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CITY OF FLORENCE

P.O. Box 187

Florence, Mississippi 39073

601 845-2462

www.florencems.com

MAYOR

Pam Clark

Mayor Pro Tem

Bobbie Moudy

ALDERPERSONS

Brian Grantham

Trey Gunn

John Helms

Larry Poynor

April 22, 2016

Office of the State Auditor

P. O. Box 956

Jackson, MS 39205-0267

Re: Audited Financial Report

Accompanying this letter are two (2) copies of the annual audit report for the City of Florence, Mississippi for fiscal year ending September 30, 2015. An electronic copy will be forwarded.

Sincerely,

City of Florence
Mayor, Pam Clark

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APR 26 2016

PC/lw

CITY OF FLORENCE

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Barlow, Walker & Company, P.A.

Certified Public Accountants

Charles S. Barlow, CPA
Kenneth G. Walker, CPA

Kristi G. Thompson, CPA
Rose L. Williamson, CPA
Lauren M. LaPrade, CPA
Hogan E. Allen, CPA
Stacie S. Brown, CPA
Carley W. Moore, CPA, CFE

Members of:
American Institute of CPA's
Mississippi Society of CPA's

282 Maxey Drive
P.O. Box 150
Brandon, Mississippi 39043
(601) 825-1310
(601) 825-1326 Fax

113-C Main Street
Quitman, Mississippi 39355
(601) 776-3361

Email: sandy@brandoncpas.com
ken@brandoncpas.com
Web: www.barlowwalkercpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Board of Aldermen
City of Florence, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Florence, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Florence, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Florence, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Mater

As discussed in Note 1 to the financial statements, the City of Florence, Mississippi adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB No. 68*. As a result, net position as of October 1, 2014, has been restated. 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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions on pages on pages 4-10 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of City of Florence, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Mississippi's internal control over financial reporting and compliance.

Barlow, Walker & Company, P.A.

Brandon, Mississippi

March 30, 2016

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The Discussion and Analysis of the City of Florence, Mississippi's ("City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2015. Please read it in conjunction with the City of Florence, Mississippi's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 were as follows:

Total net position for 2015 decreased \$1,146,487 or 15.6% from fiscal year 2014. The decrease in net position is attributed to a change in net position from current year operations of \$833,109 and a prior period adjustment of (\$1,979,596) for net pension liability restatement due to the implementation of GASB 68. Total net position for 2014 increased \$172,857 or 2.42% from fiscal year 2013.

General revenues accounted for \$2,372,134 and \$2,133,203 in revenue, or 47% and 53% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,674,331 or 53% for 2015 and \$1,879,603 or 47% of total revenues for 2014.

In the business-type activity of water and sewer, water and sewer expenses were \$1,153,420 while charges for services were \$1,213,622.

Long-term debt, including net pension liability, increased by \$2,456,775 for fiscal year 2015 and increased by \$252,424 for fiscal year 2014. The increase in 2015 is primarily related to the recording of the net pension liability of \$2,814,907 due to the implementation of GASB 68. The increase in 2014 was due to the excess of debt issuances over debt repayments which includes the issuance of a general obligation bond and repayments of a capital lease and bond principal. Additionally, the liability for compensated absences increased by \$234 and decreased by \$2,229 in 2015 and 2014, respectively.

Overall, the book value of capital assets increased \$2,747,164 for 2015 and increased by \$25,031 for 2014. The change in 2015 is primarily due to the capitalization of construction in progress and purchases exceeding depreciation expense and retirements. In 2014, the change was due to purchases exceeding depreciation expense and retirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) and water, sewer, and sanitation charges (proprietary activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's current financing requirements. Government funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of the City's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations are on pages 15 and 17, respectively.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Proprietary funds. The City of Florence maintains one type of proprietary fund, the enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water and Sewer operations as well as sanitation services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information.

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund and for the Park Fund.

With the implementation of GASB 68, this report also presents the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions.

The required supplementary information can be found on pages 38-42 of this report.

Other supplementary information. This report also presents the schedule of expenditures of federal awards.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

One of the most important questions to ask about the City of Florence, Mississippi's finances is, "Has the City's net position increased or decreased as a result of the year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the city's assets and liabilities resulting from the use of the accrual basis of accounting and economic resources focus of measurement.

Net position. The City's combined net position, on the accrual basis of accounting and economic resources measurement focus, decreased from \$7,329,421 to \$6,182,934 between fiscal years 2014 and 2015.

Table 1 presents a summary of the City's net position at September 30, 2015 and 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1
Condensed Statements of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current & other assets	\$ 1,792,026	\$ 2,030,682	\$ 2,958,726	\$ 4,020,619	\$ 4,750,752	\$ 6,051,301
Capital assets, net	5,589,389	4,047,746	3,856,114	2,650,593	9,445,503	6,698,339
Total Assets	\$ 7,381,415	\$ 6,078,428	\$ 6,814,840	\$ 6,671,212	\$14,196,255	\$12,749,640
Deferred Outflows						
of Resources	\$ 492,286	\$ -	\$ 33,428	\$ -	\$ 525,714	\$ -
Liabilities:						
Current & other liabilities	\$ 569,063	\$ 208,871	\$ 862,204	\$ 520,896	\$ 1,431,267	\$ 729,767
Long-term liabilities	4,039,673	1,364,435	3,068,095	3,326,017	7,107,768	4,690,452
Total Liabilities	\$ 4,608,736	\$ 1,573,306	\$ 3,930,299	\$ 3,846,913	\$ 8,539,035	\$ 5,420,219
Net Position:						
Investment in capital assets, net of related debt	\$ 4,281,333	\$ 2,634,149	\$ 2,041,601	\$ 2,101,532	\$ 6,322,934	\$ 4,735,681
Restricted	330,051	1,208,092	1,500,822	3,019,099	1,830,873	4,227,191
Unrestricted	(1,346,419)	662,881	(624,454)	(2,296,332)	(1,970,873)	(1,633,451)
Total Net Position	\$ 3,264,965	\$ 4,505,122	\$ 2,917,969	\$ 2,824,299	\$ 6,182,934	\$ 7,329,421

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The City's total assets increased \$1,446,615 during 2015 with governmental activities showing an increase of \$1,302,987 and business-type activities showing an increase of \$143,628. The increase was primarily due to an increase in capital assets.

The City's total liabilities increased \$3,118,816, due mainly to the recording of net pension liability with the implementation of GASB 68.

