable medical expenses and can only be accessed after termination of employment.

***Reclassifications:***

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

***Estimates:***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2—UTILITY PLANT**

**Electricity Department**

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation for the fiscal year 2014 totaled \$5,126,341 of which \$4,775,924 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$350,417 for the year ended June 30, 2014. Depreciation for the fiscal year 2013 totaled \$4,949,037 of which \$4,628,512 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$320,525 for the year ended June 30, 2013.

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 2—UTILITY PLANT** (Continued)

As of June 30, 2014 and 2013, nondepreciable capital assets consist of land, land rights, and right-of-ways in the amount of \$1,146,566 and \$1,188,366, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 30,922,622	\$ 975,675	\$ 204,325	\$ 31,693,972
Distribution plant	104,523,968	3,222,236	934,524	106,811,680
General plant	18,168,643	315,625	636,541	17,847,727
Totals	<u>\$ 153,615,233</u>	<u>\$ 4,513,536</u>	<u>\$ 1,775,390</u>	<u>\$ 156,353,379</u>

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net position in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current and prior year depreciation amounted to \$39,655. As of June 30, 2014 and 2013, accumulated depreciation amounted to \$118,965 and \$79,310, respectively.

**Gas Department**

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation expense amounted to \$1,443,611 for 2014 and \$1,385,378 for 2013.

As of June 30, 2014 and 2013, nondepreciable capital assets consist of land, land rights, and right-of-ways in the amount of \$320,747.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 9,822,559	\$ 136,688	\$ -	\$ 9,959,247
Distribution plant	36,135,743	1,232,974	40,760	37,327,957
General plant	7,249,700	312,882	20,388	7,542,194
Totals	<u>\$ 53,208,002</u>	<u>\$ 1,682,544</u>	<u>\$ 61,148</u>	<u>\$ 54,829,398</u>

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 2—UTILITY PLANT** (Continued)

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements, and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current and prior year amortization amounted to \$10,661. As of June 30, 2014 and 2013, accumulated amortization amounted to \$175,910 and \$165,248, respectively.

**Water and Wastewater Department**

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 75 years. Depreciation for the fiscal year 2014 totaled \$3,364,080 of which \$3,335,619 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$28,461 for the year ended June 30, 2014. Depreciation for the fiscal year 2013 totaled \$3,049,453 all of which was charged against income.

As of June 30, 2014 and 2013, nondepreciable capital assets consist of land, land rights, and right-of-ways in the amount of \$968,039.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission and distribution plant	\$ 150,703,578	\$ 2,424,511	\$ -	\$ 153,128,089
General plant	3,786,634	218,554	1,213	4,003,975
Totals	<u>\$ 154,490,212</u>	<u>\$ 2,643,065</u>	<u>\$ 1,213</u>	<u>\$ 157,132,064</u>

**NOTE 3—RECEIVABLES AND PAYABLES**

Receivables at June 30, 2014 and 2013 were as follows for each department:

**Electricity Department**

	<u>2014</u>	<u>2013</u>
Customer accounts	\$ 10,913,836	\$ 10,702,191
Other governments	733,817	607,857
Miscellaneous	179,451	142,193
Secured customer deposits	1,117,935	1,441,673
Accrued rents	386,373	381,732
Less: allowance for doubtful accounts	(313,649)	(341,499)
Net receivables	<u>\$ 13,017,763</u>	<u>\$ 12,934,147</u>

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 3—RECEIVABLES AND PAYABLES** (Continued)

**Gas Department**

	<u>2014</u>	<u>2013</u>
Customer accounts	\$ 770,319	\$ 975,936
Other governments	22,483	18,455
Miscellaneous	273	10,258
Less: allowance for doubtful accounts	<u>(32,181)</u>	<u>(33,963)</u>
Net receivables	<u>\$ 760,894</u>	<u>\$ 970,686</u>

Of the customer accounts receivable, \$51,076 is not due to be collected in the subsequent fiscal year.

**Water and Wastewater Department**

	<u>2014</u>	<u>2013</u>
Customer accounts	\$ 1,560,204	\$ 1,889,227
Other governments	77,108	95,241
Miscellaneous		1,599
Less: allowance for doubtful accounts	<u>(66,810)</u>	<u>(87,614)</u>
Net receivables	<u>\$ 1,570,502</u>	<u>\$ 1,898,453</u>

Payables at June 30, 2014 and 2013 were as follows for each department:

**Electricity Department**

	<u>2014</u>	<u>2013</u>
Vendors	\$ 17,863,466	\$ 16,771,909
Salaries and benefits	490,252	805,269
Other governments	14,770	14,125
Totals	<u>\$ 18,368,488</u>	<u>\$ 17,591,303</u>

**Gas Department**

	<u>2014</u>	<u>2013</u>
Vendors	\$ 687,815	\$ 771,759
Salaries and benefits	120,526	109,655
Other governments	437,379	170,492
Totals	<u>\$ 1,245,720</u>	<u>\$ 1,051,906</u>

**Water and Wastewater Department**

	<u>2014</u>	<u>2013</u>
Vendors	\$ 1,186,208	\$ 660,013
Salaries and benefits	178,703	153,401
Other governments	387,118	275,248
Totals	<u>\$ 1,752,029</u>	<u>\$ 1,088,662</u>

**CITY OF FLORENCE, ALABAMA**  
**ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 and 2013**  
**(Continued)**

**NOTE 4—STORAGE GAS**

**Gas Department**

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2014 and 2013, the Department had \$774,200 and \$668,604, respectively, in storage gas that is valued using the weighted average method.

**NOTE 5—RESTRICTED ASSETS**

Revenue warrants issued by the Utilities require that certain amounts from debt proceeds and debt service outlays be deposited into restricted funds, which are expended for their specified purposes. These funds are invested in government securities that are carried at fair value.

**Electricity Department**

Special funds created for capital construction and debt service by the Series 2009 and Series 2013 Warrant Indentures are invested in short-term U.S. Government obligations, as follows:

	<u>2014</u>	<u>2013</u>
Series 2009 Debt Service Reserve Fund	\$ 725,000	\$ 725,000
Series 2009 Warrant Funds	75,488	75,528
Series 2013 Debt Service Reserve Fund	192,869	192,869
Series 2013 Warrant Funds	15,437	15,428
Series 2013 Construction Fund	3,469,304	6,051,143
Total restricted cash and cash equivalents	<u>\$ 4,478,098</u>	<u>\$ 7,059,968</u>

**Water and Wastewater Department**

Special funds created for capital construction and debt service by the Series 2011 and SRF Warrant Indentures are invested in short-term U.S. Government obligations, as follows:

	<u>2014</u>	<u>2013</u>
SRF Series 2006 Warrant Funds	\$ 116,174	\$ 114,736
SRF Series 2007 Warrant Funds	447,921	439,177
SRF Series 2010-A Warrant Funds	716,862	701,449
SRF Series 2010-B Warrant Funds	1,215,910	1,187,188
SRF Series 2010-C Warrant Funds	1,175,227	1,150,715
SRF Series 2010-D Warrant Funds	295,100	288,985
Series 2011 Warrant Funds	404,848	404,848
Series 2011 Construction Fund	5,380,523	14,884,849
Total restricted cash and cash equivalents	<u>\$ 9,752,565</u>	<u>\$ 19,171,947</u>

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 and 2013  
(Continued)**

**NOTE 6—TVA POWER AND CONSERVATION PROGRAMS**

**Electricity Department**

**Conservation Program**

The Department has entered into a contract with TVA to establish a joint home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. The Department had at June 30, 2014 and 2013, a total of \$6,765,544 and \$6,853,277, respectively, of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these conservation loans in the amount of \$6,955,761 and \$7,054,301 as of June 30, 2014 and 2013, respectively.

**Power Programs**

The Department participates in the TVA Power Invoice Prepayment Program. This program allows the Department to transfer funds electronically, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An early payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balances of \$7,450,425 and \$6,956,180 as of June 30, 2014 and 2013, respectively, are reflected as prepayments in the financial statements.

