

FLORENCE/LAUDERDALE TOURISM BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2017

FLORENCE/LAUDERDALE TOURISM BOARD

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florence/Lauderdale Tourism Board
Florence, Alabama

We have audited the accompanying financial statements of the governmental activities and each major fund of the Florence/Lauderdale Tourism Board, as of and for the two-year period ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Board'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Florence/Lauderdale Tourism Board, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the two-year period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3 through 8 and 32 through 35 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.



The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
August 6, 2018

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

This narrative summary of the financial activities of the Florence/Lauderdale Tourism Board, as compiled by us, the financial management, is being offered as required supplementary information to accompany the audited financial statements for the two-year period ended December 31, 2017.

Overview of the Financial Statements

Readers should be advised that the financial statements are composed of three basic components: (1) financial statements reporting both government-wide and fund-level information; (2) notes to the financial statements; and (3) a budgetary comparison schedule outlining actual and budgeted results. These components are discussed in more detail below.

Government-wide and Fund Financial Statements

These financial statements are meant to present an overall view of the Tourism Board's finances, both on a total entity-wide basis and on a fund-by-fund basis.

The government-wide statement of net position and the governmental funds' balance sheet provides a picture of the financial health of the Tourism Board by presenting information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position/fund balance. Increases in net position/fund balance over time would indicate an overall improvement in the financial health of the organization.

The government-wide statement of activities and the governmental funds' statement of revenues, expenditures, and changes in fund balance report the revenues and expenses/expenditures of the Tourism Board, and provide a useful resource in determining the Tourism Board's ability to maintain and/or improve its current level of service to the community.

Notes to the Financial Statements

The notes to the financial statements provide additional information that will aid in the interpretation of the financial statements. They provide information on the accounting principles used by the Tourism Board, information regarding the retirement plan, and other information that is vital to the reader's understanding and interpretation of the financial statements.

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

Budgetary Comparison Schedule

The Tourism Board, in conjunction with the Tourism President/CEO, prepares a budget for each calendar year. The budget provides a framework for financial expectations. Significant variances from budgeted amounts sometimes occur as the result of unexpected changes in events.

Government-Wide Financial Analysis

Slightly more than 92% of the Tourism Board's revenue is received from lodgings tax collected from hotels, motels, campgrounds, and cabins located in Lauderdale County. An analysis of the statement of net position shows that the majority of the assets are composed of capital assets and cash.

Financial Analysis of the Tourism Board's Funds

The Tourism Board's total net position decreased \$127,763 for the two-year period ended December 31, 2017. The Board received many one-time sponsorships and grants for the construction of the Visitor Center during the prior audit period. Those sponsorships and grants were not repeated during the current audit period.

The following comparisons show the net position and the changes in net position for the current and prior reporting periods.

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

Financial Analysis of the Tourism Board's Funds (Continued)

**Florence/Lauderdale Tourism Board
Net Position**

	December 31,	
	2017	2015
Assets		
Current and other assets	\$ 316,562	\$ 345,283
Capital assets, net	2,244,275	2,345,424
Total assets	<u>\$ 2,560,837</u>	<u>\$ 2,690,707</u>
Deferred Outflows of Resources		
Pensions	\$ 94,559	\$ 17,151
Total deferred outflows of resources	<u>\$ 94,559</u>	<u>\$ 17,151</u>
Liabilities		
Current and other liabilities	\$ 40,274	\$ 40,317
Long-term liabilities	1,729,412	1,890,975
Total liabilities	<u>\$ 1,769,686</u>	<u>\$ 1,931,292</u>
Deferred Inflows of Resources		
Pensions	\$ 246,607	\$ 9,700
Total deferred inflows of resources	<u>\$ 246,607</u>	<u>\$ 9,700</u>
Net Position		
Net investment in capital assets	\$ 691,884	\$ 586,514
Unrestricted	(52,781)	180,352
Total net position	<u>\$ 639,103</u>	<u>\$ 766,866</u>

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

Financial Analysis of the Tourism Board's Funds (Continued)