The City's net position decreased \$1,146,487 due to a change in net position from current year operations of \$833,109 and a prior period adjustment of (\$1,979,596) for net pension restatement resulting from the implementation of GASB 68.

Table 2 presents a summary of the changes in net position for the fiscal years ended September 30, 2015 and 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 551,281	\$ 598,816	\$ 1,213,622	\$ 1,154,686	\$ 1,764,903	\$ 1,753,502
Operating grants	60,618	100,972	-	-	60,618	100,972
Capital Grants & Contributions	848,810	25,129	-	-	848,810	25,129
General revenues	2,358,573	2,118,235	63,322	14,968	2,421,895	2,133,203
Total Revenues	3,819,282	2,843,152	1,276,944	1,169,654	5,096,226	4,012,806
Program Expenses:						
General government	838,421	750,614	-	-	838,421	750,614
Public safety	1,187,861	1,210,906	-	-	1,187,861	1,210,906
Public services	337,936	342,488	-	-	337,936	342,488
Culture & recreation	373,153	369,658	-	-	373,153	369,658
Water and sewer	-	-	1,148,361	1,124,637	1,148,361	1,124,637
Interest	41,897	41,646	-	-	41,897	41,646
Pension expense	330,429	-	5,059	-	335,488	-
Total Expenses	3,109,697	2,715,312	1,153,420	1,124,637	4,263,117	3,839,949
Increase in net position	\$ 709,585	\$ 127,840	\$ 123,524	\$ 45,017	\$ 833,109	\$ 172,857

Governmental Activities. Revenues for the City's governmental activities for the year ended September 30, 2015 were \$3,819,282 compared to \$2,843,152 in 2014. Program revenues increased 34.3% primarily as a result of an increase in capital grants. General revenues are, for the most part, comprised of sales and use taxes, grants, and property taxes.

The cost of providing all governmental activities for 2015 was \$3,109,697 and for 2014 was \$2,715,312, an increase of \$394,385 for 2015 and a decrease of \$40,909 for 2014. Of this amount, general government expenses increased \$87,807 for 2015 and decreased \$10,531 for 2014; public safety expenses decreased \$23,045 in 2015 and increased \$20,039 in 2014; public services expenses decreased \$4,552 in 2015 and

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

decreased \$8,528 in 2014; culture and recreation expenses increased \$3,495 in 2015 and decreased \$3,524 in 2014; and interest on long-term debt expenses increased \$251 in 2015 and decreased \$38,365 in 2014. With the implementation of GASB 68, the City recorded pension expense of \$335,488 for 2015. Of this amount, \$330,429 was allocated to governmental activities and \$5,059 was allocated to business-type activities.

The City's largest programs are public safety, general government, culture and recreation, and public services. Expenses exceeding revenues are offset by general revenues generated by taxes, investment income and other general revenues.

Business-type Activities. Revenues for business-type activities are primarily comprised of charges for water and sewer services. Charges for services for the City's business-type activities were \$1,213,622 for 2015 and \$1,154,686 for 2014, an increase of \$58,936 in 2015 and an increase of \$13,312 for 2014.

The costs of these business-type activities were \$1,153,420 and \$1,124,637 for 2015 and 2014, respectively, a decrease of \$20,978 in 2015 and an increase of \$36,801 in 2014 which is not specifically attributable to any single item.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$1,320,284, a decrease of \$607,106. The fund balance consists of the following: \$49,136 or 3.7% which is restricted for specific purposes which are externally imposed, \$283,179 or 21.4% which is committed for specific purposes internally imposed by the City, \$1,367 or .1% which is assigned by the Board for specific purposes, and \$986,602 or 74.7% which is unassigned and available for spending for any purpose.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the City revised the annual operating budget. Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and Park Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2015, the City's total capital assets were \$17,120,370 including land, city buildings, infrastructure, vehicles, and furniture and equipment. This amount represents an increase of \$3,159,669 for 2014 to 2015 and an increase of \$390,502 for 2013 to 2014. The accumulated depreciation as of September 30, 2015 was \$7,674,867 and total depreciation expense for the year was \$424,636, resulting in total net capital assets of \$9,445,503.

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Table 3 presents a summary of capital assets, net of accumulated depreciation as of September 30, 2015 and 2014.

**Table 3
Summary of Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 867,224	\$ 867,224	\$ -	\$ -	\$ 867,224	\$ 867,224
Construction in Progress	1,023,215	274,621	1,376,890	360,587	2,400,105	635,208
Buildings & improvements	3,309,331	2,487,068	2,370,638	2,178,997	5,679,969	4,666,065
Machinery, equipment, & vehicles	389,619	418,833	108,586	111,009	498,205	529,842
Total	\$ 5,589,389	\$ 4,047,746	\$ 3,856,114	\$ 2,650,593	\$ 9,445,503	\$ 6,698,339

Additional information of the City's capital assets can be found in Note 5 in the notes to the financial statements included in this report.

Debt Administration. At September 30, 2015 and 2014, the City had \$4,681,463 and \$5,039,595, respectively, in general obligation bonds and other long-term debt as shown in Table 4.

**Table 4
Outstanding Notes and Long-Term Obligations**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 1,155,000	\$ 1,191,667	\$ 2,930,000	\$ 383,333	\$ 4,085,000	\$ 1,575,000
Revenue bonds	-	-	-	2,765,000	-	2,765,000
Lease obligations	-	20,868	-	-	-	20,868
Capital loans	153,056	201,062	385,335	419,827	538,391	620,889
Compensated absences	56,481	56,417	1,591	1,421	58,072	57,838
Total	\$ 1,364,537	\$ 1,470,014	\$ 3,316,926	\$ 3,569,581	\$ 4,681,463	\$ 5,039,595

Additional information of the City's long-term debt can be found in Note 6 in the notes to the financial statements included in this report.

CURRENT ISSUES

Public Works and Street Department. Engineering continued for an expansion to the wastewater treatment facility, relocation of waterlines on Highway 49 and the downtown elevated tank painting.

Grants. City of Florence Police Department continues to participate in the Mississippi Highway Safety Patrol Law Enforcement DUI Grant Program, Occupant Protection Grant Program and the Law Enforcement Justice Assistance Program. MDOT grants have been awarded for these infrastructure projects, (1) Highway 49 Water Line Relocation, (2) Highway 49 Pump Station and (3) Williams Road Reconstruction Project. The Highway 49 Pump Station and Williams Road Reconstruction Project were completed and capitalized in fiscal year 2015.

**CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Planning and Development. Future development for the City of Florence includes improvements, repairs, and upgrades to the wastewater treatment facility and pump stations. The City also has plans to resurface various streets throughout the city. Proposals for the construction of a motel, restaurant and new shopping center have been presented to the governing authorities for their approval.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City of Florence, Mississippi's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Linda Wigley, City Clerk, at (601) 845-8856 or email CityClerk@CityofFlorence.comcastbiz.net.

CITY OF FLORENCE
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,010,992	\$ 1,187,385	\$ 2,198,377
Receivables			
Grants receivable	295,265	-	295,265
Accounts receivable	-	114,597	114,597
Ad valorem	29,886	-	29,886
Franchise tax	21,497	-	21,497
Current sales tax	210,496	-	210,496
Other receivables	-	49,761	49,761
Due from other funds	(106,161)	106,161	-
Total current assets	<u>1,461,975</u>	<u>1,457,904</u>	<u>2,919,879</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	5,589,389	3,856,114	9,445,503
Restricted cash and cash equivalents	330,051	1,500,822	1,830,873
Total noncurrent assets	<u>5,919,440</u>	<u>5,356,936</u>	<u>11,276,376</u>
Total Assets	<u>7,381,415</u>	<u>6,814,840</u>	<u>14,196,255</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	-	25,890	25,890
Deferred outflows related to pensions	492,286	7,538	499,824
Total Deferred Outflows of Resources	<u>492,286</u>	<u>33,428</u>	<u>525,714</u>

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APR 26 2016

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities			
Accounts payable	\$ 467,641	\$ 418,834	\$ 886,475
Accrued interest payable	4,101	26,294	30,395
Current portion of capital improvement loan	48,988	35,409	84,397
Current portion of bonds payable	48,333	381,667	430,000
Total current liabilities	<u>569,063</u>	<u>862,204</u>	<u>1,431,267</u>
Noncurrent liabilities			
Compensated absences	56,481	1,591	58,072
Deposits payable	-	125,795	125,795
Capital improvement loan	104,068	349,926	453,994
Bonds payable	1,106,667	2,548,333	3,655,000
Net pension liability	2,772,457	42,450	2,814,907
Total noncurrent liabilities	<u>4,039,673</u>	<u>3,068,095</u>	<u>7,107,768</u>
Total Liabilities	<u>4,608,736</u>	<u>3,930,299</u>	<u>8,539,035</u>
NET POSITION			
Net investment in capital assets	4,281,333	2,041,601	6,322,934
Restricted	330,051	1,500,822	1,830,873
Unrestricted	(1,346,419)	(624,454)	(1,970,873)
Total Net Position	<u>\$ 3,264,965</u>	<u>\$ 2,917,969</u>	<u>\$ 6,182,934</u>

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Function / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Business-type Activities	Totals
Governmental activities						
General government	\$ 838,421	\$ 44,999	\$ -	\$ (643,422)	\$ -	\$ (643,422)
Public safety	1,187,861	382,686	60,618	(45,747)	-	(45,747)
Public services	337,936	-	-	(337,936)	-	(337,936)
Culture and recreation	373,153	123,596	-	(249,557)	-	(249,557)
Interest on long-term debt	41,897	-	-	(41,897)	-	(41,897)
Pension expense	330,429	-	-	(330,429)	-	(330,429)
Total governmental activities	<u>3,109,697</u>	<u>551,281</u>	<u>60,618</u>	<u>(1,648,988)</u>	<u>-</u>	<u>(1,648,988)</u>
Business-type activities						
Water and sewer	1,153,420	1,213,622	-	-	60,202	60,202
Total business-type activities	<u>1,153,420</u>	<u>1,213,622</u>	<u>-</u>	<u>-</u>	<u>60,202</u>	<u>60,202</u>
Total primary governmental	<u>\$ 4,263,117</u>	<u>\$ 1,764,903</u>	<u>\$ 60,618</u>	<u>\$ (1,648,988)</u>	<u>60,202</u>	<u>(1,588,786)</u>
General revenues						
Taxes						
Sales taxes				1,191,612	-	1,191,612
Property taxes				876,312	-	876,312
Other taxes				177,465	-	177,465
Investment income				1,714	3,193	4,907
Gain on disposal of assets				9,022	-	9,022
Other				102,448	60,129	162,577
Total general revenues and transfers				<u>2,358,573</u>	<u>63,322</u>	<u>2,421,895</u>
Change in net position				709,585	123,524	833,109
Net Position - beginning of year, as previously reported				4,505,122	2,824,299	7,329,421
Prior period adjustment				(1,949,742)	(29,854)	(1,979,596)
Net Position - beginning of year, as restated				2,555,380	2,794,445	5,349,825
Net Position - end of year				<u>\$ 3,264,965</u>	<u>\$ 2,917,969</u>	<u>\$ 6,182,934</u>

See accompanying notes to financial statements.

CITY OF FLORENCE
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Park Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 899,407	\$ 111,585	\$ 1,010,992
Receivables			
Grants receivable	295,265	-	295,265
Ad valorem	29,886	-	29,886
Current sales tax	159,760	50,736	210,496
Franchise tax	21,497	-	21,497
Restricted assets:			
Cash and cash equivalents	330,051	-	330,051
Total Assets	\$ 1,735,866	\$ 162,321	\$ 1,898,187
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 448,405	\$ 19,236	\$ 467,641
Accrued interest payable	4,101	-	4,101
Due to other funds	106,161	-	106,161
Total Liabilities	558,667	19,236	577,903
Fund Balances:			
Restricted	49,136	-	49,136
Committed	283,179	-	283,179
Assigned	1,367	-	1,367
Unassigned	843,517	143,085	986,602
Total Fund Balances	1,177,199	143,085	1,320,284
Total Liabilities and Fund Balances	\$ 1,735,866	\$ 162,321	\$ 1,898,187

See accompanying notes to financial statements.