The Department has entered into two (2) agreements with TVA under the Discounted Energy Units Program. The program entitles the Department to receive a discount of 2.5 cents per kWh on monthly contract volume of 217,500 kWh for a period of 10 years with the discount being applied to the monthly power invoice. The Department recorded the initial contract investments of \$500,000 and \$500,000 together with deferred interest income of \$152,500 and \$143,500 as deferred assets with an offsetting deferred liability for the interest income portion of the agreement. As of June 30, 2014 and 2013 the balances of the investments were \$0 and \$32,715 reported as current prepaid purchased power, respectively. The balances of the deferred interest income were \$0 and \$7,175 reported as current deferred interest income, respectively. The terms of these agreements expired in December 2013.

**NOTE 7—LONG-TERM OBLIGATIONS**

**Electricity Department**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<i>Electric Revenue Refunding Warrants, Series 2009</i>	<i>Electric Revenue Warrants, Series 2013</i>	<i>Totals</i>
Balance—beginning of year	\$ 4,840,000	\$ 6,350,000	\$ 11,190,000
Less: principal paid on debt	745,000		745,000
Balance—end of year	<u>\$ 4,095,000</u>	<u>\$ 6,350,000</u>	<u>\$ 10,445,000</u>



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**NOTE 7—LONG-TERM OBLIGATIONS** (Continued)

The Department issued Electric Taxable Revenue Warrants, Series 2008, dated April 4, 2008, in the amount of \$2,000,000 under a line of credit agreement with CB&S Bank. Proceeds of the loan will be advanced as requested by the Department. The revenues of the system are pledged for payment of the principal and interest of these warrants. Interest is payable semi-annually on each July 1 and January 1 until maturity at a rate of 4.99%. The entire outstanding principal balance of these warrants is due on January 1, 2013. There were no advances on the line of credit agreement during the fiscal years presented. The line of credit agreement was closed on January 30, 2013.

The Department issued Electric Revenue Refunding Warrants, Series 2009, dated June 1, 2009, in the amount of \$7,250,000 with interest rates ranging from 1.50% to 3.65% for the current refunding of the Electric Revenue Warrants, Series 1999. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually on June 1. Interest is payable semi-annually on each June 1 and December 1.

The Department issued Electric Revenue Warrants, Series 2013, dated March 1, 2013, in the amount of \$6,350,000 with interest rates ranging from 1.75% to 4.00% for the purpose of purchasing and constructing capital improvements to the system. The net revenues of the system are irrevocably pledged for payment of the principal and interest of the warrants. Principal is payable annually beginning on June 1, 2020. Interest is payable semi-annually on each June 1 and December 1.

Debt service over the remaining term of the warrants is summarized as follows:

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>	<i>Interest Payable</i>	<i>Total Debt Service</i>
2015	\$ 765,000	\$ 325,990	\$ 1,090,990
2016	790,000	302,275	1,092,275
2017	815,000	276,205	1,091,205
2018	850,000	247,680	1,097,680
2019	875,000	217,080	1,092,080
2020–2024	2,005,000	849,338	2,854,338
2025–2029	2,265,000	592,230	2,857,230
2030–2033	2,080,000	206,850	2,286,850
Totals	\$ 10,445,000	\$ 3,017,648	\$ 13,462,648
Less: portion due within one year	765,000		
Long-term debt at June 30, 2014	\$ 9,680,000		

All interest costs were expensed for the fiscal years presented.

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**NOTE 7—LONG-TERM OBLIGATIONS** (Continued)

**Water and Wastewater Department**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<i>Water and Sewer Revenue Warrants, SRF Series 2006</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2007</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2010-A</i>
Balance—beginning of year	\$ 3,085,000	\$ 7,515,000	\$ 6,340,000
Add: proceeds from debt			
Less: principal paid on debt	175,000	355,000	690,000
Balance—end of year	<u>\$ 2,910,000</u>	<u>\$ 7,160,000</u>	<u>\$ 5,650,000</u>

	<i>Water and Sewer Revenue Warrants, SRF Series 2010-B</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2010-C</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2010-D</i>
Balance—beginning of year	\$ 10,710,000	\$ 10,300,000	\$ 2,590,000
Add: proceeds from debt			
Less: principal paid on debt	1,170,000	1,135,000	285,000
Balance—end of year	<u>\$ 9,540,000</u>	<u>\$ 9,165,000</u>	<u>\$ 2,305,000</u>

	<i>Water and Sewer Revenue Warrants, Series 2011</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2013</i>	<i>Totals</i>
Balance—beginning of year	\$ 20,600,000	\$ -	\$ 61,140,000
Add: proceeds from debt		1,048,125	1,048,125
Less: principal paid on debt			3,810,000
Balance—end of year	<u>\$ 20,600,000</u>	<u>\$ 1,048,125</u>	<u>\$ 58,378,125</u>

The Department issued Water and Sewer Revenue Warrants, SRF Series 2006, dated January 15, 2006 in the amount of \$4,030,000 bearing an interest rate of 3.25%. The warrants were issued for constructing wastewater treatment and related facilities in connection with the sanitary sewer system. The warrants were issued under the State of Alabama Revolving Fund (SRF) and are administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and the Alabama Department of Environmental Management (ADEM). The revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on February 15. Interest is payable semi-annually on each February 15 and August 15.

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**NOTE 7—LONG-TERM OBLIGATIONS** (Continued)

The Department issued Water and Sewer Revenue Warrants, SRF Series 2007, dated September 15, 2007 in the amount of \$8,825,000 bearing an interest rate of 3.50%. The warrants were issued for making certain improvements to the sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of the warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2010-A-CWSRF-BL, dated July 13, 2010, in the amount of \$8,260,000 bearing an interest rate of 2.61% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 2000. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$12,920,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1998. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2010-C-CWSRF-BL, dated August 13, 2010, in the amount of \$12,460,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2010-D-CWSRF-BL, dated August 13, 2010, in the amount of \$3,125,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999B. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2011, dated June 1, 2011, in the amount of \$20,600,000 with interest rates ranging from 3.25% to 5.00%. The warrants were issued for capital improvements to upgrade the water treatment plants and the replacement of the Cypress Creek electrical system. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually beginning on August 15, 2021. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL, dated October 15, 2013, in the amount of \$5,825,000 with interest rates ranging from 1.70% to 2.45%. The warrants were issued for capital improvements to upgrade the water treatment plants, the acquisition of and installation of automatic meter reading equipment, and capital improvements to the Wilson Lake intake equipment. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Interest in the amount of \$309,728 has been accrued on the warrants until February 15, 2017 and the Department, as part of the capital projects, capitalized that interest. Principal is payable annually beginning on August 15, 2017. Interest is payable semi-annually on each February 15 and August 15 beginning in February 2017. As of June 30, 2014, the remaining balance of the warrants to be requested from ADEM was \$4,776,875.

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**NOTE 7—LONG-TERM OBLIGATIONS** (Continued)

Debt service over the remaining term of the warrants is summarized as follows:

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>	<i>Interest Payable</i>	<i>Total Debt Service</i>
2015	\$ 3,955,000	\$ 1,953,924	\$ 5,908,924
2016	4,105,000	1,845,357	5,950,357
2017	4,255,000	1,762,107	6,017,107
2018	4,640,000	1,756,001	6,396,001
2019	4,805,000	1,629,469	6,434,469
2020–2024	14,620,000	6,526,024	21,146,024
2025–2029	8,565,000	4,998,806	13,563,806
2030–2034	10,590,000	2,981,470	13,571,470
2035–2037	7,620,000	519,247	8,139,247
Totals	\$ 63,155,000	\$ 23,972,405	\$ 87,127,405
Less: Portion due within one year	3,955,000		
Amount of SRF funds available for disbursement	<u>4,776,875</u>		
Long-term debt at June 30, 2014	<u>\$ 54,423,125</u>		

Interest costs incurred for fiscal year 2014 amounted to \$2,329,639 of which \$2,019,911 was expensed and \$309,728 was capitalized. Interest costs incurred for fiscal year 2013 amounted to \$2,122,064 all of which was expensed.

**NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS**

**Pension Plan**

**Plan Description**—The City of Florence, Alabama Employees' Retirement Plan is a single-employer defined benefit pension plan administered by Metropolitan Life Insurance Company (a subsidiary of MetLife) providing retirement benefits to plan members. The latest City of Florence Employees' Retirement Plan Actuarial Valuation Report can be obtained by contacting the manager of the Human Resources/Benefits Department.

**Funding Policy**—The contribution requirements for plan members is 2.56% of the first \$350 of monthly earnings (excluding overtime pay) plus 5.12% of monthly earnings in excess of \$350. Employer contributions are based on employee contributions using a factor of 2.75. Plan provisions and contribution requirements are established and may be amended by the City Council.

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**NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

**Annual Pension Cost and Net Pension Obligation**—The City's annual pension cost and net pension obligation to the Plan for the latest actuarial valuation period were as follows:

Annual required contribution	\$	4,617,080
Interest on net pension obligation		(92,415)
Adjustment to annual required contribution		<u>(148,751)</u>
Annual pension cost	\$	4,375,914
Contributions made		<u>3,765,076</u>
Increase (decrease) in net pension obligation	\$	610,838
Net pension obligation—beginning of year		<u>(1,232,205)</u>
Net pension obligation—end of year	\$	<u><u>(621,367)</u></u>

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
October 1, 2012	\$ 4,375,914	86.0%	\$ (621,367)
October 1, 2011	4,241,696	91.7%	(1,232,205)
October 1, 2010	4,090,863	90.4%	(1,585,775)

**Funded Status and Funding Progress**—As of October 1, 2012, the most recent actuarial valuation date, the plan was 76.0% funded. The actuarial accrued liability for benefits was \$99.6 million and the actuarial value of assets was \$75.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$23.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$27.8 million, and the ratio of the UAAL to the covered payroll was 86.2%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**—In the October 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.50%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level dollar amount on a closed basis, which as of October 1, 2012, was twenty-eight (28) years.

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**NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS** (Continued)

**Deferred Compensation Plan**

The City offers its employees access to deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The City has no fiduciary relationship with the trust. In accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of these plans are not reported in the City's financial statements.

**NOTE 9—POSTRETIREMENT BENEFITS PLAN**

**Plan Description**—The City of Florence, Alabama administers a single-employer defined benefit postretirement benefits plan. The plan provides medical, dental, and life insurance benefits to eligible retired City employees. Benefit provisions are established and may be amended by the City Council. The plan does not issue a publicly available financial report.

**Funding Policy**—The contribution requirements for plan members and the City are established and may be amended by the City Council. The City pays the entire cost of these benefits. A portion of the annual required contribution is financed on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**—The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution	\$ 756,308
Interest on prior year net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>\$ 756,308</u>
Contributions made	<u>756,308</u>
Increase (decrease) in net OPEB obligation	\$ -
Net OPEB obligation—beginning of year	<u>-</u>
Net OPEB obligation—end of year	<u><u>\$ -</u></u>

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**NOTE 9—POSTRETIREMENT BENEFITS PLAN** (Continued)

**Three-Year Trend Information**

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
September 30, 2012	\$ 756,308	100.0%	\$ -
September 30, 2011			
September 30, 2010	460,057	100.0%	-
September 30, 2009			
September 30, 2008	469,977	100.0%	-

The City has elected to perform an actuarial valuation of the plan on a biennial basis.

***Funded Status and Funding Progress***—As of October 1, 2011, the most recent actuarial valuation date, the plan was 7.9% funded. The actuarial accrued liability for benefits was \$8.7 million and the actuarial value of assets was \$0.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$28.1 million, and the ratio of the UAAL to the covered payroll was 28.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the October 1, 2011 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.5%, which is based on the historical and expected returns that the City earns on its investments, projected salary increases of 3.5% per year, and an annual healthcare cost trend of 6.0% initially that is reduced by decrements to an ultimate rate of 4.7% after eighty-five (85) years. These rates included a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at October 1, 2011 was twenty-six (26) years.

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**NOTE 10—LEASE COMMITMENTS**

**Electricity Department**

The Department entered into a "Use Facilities" lease with TVA on April 21, 1983. This lease provides the Department with the use of facilities located in the Wilson Hydro Area. The lease shall continue in effect, for the term of the Power Contract dated July 6, 1966, between TVA and the City of Florence and shall include any extension, renewal, or replacement thereof. The Department is on a five (5) year rolling Power Contract. Therefore, the future minimum lease payments will always be five (5) years until the Department informs TVA of its intent to cancel the contract. Effective April 1, 2007, the monthly charge was recomputed to \$16,781. Payments under the lease amounted to \$201,372 for the fiscal years presented. The future minimum annual rental payments for the succeeding five (5) years are as follows:

<i>Fiscal Year Ending</i>	<i>Amount</i>
2015	\$ 201,372
2016	201,372
2017	201,372
2018	201,372
2019	201,372
Total	<u>\$ 1,006,860</u>

**NOTE 11—DEPOSITS AND INVESTMENTS**

On April 17, 2007, the City adopted an investment policy to formalize the framework for the City's investment activities. The policy generally limits its investments to non-negotiable certificates of deposit. For the Electricity Department, the policy allows funds to be invested in the TVA Prepaid Power Program and the TVA Discounted Energy Unit Program. Under the terms of bond indentures, the Utilities are required to deposit into certain bond funds for debt service. These investments are governed by the bond indenture, held by the paying agent as required under the indenture, and are invested in U. S. Government securities.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Utilities will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Utilities' deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the **Code of Alabama 1975**, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.



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**NOTE 12—RISK MANAGEMENT**

The City's risk management activities are accounted for through three (3) self-insurance funds. The purpose of these funds is to administer employee health, property and liability, and workers' compensation insurance programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City. The City retains a risk of loss on the employee health, property and liability, and a portion of workers' compensation insurance. For the insured portion of workers' compensation insurance, there have been no reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. Additional information related to the self-insurance funds can be requested from the City's Insurance department.

The Utilities remit payments to these self-insurance funds and any liability resulting to the Utilities will be paid from these funds.

**NOTE 13—CONTINGENCIES AND COMMITMENTS**

The Utilities are party to certain legal actions arising in the ordinary course of business. In management's opinion, the Utilities have adequate insurance coverage and/or legal defenses, if needed, and do not believe that they will materially affect the Utilities operations or financial position.

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

**Electricity Department**

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2014, open contracts for construction totaled \$1,354,295 of which \$731,272 had been recorded as cumulative construction in progress. As of June 30, 2014, open contracts for system maintenance totaled \$4,224,651 of which \$1,734,713 had been recorded as current maintenance expense. As of June 30, 2013, open contracts for construction totaled \$440,766 of which \$0 had been recorded as cumulative construction in progress. As of June 30, 2013, open contracts for system maintenance totaled \$4,224,651 of which \$1,601,368 had been recorded as current maintenance expense.

**Gas Department**

The Department entered into an agreement with two (2) energy suppliers to purchase natural gas in the futures market. This agreement allows the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the Agreement allows the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitment would materially affect the Department's operations or financial position. As of June 30, 2014 and 2013, the Department had made purchase commitments amounting to \$14,484,744 and \$4,365,214, respectively, for the subsequent fiscal year's gas needs.