**Florence/Lauderdale Tourism Board
Changes in Net Position**

	For the Two-Year Period Ended December 31,	
	2017	2015
Revenues		
Lodgings tax	\$ 2,086,455	\$ 1,891,762
Sponsorships and grants	79,975	336,443
Charges for services	101,162	81,951
Interest		185
Gain (loss) on disposition of capital assets		(21,816)
Total revenues	<u>\$ 2,267,592</u>	<u>\$ 2,288,525</u>
Expenses		
Personnel costs	\$ 995,890	\$ 685,393
Tourism promotion	825,652	746,770
Occupancy	240,303	350,339
Depreciation	132,847	115,871
Administrative and other	200,663	191,108
Total expenses	<u>\$ 2,395,355</u>	<u>\$ 2,089,481</u>
Change in net position	<u>\$ (127,763)</u>	<u>\$ 199,044</u>
Net position - beginning	<u>766,866</u>	<u>567,822</u>
Net position - ending	<u><u>\$ 639,103</u></u>	<u><u>\$ 766,866</u></u>

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

Capital Assets and Debt Administration

Capital assets – At December 31, 2017, the Tourism Board had capital assets composed of automotive equipment, building, computer equipment, and signage. This amount is net of accumulated depreciation. Increases during the reporting period represent additions to those categories, while decreases represent retirements of assets and depreciation of depreciable assets for the reporting period.

<u>Capital assets, net of depreciation</u>	<u>December 31,</u>			
	<u>2017</u>	<u>2015</u>	<u>Net Change</u>	<u>Percentage Change</u>
Depreciable assets:				
Building	\$ 2,206,178	\$ 2,325,669	\$ (119,491)	-5.14%
Office and computer equipment	5,123	13,096	(7,973)	-60.88%
Signage	2,578	6,258	(3,680)	-58.80%
Automotive equipment	30,396	401	29,995	7480.05%
Net capital assets	<u>\$ 2,244,275</u>	<u>\$ 2,345,424</u>	<u>\$ (101,149)</u>	<u>-4.31%</u>

Long-term debt – A new Visitor Center was completed in 2014. The City of Florence issued debt to fund the majority of the construction costs. The Board and City entered into a capital lease agreement effective September 1, 2014 whereby the monthly lease payments will be \$15,022. The Board purchased a 2017 Ford Explorer in October 2017. The vehicle purchase was financed with a note payable with Regions Bank.

	<u>December 31,</u>			
	<u>2017</u>	<u>2015</u>	<u>Net Change</u>	<u>Percentage Change</u>
Capital lease obligation	\$ 1,521,882	\$ 1,758,910	\$ (237,028)	-13.48%
Note payable-Regions Bank	30,509		30,509	100.00%
Net pension liability	177,021	132,065	44,956	34.04%
Long-term liabilities	<u>\$ 1,729,412</u>	<u>\$ 1,890,975</u>	<u>\$ (161,563)</u>	<u>-8.54%</u>

**Florence/Lauderdale Tourism Board
Management's Discussion and Analysis
January 2016 – December 2017**

Significant Budget Variances in the General Fund

Inflows

Note A–Sponsorships

- The Board did not receive expected sponsorships/appropriations from the City of Florence, the Lauderdale County Commission, or promotional participation for Visitor Guide advertising sales.

Note B–Merchandise and event sales

- Merchandise sales, ticket sales, and enhanced listings increased over the expected budgeted amount.

Outflows

Note A–Capital outlay

- The Board's only capital expenditure was the purchase of a new vehicle. However, the Board did not budget for the cost of the vehicle being recorded as a capital expenditure.

Next Year's Budget

The Tourism Board's general fund balance at the end of the current reporting period was \$276,288. The Tourism Board's budget for calendar year 2018 anticipates total revenues of \$1,216,693 and total expenses of \$1,216,693.

Request for Information

This annual report is designed to provide a general overview of the Florence/Lauderdale Tourism Board's finances for those persons with an interest. Questions concerning any of the information presented or requests for additional information should be addressed to Florence/Lauderdale Tourism Board, 200 Jim Spain Drive, Florence, Alabama 35630.