CITY OF FLORENCE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2015

Fund Balances - total governmental funds		\$ 1,320,284
Amounts reported for governmental activities in statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 7,714,819	
Less accumulated depreciation	<u>(2,125,430)</u>	5,589,389
Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(2,772,457)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to pensions		492,286
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	\$ (1,155,000)	
Capital improvement loans payable	(153,056)	
Compensated absences	<u>(56,481)</u>	<u>(1,364,537)</u>
Net position of governmental activities		<u>\$ 3,264,965</u>

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	General Fund	Park Fund	Total Governmental Funds
Revenues			
Taxes	\$ 876,312	\$ -	\$ 876,312
Licenses and permits	193,186	-	193,186
Federal and State shared revenues	1,822,560	307,758	2,130,318
Fines and forfeitures	382,686	-	382,686
Charges for services	-	123,596	123,596
Interest	1,714	58	1,772
Other	104,365	8,950	113,315
Total Revenues	<u>3,380,823</u>	<u>440,362</u>	<u>3,821,185</u>
Expenditures			
Current (operating)			
General government	829,557	-	829,557
Public safety	1,110,162	-	1,110,162
Public services	267,912	-	267,912
Culture and recreation	4,000	328,672	332,672
Capital outlay	1,734,273	6,277	1,740,550
Debt service			
Principal	65,275	40,266	105,541
Interest and fiscal charges	40,147	1,750	41,897
Total Expenditures	<u>4,051,326</u>	<u>376,965</u>	<u>4,428,291</u>
Net change in fund balances	<u>(670,503)</u>	<u>63,397</u>	<u>(607,106)</u>
Fund balances, October 01, 2014	<u>1,847,702</u>	<u>79,688</u>	<u>1,927,390</u>
Fund balances, September 30, 2015	<u>\$ 1,177,199</u>	<u>\$ 143,085</u>	<u>\$ 1,320,284</u>

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See accompanying notes to financial statements.

CITY OF FLORENCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$ (607,106)

Amounts reported for governmental activities in statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 1,793,490	
Less current year depreciation	<u>(250,072)</u>	1,543,418

In the statement of activities, only the gain or loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (1,903)

Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(330,429)
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Compensated items as reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in governmental funds:

Change in compensated absences	64
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Bond and capital loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and capital loans and principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Payments of debt principal	<u>105,541</u>
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Change in net position of governmental activities	<u>\$ 709,585</u>
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See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2015

	Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,187,385
Receivables	
Accounts receivable	139,597
Allowance for bad debts	(25,000)
Other receivable	49,761
Due from other funds	106,161
Total current assets	1,457,904
Noncurrent assets	
Capital assets, net of accumulated depreciation	3,856,114
Restricted cash	1,500,822
Total noncurrent assets	5,356,936
Total Assets	6,814,840
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to pensions	7,538
Deferred loss on bond refunding	25,890
Total Deferred Outflows of Resources	33,428
LIABILITIES	
Current liabilities	
Accounts payable	418,834
Accrued interest payable	26,294
Current portion of capital improvement loan	35,409
Current portion of bonds payable	381,667
Total current liabilities	862,204
Noncurrent liabilities	
Compensated absences	1,591
Net pension liability	42,450
Capital improvement loan	349,926
Bonds payable	2,548,333
Deposits payable	125,795
Total noncurrent liabilities	3,068,095
Total Liabilities	3,930,299
NET POSITION	
Net investment in capital assets	2,041,601
Restricted	1,500,822
Unrestricted	(624,454)
Total Net Position	\$ 2,917,969

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2015

	<u>Water & Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 1,213,622
Total operating revenues	<u>1,213,622</u>
Operating Expenses	
Personnel services	35,225
Supplies, services and other charges	734,188
Depreciation and amortization	<u>174,564</u>
Total operating expenses	<u>943,977</u>
Operating income	<u>269,645</u>
Nonoperating revenues (expenses)	
Interest income	3,193
Miscellaneous income	60,129
Interest expense and bond fees	<u>(209,443)</u>
Net nonoperating expenses	<u>(146,121)</u>
Change in net position	123,524
Net position - Beginning, as previously reported	2,824,299
Prior period adjustment	<u>(29,854)</u>
Net position - Beginning, as restated	<u>2,794,445</u>
Net position - Ending	<u>\$ 2,917,969</u>

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2015

	Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,219,938
Cash payments for goods and services	(475,701)
Cash payments for personnel services	(27,269)
Interest paid on notes, capital leases, and loans	(259,204)
Interest on investments	3,193
Other	60,129
Net cash provided by operating activities	521,086
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds	(2,765,000)
Principal paid on general obligation bonds	(33,333)
Principal paid on capital loans	(34,492)
Proceeds from debt issuance	2,580,000
Acquisition and construction of capital assets	(1,380,085)
Increase in compensated absences payable	170
Net cash used for capital and related financing activities	(1,632,740)
Net decrease in cash and cash equivalents	(1,111,654)
Cash and cash equivalents, October 01, 2014	3,799,861
Cash and cash equivalents, September 30, 2015	\$ 2,688,207
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 123,524
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	174,564
Prior period adjustment	(29,854)
Changes in assets and liabilities:	
Increase in other receivable	(49,761)
Increase in deferred outflows of resources	(33,428)
Increase in accounts payable	318,231
Decrease in accrued interest payable	(30,956)
Increase in customer meter deposits	6,316
Increase in net pension liability	42,450
Net cash provided by operating activities	\$ 521,086

See accompanying notes to financial statements.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The City of Florence is a City located in Rankin County, Mississippi. It was incorporated in 1905 and is governed by the Mayor and Board of Alderman.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board "GASB" and the Financial Accounting Standards Board "FASB".

Management's Discussion and Analysis - GASB requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities.

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes current assets and liabilities as well as capital assets and long-term liabilities. Accrual accounting also reports all the revenues and costs of providing services each year, not just those received or paid that year.

Statement of Net Position - The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its component units. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense in the statement of activities.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions.

Fund financial statements - Fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include a reconciliation to the government-wide statements.

Budgetary comparison schedules - Compliance with the adopted budget is an independent component of the government's accountability to the public.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, have been applied. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose a financial burden on, the primary government. A primary government may also be financially accountable for organizations that are financially dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based on the application of the criteria above, no component units of the City of Florence were identified.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from services or privileges provided and grants and contributions that are restricted to meeting certain operational or capital needs of a function. Taxes and other items not included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and propriety funds are reported in separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. State appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures generally are recorded under full accrual accounting. However, expenditures related to debt service and compensated absences are recorded only when the payment is due.

Major Governmental Funds

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Park Fund is used to account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

Major Proprietary Fund

The Water and Sewer Fund is used to account for the operations of the City's water and wastewater systems and waste disposal, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. This fund applies all applicable pronouncements of FASB issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

E. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following useful lives:

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment	10 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Infrastructure	20-50 years

F. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund-balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and the change in net position as reported in the government-wide statement of activities.