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**NOTE 13—CONTINGENCIES AND COMMITMENTS** (Continued)

**Water and Wastewater Department**

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2014, open contracts for construction totaled \$15,246,977 of which \$8,442,669 had been recorded as cumulative construction in progress. As of June 30, 2014, open contracts for system maintenance totaled \$189,544 of which \$53,651 had been recorded as current maintenance expense. As of June 30, 2013, open contracts for construction totaled \$11,140,261 of which \$511,169 had been recorded as cumulative construction in progress. As of June 30, 2013, open contracts for system maintenance totaled \$189,544 of which \$68,226 had been recorded as current maintenance expense.

**NOTE 14—RESTATEMENT**

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of GASB No. 65 are effective for financial statements for periods beginning after December 15, 2012. Due to the implementation of this new statement, the following line items were restated:

**Electricity Department**

	<i>Unamortized Debt Issuance Costs</i>
Balance as of June 30, 2013, as previously stated	\$ 183,751
Effect of 2012 restatement	(73,610)
Expensing of unamortized issuance costs - Series 2013	(110,141)
Balance as of June 30, 2013, as restated	\$ -
<i>Net Position</i>	
Balance as of June 30, 2012, as previously stated	\$ 78,712,994
Expensing of unamortized issuance costs - Series 2009	(85,879)
Balance as of June 30, 2012, as restated	\$ 78,627,115
<i>Amortization of Debt Related Costs</i>	
Expense as of June 30, 2013, as previously stated	\$ 45,250
Effect of 2012 restatement	(12,269)
Correction of amortization expense - Series 2013	(1,867)
Expense as of June 30, 2013, as restated	\$ 31,114
<i>Debt Issuance Costs Expense</i>	
Expense of June 30, 2013, as previously stated	\$ -
Expensing of debt issuance costs - Series 2013	112,008
Expense as of June 30, 2013, as restated	\$ 112,008

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 and 2013  
(Continued)**

**NOTE 14—RESTATEMENT** (Continued)

**Water and Wastewater Department**

	<i>Unamortized Debt Issuance Costs</i>
Balance as of June 30, 2013, as previously stated	\$ 506,776
Effect of 2012 restatement	(300,825)
Balance as of June 30, 2013, as restated and presented as Prepaid debt related costs (net)	\$ 205,951
	<i>Net Position</i>
Balance as of June 30, 2012, as previously stated	\$ 68,627,592
Expensing of unamortized issuance costs - Series 2011	(313,905)
Balance as of June 30, 2012, as restated	\$ 68,313,687
	<i>Amortization of Debt Related Costs</i>
Expense as of June 30, 2013, as previously stated	\$ 58,010
Effect of 2012 restatement	(13,080)
Expense as of June 30, 2013, as restated	\$ 44,930



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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Electric sales:				
<i>Residential</i>	\$ 64,100,000	\$ 64,100,000	\$ 65,166,034	\$ 1,066,034
<i>Small commercial</i>	12,050,000	12,050,000	12,790,311	740,311
<i>Large commercial</i>	40,420,000	40,420,000	40,607,942	187,942
<i>Public street and highway lighting</i>	2,197,000	2,197,000	2,228,496	31,496
Forfeited discounts	1,055,000	1,055,000	1,128,948	73,948
Rents	1,275,000	1,275,000	1,307,616	32,616
Other operating revenues	635,000	635,000	642,817	7,817
Total operating revenues	<u>\$ 121,732,000</u>	<u>\$ 121,732,000</u>	<u>\$ 123,872,164</u>	<u>\$ 2,140,164</u>
Operating expenses:				
Costs of sales	\$ 97,100,000	\$ 97,100,000	\$ 98,841,170	\$ (1,741,170)
Operations:				
<i>Transmission</i>	422,200	425,900	384,232	41,668
<i>Distribution</i>	2,942,700	2,988,800	3,004,909	(16,109)
<i>Customer accounts</i>	2,122,100	2,163,600	1,884,811	278,789
<i>Customer service and information assistance and instruction</i>	39,400	40,350	67,683	(27,333)
<i>Sales</i>	30,000	30,000	7,489	22,511
<i>Administrative and general</i>	3,537,300	3,550,250	3,719,709	(169,459)
Maintenance:				
<i>Transmission</i>	310,600	313,600	294,181	19,419
<i>Distribution</i>	5,253,000	5,280,500	4,821,528	458,972
<i>Administrative and general</i>	425,300	428,300	395,185	33,115
Depreciation	4,700,000	4,700,000	4,775,924	(75,924)
Taxes and tax equivalents	3,252,800	3,252,800	3,275,364	(22,564)
Total operating expenses	<u>\$ 120,135,400</u>	<u>\$ 120,274,100</u>	<u>\$ 121,472,185</u>	<u>\$ (1,198,085)</u>
Operating income	<u>\$ 1,596,600</u>	<u>\$ 1,457,900</u>	<u>\$ 2,399,979</u>	<u>\$ 942,079</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 45,000	\$ 45,000	\$ 20,457	\$ (24,543)
Merchandising revenues (net of costs)	175,000	173,700	103,848	(69,852)
Miscellaneous nonoperating income	1,000	1,000	13,749	12,749
Gain on disposition of assets			24,615	24,615
Interest expense	(344,900)	(344,900)	(344,770)	130
Amortization of debt related costs	(48,600)	(48,600)	(30,756)	17,844
Total nonoperating revenues (expenses)	<u>\$ (172,500)</u>	<u>\$ (173,800)</u>	<u>\$ (212,857)</u>	<u>\$ (39,057)</u>
Change in net position	<u>\$ 1,424,100</u>	<u>\$ 1,284,100</u>	<u>\$ 2,187,122</u>	<u>\$ 903,022</u>
Total net position—beginning	<u>82,585,911</u>	<u>82,585,911</u>	<u>82,585,911</u>	
Total net position—ending	<u>\$ 84,010,011</u>	<u>\$ 83,870,011</u>	<u>\$ 84,773,033</u>	<u>\$ 903,022</u>

**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—  
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Gas sales:				
<i>Residential</i>	\$ 6,865,400	\$ 6,865,400	\$ 7,353,302	\$ 487,902
<i>Commercial</i>	4,354,200	4,354,200	4,687,374	333,174
<i>Industrial</i>	3,376,600	3,376,600	2,983,964	(392,636)
<i>Resale and transportation</i>	2,465,800	2,465,800	2,549,459	83,659
Service fees	86,400	86,400	73,459	(12,941)
Forfeited discounts	85,000	85,000	91,847	6,847
Other operating revenues	13,300	13,300	11,435	(1,865)
Total operating revenues	<u>\$ 17,246,700</u>	<u>\$ 17,246,700</u>	<u>\$ 17,750,840</u>	<u>\$ 504,140</u>
Operating expenses:				
Costs of sales	\$ 9,330,500	\$ 9,330,500	\$ 9,748,755	\$ (418,255)
Operations:				
<i>Transmission</i>	193,800	196,200	146,233	49,967
<i>Distribution</i>	422,900	424,700	348,387	76,313
<i>Customer accounts</i>	643,700	643,700	589,745	53,955
<i>Sales</i>	39,000	39,000	38,677	323
<i>Administrative and general</i>	1,839,200	1,846,400	1,756,733	89,667
Maintenance:				
<i>Transmission</i>	1,800	1,800		1,800
<i>Distribution</i>	1,574,900	1,596,500	1,588,029	8,471
<i>Administrative and general</i>	51,000	51,000	75,133	(24,133)
Depreciation	1,390,000	1,390,000	1,443,611	(53,611)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,530,100	1,532,600	1,490,014	42,586
Total operating expenses	<u>\$ 17,027,600</u>	<u>\$ 17,063,100</u>	<u>\$ 17,235,978</u>	<u>\$ (172,878)</u>
Operating income (loss)	<u>\$ 219,100</u>	<u>\$ 183,600</u>	<u>\$ 514,862</u>	<u>\$ 331,262</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 15,000	\$ 15,000	\$ 3,499	\$ (11,501)
Gain (loss) on disposition of assets	10,000	10,000	(4,473)	(14,473)
Miscellaneous nonoperating income	137,500	137,500	138,348	848
Total nonoperating revenues (expenses)	<u>\$ 162,500</u>	<u>\$ 162,500</u>	<u>\$ 137,374</u>	<u>\$ (25,126)</u>
Change in net position	\$ 381,600	\$ 346,100	\$ 652,236	\$ 306,136
Total net position—beginning	<u>42,833,082</u>	<u>42,833,082</u>	<u>42,833,082</u>	
Total net position—ending	<u>\$ 43,214,682</u>	<u>\$ 43,179,182</u>	<u>\$ 43,485,318</u>	<u>\$ 306,136</u>