FLORENCE/LAUDERDALE TOURISM BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 236,561
Accounts receivable	62,615
Inventories	2,386
Prepaid project costs	15,000
Capital assets (net)	2,244,275
Total assets	\$ 2,560,837
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions	\$ 94,559
Total deferred outflows of resources	\$ 94,559
 LIABILITIES	
Accounts payable	\$ 24,926
Accrued taxes and expenses	15,348
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligation	125,337
Note payable	7,386
Portion due or payable after one year:	
Capital lease obligation	1,396,545
Note payable	23,123
Net pension liability	177,021
Total liabilities	\$ 1,769,686
 DEFERRED INFLOWS OF RESOURCES	
Pensions	\$ 246,607
Total deferred inflows of resources	\$ 246,607
 NET POSITION	
Net investment in capital assets	\$ 691,884
Unrestricted	(52,781)
Total net position	\$ 639,103

The accompanying notes are an integral part of the financial statements.

FLORENCE/LAUDERDALE TOURISM BOARD
STATEMENT OF ACTIVITIES
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Tourism promotion	\$ 2,271,565	\$ 101,162	\$ 79,975	\$ -	\$ (2,090,428)
Interest and fiscal charges	123,790				(123,790)
Total governmental activities	<u>\$ 2,395,355</u>	<u>\$ 101,162</u>	<u>\$ 79,975</u>	<u>\$ -</u>	<u>\$ (2,214,218)</u>
General revenues:					
Lodgings tax					2,086,455
Change in net position					\$ (127,763)
Net position—beginning					<u>766,866</u>
Net position—ending					<u><u>\$ 639,103</u></u>

The accompanying notes are an integral part of the financial statements.

FLORENCE/LAUDERDALE TOURISM BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund
ASSETS	
Cash and cash equivalents	\$ 236,561
Accounts receivable	62,615
Inventories	2,386
Prepaid project costs	15,000
Total assets	\$ 316,562
 LIABILITIES	
Accounts payable	\$ 24,926
Accrued taxes and expenses	15,348
Total liabilities	\$ 40,274
 FUND BALANCE	
Nonspendable:	
Inventories and prepaid items	\$ 17,386
Unassigned	258,902
Total fund balance	\$ 276,288
Total liabilities and fund balance	\$ 316,562

The accompanying notes are an integral part of the financial statements.

FLORENCE/LAUDERDALE TOURISM BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(Continued)

Total fund balance—governmental funds \$ 276,288

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets	\$ 2,543,622	
Accumulated depreciation	<u>(299,347)</u>	2,244,275

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Capital lease obligation	\$ (1,521,882)	
Note payable	(30,509)	
Pensions	<u>(177,021)</u>	(1,729,412)

Deferred outflows of resources related to pensions are not reported in governmental funds.

94,559

Deferred inflows of resources related to pensions are not reported in governmental funds.

(246,607)

Net position of governmental activities

\$ 639,103

**FLORENCE/LAUDERDALE TOURISM BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017**

	General Fund
REVENUES	
Lodgings tax	\$ 2,086,455
Sponsorships	56,000
Grants	23,975
Merchandise and event sales	80,786
Miscellaneous	20,376
Total revenues	\$ 2,267,592
EXPENDITURES	
Current:	
Salaries, taxes, and employee benefits	\$ 789,835
Advertising	118,328
Bank service charges	8,998
Communications	12,856
Contract labor	1,600
Event promotions	11,819
Event sponsorship/hosting	609,820
Insurance	18,605
Meetings and tradeshow registration fees	25,940
Membership dues and subscriptions	23,995
Merchandise for resale	22,301
Office supplies and postage	51,462
Printing and reproduction	13,273
Professional development	1,868
Professional services	56,019
Occupancy	97,908
Technology	23,164
Travel, meals, and entertainment	46,472
Capital outlay	31,698
Debt service:	
Principal retirement	238,217
Interest	123,790
Total expenditures	\$ 2,327,968

The accompanying notes are an integral part of the financial statements.

