



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



CITY OF FLORENCE, MISSISSIPPI  
REPORT ON AUDIT  
OF  
BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

BARLOW, WALKER & COMPANY, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
BRANDON, MISSISSIPPI

**CITY OF FLORENCE**  
**Table of Contents**  
**For the Year Ended September 30, 2009**

Title Page	
Table of Contents	
Financial Audit Report	
Independent Auditors' Report	1-2
Management's Discussion and Analysis (MD&A)	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11-12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18-19
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21-22
Notes to the Financial Statements	23-36
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	37
Other Supplemental Information:	
Schedule of Surety Bonds for Municipal Officials	38
Compliance Reports:	
Independent Auditors' Special Report on Compliance With Office of the State Auditor Requirements	39

## **FINANCIAL AUDIT REPORT**

# Barlow, Walker & Company, P.A.

## *Certified Public Accountants*

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

282 Maxey Drive  
P. O. Box 150  
Brandon, Mississippi 39043

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

(601)825-1310  
(601)825-1326 Fax

Email: [sandy@brandoncpas.com](mailto:sandy@brandoncpas.com)  
[ken@brandoncpas.com](mailto:ken@brandoncpas.com)

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

### Independent Auditors' Report

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Florence, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Florence, Mississippi, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 38 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 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 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.



The CPA. Never Underestimate The Value.®

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Mississippi, basic financial statements. The information listed as other supplemental information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The information listed as other supplemental information in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barlow, Walker & Company, P.A.*

Brandon, Mississippi  
July 30, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF FLORENCE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

The Discussion and Analysis of The City of Florence financial performance provides an overall review of the City's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

This discussion and analysis is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2009 were as follows:

Total net assets for 2009 increased \$173,656 or 3% from fiscal year 2008.

General revenues accounted for \$1,502,210 in revenue, or 43% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,006,787 or 57% of total revenues.

Long-term debt decreased by \$333,743 or 5.2% from fiscal year 2008.

Overall, the book value of capital assets increased by \$672,029

**OVERVIEW OF 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.

**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 assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or

decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, 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 14-17 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.

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 18-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-36 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

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. This required supplementary information could be found on page 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

One of the most important questions to ask about the City of Florence's finances is, "Has the City's net assets increased or decreased as a result of the year's activities?" The Statement of Net Assets 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 assets.** The City's combined net assets, on the accrual basis of accounting and economic resources measurement focus, increased from \$6,550,960 to \$6,724,616 between fiscal years 2008 and 2009. The following table reflects condensed information on the City's net assets:

**Table 1**  
**Net Assets**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Assets:</b>						
Current and other assets	1,619,948	1,841,347	5,112,244	5,841,938	6,732,192	7,683,285
Capital assets, net	3,446,025	3,432,966	3,028,425	2,414,455	6,474,450	5,838,421
<b>Total Assets</b>	<b>5,065,973</b>	<b>5,274,313</b>	<b>8,140,669</b>	<b>8,256,393</b>	<b>13,206,642</b>	<b>13,530,706</b>
<b>Liabilities:</b>						
Current and other liabilities	208,518	480,491	520,933	425,009	729,451	905,500
Long-term liabilities	744,625	778,340	5,007,950	5,296,647	6,041,272	6,074,987
<b>Total Liabilities</b>	<b>953,143</b>	<b>1,258,831</b>	<b>5,528,883</b>	<b>5,721,656</b>	<b>6,770,723</b>	<b>6,980,487</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	2,712,374	3,272,121	1,008,477	1,131,440	3,720,851	4,403,561
Restricted	0	0	0	0	0	0
Unrestricted	1,400,456	743,361	1,603,309	1,404,038	2,804,494	2,147,399
<b>Total Net Assets</b>	<b>4,112,830</b>	<b>4,015,482</b>	<b>2,611,786</b>	<b>2,535,478</b>	<b>6,525,345</b>	<b>6,550,960</b>

The largest portion (84%) of the City's net assets in governmental activities are invested in capital assets (e.g., land, infrastructure, building, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending.

In the business-type activities (37%) of the net assets are invested in capital assets. The City uses these assets to provide services to the citizens.