**CITY OF FLORENCE, ALABAMA**  
**WATER AND WASTEWATER DEPARTMENT**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—**  
**BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Water sales:				
<i>Residential</i>	\$ 6,577,000	\$ 6,577,000	\$ 6,040,488	\$ (536,512)
<i>Commercial</i>	3,507,000	3,507,000	3,318,484	(188,516)
<i>Resale</i>	1,420,000	1,420,000	1,460,919	40,919
Sewer service sales:				
<i>Residential</i>	3,809,000	3,809,000	3,719,846	(89,154)
<i>Commercial</i>	3,630,000	3,630,000	3,586,655	(43,345)
Forfeited discounts	157,300	157,300	148,033	(9,267)
Other operating revenues	282,500	282,500	144,372	(138,128)
Total operating revenues	<u>\$ 19,382,800</u>	<u>\$ 19,382,800</u>	<u>\$ 18,418,797</u>	<u>\$ (964,003)</u>
Operating expenses:				
Water treatment and pumping	\$ 2,936,200	\$ 2,951,800	\$ 2,875,811	\$ 75,989
Sewage disposal	2,411,100	2,425,500	2,270,622	154,878
Transmission and distribution	1,277,100	1,288,450	1,387,053	(98,603)
Accounting and collections	999,400	999,400	980,305	19,095
Administrative and general	1,878,700	1,883,200	1,824,139	59,061
Depreciation	3,063,800	3,063,800	3,335,619	(271,819)
Taxes and tax equivalents	1,679,000	1,679,000	1,609,253	69,747
Total operating expenses	<u>\$ 14,245,300</u>	<u>\$ 14,291,150</u>	<u>\$ 14,282,802</u>	<u>\$ 8,348</u>
Operating income	<u>\$ 5,137,500</u>	<u>\$ 5,091,650</u>	<u>\$ 4,135,995</u>	<u>\$ (955,655)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 12,700	\$ 12,700	\$ 8,410	\$ (4,290)
Gain (loss) on disposition of assets			(353)	(353)
Interest expense	(2,196,000)	(2,196,000)	(2,019,911)	176,089
Debt issuance costs expense			(10,000)	(10,000)
Amortization of debt related costs	(58,000)	(58,000)	(44,930)	13,070
Total nonoperating revenues (expenses)	<u>\$ (2,241,300)</u>	<u>\$ (2,241,300)</u>	<u>\$ (2,066,784)</u>	<u>\$ 174,516</u>
Change in net position	\$ 2,896,200	\$ 2,850,350	\$ 2,069,211	\$ (781,139)
Total net position—beginning	<u>70,869,144</u>	<u>70,869,144</u>	<u>70,869,144</u>	
Total net position—ending	<u>\$ 73,765,344</u>	<u>\$ 73,719,494</u>	<u>\$ 72,938,355</u>	<u>\$ (781,139)</u>



**CITY OF FLORENCE, ALABAMA**

**Schedules of Funding Progress**

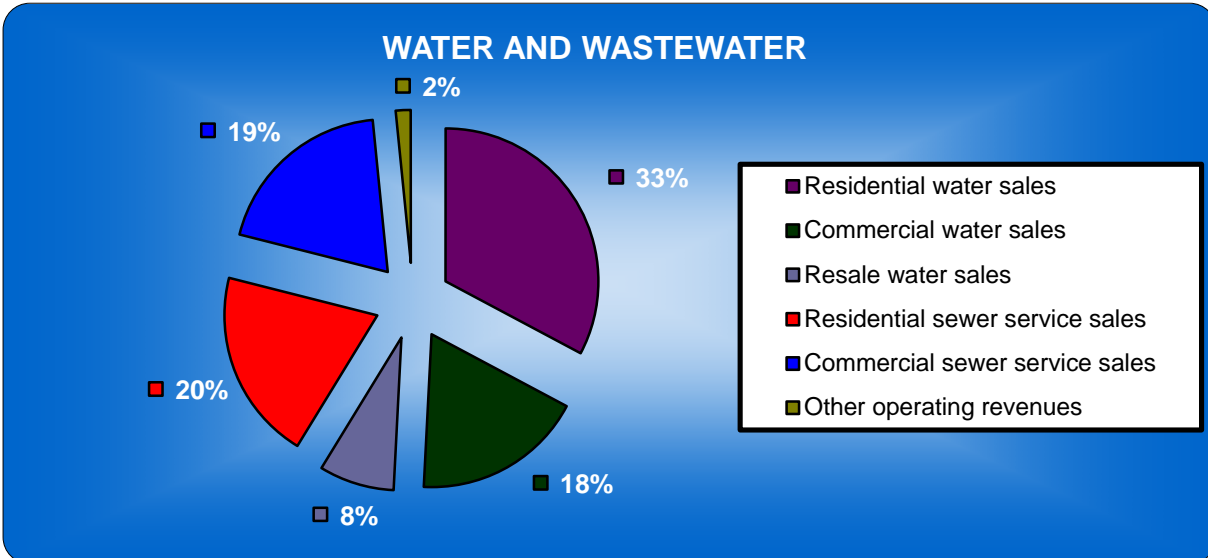
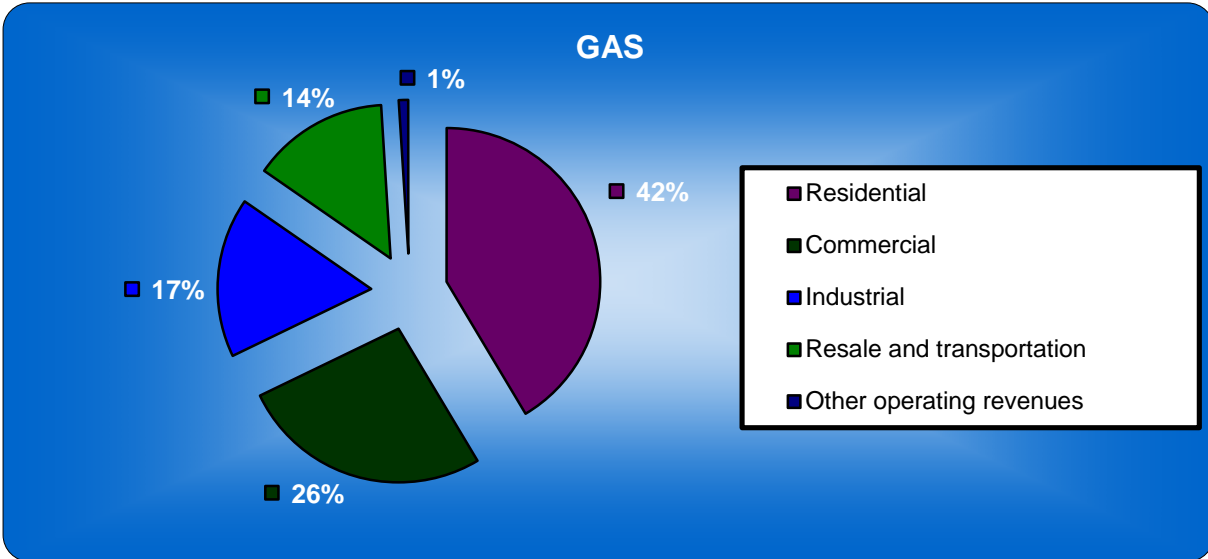
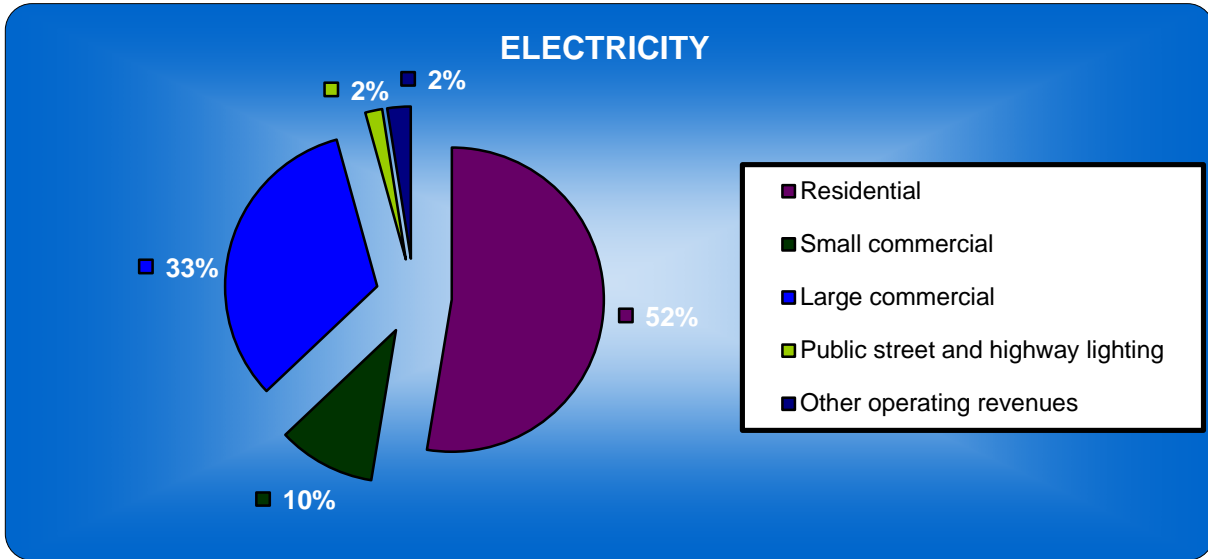
<b>Employees' Retirement Plan</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2012	\$ 75,692,011	\$ 99,618,114	\$ 23,926,103	76.0%	\$ 27,759,757	86.2%
October 1, 2011	69,076,688	97,078,177	28,001,489	71.2%	28,743,659	97.4%
October 1, 2010	69,626,436	93,878,767	24,252,331	74.2%	28,074,105	86.4%