FLORENCE/LAUDERDALE TOURISM BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017
(Continued)

	General Fund
Excess of expenditures over revenues	\$ (60,376)
OTHER FINANCING SOURCES (USES)	
Proceeds from note payable	31,698
Net change in fund balance	\$ (28,678)
Fund balance—beginning	304,966
Fund balance—ending	<u>\$ 276,288</u>

The accompanying notes are an integral part of the financial statements.

**FLORENCE/LAUDERDALE TOURISM BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017**

Net change in fund balance—governmental funds	\$	(28,678)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 31,698	
Depreciation expense	<u>(132,847)</u>	(101,149)
The issuance of long-term debt (i.e., notes and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt are detailed below.		
Repayment of debt principal	\$ 1,189	
Payments on capital lease obligation	237,028	
Proceeds from issuance of debt	<u>(31,698)</u>	206,519
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pensions		<u>(204,455)</u>
Change in net position of governmental activities	\$	<u><u>(127,763)</u></u>

The accompanying notes are an integral part of the financial statements.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Florence/Lauderdale Tourism Board (the “Board”) was created on July 6, 1995 by an Act of the Legislature of the State of Alabama and began official operations on October 1, 1995. The Act established a tourism board consisting of five members to be appointed by the Lauderdale County Commission (two members), the City of Florence (two members), and one member appointed jointly by the Lauderdale County Commission and the City of Florence. The Act also provided for the collection and distribution of lodgings tax, whereby the Board retains seventy-five percent (75%) of the net lodgings tax collected in Lauderdale County.

The purpose of the Board is to market, advertise, and promote the City of Florence and Lauderdale County as a tourist destination, as well as, a meeting and convention center. This is to be accomplished by soliciting conferences, individual, corporate, and group visitors and through the promotion of special attractions and overall resources of the region. The Board is to further attempt to expand tourism through the support of educational, cultural, recreational, civic, and social activities that enhance the perception of this area by showcasing its hospitality and natural beauty. The overall intent is to strengthen the economic foundation for all citizens of Lauderdale County.

A financial reporting entity is composed of the primary government and component units that are included to ensure the financial statements are not misleading. For financial reporting purposes, the Board's basic financial statements include all funds for which the Board is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if (1) the Board appoints a voting majority of an organization’s governing board, (2) is able to impose its will on that organization, or (3) there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the Board. Additionally, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government, (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and (3) the economic resources received or held by the organization are significant to the primary government. Based on the application of these criteria, there are no component units that should be included as part of the financial reporting entity of the Board.

The financial statements of the Board have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board’s accounting policies are described below.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Financial Statements—The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Although other governments may report both governmental activities and business-type activities, the Board has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, clearly identifiable to a particular function. Program revenues include (a) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and (b) charges to recipients for goods and services offered by the programs. Revenues that are not classified as program revenues, including all local taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Board.

Fund Financial Statements—During the fiscal year, the Board segregates transactions related to certain Board functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Board reports the following major governmental fund:

General Fund—The General Fund is the primary operating fund of the Board. It is used to account for all financial resources, except those required to be accounted for in another fund. The Board primarily receives revenues from local lodging taxes.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

Basis of accounting refers to the point at which revenues, expenditures, expenses, and transfers (and assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Board gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from lodging taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity, if any, has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements—Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues reported in the governmental funds to be available if the revenues are collected within thirty (30) days after year-end. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

C. Asset, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Revenues susceptible to accrual include lodgings tax and other miscellaneous receipts. Receivables due from other governments include amounts due for local lodgings taxes. No allowance for uncollectible accounts has been recorded, as all amounts are considered fully collectible.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than capitalized as an asset. GAAP require only material balances of inventories accounted for using the purchase method to be reported as an asset in the appropriate governmental fund.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are reported as nonspendable fund balance to indicate they do not constitute current resources available for appropriation.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost in the statement of net position. Donated assets are recorded at their estimated fair value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized upon project completion. Capital assets are recorded as expenditures at the date of acquisition in the fund financial statements. The Board has no general infrastructure assets.

Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the asset and reported in the statement of activities. Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

<i>Description</i>	<i>Capitalization Threshold</i>	<i>Estimated Useful Lives</i>
Building and building improvements	\$ 2,500	40 years
Aquarium	2,500	20 years
Land improvements - exhaustible	2,500	20 years
Machinery, equipment, vehicles, furniture, and fixtures	2,500	5 - 7 years

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated.

Long-term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt is reported in the statement of net position. Interest expense for long-term debt is reported in the statement of activities.

In the fund financial statements, expenditures for debt principal, interest, and related costs are reported in the year payments are made. The face amount of the debt issued during the year is reported as an other financing source. The balance sheet does not reflect a liability for long-term debt.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of The Employees' Retirement System of Alabama (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. ERS's financial statements are prepared in accordance with GASB requirements. ERS is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Net Position

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ *Net investment in capital assets*—Capital assets, net of accumulated depreciation, reduced by the outstanding principal balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
- ◆ *Restricted*—Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provision or enabling legislation.
- ◆ *Unrestricted*—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

When both restricted and unrestricted resources are available for use, it is the policy of the Board to use restricted resources first, then unrestricted resources as they are needed.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable—The nonspendable fund balance classification represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as inventories on hand and prepaid expenditures.

Restricted—The restricted fund balance classification represents amounts that have spending constraints placed on the use of resources that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed—The committed fund balance classification represents amounts that can only be used for specific purposes imposed by formal action (ordinance or resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it previously employed to commit those amounts. In contrast to fund balance that is restricted by enabling legislation, amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process.

Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned—The assigned fund balance classification represents amounts that are constrained by the Board’s intent to be used for specific purposes, but are neither restricted nor committed. The Board authorizes the Tourism Director to make a determination of the assigned amounts of fund balance. Except for the General Fund, the assigned fund balance classification represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed.

Unassigned—The unassigned fund balance classification represents the residual fund balance for the General Fund that has not been restricted, committed, or assigned to specific purposes. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, then the unassigned classification is used to report a negative fund balance.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, and unassigned) amounts are available, it is the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Process

Annual budgetary appropriations are adopted and used during the calendar year as a management control device on a basis consistent with accounting principles generally accepted in the United States of America. At the close of each calendar year, the unspent balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The original and final budget amounts are reflected in these financial statements.

NOTE 3—DEPOSITS AND INVESTMENTS

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

The Board chooses to disclose its investments by specific identification. The Board has adopted an investment policy that allows surplus funds to be invested in FDIC insured investment products such as certificates of deposit and money market savings accounts.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES

Receivables at December 31, 2017 were as follows:

	<i>Due from Other Governments</i>
General Fund	<u><u>\$ 62,615</u></u>

Payables at December 31, 2017 were as follows:

	<i>Vendors</i>	<i>Salaries and Benefits</i>	<i>Due to Other Governments</i>	<i>Totals</i>
General Fund	<u><u>\$ 22,049</u></u>	<u><u>\$ 17,975</u></u>	<u><u>\$ 250</u></u>	<u><u>\$ 40,274</u></u>

NOTE 5—CAPITAL ASSETS

Capital asset activity for the reporting period was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Depreciable assets:				
Building	\$ 2,413,098	\$ -	\$ -	\$ 2,413,098
Office furniture and equipment	39,144			39,144
Computer equipment	12,361			12,361
Signage	9,450			9,450
Automotive equipment	55,855	31,698	17,984	69,569
Total capital assets	<u><u>\$ 2,529,908</u></u>	<u><u>\$ 31,698</u></u>	<u><u>\$ 17,984</u></u>	<u><u>\$ 2,543,622</u></u>
Less accumulated depreciation:				
Building	\$ 87,429	\$ 119,491	\$ -	\$ 206,920
Office furniture and equipment	26,423	7,665		34,088
Computer equipment	11,986	308		12,294
Signage	3,192	3,680		6,872
Automotive equipment	55,454	1,703	17,984	39,173
Total accumulated depreciation	<u><u>\$ 184,484</u></u>	<u><u>\$ 132,847</u></u>	<u><u>\$ 17,984</u></u>	<u><u>\$ 299,347</u></u>
Capital assets, net	<u><u>\$ 2,345,424</u></u>	<u><u>\$ (101,149)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,244,275</u></u>