G. Budget and Budgetary Accounting

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

1. Prior to September 1, the Mayor submits to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

2. During September, the budget must be published in a newspaper published in the city (or the county if none is published by the city).
3. Prior to the adoption of the budget, at least one public hearing is held by the Board of Alderpersons to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing must be held at least one week prior to the adoption of the budget with advance notice and held outside normal working hours.
4. Prior to September 15, the budget is legally enacted through passage of an ordinance.
5. Routine budget revisions may be made by the Board as often as necessary. However, when a department's total budget has been revised up or down by ten percent (10%) or more, public notice must be given of the change. Also, during the first three months of office, while operating under the prior Board's budget, the new Board is limited to one revision if a deficit is evident.
6. It is the City's policy for the Board to approve all budget transfers between departments and/or funds.
7. Formal budgetary integration is employed as a management control device during the year for the various funds. Budgeting data presented is as originally adopted or amended by the Board of Aldermen.
8. Budgets for the various funds are not adopted on a basis consistent with generally accepted accounting principles but rather on a modified cash basis as required by State statutes.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized throughout the year as a management tool, but is not used for financial reporting purposes.

I. Compensated Absences

The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's accumulated unused hours and rate of pay. All compensated absences are accrued when incurred in the governmental-wide and proprietary fund financial statements. Compensated absences expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

J. Interfund Transfers

Short-term amounts owed between funds are classified as "due to/from other funds" and are considered "available spendable resources." These amounts are eliminated in the government-wide financial statements.

K. Comparative Data

Comparative data have not been presented in all statements because their inclusion would make statements unduly complex and difficult to understand.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

L. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

M. Long-term Debt and Debt Issue Cost

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

O. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

P. Accounting for Pensions

Financial reporting information pertaining to the City's participation in the Public Employees' Retirement System of Mississippi ("PERS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PERS have been determined on the same basis as they are reported by PERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the City's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

Q. Inventory

No inventories are maintained in the General Fund or Proprietary Fund. Supplies are recorded as an expenditure when purchased.

R. Due To and Due From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

Short-term interfund loans are reported as "interfund receivables and payables." Short-term amounts owed between funds are classified as "due to/from other funds" and are considered "available spendable resources". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds."

Interfund receivables and payables between funds are eliminated in the government-wide financial statements on the statement of net position.

S. Fund Balance

Beginning with fiscal year ending September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the Board of Alderman. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Alderman or by an official to which the Board delegates the City.

Unassigned fund balance - amounts that are available for any purpose. Only positive amounts are reported in governmental funds.

The City establishes (and modifies or rescinds) fund balance commitments by a Board order. Assigned fund balance is established by management's intention to use funds for specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

T. Reclassifications

Certain amounts in 2014 have been reclassified to conform with the 2015 classifications.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

U. Restricted, Committed, and Unassigned Fund Balance

In the water and sewer fund, the cash from the 2007 bond issue is restricted for water and sewer improvements. The amount of cash on hand from the 2007 bond issues at September 30, 2015 is \$1,500,822. The remaining liability is more than remaining restricted cash, so no portion of fund balance is restricted for the remaining cash on hand.

The City also has cash in the general fund that is restricted by law or outside parties as follows:

	Governmental Activities
Restricted:	
Drug Seizure Account	\$ 12,817
Cops in Schools	217
GNB Road Maintenance	36,102
Total	\$ 49,136
Committed:	
Fire Truck Fund	\$ 138,871
Stonebrook Reserve Funds	15,458
Municipal Fire Fund	5,771
Court Special Assessments	61,811
City Hall Savings	57,637
Total	\$ 279,548
Assigned:	
Park Savings	\$ 1,367

(2) Cash Deposits

Mississippi Code Section 21-33-323 allows municipalities to maintain deposits in banks and savings and loan associations insured by the Federal Deposit Insurance Corporation. Municipalities may also invest in obligations of the United States of America or the State of Mississippi, or of any county, school district or municipal bonds that have been approved by a reputable bond attorney or have been validated by decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository.

State statute requires that all deposits in financial institutions be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC). The City participates in the State Treasurer's collateral pool. The City's deposits were fully insured or collateralized with securities held by this pool at September 30, 2015.

At September 30, 2015, the carrying amount of the City's deposits was \$4,029,250 and the bank balance was \$4,110,135. All investments by the City of Florence during the year were in bank certificates of deposits.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

(3) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied October 1 and are payable on or before February 1 (or in installments, plus interest, payable as follows: 50% due February 1; 25% due by May 1; and 25% due by August 1). All property taxes are collected and remitted to the City by the county tax collector.

(4) Florence Improvement Company

In April 2000, the City set up a nonprofit organization, Florence Improvement Company, Inc., designed to borrow money and acquire leasehold interest in unimproved and improved property with funds it borrows and lease the property to the City of Florence for the amount of money to cover the loans. The directors of Florence Improvement Company, Inc. are elected officials of the City of Florence.

(5) Capital Assets

A summary of changes in capital assets for governmental activities at September 30, 2015 is as follows:

	Balance 10/01/14	Increases	Decrease	Complete CIP	Balance 09/30/15
Governmental Activities					
Non-depreciable					
Land	\$ 867,224	\$ -	\$ -	\$ -	\$ 867,224
Construction in progress	274,621	1,688,655	-	(940,061)	1,023,215
Total	<u>1,141,845</u>	<u>1,688,655</u>	<u>-</u>	<u>(940,061)</u>	<u>1,890,439</u>
Depreciable					
Buildings & improvements	3,483,692	8,813	-	940,061	4,432,566
Machinery, equip & vehicles	1,309,698	96,150	(14,034)	-	1,391,814
Total	<u>4,793,390</u>	<u>104,963</u>	<u>(14,034)</u>	<u>940,061</u>	<u>5,824,380</u>
Less accum. depreciation					
Buildings & improvements	996,624	126,611	-	-	1,123,235
Machinery, equip & vehicles	890,865	123,461	(12,131)	-	1,002,195
Total	<u>1,887,489</u>	<u>250,072</u>	<u>(12,131)</u>	<u>-</u>	<u>2,125,430</u>
Net book value	<u>2,905,901</u>	<u>(145,109)</u>	<u>(1,903)</u>	<u>940,061</u>	<u>3,698,950</u>
Governmental Activities, net	<u>\$ 4,047,746</u>	<u>\$1,543,546</u>	<u>\$(1,903)</u>	<u>\$ -</u>	<u>\$ 5,589,389</u>