<b>Postretirement Benefits Plan</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
October 1, 2011	\$ 683,821	\$ 8,666,316	\$ 7,982,495	7.9%	\$ 28,103,737	28.4%
October 1, 2009	483,054	4,487,605	4,004,551	10.8%	25,726,624	15.6%
October 1, 2007	—	4,186,288	4,186,288	0.0%	26,065,584	16.1%

The City has elected to perform an actuarial valuation of the plan on a biennial basis.

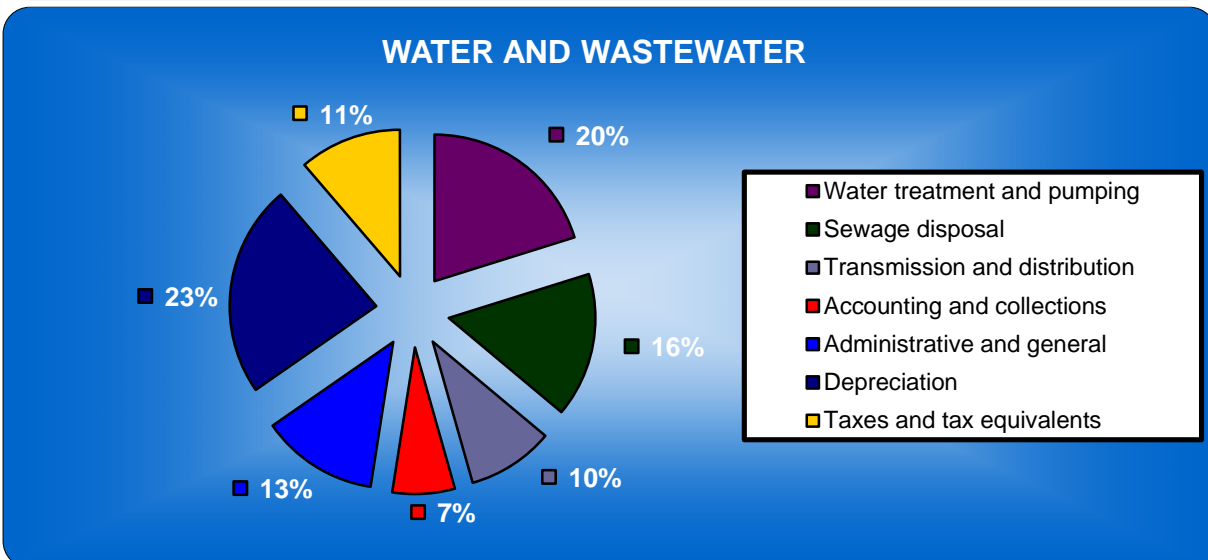
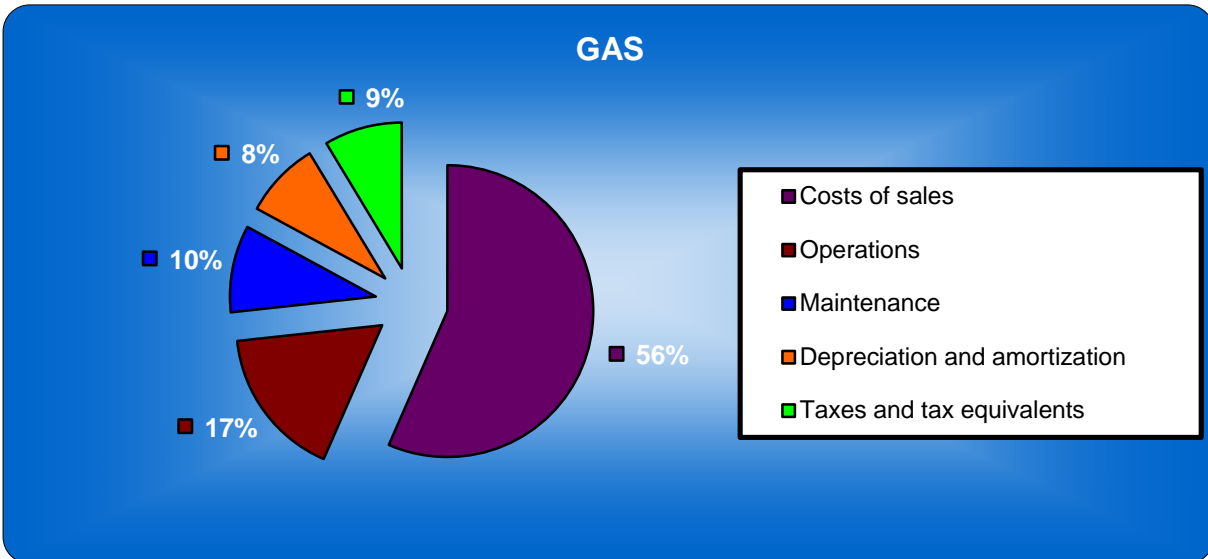
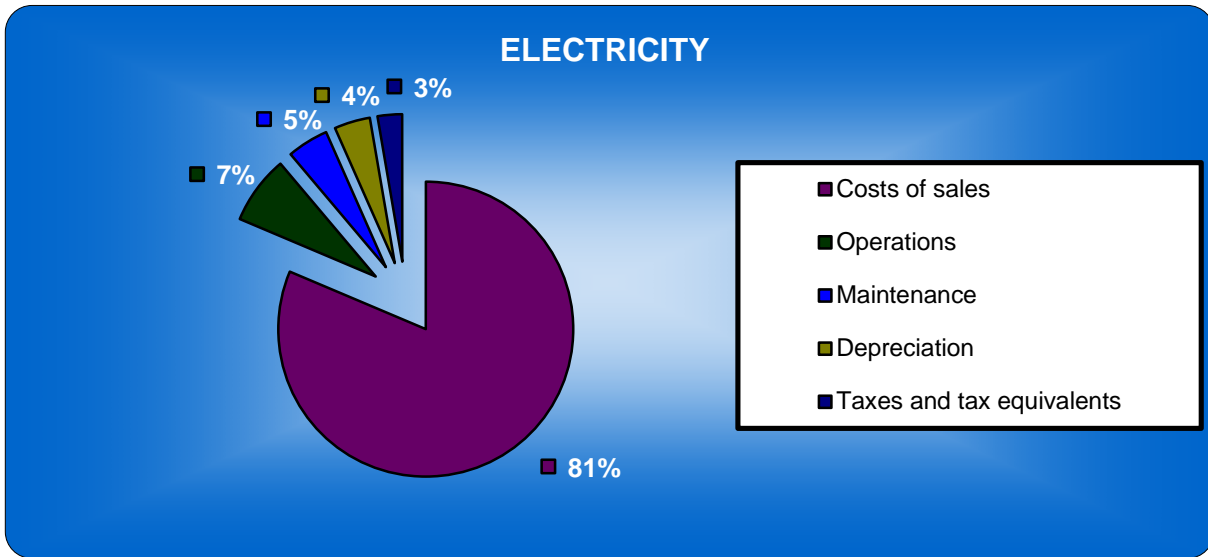
## **SUPPLEMENTARY SCHEDULES SECTION**