Depreciation expense was charged to the following governmental function:

Tourism promotion	<u><u>\$ 132,847</u></u>
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FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 6—LONG-TERM OBLIGATIONS

The Board's long-term liabilities activity for the reporting period was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>
Capital lease obligation	\$ 1,758,910	\$ -	\$ 237,028	\$ 1,521,882
Note payable - Regions Bank		31,698	1,189	30,509
Net pension liability	132,065	44,956		177,021
	<u>\$ 1,890,975</u>	<u>\$ 76,654</u>	<u>\$ 238,217</u>	<u>\$ 1,729,412</u>

On October 23, 2017, the Board entered into an installment loan agreement with Regions Bank in the amount of \$31,698 for the purchase of a vehicle. This note bears an interest rate of 5.30% and will be fully paid on October 23, 2021.

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

<i>Calendar Year Ending December 31</i>	<i>Note Payable</i>		<i>Total Debt Service to Maturity</i>
	<i>Principal</i>	<i>Interest</i>	
2018	\$ 7,386	\$ 1,439	\$ 8,825
2019	7,787	1,038	8,825
2020	8,210	615	8,825
2021	7,126	169	7,295
Totals	<u>\$ 30,509</u>	<u>\$ 3,261</u>	<u>\$ 33,770</u>

NOTE 7—LEASE OBLIGATIONS

Capital Lease

On September 6, 2014, the Board entered into a lease agreement with the City of Florence for the lease of the new visitor's center. The lease term began September 1, 2014. The capital lease is a 162-month lease with monthly rental payments of \$15,022. The economic substance of this lease is that the Board is financing the acquisition of the building through the lease. Accordingly, the assets and liabilities under the capital lease have been recorded at the present value of the minimum lease payments discounted at an interest rate of 3.75%.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 7—LEASE OBLIGATIONS (Continued)

The following is a summary of assets held under the capital lease as of December 31, 2017:

Building	\$ 1,913,309
Less accumulated depreciation	<u>157,715</u>
Net book value	<u><u>\$ 1,755,594</u></u>

Future minimum lease payments are as follows:

<i>Calendar Year Ending</i>	<i>Amount</i>
2018	\$ 180,268
2019	180,268
2020	180,268
2021	180,268
2022	180,268
Thereafter	<u>931,388</u>
Total minimum lease payments	\$ 1,832,728
Less amount representing interest	<u>310,846</u>
Present value of minimum lease payments	<u><u>\$ 1,521,882</u></u>

Operating Leases

The Board is committed under various leases for office equipment. These leases are considered, for accounting purposes, to be operating leases. Lease expenditures for the reporting period amounted to \$26,949. Future minimum annual rental payments are as follows:

<i>Calendar Year Ending</i>	<i>Amount</i>
2018	\$ 12,968
2019	12,968
2020	12,968
2021	12,968
2022	<u>3,937</u>
Totals	<u><u>\$ 55,809</u></u>

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN

Plan Description—The Employees’ Retirement System of Alabama (ERS), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act Number 515 of the Legislature of 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided—State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Any employees who had any creditable service prior to January 1, 2013 are referred to as “Tier 1” employees. Tier 1 employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity’s election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 members of the ERS are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member’s age, service credit, employment status, and eligibility for retirement.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	23,007
Terminated employees entitled to,	
but not yet receiving, benefits	1,155
Terminated employees not	
entitled to a benefit	6,654
Active members	55,058
Total	85,874

Contributions— Tier 1 members of the ERS contribute 5% of earnable compensation to the ERS as required by statute. Effective October 1, 2011, the State enacted legislation to increase the contribution rate for Tier 1 members. However, ERS local participating employers were not required by statute to increase contribution rates for their Tier 1 members. Effective October 1, 2011, the Board elected to continue the contribution rate for Tier 1 members at 5% of earnable compensation. Absent of this election on October 1, 2011, Tier 1 members of the ERS were required by statute to contribute 7.25% of earnable compensation and, effective October 1, 2012, Tier 1 members of the ERS were required by statute to contribute 7.50% of earnable compensation. Tier 2 members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended December 31, 2017, the Board’s active employee contribution rate was 5.57% of covered employee payroll, and the Board’s average contribution rate to fund the normal and accrued liability costs was 5.20% of pensionable payroll.