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

A summary of changes in capital assets for business-type activities at September 30, 2015 is as follows:

	Balance 10/01/14	Increases	Decrease	Complete CIP	Balance 09/30/15
Business-type Activities					
Non-depreciable					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	360,587	1,352,062	-	(335,759)	1,376,890
Total	360,587	1,352,062	-	(335,759)	1,376,890
Depreciable					
Buildings & improvements	7,011,896	2,649	-	335,759	7,350,304
Machinery, equip & vehicles	652,983	25,374	-	-	678,357
Total	7,664,879	28,023	-	335,759	8,028,661
Less accum. depreciation					
Buildings & improvements	4,832,899	146,767	-	-	4,979,666
Machinery, equip & vehicles	541,974	27,797	-	-	569,771
Total	5,374,873	174,564	-	-	5,549,437
Net book value	2,290,006	(146,541)	-	335,759	2,479,224
Business-type Activities, net	<u>\$ 2,650,593</u>	<u>\$ 1,205,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,856,114</u>

(6) Long-Term Debt

Bonds and capital improvement loans payable at September 30, 2015 are comprised of the following:

	Governmental Activities	Business-type Activities
Bonds		
\$2,580,000 2014 Revenue Bond payable semi-annually for 7 years to Peoples Bank with installments ranging from \$345,000 to \$395,000, bearing interest of 3.88% ranging from .75% to 2.25%.	\$ -	\$ 2,580,000
\$1,000,000 General Obligation Bonds Series 2002-1 payable for 20 years to Trustmark Bank with installments ranging from \$20,000 to \$75,000, bearing interest of 4.4561%.	175,000	350,000
\$1,000,000 General Obligation Bonds, Series 2014 payable semi-annually for 20 years to Priority One Bank with installments ranging from \$20,000 to \$75,000, bearing interest ranging from .75% to 4.75%.	980,000	-
Total Bonds	<u>\$ 1,155,000</u>	<u>\$ 2,930,000</u>

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

	Governmental Activities	Business-type Activities
<u>Capital Improvement Loans</u>		
\$500,000 2002 Capital Improvement Loan for infrastructure improvements, of which the City drew \$470,982. The City makes monthly payments of \$2,259 to the Mississippi Development Authority, which includes of 2%, with the final payment due March 31, 2025.	\$ 84,254	\$ 168,507
\$500,000 2003 Capital Improvement Loan for infrastructure improvements, of which the City drew \$388,926. The City makes monthly payments of \$2,529 to the Mississippi Development Authority, which includes of 2%, with the final payment due October 31, 2025.	-	216,828
\$200,000 2012 Splash Pad Note, which is payable to Copiah Bank in 60 monthly payments of \$3,501 which includes of 1.91%, with the final payment due May 15, 2017.	68,802	-
Total Capital Improvement Loan Payable	<u>\$ 153,056</u>	<u>\$ 385,335</u>
Total Capital Improvement Loans and Bonds Payable	<u>\$ 1,308,056</u>	<u>\$ 3,315,335</u>

Transactions for the fiscal year ended September 30, 2015 are summarized as follows:

	Balance 10/1/14	Additions	Reductions	Balance 9/30/15
Governmental Activities				
Capital Improvement loans	\$ 201,062	\$ -	\$ 48,006	\$ 153,056
General obligation bonds	1,191,667	-	36,667	1,155,000
Obligations under capital lease	20,868	-	20,868	-
Compensated absences	56,417	64	-	56,481
Total governmental activities	1,470,014	64	105,541	1,364,537
Business-type Activities				
General obligation bonds	383,333	2,580,000	33,333	2,930,000
Capital Improvement loans	419,827	-	34,492	385,335
Revenue Bonds-2007	2,765,000	-	2,765,000	-
Compensated absences	1,421	170	-	1,591
Total	<u>\$ 3,569,581</u>	<u>\$ 2,580,170</u>	<u>\$ 2,832,825</u>	<u>\$ 3,316,926</u>

In October 2014, the City issued \$2,580,000 of Revenue Refunding Bonds, Series 2014 with an average coupon rate of 2.0629%. The bonds consist of serial bonds bearing various fixed interest rates ranging from 2.0% to 2.25% with annual maturities from April 2016 through April 2022. The net proceeds of \$2,519,444 (after premium of \$25,890 and issuance costs of \$86,446) were used to advance refund 2007 Revenue Bonds, with total principal outstanding of \$2,470,000 after the City paid the FY 2015 principal payment due in April 2015. The net present value of the cash flow savings on the refunding is \$110,307 or 2.598%. The present value benefit is 4.571% on the \$2,470,000 Refunded Principal and 4.376% on the \$2,580,000 on the Refunding Principal.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

After changes resulting from the above refunding, the annual requirements to amortize loans and bonds outstanding as of September 30, 2015, including interest payments are as follows:

Year Ended September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 97,321	\$ 42,492	\$ 417,076	\$ 75,520	\$ 632,409
2017	90,862	40,409	426,123	66,201	623,595
2018	63,268	38,705	436,851	56,672	595,496
2019	65,101	37,053	445,927	46,811	594,892
2020	70,271	35,253	461,685	36,716	603,925
2021-2025	346,233	142,238	1,127,673	46,246	1,662,390
2026-2030	290,000	95,120	-	-	385,120
2031-2035	285,000	32,925	-	-	317,925
Total	\$ 1,308,056	\$ 464,195	\$ 3,315,335	\$ 328,166	\$ 5,415,752

(7) Other Required Individual Fund Disclosures

- Individual fund interfund receivable and payable balances at September 30, 2015 were:

	Due From	(Due To)	Net Balance
General Fund	\$ -	\$ (106,161)	\$ (106,161)
Water & Sewer Fund	106,161	-	106,161
	<u>\$ 106,161</u>	<u>\$ (106,161)</u>	<u>\$ -</u>

The \$106,161, Water and Sewer Fund receivable, is due to a bond issue in prior years and is not expected to be repaid within one year.

- Reconciliation of Fund Balances on the budgetary basis to the GAAP basis:

Mississippi law requires that municipalities prepare budgets using the modified cash basis, which differs from GAAP basis. The budget and all transactions are presented in accordance with the City's method (modified cash basis) in the Budgetary Comparison Schedule -General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that only expenditures relating to the 9/30/15 fiscal year which are paid within the first 30 days after year end are included in the budget and all revenues are recognized for budgetary purposes when received. Budgetary and GAAP differences are shown as reconciling items on the budget comparison schedule.

(8) Defined Benefit Pension Plan

Plan Description.

The City contributes to the Public Employees' Retirement System of Mississippi ("PERS"). PERS was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

have elected to participate in PERS, and elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

For the cost-sharing plan participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions

The contributions requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9% of their annual covered compensation and employers are required to contribute at an actuarially determined rate. The employer's contractually required contribution rate for the year ended September 30, 2015 was 15.75% of annual covered payroll. The City's contributions to PERS for the years ended September 30, 2015, 2014, and 2013 was \$186,940, \$194,196, and \$178,682, which was equal to the required contribution for each year.

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

At September 30, 2015, the City reported a liability of \$2,814,907 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.018121 percent.

For the year ended September 30, 2015, the City recognized pension expense of \$335,488. Of this amount, \$330,429 was allocated to governmental activities and \$5,059 was allocated to business-type activities.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

At September 30, 2015, the City reported no deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 43,320
Net difference between projected and actual earnings on pension plan investments	164,702
Change of assumptions	242,495
City contributions subsequent to the measurement date	<u>49,307</u>
Total	<u>\$ 499,824</u>

The \$49,307 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 146,254
2017	146,254
2018	116,832
2019	<u>41,177</u>
Total	<u>\$ 450,517</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 - 19% average, including inflation
Investment rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International equity	19%	5.00%
Emerging markets equity	8%	5.45%
Fixed income	20%	0.25%
Real assets	10%	4.00%
Private equity	8%	6.15%
Cash	1%	-0.50%
Total	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	6.75%	7.75%	8.75%
City's proportional share of the net pension liability	\$ 3,710,305	\$ 2,814,907	\$ 2,071,894

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi financial report. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

(9) Risk Management

Participation in Public Entity Risk Pool - The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any employee claim. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the City's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The City has received no assessments for excess losses incurred by the pool.

(10) Change in Accounting Principle

Net position as of September 30, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

	Governmental Activities		
	Deferred Outflows	Net Pension Liability	Net Position
Net position, as previously reported September 30, 2014	\$ -	\$ -	\$ 4,505,122
Prior period adjustment for net pension restatement	497,351	(2,447,093)	(1,949,742)
Net position, as restated September 30, 2014	\$ 497,351	\$ (2,447,093)	\$ 2,555,380

	Business-Type Activities		
	Deferred Outflows	Net Pension Liability	Net Position
Net position, as previously reported September 30, 2014	\$ -	\$ -	\$ 2,824,299
Prior period adjustment for net pension restatement	7,615	(37,469)	(29,854)
Net position, as restated September 30, 2014	\$ 7,615	\$ (37,469)	\$ 2,794,445

(11) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$160,663 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$499,824 balance of deferred outflow of resources, at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

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CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

(12) Restrictions on Land

During the year ended September 30, 2007, the City acquired land at a cost of \$625,768 with funds from a federal Hazard Mitigation Grant. Accordingly, there are restrictions regarding the use of and disposal of said property.

(13) Limitation of Indebtedness:

Section 21-33-303, Miss. Code 1972 (Ann.), prohibits any municipality from issuing bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidence of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited.

However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxed property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Section 21-41-1 through 21-41-53.

All bonds issued prior to July 1, 1990, pursuant to this chapter by any municipality for the purpose of the constructing, replacing, renovating or improving wastewater collection and treatment facilities in order to comply with an administrative order of the Mississippi Department of Natural Resources issued pursuant to the Federal Water Pollution Control Act and amendments thereto, are hereby exempt from the limitation imposed by this section, if the governing body of the municipality adopts an order, resolution or ordinance to the effect that the rates paid by the users of such facilities shall be increased to the extent necessary to provide sufficient funds for the payment of the principal of and interest on such bonds as each respectively becomes due and payable as well as the necessary expenses in connection with the operation and maintenance of such facilities.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2015:

Authorized Debt Limit:	<u>15 Percent</u>	<u>20 Percent</u>
Assessed Valuation for the fiscal year ended September 30, 2015: \$ 34,528,325	\$ 5,179,249	\$ 6,905,665
Present debt subject to debt limitation	<u>(1,658,056)</u>	<u>(1,658,056)</u>
Margin for further general indebtedness	<u>\$ 3,521,193</u>	<u>\$ 5,247,609</u>

CITY OF FLORENCE
Notes to Financial Statements
September 30, 2015

(14) Date of Management Review and Subsequent Event

Management has evaluated subsequent events through March 30, 2016, the date the financial statements were available to be issued, and found that there were no material subsequent events to be disclosed.

CITY OF FLORENCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2015

	Original Budget	Budget as Amended	Actual	Variances Final Budgeted to Actual Over (Under)
Revenues:				
Taxes	\$ 840,000	\$ 895,000	\$ 876,312	\$ (18,688)
Licenses and permits	191,500	204,514	193,186	(11,328)
State shared revenues	1,981,481	2,130,186	1,822,560	(307,626)
Fines and forfeits	340,000	340,000	382,686	42,686
Other	25,000	106,925	106,079	(846)
Total revenues	<u>3,377,981</u>	<u>3,676,625</u>	<u>3,380,823</u>	<u>(295,802)</u>
Expenditures:				
General government	887,857	897,465	829,557	(67,908)
Public safety	1,201,000	1,201,000	1,110,162	(90,838)
Public service	268,167	268,167	267,912	(255)
Capital outlays	2,253,178	2,253,178	1,734,273	(518,905)
Debt service	135,301	135,301	105,422	(29,879)
Total expenditures	<u>4,745,503</u>	<u>4,755,111</u>	<u>4,051,326</u>	<u>(703,785)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,367,522)</u>	<u>\$ (1,078,486)</u>	<u>(670,503)</u>	<u>\$ 407,983</u>
Fund Balance, October 01, 2014			<u>1,847,702</u>	
Fund Balance, September 30, 2015			<u>\$ 1,177,199</u>	

The notes to the required supplementary information are an integral part of this schedule.