**Changes in Net Assets.** The City's total revenues and expenses for governmental and business-type activities are reflected in the following table:

**Table 2  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	653,641	599,217	1,053,073	1,195,112	1,706,714	1,794,329
Operating grants	300,073	251,751	0	0	300,073	251,751
Capital Grants & Contributions	0	0	0	0	0	0
General revenues	1,375,308	1,272,094	126,902	220,263	1,535,580	1,492,357
<b>Total Revenues</b>	<b>2,329,022</b>	<b>2,123,062</b>	<b>1,179,975</b>	<b>1,415,375</b>	<b>3,508,997</b>	<b>3,538,437</b>
<b>Program Expenses:</b>						
General government	703,236	478,825	0	0	703,236	478,825
Public safety	914,644	960,905	0	0	914,644	960,905
Public services	254,534	217,056	0	0	254,534	217,056
Culture and recreation	318,595	275,614	0	0	318,595	275,614
Water and sewer			1,019,703	981,913	1,019,703	981,913
Interest	40,665	42,378	0	0	40,665	42,378
<b>Total Expenses</b>	<b>2,231,674</b>	<b>2,034,543</b>	<b>1,019,703</b>	<b>981,913</b>	<b>3,251,377</b>	<b>3,016,456</b>
<b>Increase in Net Assets</b>	<b>97,348</b>	<b>88,519</b>	<b>160,272</b>	<b>433,462</b>	<b>257,620</b>	<b>521,981</b>

**Governmental Activities.** Revenues for the City's governmental activities for the year ended September 30, 2009 were \$ 2,329,022 compared to \$2,123,062 in 2008. Program revenues increased \$205,960, primarily as a result of an increase in general revenues. Revenues are, for the most part, comprised of sales and use taxes, grants, and property taxes.

The cost of providing all governmental activities this year was \$2,231,674 an increase of \$197,131 from the prior year. Of this amount, general government expenses increased \$224,411, public safety expenses decreased \$46,261, public services expenses increased \$37,478, culture and recreation expenses increased \$42,981, and interest on long-term debt expenses decreased \$1,713.

**Business-type Activities.** Revenues for business-type activities are, for the most part, comprised of charges for water and sewer services. Charges for services for the City's business-type activities were \$1,053,070 for 2009, a decrease of \$142,042 from 2008.

The costs of these business-type activities were \$1,019,703 for 2009, an increase of \$37,790 from 2008, primarily due to increased water and sewer expenses.

## **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, unreserved 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 \$1,455,855 an increase of \$52,044. The entire fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion.

## **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 did not revise the annual operating budget. Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund are provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets.** As of September 30, 2009, the City's total capital assets were \$11,768,303 including land, city buildings, infrastructure, vehicles and furniture and equipment. This amount represents an increase of \$977,436 from the previous year. The accumulated depreciation as of September 30, 2009 was \$5,293,853 and total depreciation expense for the year was \$355,139, resulting in total net assets of \$6,474,450.

**Table 3**  
**Capital Assets at September 30, 2009**  
**(Net of Depreciation)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	867,224	867,224	0	0	867,224	867,224
Construction in Progress	39,430	31,904	592,020	924,848	631,450	956,752
Buildings & improvements	2,215,008	2,245,156	2,290,534	1,381,592	4,505,542	3,626,748
Machinery, equipment, vehicles	324,363	288,232	145,871	108,015	470,234	396,247
<b>Total</b>	<b>3,446,025</b>	<b>3,432,516</b>	<b>3,028,425</b>	<b>2,414,455</b>	<b>6,474,450</b>	<b>5,846,971</b>

Additional information of the City's capital assets can be found in Note 4 on page 29 of this report.

**Debt Administration.** At September 30, 2009, the City had \$6,085,256 in general obligation bonds and other long-term debt outstanding as shown in the following table.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	241,500	253,500	563,500	591,500	805,000	845,000
Revenue bonds	0	0	4,060,000	4,285,000	4,060,000	4,285,000
Lease obligations	445,000	475,000	0	1,070	445,000	475,000
Capital loans	47,151	49,627	655,542	690,352	702,693	739,979
Compensated absences	55,429	43,168	17,134	13,066	72,563	56,234
<b>Total</b>	<b>789,080</b>	<b>821,295</b>	<b>5,296,176</b>	<b>5,579,918</b>	<b>6,085,256</b>	<b>6,401,213</b>

Additional information of the City's long-term debt can be found in Notes 5 and 6 on pages 30-33 of this report.

## **CURRENT ISSUE**

**Public Works and Street Improvements.** By September 30, 2009 the drilling and construction of new water well located off Williams Road was completed and operational. The construction of a 150,000 gallon elevated water storage tank located off Williams Road was 97% complete.

**Grants.** The City of Florence continues to participate in the Mississippi Department of Transportation Grant Program for Litter Control and Beautification. The Florence Police Department participates in the Department of Public Safety DUI Grant Program.

**Future Development.** Future development in the City will include improvements, repairs and extensions to the waterworks and water supply facilities in the City. These projects consist of construction of Highway 49 Pump Station, and Expansion of the Wastewater Treatment Plant. Construction of the Erlich Road Bypass Project began in 2009. Overlaying and repairs to city streets continued during 2009.