The Board’s contractually required contribution rate for the year ended September 30, 2017 was 6.09% of pensionable pay for Tier 1 employees and 5.72% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$33,459 for the reporting period.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability—The Board’s net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 that was rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2015 (a)	\$ 338,756
Discount rate (b)	7.75%
Entry age normal cost for October 1, 2015—September 30, 2016 (c)	22,772
Transfers among employers (d)	(2,755)
Actual benefit payments and refunds for October 1, 2015— September 30, 2016 (e)	-
Total pension liability as of September 30, 2016 [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$ 385,027

Actuarial Assumptions—The total pension liability as of September 30, 2016 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return	7.75%, net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

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 returns, net of pension plan investment expense, and 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Rate of Return *</i>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%

* Includes assumed rate of inflation of 2.50%

Discount Rate—The discount rate used to measure the total pension liability was 7.75%. The discount rate used at the prior measurement date was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were 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.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability—The following table presents the changes in net pension liability:

	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (a) - (b)</i>
Balances at September 30, 2015	\$ 503,821	\$ 161,885	\$ 341,936
Changes for the year:			
Service cost	\$ 16,292	\$ -	\$ 16,292
Interest	40,306		40,306
Changes of assumptions	79,745		79,745
Differences between expected and actual experience	(252,382)		(252,382)
Contributions - employer		14,497	(14,497)
Contributions - employee		16,457	(16,457)
Net investment income		17,922	(17,922)
Transfers among employers	(2,755)	(2,755)	-
Net changes	\$ (118,794)	\$ 46,121	\$ (164,915)
Balances at September 30, 2016	\$ 385,027	\$ 208,006	\$ 177,021

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Board’s net pension liability calculated using the discount rate of 7.75%, as well as what the Board’s proportionate share of the 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:

	<i>1% Decrease</i>	<i>Current Rate</i>	<i>1% Increase</i>
Board's net pension liability	\$ 231,373	\$ 177,021	\$ 131,753

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor’s report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

FLORENCE/LAUDERDALE TOURISM BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended December 31, 2017, the Board recognized pension expense of \$226,363. At December 31, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on plan investments	\$ 2,368	\$ -
Changes of assumptions	71,690	
Differences between expected and actual experience		246,607
Employer contributions subsequent to the measurement date	20,501	
Totals	\$ 94,559	\$ 246,607

The Board reported \$20,501 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<i>Year Ended December 31</i>	<i>Amount</i>
2018	\$ (21,068)
2019	(21,068)
2020	(18,641)
2021	(22,071)
2022	(21,304)
Thereafter	(68,397)

NOTE 9—RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has purchased commercial insurance for its buildings and contents, automobile liability, employee dishonesty, director's and officer's liability, and employee injury through traditional insurance coverage. The Board pays an annual premium based on the amount of coverage. Settled claims from these risks have not exceeded the Board's coverage for the last three reporting periods.