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT  
SOURCE OF FUNDS  
JUNE 30, 2014**



*Percentages in graphs may not add up to 100 percent due to rounding.*

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT  
USE OF FUNDS  
JUNE 30, 2014**



*Percentages in graphs may not add up to 100 percent due to rounding.*

# **ELECTRICITY DEPARTMENT**

**CITY OF FLORENCE, ALABAMA  
ELECTRICITY DEPARTMENT  
SCHEDULE OF UTILITY PLANT IN SERVICE  
AND ACCUMULATED DEPRECIATION  
JUNE 30, 2014**

<u>Description</u>	<u>UTILITY PLANT</u>			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 596,894	\$ -	\$ -	\$ 596,894
Clearing land and right of ways	90,378			90,378
Structures and improvements	53,927			53,927
Station equipment	20,236,475	364,825	171,595	20,429,705
Towers and fixtures	32,266			32,266
Poles and fixtures	4,624,887	515,715	19,692	5,120,910
Overhead conductors and devices	5,287,795	95,135	13,038	5,369,892
Total transmission plant	<u>\$ 30,922,622</u>	<u>\$ 975,675</u>	<u>\$ 204,325</u>	<u>\$ 31,693,972</u>
Distribution plant:				
Land and land rights	\$ 69,040	\$ -	\$ -	\$ 69,040
Station equipment	2,846,481			2,846,481
Poles, towers, and fixtures	22,058,586	1,140,433	113,614	23,085,405
Overhead conductors and devices	21,966,844	412,351	50,286	22,328,909
Underground conduit	2,628,792	107,386	226	2,735,952
Underground conductors and devices	9,162,972	514,743	40,828	9,636,887
Line transformers	23,634,466	563,262	496,649	23,701,079
Services	8,399,544	279,586	86,788	8,592,342
Meters	4,112,628	72,274	89,902	4,095,000
Installation on customer premises	2,400,573	94,102	33,651	2,461,024
Street lighting and signal systems	7,244,042	38,099	22,580	7,259,561
Total distribution plant	<u>\$ 104,523,968</u>	<u>\$ 3,222,236</u>	<u>\$ 934,524</u>	<u>\$ 106,811,680</u>
General plant:				
Land and land rights	\$ 432,054	\$ -	\$ 41,800	\$ 390,254
Structures and improvements	3,785,873		255,656	3,530,217
Office furniture and equipment	3,280,065	108,849	115,918	3,272,996
Transportation equipment	6,565,597	78,469	139,415	6,504,651
Stores equipment	43,707			43,707
Tools, shop, and garage equipment	3,106,884	102,916	62,741	3,147,059
Laboratory equipment	62,572	6,361	12,476	56,457
Power operated equipment	316,625			316,625
Communication equipment	384,753	18,500	745	402,508
Miscellaneous equipment	190,513	530	7,790	183,253
Total general plant	<u>\$ 18,168,643</u>	<u>\$ 315,625</u>	<u>\$ 636,541</u>	<u>\$ 17,847,727</u>
Total utility plant in service	<u><u>\$ 153,615,233</u></u>	<u><u>\$ 4,513,536</u></u>	<u><u>\$ 1,775,390</u></u>	<u><u>\$ 156,353,379</u></u>

**ACCUMULATED DEPRECIATION**

<u>Balance Beginning of Year</u>	<u>Accrual</u>	<u>Retirements- Original Cost</u>	<u>Removal Costs</u>	<u>Salvage</u>	<u>Balance End of Year</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-					-
46,952	1,079				48,031
13,325,155	710,798	171,595	75,654		13,788,704
32,266					32,266
3,038,091	197,221	19,692	8,682		3,206,938
3,640,723	160,236	13,038	5,749		3,782,172
<u>\$ 20,083,187</u>	<u>\$ 1,069,334</u>	<u>\$ 204,325</u>	<u>\$ 90,085</u>	<u>\$ -</u>	<u>\$ 20,858,111</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,124,053	113,859				2,237,912
9,696,037	674,999	113,614	50,091		10,207,331
14,372,035	608,191	50,286	22,170		14,907,770
1,704,947	106,093	226	100		1,810,714
4,205,834	372,453	40,828	18,001		4,519,458
6,670,402	531,483	496,649	218,967		6,486,269
3,246,568	254,956	86,788	38,264		3,376,472
349,886	112,640	89,902	39,637		332,987
1,623,263	121,579	33,651	14,836		1,696,355
5,762,455	362,401	19,884	8,767		6,096,205
<u>\$ 49,755,480</u>	<u>\$ 3,258,654</u>	<u>\$ 931,828</u>	<u>\$ 410,833</u>	<u>\$ -</u>	<u>\$ 51,671,473</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,041,505	94,355	255,656		195,541	1,075,745
2,619,806	156,053	115,918		2,864	2,662,805
3,910,045	368,357	139,415		13,941	4,152,928
33,747	1,651				35,398
2,293,256	118,843	62,742			2,349,357
48,104	1,705	12,476		747	38,080
76,576	24,480				101,056
193,623	17,115	744			209,994
101,061	15,794	7,790			109,065
<u>\$ 10,317,723</u>	<u>\$ 798,353</u>	<u>\$ 594,741</u>	<u>\$ -</u>	<u>\$ 213,093</u>	<u>\$ 10,734,428</u>
<u>\$ 80,156,390</u>	<u>\$ 5,126,341</u>	<u>\$ 1,730,894</u>	<u>\$ 500,918</u>	<u>\$ 213,093</u>	<u>\$ 83,264,012</u>

# **GAS DEPARTMENT**



**CITY OF FLORENCE, ALABAMA  
GAS DEPARTMENT  
SCHEDULE OF UTILITY PLANT IN SERVICE  
AND ACCUMULATED DEPRECIATION  
JUNE 30, 2014**