## **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'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 [cityhall2@windstream.net](mailto:cityhall2@windstream.net).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FLORENCE**  
**STATEMENT OF NET ASSETS**

**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,354,181	\$ 1,504,485	\$ 2,858,666
Receivables			
Accounts receivable	2,307	168,461	170,768
Allowance for bad debts	0	(4,500)	(4,500)
Ad valorem	32,615	0	32,615
Franchise tax	48,090	0	48,090
Current sales tax	127,920	0	127,920
Due from other funds	(177,873)	177,873	0
Total current assets	<u>1,387,240</u>	<u>1,846,319</u>	<u>3,233,559</u>
Noncurrent assets			
Restricted cash and cash equivalents	97,903	3,259,095	3,356,998
Restricted investments	134,805	0	134,805
Debt issuance cost, net of amortization	0	6,830	6,830
Capital assets			
Land and construction in progress	906,654	592,020	1,498,674
Building and improvements	2,684,754	6,414,683	9,099,437
Machinery, equipment and vehicles	722,579	447,613	1,170,192
Less accumulated depreciation	(867,962)	(4,425,891)	(5,293,853)
Capital assets, net	<u>3,446,025</u>	<u>3,028,425</u>	<u>6,474,450</u>
Total noncurrent assets	<u>3,678,733</u>	<u>6,294,350</u>	<u>9,973,083</u>
Total Assets	<u>\$ 5,065,973</u>	<u>\$ 8,140,669</u>	<u>\$ 13,206,642</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE  
STATEMENT OF NET ASSETS**

**September 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 155,286	\$ 53,388	\$ 208,674
Accrued interest payable	8,777	80,264	89,041
Deposits payable	0	99,054	99,054
Current portion of capital improvement loan	2,455	35,227	37,682
Current portion of capital lease payable	30,000	0	30,000
Current portion of bonds payable	12,000	253,000	265,000
Total current liabilities	<u>208,518</u>	<u>520,933</u>	<u>729,451</u>
Noncurrent liabilities			
Compensated absences	55,429	17,134	72,563
Capital improvement loan	44,696	618,860	663,556
Obligation under capital lease	415,000	0	415,000
Bonds payable	229,500	4,371,956	4,601,456
Total noncurrent liabilities	<u>744,625</u>	<u>5,007,950</u>	<u>5,752,575</u>
Total Liabilities	<u>953,143</u>	<u>5,528,883</u>	<u>6,482,026</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,712,374	1,008,477	3,720,851
Unrestricted	1,400,456	1,603,309	3,003,765
Total Net Assets	<u>\$ 4,112,830</u>	<u>\$ 2,611,786</u>	<u>\$ 6,724,616</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE  
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2009

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
						Business-Type Activities	Totals
<b>Primary Government</b>							
Governmental activities							
General government	\$ 703,236	\$ 146,463	\$ 300,073	\$ 0	\$ (256,700)	\$ 0	\$ (256,700)
Public safety	914,644	396,591	0	0	(518,053)	0	(518,053)
Public services	254,534	0	0	0	(254,534)	0	(254,534)
Culture and recreation	318,595	110,587	0	0	(208,008)	0	(208,008)
Interest on long-term debt	40,665	0	0	0	(40,665)	0	(40,665)
Total governmental activities	<u>2,231,674</u>	<u>653,641</u>	<u>300,073</u>	<u>0</u>	<u>(1,277,960)</u>	<u>0</u>	<u>(1,277,960)</u>
Business-type activities							
Water and sewer	1,019,703	1,053,073	0	0	0	33,370	33,370
Total business-type activities	<u>1,019,703</u>	<u>1,053,073</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,370</u>	<u>33,370</u>
Total primary governmental	<u>\$ 3,251,377</u>	<u>\$ 1,706,714</u>	<u>\$ 300,073</u>	<u>\$ 0</u>	<u>(1,277,960)</u>	<u>33,370</u>	<u>(1,244,590)</u>
General revenues							
Taxes							
Sales and use taxes					600,397	0	600,397
Property taxes					721,957	0	721,957
Donated assets					10,709	0	10,709
Investment income					24,749	116,787	141,536
Other					17,496	10,115	27,611
Total general revenues and transfers					<u>1,375,308</u>	<u>126,902</u>	<u>1,502,210</u>
Change in net assets					97,348	160,272	257,620
Net assets, October 1, 2008					4,015,482	2,535,478	6,550,960
Prior Period Adjustment					0	(83,964)	(83,964)
Net assets, September 30, 2009					<u>\$ 4,112,830</u>	<u>\$ 2,611,786</u>	<u>\$ 6,724,616</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2009**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,309,918	\$ 44,263	\$ 1,354,181
Receivables			
Ad valorem	32,615	0	32,615
Current sales tax	101,532	26,388	127,920
Franchise tax	48,090	0	48,090
Other receivables	2,307	0	2,307
Due from other funds	24,963	11,684	36,647
Restricted assets:			
Cash and cash equivalents	97,903	0	97,903
Investments	134,805	0	134,805
 Total Assets	 <u>\$ 1,752,133</u>	 <u>\$ 82,335</u>	 <u>\$ 1,834,468</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 130,170	\$ 25,116	\$ 155,286
Accrued interest payable	8,777	0	8,777
Due to other governments	0	0	0
Due to other funds	214,520	0	214,520
 Total Liabilities	 <u>353,467</u>	 <u>25,116</u>	 <u>378,583</u>
Fund Balance			
Reserved for			
Encumbrances	0	0	0
Debt service	0	0	0
Capital outlay	0	0	0
Unreserved	1,398,666	57,219	1,455,885
 Total Fund Balance	 <u>1,398,666</u>	 <u>57,219</u>	 <u>1,455,885</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,752,133</u>	 <u>\$ 82,335</u>	 <u>\$ 1,834,468</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**September 30, 2009**