CITY OF FLORENCE
BUDGETARY COMPARISON SCHEDULE
PARK FUND
For the Year Ended September 30, 2015

	Original Budget	Budget as Amended	Actual	Variances Final Budgeted to Actual Over (Under)
Revenues:				
Federal and state shared revenues	\$ 225,000	\$ 300,711	\$ 307,758	\$ 7,047
Charges for services	201,472	202,513	123,596	(78,917)
Other	300	300	9,008	8,708
Total revenues	<u>426,772</u>	<u>503,524</u>	<u>440,362</u>	<u>(63,162)</u>
Expenditures:				
Culture and recreation	379,672	416,071	328,672	(87,399)
Debt Service	42,100	42,100	42,016	(84)
Capital outlays	5,000	5,000	6,277	1,277
Total expenditures	<u>426,772</u>	<u>463,171</u>	<u>376,965</u>	<u>(86,206)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 40,353</u>	63,397	<u>\$ 23,044</u>
Fund Balance, October 01, 2014			<u>79,688</u>	
Fund Balance, September 30, 2015			<u>\$ 143,085</u>	

The notes to the required supplementary information are an integral part of this schedule.

CITY OF FLORENCE
Schedule of the City's Proportionate Share
of the Net Pension Liability
Mississippi Public Employees' Retirement System
Last 10 Fiscal Years Ended September 30, 2015

	<u>2015</u>
City's proportion of the net pension liability	\$ 461,422
City's proportionate share of the net pension liability	0.018210%
City's covered employee payroll	\$ 1,137,670
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.558500%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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CITY OF FLORENCE
Schedule of City Contributions
Mississippi Public Employees' Retirement System
Last 10 Fiscal Years Ended September 30, 2015

	2015
Contractually required contribution	\$ 180,762
Contributions in relation to the contractually required contribution	180,762
Contribution deficiency	\$ -
City's covered-employee payroll	1,147,695
Contributions as a percentage of covered-employee payroll	15.75%

The notes to the required supplementary information are an integral part of this schedule.

CITY OF FLORENCE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

MEASUREMENT DATE

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

DATA AVAILABLE AND PRESENTED

The required supplementary schedules are presented to illustrate the requirement to show information for 10 years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended September 30, 2015, and only reflects data for years for which trend information is available.

CHANGE OF BENEFIT TERMS

None.

CHANGE OF ASSUMPTIONS

None.

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CITY OF FLORENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

<u>Federal Agency/Pass-through Entity/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Passed-through Mississippi Department of Public Safety:		
U.S. Department of Justice:		
Bulletproof Vest Partnership Program	16.607	\$ 1,064
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,562
U.S. Department of Transportation		
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	42,776
Occupant Protection Incentive Grant	20.602	7,342
U.S. Department of Homeland Security		
Homeland Security Grant Program	97.067	<u>10,500</u>
Total passed-through Mississippi Department of Public Safety		<u>64,244</u>
Passed-through Mississippi Department of Transportation:		
U.S. Department of Transportation		
Highway Planning and Construction	20.205	<u>672,653</u>
Total passed-through Mississippi Department of Transportation		<u>672,653</u>
Total Federal Awards		<u>\$ 736,897</u>

Notes to Schedule

1 The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Florence, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF FLORENCE
Schedule of Surety Bonds for Municipal Officials
September 30, 2015

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Pam Clark	Mayor	Municipal Program	\$ 50,000
All	Alderspersons (5)	Municipal Program	\$ 50,000 each
Linda C. Wigley	City Clerk	Western Surety	\$ 75,000
Richard Thomas	Police Chief	Western Surety	\$ 75,000
John Mickle	Park Director	Western Surety	\$ 50,000
Paula Eure	Park Secretary and Deputy Water Clerk	Western Surety	\$ 50,000
Debra Ross	Park Clerk	Western Surety	\$ 50,000
Dana Vaughn	Deputy Clerk	Western Surety	\$ 50,000
Julia Whittington	Deputy Clerk	Western Surety	\$ 50,000
Melissa J. Mccue	Court Clerk	Western Surety	\$ 75,000
Tiffany Matlock	Court Clerk	Western Surety	\$ 50,000
Tammie Roberson	Planning and Zoning Administrator	Western Surety	\$ 50,000
Various Policemen	Police Department	Western Surety	\$ 25,000

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American Institute of CPA's
Mississippi Society of CPA's

282 Maxey Drive
P.O. Box 150
Brandon, Mississippi 39043
(601) 825-1310
(601) 825-1326 Fax

113-C Main Street
Quitman, Mississippi 39355
(601) 776-3361

Email: sandy@brandonepas.com
ken@brandonepas.com
Web: www.barlowwalkercpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
City of Florence, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Florence, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Florence, Mississippi's basic financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Florence, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Florence, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Barlow, Walker & Company, P.A.

March 30, 2016

Brandon, Mississippi

Barlow, Walker & Company, P.A.

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Email: sandy@brandoncpas.com
kcn@brandonepas.com
Web: www.barlowwalkercpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
City of Florence, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Florence, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2015. The City of Florence, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City of Florence, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Florence, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Florence, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.



Report on Internal Control Over Compliance

Management of City of Florence, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Florence, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Mississippi's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Barlow, Walker & Company, L.P.

March 30, 2016

Brandon, Mississippi

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ken@brandoncpas.com
Web: www.barlowwalkercpa.com

Independent Auditor's Special Report on Compliance with Office of the State Auditor Requirements

Honorable Mayor and Members of the Board of Aldermen
City of Florence, Mississippi

We have audited the basic financial statements of the City of Florence, Mississippi ("City"), as of and for the year ended September 30, 2015, and have issued our report thereon dated March 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Barlow, Walker & Company, P.A.

Brandon, Mississippi
March 30, 2016



CITY OF FLORENCE
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | <u>Unmodified</u> |
| 2. Internal control over financial reporting: | |
| i. Material weaknesses identified? | <u>No</u> |
| ii. Significant deficiencies identified that are not considered to be material weaknesses? | <u>No</u> |
| 3. Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards:

- | | |
|--|-------------------|
| 4. Internal control over major programs: | |
| i. Material weaknesses identified? | <u>No</u> |
| ii. Significant deficiencies identified that are not considered to be material weaknesses? | <u>No</u> |
| 5. Type of auditor's report issued on compliance for major federal programs: | <u>Unmodified</u> |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u>No</u> |
| 7. Federal programs identified as major programs: | |
| U.S. Department of Transportation, Highway Planning and Construction, CFDA #20.205. | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | <u>\$368,448</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>No</u> |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133 ? | <u>No</u> |

Section 2: Findings - Financial Statement Audit

No matters were reported.

Section 3: Findings and Questioned Costs – Major Federal Award Programs Audit

No matters were reported.