<u>Description</u>	<b>UTILITY PLANT</b>			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 120,667	\$ -	\$ -	\$ 120,667
Structures and improvements	142,993			142,993
Mains	6,912,226	136,340		7,048,566
Measuring and regulating equipment	2,646,673	348		2,647,021
Total transmission plant	<u>\$ 9,822,559</u>	<u>\$ 136,688</u>	<u>\$ -</u>	<u>\$ 9,959,247</u>
Distribution plant:				
Land and land rights	\$ 42,685	\$ -	\$ -	\$ 42,685
Structures and improvements	154,621			154,621
Mains	19,147,672	270,515	13,121	19,405,066
Measuring and regulating equipment	4,317,984	622,932		4,940,916
Services	11,784,289	332,088	27,639	12,088,738
Other distribution equipment	15,621			15,621
Corrosion	672,871	7,439		680,310
Total distribution plant	<u>\$ 36,135,743</u>	<u>\$ 1,232,974</u>	<u>\$ 40,760</u>	<u>\$ 37,327,957</u>
General plant:				
Land and land rights	\$ 157,395	\$ -	\$ -	\$ 157,395
Structures and improvements	2,696,566	11,452		2,708,018
Office furniture and equipment	621,142	56,030		677,172
Transportation equipment	1,476,809	98,857		1,575,666
Stores equipment	17,798			17,798
Tools, shop and garage equipment	20,406		650	19,756
Laboratory equipment	32,258			32,258
Power operated equipment	1,750,932	128,274	19,598	1,859,608
Communication equipment	77,610			77,610
Miscellaneous equipment	380,195	18,269	140	398,324
Other tangible property	18,589			18,589
Total general plant	<u>\$ 7,249,700</u>	<u>\$ 312,882</u>	<u>\$ 20,388</u>	<u>\$ 7,542,194</u>
Total utility plant in service	<u>\$ 53,208,002</u>	<u>\$ 1,682,544</u>	<u>\$ 61,148</u>	<u>\$ 54,829,398</u>

**ACCUMULATED DEPRECIATION**

<b>Balance Beginning of Year</b>	<b>Accrual</b>	<b>Retirements- Original Cost</b>	<b>Removal Costs</b>	<b>Balance End of Year</b>
\$ -	\$ -	\$ -	\$ -	\$ -
129,293	5,720			135,013
2,248,979	139,634			2,388,613
1,697,488	79,405			1,776,893
<u>\$ 4,075,760</u>	<u>\$ 224,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,300,519</u>
\$ -	\$ -	\$ -	\$ -	\$ -
154,621				154,621
4,712,366	385,526	13,121		5,084,771
1,898,170	138,884			2,037,054
5,061,771	358,095	27,639	19,624	5,372,603
14,277	469			14,746
672,871	7,439			680,310
<u>\$ 12,514,076</u>	<u>\$ 890,413</u>	<u>\$ 40,760</u>	<u>\$ 19,624</u>	<u>\$ 13,344,105</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,439,408	135,115			2,574,523
553,222	22,047			575,269
1,128,206	91,030			1,219,236
10,536	1,212			11,748
15,273	1,473	596		16,150
22,951	2,778			25,729
1,411,199	57,256	15,179		1,453,276
77,013	311			77,324
309,510	17,217	140		326,587
18,588				18,588
<u>\$ 5,985,906</u>	<u>\$ 328,439</u>	<u>\$ 15,915</u>	<u>\$ -</u>	<u>\$ 6,298,430</u>
<u>\$ 22,575,742</u>	<u>\$ 1,443,611</u>	<u>\$ 56,675</u>	<u>\$ 19,624</u>	<u>\$ 23,943,054</u>

**WATER AND WASTEWATER DEPARTMENT**

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
SCHEDULE OF UTILITY PLANT IN SERVICE  
AND ACCUMULATED DEPRECIATION  
JUNE 30, 2014**

<b>Description</b>	<b>UTILITY PLANT</b>			
	<b>Balance Beginning of Year</b>	<b>Additions and Reclassifications</b>	<b>Retirements and Reclassifications</b>	<b>Balance End of Year</b>
Transmission and distribution plant:				
Land and land rights	\$ 968,039	\$ -	\$ -	\$ 968,039
Supply source	9,790,847			9,790,847
Pumping structures	4,303,221	1,716,018		6,019,239
Sewer plant and system	93,621,394	301,838		93,923,232
Reservoirs and standpipes	1,733,368	732		1,734,100
Purification building and equipment	18,052,392	137,172		18,189,564
Transmission mains and appurtenances	6,210,473			6,210,473
Distribution mains and appurtenances	11,104,876	119,995		11,224,871
Customer services	3,762,232	133,004		3,895,236
Fire hydrants	570,652	(1,722)		568,930
Miscellaneous structures and improvements	586,084	17,474		603,558
Total transmission and distribution plant	<u>\$ 150,703,578</u>	<u>\$ 2,424,511</u>	<u>\$ -</u>	<u>\$ 153,128,089</u>
General plant:				
Office furniture and equipment	\$ 557,878	\$ 42,119	\$ 1,213	\$ 598,784
Transportation equipment	1,839,963	57,596		1,897,559
Tools and equipment	1,264,937	116,942		1,381,879
Communication equipment	60,139			60,139
Laboratory equipment	63,717	1,897		65,614
Total general plant	<u>\$ 3,786,634</u>	<u>\$ 218,554</u>	<u>\$ 1,213</u>	<u>\$ 4,003,975</u>
Total utility plant in service	<u><u>\$ 154,490,212</u></u>	<u><u>\$ 2,643,065</u></u>	<u><u>\$ 1,213</u></u>	<u><u>\$ 157,132,064</u></u>

**ACCUMULATED DEPRECIATION**

<b>Balance Beginning of Year</b>	<b>Additions and Reclassifications</b>	<b>Retirements and Reclassifications</b>	<b>Balance End of Year</b>
\$ -	\$ -	\$ -	\$ -
4,102,571	196,186		4,298,757
912,430	152,765		1,065,195
23,798,510	1,796,164		25,594,674
1,060,815	35,025		1,095,840
5,006,589	518,526		5,525,115
2,303,417	105,271		2,408,688
6,497,834	238,254		6,736,088
2,567,902	76,043		2,643,945
278,653	12,296		290,949
279,858	14,606		294,464
<u>\$ 46,808,579</u>	<u>\$ 3,145,136</u>	<u>\$ -</u>	<u>\$ 49,953,715</u>
\$ 468,026	\$ 21,711	\$ 860	\$ 488,877
1,436,775	99,186		1,535,961
1,031,718	86,300		1,118,018
47,177	4,325		51,502
31,570	7,422		38,992
<u>\$ 3,015,266</u>	<u>\$ 218,944</u>	<u>\$ 860</u>	<u>\$ 3,233,350</u>
<u>\$ 49,823,845</u>	<u>\$ 3,364,080</u>	<u>\$ 860</u>	<u>\$ 53,187,065</u>

**CITY OF FLORENCE, ALABAMA  
WATER AND WASTEWATER DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES—KILLEN SYSTEM  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 1,263,024	\$ 1,301,977
<i>Commercial</i>	356,901	366,930
Forfeited discounts	17,105	17,493
Other operating revenues	<u>15,183</u>	<u>18,905</u>
Total operating revenues	<u>\$ 1,652,213</u>	<u>\$ 1,705,305</u>
Operating expenses:		
Water treatment and pumping	\$ 502,952	\$ 431,543
Transmission and distribution	230,725	196,296
Accounting and collections	112,969	132,691
Administrative and general	145,563	149,994
Depreciation	97,951	96,354
Taxes and tax equivalents	<u>20,809</u>	<u>20,079</u>
Total operating expenses	<u>\$ 1,110,969</u>	<u>\$ 1,026,957</u>
Operating income	<u>\$ 541,244</u>	<u>\$ 678,348</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 673	\$ 893
Gain (loss) on disposition of assets		(9)
Interest expense	(126,313)	(126,313)
Debt issuance costs expense	(800)	
Amortization of debt related costs	<u>(845)</u>	<u>(2,588)</u>
Total nonoperating revenues (expenses)	<u>\$ (127,285)</u>	<u>\$ (128,017)</u>
Income before capital contributions	<u><u>\$ 413,959</u></u>	<u><u>\$ 550,331</u></u>