Fund Balances - total governmental funds	\$	1,455,885
Amounts reported for governmental activities in Statement of Net Assets 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	\$	4,313,987
Less accumulated depreciation		<u>(867,962)</u>
		3,446,025
Liabilities are not due and payable and therefore are not reported in the governmental funds		<u>(789,080)</u>
Net Assets of Governmental Activities	\$	<u><u>4,112,830</u></u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2009**

	General Fund	Park Fund	Total Governmental Funds
Revenues			
Taxes	\$ 721,957	\$ 0	\$ 721,957
Licenses and permits	146,463	0	146,463
Federal and State shared revenues	730,883	169,587	900,470
Fines and forfeits	396,591	0	396,591
Charges for services	0	110,587	110,587
Other	32,613	4,772	37,385
	<u>2,028,507</u>	<u>284,946</u>	<u>2,313,453</u>
Expenditures			
Current (operating)			
General government	666,185	0	666,185
Public safety	846,400	0	846,400
Public services	200,820	0	200,820
Culture and recreation	4,000	282,389	286,389
Capital outlay	135,117	41,325	176,442
Debt service			
Principal	44,478	0	44,478
Interest and fiscal charges	40,665	0	40,665
Total Expenditures	<u>1,937,665</u>	<u>323,714</u>	<u>2,261,379</u>
Excess of revenues over (under) expenditures	<u>90,842</u>	<u>(38,768)</u>	<u>52,074</u>
Other financing sources and uses, including transfers			
Transfers	(60,000)	60,000	0
Total other financing sources and (uses)	<u>(60,000)</u>	<u>60,000</u>	<u>0</u>
Net change in fund balances	30,842	21,232	52,074
Fund balances, October 1, 2008	1,367,824	35,987	1,403,811
Fund balances, September 30, 2009	<u>\$ 1,398,666</u>	<u>\$ 57,219</u>	<u>\$ 1,455,885</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2009**

Net Change in Fund Balances - total governmental funds	\$	52,074
--	----	--------

Amounts reported for governmental activities in Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures and do not report donated assets. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives:

Expenditures for capital assets	\$	181,302	
Donated assets		10,709	
Less current year depreciation		<u>(178,954)</u>	13,057

Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these cost represent expenses or reduction of expenses of the current year.	(12,261)
--	----------

Bond and capital loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond and capital loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayment of debt	\$	<u>44,478</u>	<u>44,478</u>
-------------------	----	---------------	---------------

Change in Net Assets of Governmental Activities	\$	<u><u>97,348</u></u>
---	----	----------------------

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**September 30, 2009**

	Business-Type Activities <u>Enterprise Fund</u> Water & Sewer <u>Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,504,485
Receivables	
Accounts receivable	168,461
Allowance for bad debts	(4,500)
Due from other funds	<u>177,873</u>
Total current assets	<u>1,846,319</u>
Noncurrent assets	
Restricted certificate of deposit	3,259,095
Debt issuance cost, net of amortization	6,830
Capital assets	
Land and construction in progress	592,020
Building and improvements	6,414,683
Machinery, equipment and vehicles	447,613
Less accumulated depreciation	<u>(4,425,891)</u>
Capital assets, net	<u>3,028,425</u>
Total noncurrent assets	<u>6,294,350</u>
Total Assets	<u>\$ 8,140,669</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**September 30, 2009**

		Business-Type Activities <u>Enterprise Fund</u> Water & Sewer <u>Fund</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$	53,388
Accrued interest payable		80,264
Deposits payable		99,054
Current portion of capital improvement loan		35,227
Current portion of bonds payable		<u>253,000</u>
Total current liabilities		<u>520,933</u>
Noncurrent liabilities		
Compensated absences		17,134
Capital improvement loan		618,860
Bonds payable		<u>4,371,956</u>
Total noncurrent liabilities		<u>5,007,950</u>
Total Liabilities		<u>5,528,883</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		1,008,477
Unrestricted		<u>1,603,309</u>
Total Net Assets	\$	<u><u>2,611,786</u></u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2009**

	Business-Type Activities Enterprise Fund Water & Sewer Fund
Operating Revenues	
Charges for services	\$ <u>1,053,070</u>
Total operating revenues	<u>1,053,070</u>
Operating Expenses	
Personnel services	322,386
Supplies, services and other charges	322,019
Depreciation and amortization	<u>176,350</u>
Total operating expenses	<u>820,755</u>
Operating income (loss)	<u>232,315</u>
Nonoperating revenues (expenses)	
Interest income	116,787
Miscellaneous income	10,118
Interest expense and bond fees	<u>(198,948)</u>
Total nonoperating revenues (expenses)	<u>(72,043)</u>
Income (loss) before transfers	<u>160,272</u>
Transfers in	0
Transfers out	<u>0</u>
Change in net assets	160,272
Total net assets, October 1, 2008	<u>2,535,478</u>
Prior period adjustment	<u>(83,964)</u>
Total net assets, September 30, 2009	<u>\$ <u>2,611,786</u></u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2009**

	Business-Type Activities Enterprise Fund <u>Water &amp; Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,017,883
Cash payments for goods and services	(311,573)
Cash payments to employees	(322,386)
Interest paid on notes, capital leases, and loans	(203,196)
Interest on investments	116,787
Other	10,118
Net cash provided (used) by operating activities	<u>307,633</u>
Cash flows from capital and related financing activities	
Principal paid on revenue bonds	(225,000)
Principal paid on G. O. bonds	(28,000)
Principal paid on notes payable and capital leases	0
Principal paid on capital loans	(36,265)
Acquisition and construction of capital assets	(789,795)
Decrease (increase) in due from other funds	10,914
(Decrease) increase in compensated absences	4,068
Net cash used for capital and related financing activities	<u>(1,064,078)</u>
Cash flows from investing activities	
(Purchase) sale of investments	<u>914,023</u>
Net cash provided (used) by investing activities	<u>914,023</u>

See accompanying notes to financial statements.

**CITY OF FLORENCE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2009**

	Business-Type Activities Enterprise Fund Water & Sewer Fund
Net increase (decrease) in cash and cash equivalents	157,578
Cash and cash equivalents October 1, 2008	<u>1,346,907</u>
Cash and cash equivalents September 30, 2009	<u><u>1,504,485</u></u>
Cash and cash equivalents consists of the following balance sheet amounts	
Cash and cash equivalents	<u>1,504,485</u>
	<u><u>1,504,485</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	160,272
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	175,825
Amortization	525
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(38,931)
Increase (decrease) in vouchers payable	0
Increase in customer meter deposits	3,744
Increase (decrease) in other payables	<u>6,198</u>
Net cash provided (used) by operating activities	<u><u>\$ 307,633</u></u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments. This statement affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports. The City began using the GASB 34 financial reporting model for the year ended September 30, 2004.

Management's Discussion and Analysis - GASB Statement No. 34 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 cost of providing services each year, not just those received or paid that year.

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

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

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.

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.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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 and propriety funds. Major individual governmental and propriety funds are reported in separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The governmental-wide financial statements and propriety 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. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenues when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest payments on general long-term debt, which are recognized when due.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

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.

Major Proprietary Fund

The Water and Sewer Fund and Sanitation Fund is used to account for the operations of the City's water and wastewater systems and waste disposal respectively, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that 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.

D. 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

E. Long-term Debt

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

F. 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, 2009**

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 (GAAP) but rather on a modified cash basis as required by State statutes.

**G. 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.

**H. Inventory**

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

**I. Due From Other Funds**

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.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

J. 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.

K. Comparative Data

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

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. Debt Issue Cost

Debt issue cost represent the difference between the proceeds received and the face amount of the related debt and the legal, printing and other expenses incurred in issuance of the debt instruments. Such cost are deducted directly from the related liability in the proprietary fund's statement of net assets and are being amortized by a method which approximates the interest method. Amortization of debt issuance cost is classified as depreciation and amortization in the propriety fund's statement of revenues, expenses and changes in fund net assets. Amortization for the year ended September 30, 2009 was \$1,050 and unamortized debt issue cost amounted to \$7,880.

N. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund-balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

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

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

O. Restricted Assets

Under the terms of the bond resolution for the revenue bonds, the utility is required to, at September 30, 2009, maintain the following reserve accounts which are restricted as to their use. The City has a CD restricted for capital improvements. The City also has various amounts restricted in the general fund.

Below is a reconciliation of various restricted cash and investments:

	Governmental Activities		Business-type Activities
City Hall Savings	\$ 60,523	\$	0
Grand Gulf Savings	37,381		0
CD for Fire Truck	134,805		0
CD for Capital Improvements	0		3,259,095
Total	\$ 232,709	\$	3,259,095

(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, 2009.

At September 30, 2009, the carrying amount of the City's deposits was \$6,363,166 and the bank balance was \$6,357,828. All investments by the City of Florence during the year were in bank certificates of deposits.

(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.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(4) Capital Assets

A summary of changes in Capital Assets at September 30, 2009 follows:

	Balance 10/01/08	Increases	Decrease	Complete CIP	Balance 09/30/09
<b>Governmental Activities</b>					
<b>Non-depreciable</b>					
Land	\$ 867,224	\$ 0	\$ 0	\$ 0	\$ 867,224
Construction in progress	31,904	7,526	0	0	39,430
Total	<u>899,128</u>	<u>7,526</u>	<u>0</u>	<u>0</u>	<u>906,654</u>
<b>Depreciable</b>					
Buildings & improvements	2,632,693	52,061	0	0	2,684,754
Machinery, equip. & vehicles	594,525	134,105	6,051	0	722,579
Total	<u>3,227,218</u>	<u>186,166</u>	<u>6,051</u>	<u>0</u>	<u>3,407,333</u>
<b>Less accum. depreciation</b>					
Buildings & improvements	387,537	82,209	0	0	469,746
Machinery, equip. & vehicles	305,843	97,105	4,732	0	398,216
Total	<u>693,380</u>	<u>179,314</u>	<u>4,732</u>	<u>0</u>	<u>867,962</u>
Net book value	2,533,838	6,852	1,319	0	2,539,378
Governmental Activities, net	<u>\$ 3,432,966</u>	<u>\$ 14,360</u>	<u>\$ 1,319</u>	<u>\$ 0</u>	<u>\$ 3,446,025</u>
<b>Business-type Activities</b>					
<b>Non-depreciable</b>					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Construction in progress	924,848	714,611	1,047,439	0	592,020
Total	<u>924,848</u>	<u>714,611</u>	<u>1,047,439</u>	<u>0</u>	<u>592,020</u>
<b>Depreciable</b>					
Buildings & improvements	5,367,243	1,047,440	0	0	6,414,683
Machinery, equip. & vehicles	372,430	75,183	0	0	447,613
Total	<u>5,739,673</u>	<u>1,122,623</u>	<u>0</u>	<u>0</u>	<u>6,862,296</u>
<b>Less accum. depreciation</b>					
Buildings & improvements	3,985,651	138,498	0	0	4,124,149
Machinery, equip. & vehicles	264,415	37,327	0	0	301,742
Total	<u>4,250,066</u>	<u>175,825</u>	<u>0</u>	<u>0</u>	<u>4,425,891</u>
Business-type Activities, net	<u>\$ 2,414,455</u>	<u>\$ 1,661,409</u>	<u>\$ 1,047,439</u>	<u>\$ 0</u>	<u>\$ 3,028,425</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 36,241
Public safety	61,680
Public service	52,904
Culture and recreation	28,041
Total depreciation expense	<u>\$ 178,866</u>

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(5) Obligations under capital lease:

The City has entered into one lease agreement as of September 30, 2009, which qualifies as a capital lease for accounting purposes. It is as follows:

	Governmental Activities	Business- type Activities
\$650,000 lease dated May 2000, through the Florence Improvement Company, Inc., for the acquisition of the City Hall Complex. Lease terms are 20 annual payments ranging from \$53,983 to \$58,675.	\$ 445,000	\$ 0
Total Obligations Under Capital Lease	\$ 445,000	\$ 0

As of September 30, 2009, the City had future minimum payments under capital leases as follows:

	Governmental Activities	Business- type Activities
2010	56,478	0
2011	54,693	0
2012	57,906	0
2013	55,824	0
2014	58,744	0
2015-2019	277,116	0
2020	58,280	0
Total	619,041	0
Less amount representing interest	174,041	0
Present value of future minimum lease payments	\$ 445,000	\$ 0
Cost of capital asset	\$ 650,000	\$ 0
Accumulated depreciation	\$ 122,967	\$ 0

In April 2000, the City set up a non-profit 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.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(6) Long-Term Debt

Bonds and capital improvement loans payable at September 30, 2009 are comprised of the following:

	Governmental Activities	Business-type Activities
<u>Bonds</u>		
During the year ended September 30, 2007, the utility issued \$4,500,000 of revenue bonds in a private placement to Copiah Bank. The bonds are secured by the gross revenues of the utility system after payment of the reasonable and necessary expenses of operating and maintaining the system. The bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation of provision and the bonds are not secured by the taxing power of the City either as to principal or interest. The utility is required to fix and maintain rates and make and collect charges for the services of the utility system that are sufficient to provide for the operation and maintenance of the utility system and to provide for timely payment of principal and interest on the bonds. The bonds bear interest at an average rate of 3.88% payable on October 1, 2007, and semiannually thereafter on April 1 and October 1 of each year, and maturing in the years and principal amounts as follows: \$215,000 April 2008, \$225,000 April 2009, \$235,000 April 2010, \$250,000 April 2011, \$260,000 April 2012, \$270,000 April 2013, \$280,000 April 2014, \$295,000 April 2015, \$310,000 April 2016, \$320,000 April 2017, \$335,000 April 2018, \$350,000 April 2019, \$370,000 April 2020, \$385,000 April 2021 and \$400,000 April 2022.	0	4,060,000
During the year ended September 30, 2003, the City issued \$1,000,000 in general obligation bonds series 2002-1 for capital improvements. The bonds bear interest at an average rate of 4.561% and are due in yearly installments of \$20,000 on March 1, 2004, \$30,000 March 1, 2005, \$35,000 March 1, 2006 thru 2008, \$40,000 March 1, 2009 thru 2010, \$45,000 March 1, 2011 thru 2012, \$50,000 March 1, 2013 thru 2015, \$55,000 March 1, 2016, \$60,000 March 1, 2017 thru 2018, \$65,000 March 1, 2019 thru 2020, \$70,000 March 1, 2021 and \$75,000 thereafter including interest, maturing March 2023.	241,500	564,956
Total Bonds	241,500	4,624,956
<u>Capital Improvement Loans</u>		
During the year ended September 30, 2003, the City was approved for two CAP Loans for \$500,000 each. On the first CAP Loan, the City drew only \$470,982. Monthly payments of \$2,529 including interest, with the final payment due March 31, 2025. The second CAP Loan, the City drew only \$388,926. Monthly payments of \$2,529, including 2% interest, with the final payment due October 31, 2025.	47,151	654,087
Total Capital Improvement Loan Payable	47,151	654,087
Total Capital Improvement Loans and Bonds Payable	\$ 288,651	\$ 5,279,043

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

Transactions for the fiscal year ended September 30, 2009 are summarized as follows:

	<u>Balance</u> <u>10/01/08</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>09/30/09</u>
<b><u>Governmental Activities</u></b>				
Capital improvement loans	\$ 49,627	\$ 0	\$ 2,476	\$ 47,151
General obligation bonds	253,500	0	12,000	241,500
Obligations under capital lease	475,000	0	30,000	445,000
Compensated absences	43,168	12,261	0	55,429
Total governmental activities	<u>821,295</u>	<u>12,261</u>	<u>44,476</u>	<u>789,080</u>
<b><u>Business-type Activities</u></b>				
Capital improvement loan	691,808	0	36,266	655,542
General Obligation Bonds	591,500	0	28,000	563,500
Revenue Bonds	0	0	0	0
Obligations under capital lease	0	0	0	0
Revenue Bonds-2007	4,285,000	0	225,000	4,060,000
Compensated absences	13,066	4,068	0	17,134
Total business-type activities	<u>5,581,374</u>	<u>4,068</u>	<u>289,266</u>	<u>5,296,176</u>
Total government-wide	<u>\$ 6,402,669</u>	<u>\$ 16,329</u>	<u>\$ 333,743</u>	<u>\$ 6,085,256</u>

The annual requirements to amortize loans and bonds outstanding as of September 30, 2009, including interest payments are as follows:

<u>Fiscal</u> <u>Year Ended</u> <u>September 30</u>	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	14,504	11,599	298,937	196,168	521,208
2011	16,054	11,032	318,162	186,425	531,673
2012	16,106	10,420	328,902	175,002	530,430
2013	17,658	9,769	343,158	163,102	533,687
2014	17,712	9,085	353,927	150,736	531,460
2015-2019	101,405	33,900	2,019,745	543,975	2,699,025
2020-2025	105,212	9,937	1,616,212	132,285	1,863,646
Total	<u>\$ 288,651</u>	<u>\$ 95,472</u>	<u>\$ 5,279,043</u>	<u>\$ 1,547,693</u>	<u>\$ 7,211,129</u>

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(7) Special Assessment Bonds:

On September 17, 1996, the City authorized the sale of special assessment bonds. The bonds were sold to Trustmark National Bank. The bonds bear interest at a net rate of 5.75% and mature in various amounts each year through 2011. Proceeds from the bonds will be used to construct the infrastructure for the benefit of owners of fifty-eight lots in the Butler Creek Estates subdivision which is located within the municipality. The bonds are secured by a special tax lien of \$10,345 on each of the fifty-eight lots and each year the owners of such lots shall be assessed an amount sufficient to satisfy the principal and interest due and any other cost associated with the bonds.

The bonds described above are not included in the financial statements since they are properly recorded in an agency fund in accordance with current governmental accounting principles. A bank account required by the issuance of these bonds is maintained by the City. Interest was accrued on the bonds outstanding balances. The balance of the bonds at September 30, 2009 is \$57,857.

(8) Other Required Individual Fund Disclosures

1. Individual fund interfund receivable and payable balances at September 30, 2009 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 177,873
Water & Sewer Fund	<u>177,873</u>	<u>0</u>
Total	<u>\$ 177,873</u>	<u>\$ 177,873</u>

2. 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 generally accepted accounting principals (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 9/30/09 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.

3. Fund Balance Reserves

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(9) Defined Benefit Pension Plan

The City of Florence contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

PERS members are required to contribute 7.25% of their annual covered salary and the City of Florence is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Florence's contributions to PERS for the year ended September 30, 2008 was \$127,657 equal to the required contribution for the year.

(10) 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.

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.

(11) 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.

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(12) 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, 2009:

<u>15 Percent</u>	<u>20 Percent</u>	
Authorized Debt Limit:		
Assessed valuation for the fiscal year ended September 30, 2009 (\$31,263,134)	\$4,689,470	\$6,252,626
Present debt subject to debt limitation	<u>( 241,500)</u>	<u>( 241,500)</u>
Margin for further general indebtedness	<u>\$4,447,970</u>	<u>\$6,011,126</u>

**CITY OF FLORENCE**  
**Notes to Financial Statements**  
**September 30, 2009**

(13) Subsequent Events:

We evaluated subsequent events through July 30, 2010. We noted no material subsequent events that meet the requirements for disclosure.

(14) Reclassifications

Certain prior year financial statement amounts have been reclassified for consistency.

(15) Prior Period Adjustment

During the current year, it was determined that certain prior year payables of \$83,964 were not correctly accrued. To correct this error, the beginning fund balance of the Water and Sewer Fund was decreased by the above amount.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF FLORENCE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended September 30, 2009**

	*See Below Original Budget	Actual	Variance from Original Budget Over (under)
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Taxes	\$ 650,000	\$ 721,957	\$ 71,957
Licenses and permits	176,500	146,463	(30,037)
State shared revenues	911,500	730,883	(180,617)
Fines and forfeits	257,000	396,591	139,591
Other	16,500	32,613	16,113
Total Revenues	<u>2,011,500</u>	<u>2,028,507</u>	<u>17,007</u>
Expenditures:			
General government	820,109	666,185	(153,924)
Public safety	944,733	846,400	(98,333)
Public service	308,528	200,820	(107,708)
Culture and recreation	4,000	4,000	0
Capital outlays	1,040,500	135,117	(905,383)
Debt service	89,731	85,143	(4,588)
Total expenditures	<u>3,207,601</u>	<u>1,937,665</u>	<u>(1,269,936)</u>
Excess of revenues over (under) expenditures	<u>(1,196,101)</u>	<u>90,842</u>	<u>1,286,943</u>
Other financing sources (uses):			
Sale of assets	0	0	0
Land sale proceeds	0	0	0
Operating transfers out	<u>(195,023)</u>	<u>(60,000)</u>	<u>135,023</u>
Total other financing sources (uses)	<u>(195,023)</u>	<u>(60,000)</u>	<u>135,023</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	<u>\$ (1,391,124) \$</u>	<u>30,842</u>	<u>\$ 1,421,966</u>
Fund balance, October 1, 2008		<u>1,367,824</u>	
Fund balance, September 30, 2009		<u>\$ 1,398,666</u>	

\*No budget amendments were made for the year ended September 30, 2009.

See Independent Auditors' Report and notes to financial statements.

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF FLORENCE**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2009**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Robert Morris	Mayor	Municipal Program	\$50,000
All Five Aldermen		Municipal Program	\$50,000 each
Linda C. Wigley	City Clerk	Western Surety	\$75,000
Richard Thomas	Police Chief	Western Surety	\$50,000
Jane M. Morgan	Water Clerk	Western Surety	\$75,000
Melissa J. Mccue	Court Clerk	Western Surety	\$75,000
Nancy Odom	Deputy Clerk	Western Surety	\$10,000
Bottsy Smith	Water Clerk	Western Surety	\$10,000
Judy Hilton	Court Clerk	Western Surety	\$10,000
Various Policemen	Police Department	Western Surety	\$5,000 to \$10,000 each
Various Firemen	Fire Department	Western Surety	\$10,000
Various Park Staff	Park Department	Western Surety	\$10,000

## **COMPLIANCE REPORT**

**Barlow, Walker & Company, P.A.**  
*Certified Public Accountants*

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

282 Maxey Drive  
P. O. Box 150  
Brandon, Mississippi 39043

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

(601)825-1310  
(601)825-1326 Fax

Email: [sandy@brandoncpas.com](mailto:sandy@brandoncpas.com)  
[ken@brandoncpas.com](mailto:ken@brandoncpas.com)

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

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 ("The City"), as of and for the year ended September 30, 2009, and have issued our report thereon dated July 30, 2010. 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 solely for the use of the City of Florence's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Barlow, Walker & Company, P.A.*  
Brandon, Mississippi  
July 30, 2010



The CPA. Never Underestimate The Value.®