REQUIRED SUPPLEMENTARY INFORMATION

FLORENCE/LAUDERDALE TOURISM BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget—</u> <u>Positive</u> <u>(Negative)</u>
Budgetary fund balance—beginning	\$ 304,966	\$ 304,966	\$ 304,966	\$ -
Resources (inflows):				
Lodgings tax	1,997,812	1,997,812	2,086,455	88,643
Sponsorships	104,000	91,000	56,000	(35,000)
Grants	36,500	29,000	23,975	(5,025)
Merchandise and event sales	48,500	55,100	80,786	25,686
Miscellaneous		1,250	20,376	19,126
Amounts available for appropriation	<u>\$ 2,491,778</u>	<u>\$ 2,479,128</u>	<u>\$ 2,572,558</u>	<u>\$ 93,430</u>
Charges to appropriations (outflows):				
Salaries, taxes, and employee benefits	\$ 820,288	\$ 791,531	\$ 789,835	\$ 1,696
Advertising	91,751	116,837	118,328	(1,491)
Bank service charges	5,440	5,440	8,998	(3,558)
Communications	14,825	14,825	12,856	1,969
Contract labor	1,600	1,600	1,600	-
Event promotions	8,500	8,000	11,819	(3,819)
Event sponsorship/hosting	540,200	584,766	609,820	(25,054)
Insurance	29,600	32,800	18,605	14,195
Meetings and tradeshow registration fees	22,320	22,270	25,940	(3,670)
Membership dues and subscriptions	21,973	20,573	23,995	(3,422)
Merchandise for resale	17,000	17,000	22,301	(5,301)
Office supplies and postage	52,739	70,265	51,462	18,803
Printing and reproduction	16,500	24,400	13,273	11,127
Professional development	2,500	2,500	1,868	632
Professional services	40,400	54,300	56,019	(1,719)
Occupancy	100,139	105,061	97,908	7,153
Technology	18,940	22,467	23,164	(697)
Travel, meals, and entertainment	36,000	47,000	46,472	528
Capital outlay			31,698	(31,698)
Debt service	360,536	375,549	362,007	13,542
Total charges to appropriations	<u>\$ 2,201,251</u>	<u>\$ 2,317,184</u>	<u>\$ 2,327,968</u>	<u>\$ (10,784)</u>
Budgetary fund balance—ending	<u>\$ 290,527</u>	<u>\$ 161,944</u>	<u>\$ 244,590</u>	<u>\$ (82,646)</u>

FLORENCE/LAUDERDALE TOURISM BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE TWO-YEAR PERIOD ENDED DECEMBER 31, 2017
(Continued)

Explanation of differences between budgetary inflows and GAAP revenues:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,572,558
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource, but is not a current-year revenue for financial reporting purposes.	<u>(304,966)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance—governmental funds	<u><u>\$ 2,267,592</u></u>

FLORENCE/LAUDERDALE TOURISM BOARD

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ended September 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service cost	\$ 16,292	\$ 19,181	\$ 19,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	40,306	38,029	34,351							
Changes of benefit terms										
Differences between expected and actual experience	(252,382)	(27,450)								
Changes of assumptions	79,745									
Benefit payments, including refunds of employee contributions		(2,592)	(14,139)							
Transfers among employers	(2,755)									
Net change in total pension liability	\$ (118,794)	\$ 27,168	\$ 40,200	\$ -						
Total pension liability—beginning	503,821	476,653	436,453							
Total pension liability—ending (a)	\$ 385,027	\$ 503,821	\$ 476,653	\$ -						
Plan fiduciary net position										
Contributions - employer	\$ 14,497	\$ 13,843	\$ 12,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - employee	16,457	12,179	11,791							
Net investment income	17,922	2,987	36,382							
Benefit payments, including refunds of employee contributions		(2,592)	(14,139)							
Transfers among employers	(2,755)	(209,120)								
Net change in plan fiduciary net position	\$ 46,121	\$ (182,703)	\$ 46,366	\$ -						
Plan fiduciary net position—beginning	161,885	344,588	298,222							
Plan fiduciary net position—ending (b)	\$ 208,006	\$ 161,885	\$ 344,588	\$ -						
Net pension liability—ending (a - b)	\$ 177,021	\$ 341,936	\$ 132,065	\$ -						
Plan fiduciary net position as a percentage of the total pension liability	54.02%	32.13%	72.29%							
Covered-employee payroll	\$ 301,851	\$ 219,575	\$ 240,368							
Net pension liability as a percentage of covered-employee payroll	58.65%	155.73%	54.94%							

FLORENCE/LAUDERDALE TOURISM BOARD

Schedule of Employer Contributions

Last 10 Fiscal Years Ended September 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 16,307	\$ 14,681	\$ 13,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	16,307	14,681	13,300							
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 295,163	\$ 301,851	\$ 219,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	5.52%	4.86%	6.06%							

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.00%
Salary increases:	3.75% – 7.25%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation